

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
FOR
STONEGATE IN THE RANCH AT PRESCOTT

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
STONEGATE IN THE RANCH AT PRESCOTT

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made and entered into as of the date hereinafter set forth by Yavapai Title Company, an Arizona corporation, as Trustee under its Trust No. 344 (Owner), and Bullwhacker Associates, an Arizona limited partnership ("Declarant").

RECITALS

WHEREAS, Declarant, successor in interest to Stonegate in The Ranch at Prescott, an Arizona non-profit Corporation, is the owner of that parcel of real property situated in Yavapai County, Arizona, which is more particularly described as follows (the "Parcel"):

Lots 808, 809, 810, 816, 817, 818, and 819, THE RANCH AT PRESCOTT, UNIT VII, in Book 31 of maps, pages 88, records of Yavapai County, Arizona.

WHEREAS, Declarant desires to submit and subject the Parcel, all easements, rights, appurtenances, and privileges belonging or in any way pertaining thereto (all of which collectively comprise the "Property"), to the covenants, conditions, restrictions, liens, assessments, easements, privileges, and rights contained herein; and

WHEREAS, it is desirable for the efficient management of the Project to create an owners association with the powers of managing, maintaining, and administering the common areas within the Project; and

WHEREAS, Stonegate in The Ranch at Prescott Homeowners Association, a nonprofit corporation, has been, or will be, incorporated under the laws of the State of Arizona for the purpose of exercising such powers and functions; and

WHEREAS, Declarant desires and intends that the owners, mortgagees, beneficiaries and trustees under trust deeds, occupants, and all other persons hereinafter acquiring any interest in the Property, or any part thereof, shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, liens, assessments, easements, privileges, and rights hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the Project.

NOW, THEREFORE, Declarant, for the purposes above set forth, declares that the Property, and each and every part thereof, shall hereafter be held, owned, transferred, sold, purchased conveyed, mortgaged, encumbered, leased, occupied, and used subject to the covenants, conditions, restrictions, liens, assessments, easements, privileges, and rights hereinafter set forth, all of which shall run with the land and be binding upon the Property, and each and every part thereof, and all parties having or acquiring any right, title, or interest in or to the Property, or any part thereof, and shall inure to the benefit of each owner thereof, the Association, and each member of the Association.

1. DEFINITIONS

Unless the context clearly requires otherwise, the following terms used in this Declaration are defined as follows. Defined terms appear throughout this Declaration with the initial letters of such terms capitalized.

1.1 "Articles" means the Articles of Incorporation of the Association, as the same may be amended from time to time.

1.2 "Assessments" shall include the following:

1.2.1 "Regular Assessment" means the amount which is to be paid by each Owner as such Owner's Proportionate Share of the Common Expenses of the Association, as provided in Section 4.2.

1.2.3 "Reconstruction Assessment" means the amount which is to be paid by each Owner as such Owner's Proportionate Share of the cost to the Association for reconstruction of any portion of the Common Areas.

1.2.4 "Capital Improvement Assessment" means the amount which is to be paid by each Owner as such Owner's Proportionate Share of the cost to the Association for the installation or construction of any capital improvements on any of the Common Areas.

1.3 "Association" means Stonegate in The Ranch at Prescott Homeowners Association, an Arizona nonprofit corporation, and its successors and assigns.

1.4 "Association Rules" means the rules and regulations from time to time adopted by the Association pursuant to Section 3.8.

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

1.6 "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

1.7 "Common Areas" means easements, licenses, rights, or rights-of-way belonging or in any way pertaining to the Property, and the Private Roads.

1.8 "Common Expenses" means the actual and estimated costs incurred by the Association in administering, maintaining, and operating the Project, including, without limitation, the following:

(a) maintenance, management, operation, repair, and replacement of the Common Areas, and all other areas on the Project which are maintained by the Association (if any);

(b) unpaid Assessments;

(c) costs of management and administration of the Association, including, without limitation, any compensation paid by the Association to directors, officers, managers, accountants, attorneys, agents, and employees;

(d) costs of utilities, including, without limitation, water, electricity, gas, sewer, trash pick-up and disposal, landscaping maintenance, and cable television which are provided to the Association or the Project and not individually metered or assessed by Lot, and other services which generally benefit and enhance the value and desirability of the Project and which are provided by the Association;

(e) costs of fire, casualty, liability, workmen's compensation, and other insurance covering the Common Areas;

(f) costs of any other insurance obtained by the Association;

(g) taxes paid by the Association, if any;

(h) amounts paid by the Association for discharge of any liens or encumbrances levied against the Common Areas, or any part thereof;

(i) costs incurred by committees established by the Board;

(j) costs incurred by the Association under the Settlement Agreement, (if any);

(k) costs of security gates at entrances to the Project from the public streets, and any other security systems or services installed, operated, maintained, or contracted for by the Association;

(l) any other costs incurred by the Association for any reason whatsoever in connection with the Common Areas (excepting reconstruction costs and capital improvement costs, which are otherwise provided for herein), or the costs of any other item or items designated by, or to be provided or performed by, the Association pursuant to this Declaration, the Articles, Bylaws, Association Rules, or Design Guidelines, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

1.9 "Declarant" means the above-recited Declarant, and its successors and assigns.

1.10 "Declaration" means this instrument, as from time to time amended.

1.11 "Default Rate of Interest" means an annual rate of interest equal to the prime rate as announced from time to time by Bank One, in Phoenix, Arizona (as the rate charged to its largest and most credit worthy customers), with interest hereunder adjusted as and when said prime rate is adjusted, plus four percent (4%) per annum. Notwithstanding anything herein to the contrary, if during any period the highest lawful rate of interest which may be paid by any Person required to pay the Default Rate of Interest hereunder, despite the provisions hereof, is less than the rate provided above, the interest payable by such Person during said period shall be the highest lawful rate. If Bank One would cease doing business or no longer announce its prime rate as described above, the Association may compute interest hereunder upon the announced prime rate of any other bank doing business in Arizona.

1.12 "Lot" means any of the seven (7) individual numbered lots in the Property as shown on the Plat. A "Lot" shall not include any Common Areas.

1.13 "Majority of Members" means more than fifty percent (50%) of the total votes entitled to be cast with respect to a given matter.

1.14 "Master Association" means The Ranch at Prescott, Unit VII, Homeowners Association, an Arizona non-profit corporation, organized pursuant to the provisions of the Master Declaration.

1.15 "Master Declaration" means the Amended and Restated Declaration of Covenants, Conditions and Restrictions for The Ranch at Prescott recorded in Book 2950, pages 430 through 466, records of Yavapai County, Arizona, as amended from time to time

1.16 "Member" means every Person defined as a "Member" in the Association pursuant to Section 3.

1.17 "Occupant" means any Person, other than an Owner or a Member, in rightful possession of a Lot, whether as a family member, guest, tenant, or otherwise.

1.18 "Owner" means any Person who is the record holder of legal title to the fee simple interest in any Lot.

Provided, however, that if more than one Person is the Owner of any Lot, whether as tenants in community, joint tenants, tenants in common, tenants by the entirety, or otherwise, all of such Persons collectively shall be deemed to be the "Owner" of such Lot hereunder.

1.19 "Parcel" means that parcel of real property referred to in the recitals hereof.

1.20 "Person" means an individual, Limited Partnership, partnership, trustee, or other entity capable of holding title to real property and their respective heirs, personal representatives, successors, and assigns.

1.21 "Plat" means the seven (7) lots as described in the plat of subdivision of The Ranch at Prescott, Unit VII, as recorded in the official records of Yavapai County, Arizona, as described in the recitals hereof, and as thereafter from time to time amended or supplemented.

1.22 "President" means the duly elected or appointed President of the Association.

1.23 "Private Roads" and "Private Streets" are synonymous and mean any street, roadway, drive, sidewalk, walkway, path, or other right-of-way within the Project which has not expressly been dedicated to the public use.

1.24 "Project" means the master planned development of the Property, as described in the recitals hereof, to be called "Stonegate in The Ranch at Prescott".

1.25 "Property" means the Parcel and all easements, rights, appurtenances, and privileges now or hereafter belonging or in any way pertaining thereto.

1.26 "Proportionate Share" for any Owner means that fraction wherein the numerator is the number of Lots owned by such Owner and the denominator is the total number of Lots in the Property according to the Plat (that is, seven (7)). Provided, however, that if more than one Person is the Owner of any Lot, whether as tenants in community, joint tenants, tenants in common, tenants by the entirety, or otherwise, such Persons shall be jointly and severally liable for the Proportionate Share with respect to such Lot.

2. RIGHTS OF ENJOYMENT

2.1 Members' Right of Enjoyment. Every Member shall have a non-exclusive easement for use and enjoyment in and to the Common Areas, which right shall be appurtenant to and shall pass with such Member's membership as herein provided, and shall be subject to all of the easements, covenants, conditions, restrictions, and other provisions contained in this Declaration and on the recorded plat, including, without limitation, the following provisions:

2.1.1 The right of the Association to establish reasonable rules and regulations pertaining to or restricting the use of the Common Areas by Members, Occupants, or other Persons.

2.1.2 The right of the Association to borrow money for the purposes of improving, replacing, restoring, or repairing the Common Areas.

2.2 Delegation of Use. No Member may delegate his right of use and enjoyment of the Common Areas to any Person, except to Occupants, and to any other Persons as may be permitted by the Association Rules.

3. ASSOCIATION

3.1 Purposes of Association. The Association has been, or will be, incorporated as a nonprofit corporation to serve as the governing body for all of the Members as provided in this Declaration, the Articles, Bylaws, and Association Rules.

3.2 Master Association. The Project is part of a master planned community known as The Ranch at Prescott. The Project shall be subject to the terms and conditions of the Master Declaration, the Articles of Incorporation, Bylaws and Design Guidelines, as such documents may be amended from time to time (collectively, the "Master Association Documents"). Each Owner of a Lot will be obligated to pay assessments and other charges to the Master Association in accordance with the Master Association Documents. All assessments and other charges due to the Association under this Declaration shall be in addition to the assessments and other charges payable to the Master Association. All consents required by this Declaration of the Design Review Committee or the Board shall be in addition to any consents required under the Master Association Documents. In the event of any conflict or inconsistency between the restrictions, with respect to the use or occupancy of the Lots set forth in the Master Association Documents and the restrictions set forth in this Declaration or in the Design Guidelines, the more restrictive provisions shall control.

3.3 Membership in Association. The Association shall have as Members only Owners. All Owners, upon becoming such, shall be deemed automatically to have become Members, and there shall be no other qualifications for membership. Each Owner shall be a Member of the Association so long as he shall be an Owner, and such membership shall automatically terminate when he ceases to be an Owner. Membership shall be appurtenant to and may not be separated from ownership of any Lot. A membership in the Association shall not be transferred, pledged, or alienated in any way, except as herein expressly provided. A membership shall automatically be transferred to the new Owner upon the transfer of the Lot to which it appertains (and then only to such transferee), whether by sale, conveyance, intestate succession, testamentary disposition, foreclosure of a Mortgage, trustee's sale, forfeiture, or otherwise. Any attempt to make a prohibited transfer of a membership in the Association is void and will not be recognized by or reflected upon the books and records of the Association. In the event any Member fails or refuses to transfer or surrender the membership registered in his name as herein required, the Association shall have the right to record a transfer upon the books and records of the Association and issue a new membership as appropriate, and thereupon the old membership outstanding in the name of said Member shall be null and void as though the same had been surrendered. Provided, however, that if more than one Person is the Owner of any Lot, whether as tenants in community, joint tenants, tenants in common, tenants by the entirety, or otherwise, each of such Persons shall be deemed to be a Member, but all of such Persons collectively shall hold only a single membership in the Association.

3.4 Voting Rights.

3.4.1 Each Owner shall have one (1) vote for each Lot owned by such Owner.

3.4.2 The Association shall have the power to suspend the right of any Member to vote or to participate in any vote during any period in which any Assessment respecting such Member remains unpaid and delinquent.

3.5 Board of Directors.

3.5.1 The affairs of the Association shall be conducted by the Board as herein provided and in accordance with the Articles and Bylaws. Except for directors elected by Declarant, each director shall be a Member or the spouse of a Member. If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant.

3.5.2 Declarant shall have the absolute power and right to appoint and remove the members of the Board until the expiration of Declarant's control of the Association pursuant to Section 3.12.

3.5.3 Following the expiration of Declarant's control of the Association pursuant to Section 3.12, all or any member of the Board may be removed from office at any time by action of the Members, as follows. Upon the presentation to the President of a petition duly executed by fifty percent (50%) of all of the Members in favor of the removal from office of the member or members of the Board therein named, a special meeting of the Members shall be promptly held to determine whether such member or members of the Board should be removed from office. Upon the affirmative vote of two-thirds (2/3) of all of the Members to remove such member or members of the Board from office, such member or members shall be deemed removed from office. Any vacancy on the Board created by the removal of a member of the Board as herein provided shall be filled by an election by the Members in the manner provided in the Articles or Bylaws for the election of directors.

3.6 Association Bound. Upon its incorporation, this Declaration shall be binding upon and shall benefit the Association.

3.7 Additional Provisions in Articles and Bylaws. The Articles and Bylaws may contain any provisions relating to the conduct of the affairs of the Association and the rights and powers of its directors, officers, employees, agents, and Members not inconsistent with law or this Declaration.

3.8 Association Rules. The Board shall be empowered to adopt, amend, or repeal such rules and regulations from time to time as it deems reasonable and appropriate (the "Association Rules").

3.9 Non-Liability of Officials. To the fullest extent permitted by law, the directors and officers of the Association, Declarant, and the members of any other committees of the Association shall not be liable to any Member, Occupant, the Association, or any other Person for any damage or loss suffered or claimed on account of any decision, course of action, action, inaction, omission, error, negligence, or the like made in good faith and which such directors, officers, Declarant, or members of any other committees of the Association reasonably believed to be within the scope of their respective duties.

*** 3.10 Easements. In addition to the blanket easements granted in Section 4.1, the Association is authorized and empowered to grant to itself or to any other Person upon, across, over, or under the Property, or any part thereof, such permits, licenses, easements, and rights-of-way for sewer lines, water lines, pipes, underground conduits, storm drains, television cable, and other similar public or private utility purposes, or other purposes as may be reasonably necessary and appropriate for the orderly maintenance, preservation, use, and enjoyment of the Common Areas or for the preservation of the health, safety, convenience, and welfare of the Members, provided that any damage to any Lot resulting from any such grant shall be repaired by the Association at its expense.

3.11 Accounting. The Association shall at all times keep, or cause to be kept, true and correct books and records of account in accordance with generally accepted accounting principals, which shall specify in reasonable detail all costs incurred and funds accumulated from Assessments or otherwise.

3.12 Declarant's Control of Association. Notwithstanding anything in this Declaration to the contrary, Declarant may maintain control over the Association, including, without limitation, appointment of the members of the Board, until the sale or other disposition of the last Lot owned by Declarant for

resale as part of the development of the Project. Declarant, in its sole discretion, may (but shall not be required to) permit the other Members to assume control of the Association at any time.

4. ASSESSMENTS.

4.1 Creation of Lien and Personal Obligation. Each Owner, by becoming an Owner, is deemed to covenant and agree to pay to the Association Reconstruction Assessments, such Assessments to be established and collected by the Association from time to time as provided in this Declaration. Such Assessments, together with interest thereon, late charges, attorneys' fees, court costs, and other costs of collection thereof (all of which shall be deemed to be a part of such Assessments), shall be a continuing lien from the date of recordation of this Declaration upon each Owner's Lot, and shall also be the personal obligation of the Owner to whom such Assessments relate, which personal obligation shall continue even after such Owner is no longer the Owner of the Lot in question. The personal obligation for any Assessments shall not pass to an Owner's successor unless expressly assumed by him, however, any such obligation remains on each lot until paid.

4.2 Regular Assessments.

4.2.1 Each Owner shall pay as his Regular Assessment such Owner's Proportionate Share of the Common Expenses. Except as otherwise specifically provided herein, payment of Regular Assessments shall be in such amounts and at such times as may be provided in the Articles and Bylaws or as determined by the Association.

4.2.2 Not later than sixty (60) days prior to the beginning of each fiscal year of the Association, the Association shall make available for review by each Member at the Association's office during reasonable hours a pro forma operation statement or budget for the upcoming fiscal year which shall, among other things estimate the total Common Expenses to be incurred for such fiscal year. Not later than sixty (60) days prior to the beginning of each fiscal year of the Association, the Association shall determine the amount of the Regular Assessment to be paid by each Owner for the upcoming fiscal year and shall give written notice thereof to each Owner. Each Owner shall thereafter pay to the Association his Regular Assessment in equal monthly installments during such fiscal year. Each such installment shall be due and payable on the date set forth in the written notice given to each Owner.

4.2.3 If at any time during any fiscal year the Association determines that the aggregate Regular Assessments for such year are, or will become, inadequate to meet all Common Expenses for such year for whatever reason, including actual Common Expenses in excess of the estimated Common Expenses used in preparation of the Association's budget for such year, the Association shall immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses for such year and determine the revised amount of the Regular Assessment to be paid by each Owner for the balance of the year and shall give written notice thereof to each Owner. Each Owner shall thereafter pay to the Association his revised Regular Assessment in equal monthly installments during the balance of such fiscal year. Each such installment shall be due and payable on the date set forth in the written notice given to each Owner. If the aggregate Regular Assessments for any fiscal year prove to be excessive in light of the actual Common Expenses for such year, the Association may, at the discretion of the Board, retain such excess as additional working capital or reserves, reduce the amount of the Regular Assessments for the succeeding year, or abate collection of Regular Assessments for such period as it deems appropriate.

4.3 Capital Improvement Assessments.

4.3.1 The Association may levy in any fiscal year a Capital Improvement Assessment applicable to that year only, for the purpose of defraying the cost to the Association for the installation or construction of any capital improvements on any of the Common Areas. If levied in any fiscal year, each

Owner shall pay as his Capital Improvement Assessment for such year such Owner's Proportionate Share of the cost to the Association for the installation or construction of any capital improvements on any of the Common Areas. Except as otherwise specifically provided herein, payment of Capital Improvement Assessments shall be in such amounts and at such times as may be provided in the Articles and Bylaws or as determined by the Association. Provided, however, that without the vote of a Majority of Members, the Association shall not impose a Capital Improvement Assessment in any one (1) fiscal year the aggregate amount of which exceeds five percent (5%) of the estimated Common Expenses for such year. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Association in a separate bank account for such purposes.

4.4 Date of Commencement of Regular Assessments. The Regular Assessments shall commence as to each Owner on the first day of the month following the date of conveyance to such Owner of the Lot to which such Regular Assessments relate.

4.5 Time and Manner of Payment: Late Charges and Interest. Assessments shall be due and payable in such manner and at such times as the Association shall designate. If not paid within ten (10) days after its due date, each Assessment shall have added to it a late charge equal to ten percent (10%) of the amount of the Assessment and shall bear interest at the Default Rate of Interest from its due date until paid. The Association may, in its discretion and without waiving the imposition of a late charge or interest in any other instance, waive the late charge and/or interest in any particular instance.

4.6 No Offsets. All Assessments shall be payable in the amount specified in the Assessment or notice of Assessment, and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that: (a) the Association or the Declarant is not properly exercising any of its duties or powers; (b) Regular Assessments for any period exceed Common Expenses.

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

4.8 Certificate of Payment. Upon becoming an Owner, any Person or Persons shall be entitled to a certificate from the Association setting forth the amount of due but unpaid Assessments relating to the Lot in question, if any, and no lien shall attach to the Lot in excess of the amount set forth in the certificate, except for Assessments which accrue after the date thereof.

4.9 Enforcement of Assessment Liens.

4.9.1 The Assessment lien and the right of foreclosure hereunder shall be in addition to and not in substitution for all other rights and remedies which the Association may have hereunder, at law, or in equity, including without limitation, a suit to recover a money judgment for any unpaid Assessment.

4.9.2 All of the provisions of this Section 4 relating to the enforcement of the Assessment lien provided for herein shall apply with equal force in each other instance provided for in this Declaration, the Articles, Bylaws, or Association Rules wherein it is stated that payment of a particular Assessment, charge, or other sum shall be secured by the lien provided for in this Section 4.

4.9.3 Nothing herein shall be construed as requiring that the Association take any action to collect any Assessments at any time, and the failure of the Association to take such action at any time shall not constitute a waiver of the right to take such action at a later time or in a different instance.

4.10 Exemption of Unsold Lots. Notwithstanding anything herein to the contrary, no Assessments shall be levied upon, or payable with respect to, any Lot owned by Declarant for resale as part of the development of the Project until after the sale or other disposition of such Lot by Declarant.

5. INSURANCE.

5.1 Member's Responsibility. It shall be each Member's responsibility to provide for himself insurance on his own Lot, his additions and improvements thereto, furnishings and personal property therein, his personal property stored elsewhere within the Project, his personal liability, and such other insurance which is not carried by the Association as the Member desires. No Member shall maintain any insurance, whether on his Lot or otherwise, which would limit or reduce the insurance proceeds payable under the casualty insurance maintained by the Association in the event of any damage to the Common Areas, or any part thereof.

5.2 Coverage. The Association shall maintain and pay for policies of insurance as follows:

5.2.1 A policy of comprehensive public liability insurance covering all of the Common Areas in an amount determined by the Association for personal injury, death, and property damage. The scope of such coverage shall include all other coverage in the kinds and amounts customarily acquired or required for projects similar in construction, location, and use.

5.2.2 Such other insurance, and in such amounts, as the Association shall determine from time to time to be desirable.

5.3 Non-Liability of Association. Notwithstanding the duty of the Association to obtain insurance coverage as stated herein, neither the Association, any Board member, any officer, nor Declarant shall be liable to any Member, Mortgagee, or other Person if any risks or hazards are not covered by insurance or if the amount of insurance is not adequate, and it shall be the responsibility of each Member to ascertain the coverage and protection afforded by the Association's insurance and to procure and pay for such additional insurance coverage and protection as the Member may desire.

5.4 Premiums. Premiums upon insurance policies purchased by the Association shall be paid by the Association as a Common Expense.

6. MAINTENANCE, REPAIRS, AND REPLACEMENTS

Maintenance of Common Areas. Except as otherwise provided herein to the contrary, maintenance, repairs, and replacements of the Common Areas shall be furnished by the Association as part of the Common Expenses, subject to this Declaration, the Articles, Bylaws, and Association Rules. If due to the act or neglect of any Member, any Occupants of his Lot, or any of his invitees or other authorized visitors, damage or destruction shall be caused to the Common Areas, or any part thereof, or maintenance, repairs, or replacements shall be required which would otherwise be a Common Expense, then such Member shall pay for the damage or destruction and for such maintenance, repairs, and replacements, and such obligation shall be a Special Assessment.

7. USE AND OCCUPANCY RESTRICTIONS.

7.1 Signs. No sign of any kind shall be displayed to the public view from any Lot or any Common Areas without the approval of the Master Association, except: (a) such signs as may be used by Declarant in connection with the development and sale of Lots in the Project; (b) such signs as may be required by legal proceedings, or the prohibition of which is precluded by law; or (c) such signs as may be required for traffic control and regulation of Common Areas.

7.2 Entrance Gates. Subject to the easements created herein, the Association may establish and from time to time determine who may have access through entrance gates (if any) to the Project onto the Private Roads, but may not restrict access to any Member, any Occupants of his Lot, or any of his invitees or other authorized visitors. Declarant reserves the unrestricted right of access and use of such roads until the sale or other disposition of the last Lot owned by Declarant for resale as part of the development of the Project, other than in connection with an assignment by Declarant of all or substantially all of its rights under this Declaration (including, without limitation, as assignment by declarant to any lender as security), for its agents, employees, invitees, licensees, and guests.

7.3 Common Areas. Except as otherwise set forth herein, no uses shall be made of the Common Areas except as indicated on the Plat.

7.4 Further Restrictions. The Board may further restrict and regulate the use and occupancy of the Common Areas and the Lots by adopting rules and regulations of general application from time to time which shall be incorporated into the Association Rules.

8. EXEMPTION OF DECLARANT FROM RESTRICTIONS.

Notwithstanding anything contained in this Declaration to the contrary, none of the terms and conditions of this Declaration shall be construed or deemed to restrict, limit, or prohibit any act of Declarant, its agents, employees, subcontractors, or any Persons designated by it, undertaken in connection with the development, construction, completion, sale, or leasing of the Lots, the Common Areas, the Property, or any part thereof.

9. REMEDIES

9.1 General Remedies. In the event of any violation by any Member, Occupant, or other Person of any of the provisions of this Declaration, the Articles, Bylaws, Association Rules, or Design Guidelines, Declarant (until the expiration of Declarant's control of the Association pursuant to Section 3.12) or the Association shall each have all of the rights and remedies which may be provided for in this Declaration, the Articles, Bylaws, Association shall each have all of the rights and remedies which may be provided for in this Declaration, the Articles, Bylaws, or Association Rules, or which may be available at law or in equity, and may bring an action against such Member, Occupant, other Person seeking appropriate relief, including, without limitation, injunctive relief or money damages. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise.

9.2 Costs of Enforcement. All costs incurred in connection with any action or other proceeding described or permitted by this Section 9, including, without limitation, court costs and reasonable attorneys' fees, and all damages, late charges, fines, penalties, and interest, shall be assessed against the Member in question as a Special Assessment.

9.3 Limitation on Declarant's Liability. Notwithstanding anything to the contrary herein, Declarant shall not have any personal liability to the Association, any Member, or any other Person arising under, in connection with, or resulting from (including, without limitation, resulting from action or failure to act with respect to) this Declaration except to the extent of the then interest of Declarant in the Property, or any part thereof (if any). In the event of any judgment against Declarant, no execution or any other action shall be taken thereon against, nor shall such judgment be a lien upon, any other assets of Declarant.

10. GENERAL PROVISIONS

10.1 Notices. Notices provided for in this Declaration, the Articles, Bylaws, or Association Rules, shall be in writing (unless otherwise specified). All notices to the Association shall be addressed to the Association at the address of its principal office as specified in the Bylaws. The Association may designate a different address or addresses for notices to it by giving written notice thereof to all of the

Members at any time. All notices to Members shall be addressed to their respective Lots or to the last address shown on the records of the Association. Any Member may designate a different address or addresses for notices to him by giving written notice thereof to the Association at any time. Notices addressed as above indicated shall be deemed delivered when mailed by United States mail, or when delivered.

10.2 Captions; Construction. Captions given to the various Sections herein, and the Table of Contents for this Declaration, are for convenience of reference only and are not intended to modify or affect the meaning of any of the provisions hereof. A used herein, the masculine gender shall include the feminine, unless the context otherwise requires. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development, operation, and maintenance of the Project as herein set forth.

10.3 Severability. If any provision of this Declaration, the Articles, Bylaws, or Association Rules, or the application thereof in any circumstances, is held invalid, the validity of the remainder of this Declaration, the Articles, Bylaws, or Association Rules, and the application thereof in any other circumstances, shall not be affected thereby.

10.4 Interpretation. Except for judicial construction, the Association, by the Board, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions hereof shall be final, conclusive, and binding as to all Persons and property benefited or bound by the provisions hereof.

10.5 Obligations of and Distributions to Owners. If any obligation is imposed on the Owner of any Lot under this Declaration, the Articles, Bylaws, or Association Rules, and if more than one Person is the Owner of such Lot, whether as tenants in Community, joint tenants, tenants in common, tenants by the entirety, or otherwise, such distribution shall be made to such Persons jointly with respect to such Lot.

10.6 Governing Law. This Declaration shall be governed by and construed in accordance with the laws of the State of Arizona.

10.7 Waiver. No waiver of or with respect to any provision of this Declaration shall be effective unless it is in writing and signed by the waiving Person, and then such waiver shall be effective only in the specific instance and for the purpose for which given. No course of dealing, nor any failure to exercise, nor any delay in exercising, on the part of any person, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any specific waiver of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11. COVENANTS RUNNING WITH THE LAND

Covenants Running with the Land. All of the provisions of this Declaration shall be deemed to be covenants at law and equitable servitude running with the Property, and with each and every part thereof, binding each and every Owner and Member as though the provisions of this Declaration were set forth in full in each and every instrument evidencing or creating such ownership and membership.

12. CONFLICTS

Conflicts. In the case of any conflict between any provision in this Declaration any provision in the Articles, Bylaws, Association Rules, or Design Guidelines, the provision in this Declaration shall govern, unless otherwise provided.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the 30th

day of October, 1997.

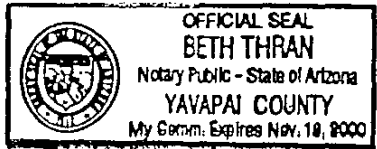
BULLWHACKER ASSOCIATES, an Arizona limited partnership

By [Signature]
J.N. Lee, President

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 30th day of October, 1997, by J.N. Lee, President of the Board of Directors of The Ranch At Prescott Homeowners' Association, an Arizona nonprofit corporation, on behalf of the corporation.

[Signature]
Notary Public



My Commission Expires:
11/19/2000