

**AMENDED AND RESTATED
ARTICLES OF ASSOCIATION AND
DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS
OF
CLIFFROSE, A PLANNED AREA DEVELOPMENT**

THIS AMENDED AND RESTATED ARTICLES OF ASSOCIATION AND DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS OF CLIFFROSE, A PLANNED AREA DEVELOPMENT (“DECLARATION”) is made effective as of the date of the recording hereof in the Office of the Yavapai County Recorder by the Cliff Rose Homeowners Association Inc. (the “ASSOCIATION”) and the persons or entities who have executed written consents to this Declaration, attached hereto at Exhibit B (the “CONSENTING OWNERS”).

WITNESSETH

WHEREAS, an Articles of Association and Declaration of Covenants, Conditions & Restrictions of CliffRose a Planned Area Development was recorded on March 31, 1987 at book 1918, page 747, Official Records of the Yavapai County Recorder, and an Amendment to Articles of Association and Declaration of Covenants, Conditions & Restrictions of Cliff Rose a Planned Area Development was recorded on February 23, 1988 at book 2019, page 429 Official Records of the Yavapai County Recorder, a Declaration of Covenants, Conditions & Restrictions of Cliff Rose a Planned Area Development was recorded on August 4, 1988 at book 2067, page 127 Official Records of the Yavapai County Recorder, a Declaration of Covenants, Conditions & Restrictions of Cliff Rose a Planned Area Development was recorded on November 27, 1996 at book 3319, page 110 Official Records of the Yavapai County Recorder, a Third Amendment to Articles of Association and Declaration of Covenants, Conditions & Restrictions of Cliff Rose a Planned Area Development was recorded on October 20, 1997 at book 3501, page 286 Official Records of the Yavapai County Recorder, a Declaration of Covenants, Conditions & Restrictions of Cliff Rose a Planned Area Development was recorded on June 2, 1999 at book 3668, page 628 Official Records of the Yavapai County Recorder, a Declaration of Covenants, Conditions & Restrictions of Cliff Rose a Planned Area Development was recorded on January 31, 2002 at book 3898, page 6 Official Records of the Yavapai County Recorder, a Declaration of Annexation of Covenants, Conditions & Restrictions for Cliff Rose – 7 was recorded on May 28, 2004 at book 4152, page 443 Official Records of the Yavapai County Recorder (collectively the “ORIGINAL DECLARATION”), and govern the real property located in Yavapai County, Arizona, which is described on Exhibit A attached hereto, and incorporated herein by this reference (the “PROPERTY”);

WHEREAS, the ASSOCIATION, by and through its MEMBERS, wishes to amend and restate the ORIGINAL DECLARATION in its entirety as set forth herein;

WHEREAS, this DECLARATION has been approved via the written consent of not less than seventy-five percent (75%) of the LOT OWNERS pursuant to A.R.S. §33-1817(A)(1) and Article VII, Section 3 of the ORIGINAL DECLARATION as evidenced by the written consents to this DECLARATION, attached hereto at Exhibit B;

WHEREAS, this DECLARATION may be executed in counterparts, with the same force and effect as though all parties had executed one and the same instrument. The execution of a CONSENTING OWNER of a written consent to this DECLARATION shall constitute the execution of this DECLARATION by the CONSENTING OWNER.

NOW THEREFORE, the ASSOCIATION hereby declares that all of the PROPERTY is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred in whole or in part, subject to this DECLARATION, as amended or modified from time to time. This DECLARATION is declared and agreed to be in furtherance of a general plan for the PROPERTY and improvements and is established for the purpose of enhancing and perfecting the value, desirability, and attractiveness of said real property. All of this DECLARATION with subsequent amendments shall run with all of said real property for all purposes and shall be binding upon and inure to the benefit of the ASSOCIATION, all OWNERS and their heirs, successors in interest, and assigns.

ARTICLE I Definitions

Section 1:

“ASSOCIATION” shall refer to the Cliff Rose Homeowners Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

Section 2:

“ASSOCIATION RULES” shall refer to the rules and regulations adopted by the BOARD pursuant to Article III, Section 4 of this Declaration, as amended from time to time.

Section 3:

“ARCHITECTURAL GUIDELINES” shall refer to the architectural rules, regulations and guidelines adopted by the BOARD pursuant to Article III, Section 7 of this Declaration, as amended from time to time.

Section 4:

“ARTICLES” shall refer to the Articles of Incorporation of the Association, as amended from time to time.

Section 5:

“BOARD” shall refer to Board of Directors of the Association.

Section 6:

“BYLAWS” shall refer to the Bylaws of the Association, as amended from time to time.

Section 7:

“COMMON AREA” shall mean all real property including the improvements thereto owned by the ASSOCIATION for the common use and enjoyment of the OWNERS.

Section 8:

“DECLARANTS” refer to FRANKLIN DON SAVAGE, KAREN R. SAVAGE, W.C. SAVAGE and CAROLYN SAVAGE, and their successors and assigns, if their successors and assigns should require more than one undeveloped LOT from the DECLARANTS for the purpose of development.

Section 9:

“DECLARATION” means this Amended and Restated Articles of Association and Declaration of Covenants, Conditions and Restrictions of Cliff Rose a Planned Area Development, as it may be amended from time to time.

Section 10:

“LOTS” shall mean and refer to a portion of the PROPERTY intended for independent ownership and use and designated as a LOT upon any recorded subdivision map of the PROPERTY with the exception of the COMMON AREA, and where context indicates or requires, shall include any dwelling or other improvements situated on the LOT.

Section 11:

“MEMBER” means any person, corporation, partnership, joint venture or other legal entity who is a member of the ASSOCIATION.

Section 12:

“OWNER” shall refer to the record OWNER, whether one or more persons or entities, of the fee simple title to any LOT, including contract sellers but excluding those having such interest merely as security for the performance of an obligation.

Section 13:

“PLAT” or “PLATS” shall refer to all of the plats described herein at Exhibit A and the plats of any real property that may be subjected to this DECLARATION pursuant to the provisions herein, and any amendments, supplements or corrections thereto.

Section 14:

“PROJECT DOCUMENTS” shall refer to this DECLARATION, the ARTICLES, the BYLAWS, the ASSOCIATION RULES, the ARCHITECTURAL GUIDELINES, the PLAT and any additional policies, procedures or rules adopted by the BOARD.

Section 15:

“PROPERTY” or “PROPERTIES” shall mean and refer to that certain real property described on the plats listed herein at Exhibit A and such additional real property as may hereafter be subjected to this DECLARATION pursuant to the provisions herein. Notwithstanding the foregoing, Tract C as shown on Cliff Rose – Unit 3, Phase C PAD, recorded at book 31 of maps, pages 22-23, records of Yavapai County, Arizona, also known as APN 105-09-295B, C, & D, may not be annexed into Cliffrose a Planned Area Development nor subjected to this DECLARATION without the express consent of the owner of such parcel.

ARTICLE II
Property Rights

Section 1: OWNERS' Easements of Enjoyment.

Every OWNER shall have a right and easement of enjoyment in and to the COMMON AREA which shall be appurtenant to and pass with the title to every LOT, subject to the following provisions:

A. The right of the ASSOCIATION to adopt ASSOCIATION RULES governing the use of the COMMON AREA;

B. The right of the ASSOCIATION to charge reasonable admission and other fees for the use of any amenity or recreational facility, if any, situated upon the COMMON AREA;

C. The right of the ASSOCIATION to suspend the voting rights of an OWNER for any period during which any assessment against his LOT remains unpaid, and for a period not to exceed sixty (60) days for any infraction of the PROJECT DOCUMENTS;

D. The right of the ASSOCIATION to dedicate or transfer all or any part of the COMMON AREA to any person or entity for such purposes and subject to such conditions as may be agreed to by the MEMBERS; provided, however, that no such dedication or transfer shall be effective unless approved by MEMBERS having at least two-thirds (2/3) of the votes in the ASSOCIATION; and

E. The right to the ASSOCIATION to grant easements, leases or licenses to any person or entity for use of the COMMON AREA. No such grant of easement, lease or license shall require MEMBER approval.

Section 2: Declaration of Use.

Any OWNER may delegate, in accordance with the BYLAWS of the ASSOCIATION, his right to enjoyment of the COMMON AREA and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

ARTICLE III
The Association, Membership and Voting Rights

Section 1:

The ASSOCIATION shall be a nonprofit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the PROJECT DOCUMENTS together with such rights, powers and duties as may be reasonably necessary to effectuate the objectives and purposes of the ASSOCIATION as set forth in the PROJECT DOCUMENTS. Unless the PROJECT DOCUMENTS specifically require a vote of the members, approvals or actions to be given or taken by the ASSOCIATION shall be valid if given or taken by the BOARD.

Section 2:

A. Every OWNER of a LOT which is subject to assessment shall be a member of the ASSOCIATION. Membership shall be appurtenant to, and may not be separated from, the ownership of any LOT.

B. The rights and obligations of an OWNER and membership in the ASSOCIATION shall not be assigned, transferred, pledged, conveyed or alienated except upon transfer of ownership to such LOT or by intestate succession, testamentary disposition, foreclosure of a mortgage of record or such other legal process now in effect or as may be established pursuant to the laws of the State of Arizona.

Section 3:

The ASSOCIATION will have two (2) classes of voting membership:

A. Class "A":

Class "A" members shall be all OWNERS, with the exception of the DECLARANTS, and shall be entitled to one (1) vote for each LOT owned. When more than one (1) person holds an interest in LOT, all such persons shall be members. The vote for such LOT shall be exercised as the members determine, among themselves, but in no event shall more than one (1) vote be cast with respect to any LOT.

B. Class "B":

Class "B" members shall be the DECLARANTS who shall be entitled to three (3) votes for each LOT owned. Class "B" membership shall cease and be converted to Class "A" membership when the total votes outstanding in the Class "A" membership equal the total votes outstanding in the Class "B" membership. DECLARANTS and their successors in interest shall, until completion of all phases of the project, retain the exclusive right to, without review of the architectural review committee or the BOARD, perform and complete the initial construction of improvements on each LOT of the PROPERTY in a manner consistent with DECLARANT'S past construction activities through and including the date of final inspection/certificate of occupancy for each LOT still owned by DECLARANTS or their successors or assigns and shall maintain control over concept and development of subsequent phases of construction. The ASSOCIATION may not override these development rights.

Section 4:

The BOARD may, from time to time and subject to the provisions of this DECLARATION, adopt, amend and repeal rules and regulations. The ASSOCIATION RULES may restrict and govern the use of any area by the OWNER, by the family of such OWNER, or by the guest, license or lessee of such OWNER; provided, however, that the ASSOCIATION RULES shall not be inconsistent with this DECLARATION, the ARTICLES or BYLAWS. Before any ASSOCIATION RULE change under this Section becomes effective, the BOARD shall send a copy of the new or changed ASSOCIATION RULE to each OWNER. The new or changed ASSOCIATION RULE shall become effective thirty (30) days following distribution to the OWNERS, unless at a meeting of the ASSOCIATION held within thirty (30) days following distribution to the OWNERS, the new or changed ASSOCIATION RULE is disapproved by a vote of OWNERS of not less than fifty-one percent (51%) of the LOTS. The BOARD shall have

no obligation to call a meeting of the MEMBERS to consider disapproval except upon petition of the MEMBERS as required for special meetings in the BYLAWS. A copy of the ASSOCIATION RULES, as they may be adopted, amended or repealed from time to time, shall be available for inspection by MEMBERS of the ASSOCIATION at reasonable times. Upon adoption, the ASSOCIATION RULES shall have the same force and effect as if they were set forth in and were a part of this DECLARATION.

Section 5:

The ASSOCIATION will provide BYLAWS for its administration, voting rights, the composition of the BOARD and election of officers.

Section 6:

If the general plan of development is not pursued to completion and an affirmative statement of abandonment of any or all parts of the general plan previously approved by the City of Prescott is recorded in the Office of the Yavapai County Recorder, Arizona, the voting power of the 19 LOTS, as set forth in the ORIGINAL DECLARATION, shall be reduced by the number of LOTS abandoned.

Section 7:

The BOARD shall establish an architectural review committee consisting of not less than three (3) nor more than seven (7) members appointed by the BOARD, with a member of the BOARD as the chair of the committee, to regulate the external design, appearance and use of LOTS within the PROPERTY and to perform such other functions and duties as may be imposed upon it by this DECLARATION and the BOARD. The BOARD may adopt, amend and repeal architectural guidelines, standards and procedures to be used by the architectural review committee in rendering its decisions.

ARTICLE IV

Covenant for Maintenance Assessment

Section 1: Creation of the Lien and Personal Obligation of Assessments.

Each OWNER of any LOT, by becoming the OWNER thereof, is deemed to covenant and agree to pay to the ASSOCIATION all annual assessments and special assessments levied pursuant to this DECLARATION with respect to the OWNER'S LOT, and all late fees, interest, collection costs, attorney's fees and costs as may be incurred by the ASSOCIATION in seeking to collect amounts due herein. The annual and special assessments, together with late fees, interest, collection costs and all attorney's fees and costs, shall be a continuing lien upon the LOT against which each such assessment is made. Each such annual and special assessment, together with late fees, interest, collections costs, and all attorney's fees and costs, shall also be the personal obligation of the OWNER of such LOT at the time when the assessment becomes due. The personal obligation for delinquent assessments shall not pass to the OWNER'S successors in title unless expressly assumed by them. LOTS owned by DECLARANTS shall be exempt from and have no obligation to pay assessments.

Section 2: Purpose of the Assessment:

The assessments levied by the ASSOCIATION shall be used exclusively for the upkeep, maintenance, repair and replacement of the COMMON AREA, for enforcing the terms of this DECLARATION, for promoting the recreation, health, safety and welfare of the OWNERS and occupants of LOTS within the PROPERTY and for any other proper ASSOCIATION purpose.

Section 3: Annual Assessment:

The BOARD shall fix the amount of the annual assessment against each LOT at least thirty (30) days in advance of each fiscal year. Written notice of the annual assessment shall be sent to every OWNER subject thereto; however, failure to send written notice shall not eliminate an OWNER'S obligation to pay assessments. In the event BOARD fails to fix the amount of the annual assessment for a new fiscal year or fails to notify the OWNERS of such amount, the OWNERS shall pay to the ASSOCIATION the amount of the previous year's annual assessment until receipt of thirty (30) days' written notice of the current fiscal year's annual assessment. Notwithstanding anything contained herein to the contrary, the BOARD shall not increase the annual assessment in any fiscal year by more than twenty percent (20%) over the immediately preceding fiscal year's annual assessment without the approval of a majority of the MEMBERS.

Section 4: Utilities:

Each LOT OWNER is responsible for water, sewer and garbage collection fees for his LOT.

Section 5: Special Assessment:

In addition to the annual assessments authorized above, the ASSOCIATION may levy a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement of the COMMON AREA, including fixtures and personal property related thereto or for any other lawful Association purpose; provided that any such special assessment must first be approved by MEMBERS having at least two-thirds (2/3) of the total authorized votes who are voting in person or by absentee ballot at a meeting duly called for such purpose.

Section 6: Notice and Quorum for any Action Authorized under Section 5:

Written notice of any meeting called for the purpose of taking any action authorized under Article IV, Section 5 shall be sent to all MEMBERS not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of MEMBERS (in person or by absentee ballot) entitled to cast sixty percent (60%) of the total authorized votes shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting.

Section 7: Uniform Rate of Assessment:

Annual and special assessments must be fixed at a uniform rate for all LOTS subject to assessment.

Section 8: Rules Regarding Billing and Collection Procedures:

Annual assessments may be collected on an annual basis or such other basis as may be

selected by the BOARD. Special assessments may be collected as specified by the BOARD. The BOARD shall have the right to adopt rules and regulations setting forth procedures for the purpose of making assessments and for the billing and collection of the assessments provided that the procedures are not inconsistent with the provisions of this DECLARATION.

Section 9: Effect of Non-Payment:

A. Any assessment, or any installment of an assessment, which is not paid within fifteen (15) days after it first became due shall be deemed delinquent and shall bear interest from the date of delinquency, at the rate of twelve percent (12%) per annum. In addition, the BOARD may establish a late fee, not to exceed the greater of \$15.00 or ten percent (10%) of the amount of the unpaid assessment, to be charged to any OWNER who has not paid any assessment, or any installment of an assessment, within fifteen (15) days after such payment was due.

B. The ASSOCIATION may record a "Notice of Claim of Lien" which shall set forth (a) the name of the delinquent OWNER, as shown on the records of the ASSOCIATION, (b) the legal description or street address of the LOT against which the claim of lien is made, (c) the amount claimed as of the date of the recording of the notice including late fees, interest, lien recording fees and all attorneys' fees, (d) the name and address of the ASSOCIATION. The ASSOCIATION shall not be obligated to release the assessment lien until all delinquent assessments, interest, lien fees and all attorneys' fees have been paid in full whether or not all of such amounts are set forth in the Notice of Claim of Lien.

C. Before recording a Notice of Claim of Lien against any LOT the ASSOCIATION shall make a written demand to the defaulting OWNER for payment of the delinquent assessments together with late fees, interest, collection costs, and attorneys' fees and costs, if any. The demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand or claim of lien but any number of defaults may be included within a single demand or claim of lien. If the delinquency is not paid within fifteen (15) days after delivery of the demand, the ASSOCIATION may proceed with recording a Notice of Claim of Lien against the LOT of the defaulting OWNER.

D. The ASSOCIATION shall have the right, at its option, to enforce collection of any delinquent assessments together with late fees, interest, collection costs, attorneys' fees and costs and any other sums due to the Association in any manner allowed by law including, but not limited to, the following procedures (and the exercise of one remedy shall not prevent the ASSOCIATION from thereafter exercising any other remedy available): (i) bringing an action at law against the OWNER personally obligated to pay the delinquent assessments and such action may be brought without waiving any lien securing any such delinquent assessments or (ii) bringing an action to foreclose its lien against the LOT in the manner provided by law for the foreclosure of a realty mortgage or deed of trust. The ASSOCIATION shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage, and convey any and all LOTS purchased at such sale.

Section 10: No Exemption or Offsets:

No OWNER of a LOT may exempt himself from liability for assessments or other amounts due under the PROJECT DOCUMENTS by waiver or non-use of any of the COMMON AREA or

by the abandonment of his LOT. All assessments shall be payable in accordance with the provisions of this DECLARATION, and no offsets against such assessments shall be permitted for any reason, including, without limitation, an OWNER'S abandonment of his or her LOT, non-use of the COMMON AREA, or a claim that the ASSOCIATION is not properly exercising its duties and powers as provided in the PROJECT DOCUMENTS.

Section 11: Transfer and Disclosure Fees:

Each OWNER of a LOT, at the time he or she becomes the OWNER of his or her LOT, shall pay a transfer fee to the ASSOCIATION in such amount as is established from time to time by the BOARD. Any OWNER of a LOT who sells or refinances his or her LOT and requires a status or disclosure statement from the ASSOCIATION in connection therewith shall pay to the ASSOCIATION a disclosure fee in such amount as is established by the BOARD from time to time. Fees charged pursuant to this Section 11 shall be secured by the assessment lien established pursuant to Article IV herein.

ARTICLE V

Architectural Control and Deed Restrictions

Section 1:

A. No improvements, additions, alterations, repairs, excavations, landscaping or other work which in any way alters the exterior appearance of any LOT or the improvements located thereon shall be made or done without the prior written approval of the BOARD or architectural review committee, except as otherwise expressly provided in this DECLARATION. No building, fence, wall, landscaping, dwelling or other structure shall be commenced, erected, maintained, improved, altered, made or done without the prior written approval of the BOARD or architectural review committee. All additions to or changes or alterations in any landscaping, building, fence, wall or other structure, including exterior color scheme, shall be subject to the prior approval of the BOARD or architectural review committee. Any OWNER requesting the approval of the BOARD or architectural committee shall also submit any additional information, plans or specifications which the BOARD or architectural review committee may request. No change or deviations in or from such plans or specifications once approved shall be made without the prior written approval of the BOARD or architectural review committee. In the event that the BOARD or the architectural review committee fails to approve or disapprove, in writing, any application for approval from an OWNER within thirty (30) days after receipt of such application, together with all supporting information, plans, specifications, and forms (the application shall not be deemed received until all supporting information, plans, specifications and forms have been received), approval of such application will not be required and this Section will be deemed to have been complied with; provided, that any improvements, additions, alterations, repairs, excavations, buildings, fences, walls, landscaping, dwellings or other structures or work which would result in the violation of the PROJECT DOCUMENTS, as determined by the BOARD, shall be deemed unapproved.

B. Not more than one (1) single family dwelling unit shall be constructed on each LOT. The single family dwelling shall contain not less than 1,200 square feet of living space. Garages shall not be considered a part of the required floor space of a dwelling unit. Each single-family dwelling shall have at least one (1) two car garage and shall additionally provide at least

two (2) off-street parking spaces per LOT. No parking shall be allowed on unpaved portions of the LOT.

C. Unless governed by 47 C.F.R. § 1.4000 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, no antenna or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation shall be erected, used or maintained outdoors within the PROPERTY, whether attached to a building or structure or otherwise, unless approved by the BOARD. Any device covered by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, shall comply with any applicable antenna installation rules of the ASSOCIATION.

D. No livestock or other animals, other than commonly accepted household pets, shall be permitted, and no person shall engage in raising household pets or other animals for the purpose of sale. No pet or other animal shall be allowed to make an excessive amount of noise or otherwise become a nuisance. No unsanitary conditions or odors shall exist on a LOT due to pets or other animals kept on the LOT. All pets or other animals shall be appropriately restrained when in any part of the PROPERTY, other than within a dwelling. OWNERS shall be required to pick up immediately any animal feces left on yards, sidewalks, streets, or the COMMON AREA, as well as on any unsold or vacant LOTS.

E. No temporary house trailers, tents, garages or other out buildings shall be erected without the approval of the Board of Directors of the ASSOCIATION.

F. No emblem, poster, advertisement, logo, sign or billboard of any kind shall be displayed on any LOT without the prior written approval of the BOARD or architectural review committee; except for the following signs: (1) a "For Sale" sign no larger than eighteen by twenty-four inches (18" x 24") and a sign rider no larger than six by twenty-four inches (6" x 24"), while the LOT is for sale; (2) a "For Lease" sign no larger than eighteen by twenty-four inches (18" x 24") and a sign rider no larger than six by twenty-four inches (6" x 24"), while the LOT is for lease; (3) temporary open house signs displayed as permitted by A.R.S. §33-1808, as amended, and by any successor statute thereto; (4) cautionary signs regarding children displayed as permitted by A.R.S. §33-1808, as amended, and by any successor statute thereto; (5) up to seventy-one (71) days before an election and up to three (3) days after an election, political signs as permitted by the City of Prescott and Yavapai County may be placed on the LOT (or, if no such laws exist, the maximum aggregate total dimensions of all political signs placed on a LOT shall not exceed nine (9) square feet); (6) such signs as may be required by law; (7) one residential identification sign with a total face area of eighty square inches or less; and (8) any signs approved by the BOARD or architectural review committee.

G. New single-family dwellings of conventional design shall be built on LOTS. The moving of old or new single-family dwellings, built at other places and purchased for the purposes of moving on LOTS is strictly prohibited.

H. No house trailers, mobile homes, or dome-shaped homes will be allowed on the LOTS.

I. All LOTS shall be used, improved and devoted exclusively to residential use. No trade or business may be conducted on any LOT, except that an OWNER or other resident of a LOT may conduct a business activity upon the LOT so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the LOT; (ii) the business activity conforms to all applicable zoning ordinances or requirements for the PROPERTY; (iii) the business activity does not involve persons coming on to the LOT or the door-to-door solicitation of OWNERS or other residents in the PROPERTY; and (iv) the business activity is consistent with the residential character of the PROPERTY and does not constitute a nuisance or a hazardous or offensive use or threaten security or safety of other residents in the PROPERTY, as may be determined from time to time in the sole discretion of the BOARD. The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the residents of a LOT and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (i) such activity is engaged in full or part time; (ii) such activity is intended or does generate a profit; or (iii) a license is required for such activity. The leasing of a LOT by the OWNER thereof for residential purposes shall not be considered a "business" or "trade" as used in this Section.

J. All construction of dwellings and other improvements on the LOTS must be completed within one (1) year from the date of commencement of construction, except for delays in building caused by acts of God, strikes, lockouts and/or restrictions resulting from war.

K. No LOTS shall be used in whole or in part for the storage of rubbish of any character, nor for the storage of any property or thing that will cause the LOT to appear unclean or untidy, or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept upon the LOT that will emit foul and obnoxious odors, or that will cause any noise that will or might disturb the peace, quiet, comfort or serenity of the surrounding property.

L. Except for emergency vehicle repairs, no vehicle shall be constructed, reconstructed or repaired upon a LOT or COMMON AREA except within an enclosed garage and in a manner so as not to disturb other OWNERS. No inoperable, unlicensed or unused vehicle may be stored or parked on any LOT or COMMON AREA so as to be visible from any other LOT or COMMON AREA. With the exception of COMMON AREA parking lots or other parking areas as designated by the BOARD, no vehicle may be parked, maintained, constructed, reconstructed or repaired on any COMMON AREA.

M. With the exception of single-family dwellings or other structures or improvements with more than one story above the grade level of the LOT that are in existence on the recording date of this DECLARATION, single-family dwellings or other structures or improvements with more than one story above the grade level of the LOT are not permitted. Walkout basements are permitted.

N. A zero lot line setback will be allowed on one (1) side of each LOT, subject to a 10-foot side yard setback provided at the opposite side of each LOT. The location of the zero lot lines shall be specifically designated on the final approved plat.

O. When a zero lot line exists on any single family LOT, the OWNER building on the zero lot line shall have a 3-foot maintenance easement onto the adjacent LOT. The overhang and guttering on the units built on the zero lot line and entitled to the 3-foot maintenance easement shall not exceed a 12-inch projection onto the maintenance easement.

P. Front yard setbacks shall be twenty-five (25) feet but may be reduced to a minimum of ten (10) feet in conformance with the City of Prescott's topographic exception. Rear yard setbacks shall be a minimum of ten (10) feet.

Q. No LOT shall be further subdivided or separated into smaller parcels by any OWNER, and no portion less than all or any such LOT, shall be conveyed or transferred by any OWNER without the prior written approval of the BOARD.

R. No one shall interfere with the established drainage pattern over any LOT or COMMON AREA within the PROPERTY without the prior written approval of the BOARD. For purposes of this section, "established drainage" shall mean the drainage which exists at the time the overall grading of the LOT or COMMON AREA is completed or the drainage which is shown on plans approved by the BOARD or architectural review committee.

S. The BOARD may, at its option and in extenuating circumstances, grant variances from the restrictions, limitations, rules and regulations set forth in the PROJECT DOCUMENTS if the BOARD determines in its discretion that (i) a restriction, limitation, rule or regulation would create an unreasonable hardship or burden on an OWNER or lessee and (ii) that the activity permitted under the variance will not have any substantial adverse effect on the other OWNERS or lessees and is consistent with the high quality of life intended for residents of the PROPERTY.

ARTICLE VI Common Wall

The rights and duties of OWNERS in respect to a common wall shall be as follows:

A. The OWNERS of contiguous LOTS which have a common wall shall both have the equal right to use of the wall, provided that such use by one OWNER does not interfere with the use of the same by the other OWNER.

B. In the event any common wall is damaged or destroyed through an act of an OWNER or any of his agents, guests or family members, it shall be the obligation of such OWNER to rebuild and repair the common wall at his cost.

C. In The event any common wall is damaged or destroyed other than by accident or intention of a joint OWNER, his agency, guest or family members, it shall be the joint obligation of the OWNERS of the LOTS upon which the wall is found to repair or rebuild.

D. In the event of a dispute between The OWNERS in respect to the construction and reparability of a common wall, the OWNERS shall submit the dispute to the Board of Directors

for decision, which will be binding on all OWNERS.

ARTICLE VII

Insurance

Section 1: Scope of Coverage:

The ASSOCIATION shall maintain, to the extent reasonably available, the following insurance coverage:

A. Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the BOARD, but not less than \$2,000,000. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the COMMON AREA and all other portions of the PROPERTY which the ASSOCIATION is obligated to maintain under this DECLARATION, and shall also include hired automobile and non-owned automobile coverage with cost liability endorsements to cover liabilities of the OWNERS as a group to an OWNER and provide coverage for any legal liability that results from lawsuits related to employment contracts in which the ASSOCIATION is a party;

B. Property insurance on all COMMON AREA insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the COMMON AREA, as determined by the BOARD; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property policy;

C. Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona;

D. Directors and officers liability insurance in an amount to be determined by the BOARD;

E. Such other insurance as the ASSOCIATION shall determine from time to time to be appropriate to protect the ASSOCIATION.

F. The insurance policies purchased by the ASSOCIATION shall, to the extent reasonably available, contain the following provisions:

(1) That there shall be no subrogation with respect to the ASSOCIATION, its agents, servants, and employees, with respect to OWNERS and members of their household;

(2) No act or omission by any OWNER, unless acting within the scope of his authority on behalf of the ASSOCIATION, will void the policy or be a condition to recovery on the policy;

(3) That the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by OWNERS or their mortgagees or beneficiaries under deeds of trust;

(4) A “severability of interest” endorsement which shall preclude the insurer from denying the claim of an OWNER because of the negligent acts of the ASSOCIATION or other OWNERS;

(5) Statement of the name of the insured as the ASSOCIATION; and

(6) For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the first mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy.

Section 2: Certificates of Insurance:

An insurer that has issued an insurance policy under this Article shall issue a certificate or a memorandum of insurance to the ASSOCIATION and, upon request, to any OWNER, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be canceled until thirty (30) days after notice of the proposed cancellation has been mailed to the ASSOCIATION, each OWNER and each mortgagee or beneficiary under deed of trust to whom certificates of insurance have been issued.

Section 3: Payment of Premiums:

The premiums for any insurance obtained by the ASSOCIATION pursuant to this Article shall be included in the budget of the ASSOCIATION and shall be paid by the ASSOCIATION.

Section 4: Payment of Insurance Proceeds:

With respect to any loss to any COMMON AREA covered by property insurance obtained by the ASSOCIATION in accordance with this Article, the loss shall be adjusted with the ASSOCIATION, and the insurance proceeds shall be payable to the ASSOCIATION and not to any mortgagee or beneficiary under a deed of trust.

Section 5: Insurance Obtained by Owners:

Each OWNER shall be responsible for obtaining property insurance at his discretion and for his own benefit and at his own expense covering his LOT, and all structures, improvements and personal property located therein and thereon. Each OWNER shall also be responsible for obtaining at his discretion and at his expense personal liability coverage for death, bodily injury or property damage arising out of the use, ownership or maintenance of his LOT.

ARTICLE VIII
Maintenance

Section 1: Common Area:

The ASSOCIATION, or its duly delegated representative, shall manage, maintain, repair and replace the COMMON AREA, and all improvements located thereon, except for any part of

the COMMON AREA which any governmental entity is maintaining, or is obligated to maintain. The BOARD shall be the sole judge as to the appropriate maintenance, repair and replacement of all COMMON AREA.

Section 2: Lots:

Each OWNER of a LOT shall be responsible for maintaining, repairing or replacing the LOT, and all structures, buildings, dwellings, driveways, sidewalks, drainage features, landscaping or other improvements situated thereon. All structures, buildings, dwellings, driveways, sidewalks, drainage features, landscaping and other improvements shall at all times be kept in good condition and repair. On all LOTS upon which dwellings, buildings or other structures, landscaping or improvements have been constructed, all grass, hedges, shrubs, vines and plants of any type on a LOT shall be irrigated, mowed, trimmed and cut at regular intervals so as to be maintained in a neat and attractive manner. All LOTS upon which no dwellings, buildings or other structures, landscaping or improvements have been constructed shall be maintained in a neat and attractive manner. Each OWNER of a LOT shall be responsible for keeping his LOT free of dead trees, fallen branches and other potential fire fuel. Each OWNER of a LOT shall be responsible for maintaining the grass, hedges, shrubs, vines, plants of any type and trees on a LOT in compliance with any code, ordinance, rule or regulation promulgated by the City of Prescott or any other applicable governmental authority for the purpose of fire prevention and safety.

Section 3: Assessment of Certain Costs of Maintenance and Repair:

If the need for maintenance or repair of the COMMON AREA is caused through the willful or negligent act of any OWNER, its family, lessees, guests or invitees, the cost of such maintenance or repairs shall be paid by such OWNER to the ASSOCIATION upon demand and payment of such amounts shall be secured by the assessment lien.

Section 4: Improper Maintenance and Use of Lots:

If any portion of any LOT is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding LOTS or other areas of the PROPERTY which are substantially affected thereby or related thereto, or if any portion of a LOT is being used in a manner which violates the PROJECT DOCUMENTS, or if the OWNER of any LOT fails to perform any of its obligations under the PROJECT DOCUMENTS, the BOARD may give written notice thereof to the offending OWNER that unless corrective action is taken within a time set by the BOARD, the BOARD may cause such action to be taken at said OWNER'S cost. If at the expiration of the time set by the BOARD the requisite corrective action has not been taken, the BOARD shall be authorized and empowered to cause such action to be taken and the cost thereof shall be paid by such OWNER to the ASSOCIATION upon demand and payment of such amounts shall be secured by the assessment lien.

ARTICLE IX
General Provisions

Section 1: Enforcement:

The ASSOCIATION or any OWNER shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges imposed by the provisions of this DECLARATION. The non-complying party shall pay all expenses and all

attorney's fees incurred by the ASSOCIATION or OWNER in enforcing the provisions. Prior to proceeding with any direct right of action, any aggrieved OWNER shall first submit the dispute to the Board of Directors or a committee appointed by the BOARD for informal resolution. OWNERS agree to be bound by the decision of the BOARD or committee as in arbitration proceedings. If the non-compliance is not cured after notice and hearing by the BOARD or committee, the ASSOCIATION shall have the first right to proceed with legal action. Failure by the ASSOCIATION or any OWNER to enforce any covenant or restriction shall not be deemed a waiver of the right to do so hereafter.

Section 2: Severability:

Invalidation of any one of these covenants or restrictions by judgment or court order shall not effect any other provisions which shall remain in full force and effect.

Section 3: Amendment:

A. This DECLARATION may be amended at any time by the affirmative vote or written consent, or any combination thereof, of OWNERS of not less than sixty-seven percent (67%) of the LOTS. Any amendment must be recorded.

B. Notwithstanding the foregoing, so long as DECLARANT or its successor or assign owns any LOT in the PROPERTY, no amendment may reduce or delete any DECLARANT right.

Section 4: Termination:

This DECLARATION shall continue in full force and effect unless terminated by the affirmative vote or written consent, or any combination thereof, of OWNERS of not less than ninety percent (90%) of the LOTS. If the necessary votes and/or consents are obtained, the Board shall cause to be recorded with the County Recorder of Yavapai County, Arizona, a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary of the Association, with their signatures acknowledged. Thereupon this DECLARATION shall have no further force and effect, and the ASSOCIATION shall be dissolved pursuant to the terms set forth in its ARTICLES.

Section 5: Annexation:

A. Additional residential property and COMMON AREA may be annexed to the properties with the consent of two-thirds (2/3) of each class of MEMBERS.

Section 6: Interpretation:

Except for judicial construction, 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 BOARD's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefitted or bound by this DECLARATION. In the event of any conflict between this DECLARATION and the ARTICLES, BYLAWS, ASSOCIATION RULES or ARCHITECTURAL GUIDELINES, this DECLARATION shall control. In the event of any conflict between the ARTICLES and the BYLAWS, the ARTICLES shall control.

Section 7: Remedies Cumulative:

Each remedy provided herein is cumulative and not exclusive.

Section 8: Delivery of Notices and Documents:

Any written notice or other document relating to or required by this DECLARATION may be delivered either personally or by mail. If by mail, it shall be deemed to have been delivered seventy-two hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: If to the Association or the architectural review committee at the address of the ASSOCIATION on file with the Arizona Corporation Commission; if to an OWNER, to the address of his LOT or to any other address last furnished by the OWNER. Each OWNER of a LOT shall file the correct mailing address of such OWNER with the ASSOCIATION, and shall promptly notify the ASSOCIATION in writing of any subsequent change of address.

Section 9: Binding Effect:

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

Section 10: Laws, Ordinances and Regulations:

A. The covenants, conditions, and restrictions set forth in this DECLARATION and the provisions requiring OWNERS and other persons to obtain the approval of the ASSOCIATION, BOARD or the architectural review committee with respect to certain actions are independent of the obligation of the OWNERS and other persons to comply with all applicable laws, ordinances and regulations, and compliance with this DECLARATION shall not relieve an OWNER or any other person from the obligation to also comply with all applicable laws, ordinances, and regulations.

B. Any violation of any state, municipal, or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the PROPERTY is hereby declared to be a violation of this DECLARATION and subject to any or all of the enforcement procedures set forth herein.

Section 11: Liability:

In the case of joint ownership of a LOT, the liabilities and obligations of each of the joint OWNERS set forth in or imposed by this DECLARATION shall be joint and several. The termination of membership in the ASSOCIATION shall not relieve or release any such former MEMBER from any liability or obligation incurred under or in any way connected with the

ASSOCIATION during the period of such membership, or impair any rights or remedies which the ASSOCIATION may have against such former MEMBER arising out of, or in any obligations incident thereto.

Section 12: Notice of Violation:

The Association shall have the right to Record a written notice of a violation by any Owner or Resident of any restriction or other provision of the Project Documents. Such notice shall be executed by an officer of the Association and shall contain substantially the following information: (i) the name of the Owner or Resident violating, or responsible for the violation of, the Project Documents; (ii) the legal description of the Lot against which the notice is being Recorded; (iii) a brief description of the nature of the violation; (iv) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (v) a statement of the specific steps which must be taken by the Owner or occupant to cure the violation. Recordation of a notice of violation shall serve as notice to the Owner and Resident, and any subsequent purchaser of the Lot, that there is such a violation. If, after the Recordation of such notice, it is determined by the Association that the violation referred to in the notice does not exist or that the violation referred to in the notice has been cured, the Association shall Record a notice of compliance which shall state the legal description of the Lot against which the notice of violation was Recorded, and the recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured or that the violation did not exist. Failure by the Association to Record a notice of violation shall not constitute a waiver of any such violation, constitute any evidence that no violation exists with respect to a particular Lot or constitute a waiver of any right of the Association to enforce the Project Documents.

IN WITNESS WHEREOF, the President of the ASSOCIATION hereby certifies that this DECLARATION has been approved via the written consent of not less than seventy-five percent (75%) of the LOT OWNERS pursuant to A.R.S. §33-1817(A)(1) and Article VII, Section 3 of the ORIGINAL DECLARATION as evidenced by the written consents to this DECLARATION, attached hereto at Exhibit B.

DATED this ____ day of _____, 20__.

CLIFF ROSE HOMEOWNERS ASSOCIATION, INC.

Signature: _____

Printed Name: _____

President

STATE OF ARIZONA)
) ss.
County of Yavapai)

On this _____ day of _____, 20__, before me personally appeared _____, whose identity was proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to this document, and who acknowledged that he/she signed this document.

Notary Public

EXHIBIT A

Lots 1-139, inclusive, and Tracts A, B and C, of Cliff Rose – Unit I, according to the plat of record in book 26, pages 37-40, records of Yavapai County, Arizona

Lots 140-178, inclusive, Cliff Rose Unit II, PAD, according to the plat of record in Book 29, page 75, records of Yavapai County, Arizona

Lots 179-210, inclusive, and Tract A, Cliff Rose – Unit 3, Phase A PAD according to the plat of record in Book 30, page 36, records of Yavapai County, Arizona

Lots 211-231, inclusive, and Tract A, Cliff Rose – Unit 3, Phase B PAD, according to the plat of record in Book 30, page 58, records of Yavapai County, Arizona

Lots 232-269, inclusive, and Tracts A and B, Cliff Rose – Unit 3, Phase C PAD, according to the plat of record in Book 31, page 22-23, records of Yavapai County, Arizona

Lots 273-297, inclusive, Lots 329-332, inclusive, Cliff Rose – Unit 4, Phase A, according to the plat of record in Book 33, page 10, records of Yavapai County, Arizona

Lots 298-328, inclusive, Lots 333-341, inclusive, and Tracts A, B and C, Cliff Rose – Unit 4, Phase B, according to the plat of record in Book 38, page 81-82, records of Yavapai County, Arizona

Lots 342-380, inclusive, and Tracts A and B, Cliff Rose – Unit 5, according to the plat of record in Book 35, page 65, records of Yavapai County, Arizona

Lots 381-405, inclusive, and Tracts B, C and D, Cliff Rose – Unit 6, according to the plat of record in Book 44, page 6, records of Yavapai County, Arizona

Lots 406-447 and Tracts D, E and F, Cliff Rose – Unit 7, according to the plat of record in Book 50, page 14, records of Yavapai County, Arizona

EXHIBIT B
Consenting Owners