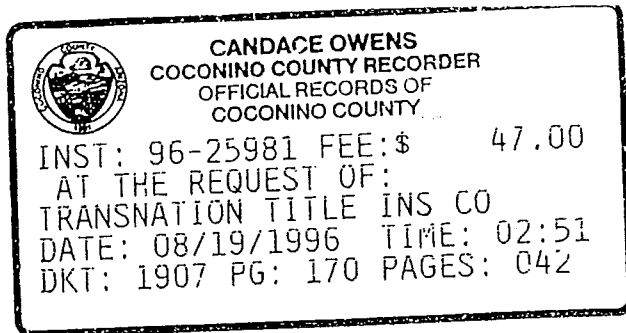


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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
LOCKETT RANCHES
Coconino County, Arizona

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR LOCKETT RANCHES (herein called the "Declaration") is made and entered into as of the 19th day of Aug., 1996, by Lockett Investors, L.L.C., an Arizona limited liability company (herein called the "Declarant").

This Declaration provides for an extensive degree of control in the Declarant, including but not limited to (i) control of the Association, control of the type and design of improvements which may be built upon the Tracts with fines for noncompliance, and control of the use and limitations upon the use of the Tracts; (ii) the right to amend this Declaration; and (iii) substantial control in developing the Property; which control may, under the terms of this Declaration, continue until the Declarant has sold sixteen (16) of the eighteen (18) Tracts. Sections 4.9, 4.10, 7.5, 11.5 and 16.5 hereof contain limitations on the liability of the Declarant. Each Owner, by accepting title to a Tract and each Member by accepting a membership acknowledges, agrees to and accepts the Declarant's control of the Property and the limited liability of the Declarant as provided in this Declaration. Such control is an integral part of this Declaration and the general scheme of development and management of the Property. Capitalized terms used in this paragraph are defined in this Declaration.

TABLE OF CONTENTS

Page

RECITALS	1
DECLARATION	1
1. DEFINITIONS	2
1.1 Articles	2
1.2 Assessments	2
1.2.1 Regular Assessment	2
1.2.2 Special Assessment	2
1.2.3 Capital Improvement Assessment	2
1.3 Association	2
1.4 Association Rules	2
1.5 Board	2
1.6 Bylaws	2
1.7 Common Expenses	3
1.8 Declarant	3
1.9 Declaration	3
1.10 Default Rate of Interest	4
1.11 Design Guidelines	4
1.12 Design Review Committee	4
1.13 Entrance Gate	4
1.14 Majority of Members	4
1.15 Member	4
1.16 Mortgage	4
1.17 Occupant	5
1.18 Owner	5
1.19 Pedestrian and Equestrian Easement	5
1.20 Person	5
1.21 Plat	5
1.22 Proportionate Share	5
1.23 President	5
1.24 Private Road	5
1.25 Property	5
1.26 Record or Recording	5
1.27 Tract	5
2. RIGHTS OF ENJOYMENT	6
2.1 Members' Right of Enjoyment	6
2.2 Delegation of Use	6
2.3 Waiver of Use	6
3. MEMBERSHIP	6

3.1	Membership	6
3.2	Transfer of Memberships	7
3.3	Voting Rights	7
3.4	Articles and Bylaws	7
4.	ASSOCIATION	7
4.1	Purpose of Association	7
4.2	Membership in Association	8
4.3	Pledge of Voting Rights	8
4.4	Assignment of Declarant's Voting Rights	8
4.5	Board of Directors	8
4.6	Controlling Effect of This Designation	8
4.7	Additional Provisions in Articles and Bylaws	9
4.8	Association Rules	9
4.9	Indemnification	9
4.10	Non-Liability of Officials	10
4.11	Accounting	10
4.12	Records	10
4.13	Managing Agent	10
4.14	Declarant's Control of Association	11
5.	EASEMENTS AND PRIVATE ROADS	11
5.1	Blanket Easements	11
5.2	Use of Private Roads	11
5.3	Maintenance Easement	11
5.4	Relocation of Private Roads	12
6.	ASSESSMENTS	12
6.1	Creation of Lien and Personal Obligation	12
6.2	Purpose of Assessments	12
6.3	Regular Assessments	13
6.4	Special Assessments	13
6.5	Capital Improvement Assessments	14
6.6	Uniform Assessment	14
6.7	Date of Commencement of Regular Assessments	14
6.8	Time and Manner of Payment; Late Charges and Interest	14
6.9	No Offsets	15
6.10	Homestead Waiver	15
6.11	Reserves	15
6.12	Subordination of Lien	15
6.13	Certificate of Payment	16
6.14	Enforcement of Lien	16
6.15	Pledge of Assessment Rights as Security	16
6.16	Exemption of Unsold Tracts	16
7.	INSURANCE	17
7.1	Authority to Purchase	17
7.2	Member's Responsibility	17
7.3	Coverage	17
7.4	Required Provisions	18
7.5	Non-Liability of Association/Board/President	19

7.6	Premiums	20
7.7	Insurance Claims	20
7.8	Benefit	20
8.	DAMAGE AND DESTRUCTION	20
8.1	Duty of Association	20
8.2	Automatic Reconstruction	20
8.3	Excess Insurance Proceeds	20
8.4	Use of Capital Improvement Assessments	21
8.5	Contract for Reconstruction	21
8.6	Insurance Proceeds Trust	21
9.	EMINENT DOMAIN	21
9.1	Definition of Taking	21
9.2	Representation in Condemnation Proceedings	21
9.3	Award for Common Areas	22
10.	MAINTENANCE, REPAIRS AND REPLACEMENTS	22
10.1	Owner's Responsibility	22
10.2	Maintenance by Association	22
10.3	Enforcement of Owner's Maintenance Obligations	22
10.4	Right of Access	23
11.	ARCHITECTURAL CONTROL	23
11.1	Appointment of Design Review Committee	23
11.2	Design Guidelines	23
11.3	General Provisions	24
11.4	Approval and Conformity of Plans	24
11.5	Non-Liability for Approval of Plans	25
11.6	Inspection and Recording of Approval	25
11.7	Additional Powers of the Board	26
12.	USE AND OCCUPANCY RESTRICTIONS	26
12.1	Residential Use	26
12.2	Landscaping	26
12.3	Renting	26
12.4	Temporary Structures; Residence During Construction	27
12.5	Signs	27
12.6	Pets	27
12.7	Animals	27
12.8	Nuisances	27
12.9	Drainage	28
12.10	Unightly Articles	28
12.11	Trash	28
12.12	Vehicles	28
12.13	Fences	29
12.14	Underground Utilities	29
12.15	Set Backs	29
12.16	Preservation of Natural Growth	29
12.17	Fire Hazards	29
12.18	Roof Slopes	29
12.19	Violation of Law or Insurance	29

12.20	Exterior Lights	29
12.21	Antennas	29
12.22	Reflective Materials; Solar Devices	30
12.23	Clothes Drying Area	30
12.24	Garage Sales	30
12.25	Further Division or Split	30
12.26	Enforcement	30
12.27	Modification	30
13.	MORTGAGE PROTECTION CLAUSE	30
14.	PRIVATE ROADS AND ENTRANCE GATES	31
14.1	Private Roads	31
14.2	Entrance Gates	31
14.3	Exterior Fences	31
15.	EXEMPTION OF DECLARANT FROM RESTRICTIONS	31
16.	REMEDIES	31
16.1	General Remedies	31
16.2	Expenses of Enforcement	32
16.3	Legal Action	32
16.4	Effect on Mortgage	33
16.5	Limitation on the Declarant's Liability	33
17.	AMENDMENT	33
17.1	Amendment to Declaration	33
17.2	Effect of Amendment	33
17.3	Amendment of Plat	34
17.4	Required Approvals	34
17.5	Declarant's Right to Amend	34
17.6	Services to Third Parties	34
18.	GENERAL PROVISIONS	35
18.1	Notices	35
18.2	Captions and Exhibits; Construction	35
18.3	Severability	35
18.4	Rule Against Perpetuities	35
18.5	Mortgage of Tracts	35
18.6	Power of Attorney	36
19.	RIGHTS AND OBLIGATIONS	36

RECITALS:

Declarant is the owner of all of the Tracts, numbered 1 to 18 (inclusive), of Lockett Ranches (the "Property"), the survey of which, executed by Declarant, is filed in the Official Records of Coconino County, Arizona in Book ____ of Surveys, pages ____ to ____ (the "Plat").

The Property includes all of the Private Roads and the Pedestrian and Equestrian Easement shown on the Plat. The Private Roads, which include public utility easements to serve the Tracts, provide ingress and egress to the Tracts.

This Declaration shall be the governing covenants, conditions and restrictions of the Property, together with the Articles of Incorporation, Association Rules, Bylaws and Design Guidelines of the Lockett Ranches Owners Association provided for in this Declaration (the "Association").

DECLARATION:

WHEREAS, Declarant is the record owner of the Property, the Plat of which by this reference is hereby made a part hereof, which shall be subjected to this Declaration and governance by the Association in all respects; and,

WHEREAS, owners of Tracts and all other persons hereinafter acquiring any interest in a Tract of the Property shall at all times enjoy the benefits of, and shall hold their respective 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 protect the use and enjoyment of the Tracts.

NOW, THEREFORE, Declarant, for the purposes above set forth, declares that the Property shall hereafter be held, transferred, sold, conveyed, 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 Tract thereof and all parties having or acquiring any right, title or interest in or to the Property or any Tract thereof, irrespective of whether or not referenced in a deed or other applicable conveyance; 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 letter of such term capitalized.

1.1 "Articles" means the Articles of Incorporation of the Association,, as such may be amended from time to time, or of any successor thereto.

1.2 "Assessments" shall include the following:

1.2.1 "Regular Assessment" means the amount which is to be paid by each Member of the Association as such Member's Proportionate Share of the Common Expenses of the Association, as provided in Section 6.3.

1.2.2 "Special Assessment" means a charge against a particular Member or Tract directly attributable to such Member or Tract to reimburse the Association for costs incurred in bringing the Member or the Tract into compliance with the provisions of this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, or any other charge designated as a Special Assessment in this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, together with attorneys' fees and other charges payable by such Member pursuant to the provisions of this Declaration, as provided in Section 6.4.

1.2.3 "Capital Improvement Assessment" means the amount which is to be paid by each Member representing such Member's Proportionate Share of the cost to the Association for the installation, construction, replacement or restoration of a Private Road, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvement not covered by the Common Expenses which the Association may from time to time authorize pursuant to the provisions of Section 6.5.

1.3 "Association" means Lockett Ranches Owners Association, an Arizona non-profit corporation, its successors and assigns.

1.4 "Association Rules" means the rules and regulations adopted by the Association pursuant to Section 4.8.

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

1.6 "Bylaws" means the bylaws of the Association adopted in accordance with the Articles; as such Bylaws may be amended from time to time, or of any successor thereto.

1.7 "Common Expenses" means the actual and estimated costs incurred by the Association in administering, maintaining and operating the Private Roads, the Pedestrian and

Equestrian Easement and any Entrance Gate or other improvements of the Property, including, but not strictly limited to, the following: (a) maintenance, management, operation, repair, restoration and replacement of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate of the Property and any fences and gates on the exterior boundaries of the Plat which it elects to maintain pursuant to Section 14.3, and any other areas on the Property which are maintained by the Association; (b) pick up of litter on or adjacent to the Private Roads and the Pedestrian and Equestrian Easement; (c) clearing or removing snow from the Private Roads; (d) installation and maintenance of central mailboxes serving individual Tracts (e) costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees; (f) the costs of any utilities used by the Association, including but not limited to water, electricity, gas, sewer, trash pick-up and disposal, landscaping maintenance, television cable and other services which generally benefit and enhance the value and desirability of the Property, if provided by the Association; (g) the costs of fire, casualty, liability, workmen's compensation and other insurance covering the Property or the Association; (h) reasonable reserves for contingencies, replacements and other proper purposes (including future expenses which would otherwise be subject to a "Capital Improvement Assessment") as deemed appropriate by the Association; (i) the costs of bonding the members of the Board, the President, any professional managing agent or any other person handling the funds of the Association; (j) taxes paid by the Association; (k) amounts paid by the Association for discharge of any lien or encumbrance levied against any asset of the Association or a portion thereof; (l) costs incurred by the Design Review Committee; (m) costs incurred by any other committee established by the Board; (n) costs of security guards; (o) operation of any Entrance Gate (including any card or key gates) at an entrance to the Property and any other security systems or services installed, operated or contracted for by the Association; (p) costs of garbage collection service for the Tracts if provided through the Association; (q) other expenses incurred by the Association for any reason whatsoever in connection with the Property, excepting Capital Improvements as otherwise provided herein, and (r) 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 and applicable laws, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association. This enumeration of expenses shall not require that the Association provide any particular improvement or service which is enumerated in this Section 1.7 and the Board shall determine which of the enumerated services are to be provided, except that the Private Roads and any Entrance Gate shall be kept open and passable at all times.

1.8 "Declarant" means the above-recited Declarant, its successors and assigns, or any person to whom the Declarant's rights hereunder are assigned by recorded instrument.

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

1.10 "Default Rate of Interest" means an annual rate of interest equal to the prime rate or its equivalent as announced by Bank One of Arizona, N.A., Phoenix, Arizona, (as the rate charged to its largest and most creditworthy customers) from time to time while interest is accruing (with interest hereunder adjusted as and when said prime rate is adjusted) plus four percent (4%) per

annum, but never less than twelve percent (12%) per annum nor more than eighteen percent (18%) per annum. If Bank One of Arizona, N.A. should 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. If banks should cease announcing prime rates, the Association may elect to use twelve percent (12%) as the Default Rate of Interest, or may specify the rate in lieu of said prime rate, for purposes of the computation hereunder which the Association would reasonably have to pay to borrow money at that time.

1.11 "Design Guidelines" means the rules, regulations, restrictions, architectural standards and design guidelines from time to time adopted by the Design Review Committee pursuant to Section 11.2.

1.12 "Design Review Committee" means the committee provided for in Section 11.

1.13 "Entrance Gate" means any gate or gates constructed, maintained or operated by the Association for ordinary use.

1.14 "Majority of Members" means the Members holding more than fifty percent (50%) of the total votes entitled to be cast with respect to a given matter, and any other specified fraction or percentage of the Members herein for a specific action to be taken by the Association means the Members holding that specified fraction or percentage of the total votes entitled to be cast with respect to a given matter. A specified fraction or percentage "of all of the Members" means that fraction or percentage of the total votes of all Members other than Declarant. Unless otherwise specified, any provision herein requiring the approval of the Members means the approval of a Majority of Members.

1.15 "Member" means every Person who holds Membership in the Association pursuant to Section 3.

1.16 "Mortgage" means any recorded, filed or otherwise perfected instrument given in good faith and for valuable consideration which is not a fraudulent conveyance under Arizona law as security for the performance of an obligation, including without limitation a deed of trust, but it shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code. "Mortgagee" means the holder of a note secured by a Mortgage, including the trustee and beneficiary under any deed of trust. "Mortgagor" means the party executing a Mortgage.

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

1.18 "Owner" means one or more Persons, who are alone or collectively the record owner of a fee simple title, whether or not subject to any Mortgage, to any Tract which is a part of the Property, including contract sellers, but excluding those having such interest merely as security

for the performance of an obligation. In the case of Tracts, the fee simple title to which is vested of record in a trustee pursuant to a deed of trust, legal title shall be deemed for purposes of this Declaration to be in the Owner. If a Tract is split or subdivided, then the owner of each additional tract, lot or parcel shall be an "Owner" for all purposes under this Declaration.

1.19 "Pedestrian and Equestrian Easement" means that easement between Tracts 11 and 12 shown on the Plat.

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

1.21 "Plat" means the plat of the Property and as thereafter from time to time amended or supplemented.

1.22 "Proportionate Share" shall mean the total of each assessment, divided by the total number of Tracts, including any additional tracts, lots or parcels resulting from the split or subdivision of an original Tract.

1.23 "President" means the duly elected or appointed president of the Association.

1.24 "Private Road" means the sixty (60) foot right of way designated by a street name or as a private road on the Plat of the Property, and includes the use of such right of way for public utilities.

1.25 "Property" means all of the real property shown on the Plat, including the Private Roads and Tracts.

1.26 "Record" or "Recording" means an instrument of record in or the act of recording an instrument with the office of the County Recorder of Coconino County, Arizona.

1.27 "Tract" shall mean the initial eighteen Tracts shown on the Plat. If any Tract is split or subdivided, then each additional tract, lot or parcel shall also be a "Tract" under this Declaration and all references to Tracts shall include such additional tracts, lots or parcels.

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 Private Roads, the Pedestrian and Equestrian Easement, and any Entrance Gate, which rights shall be appurtenant to and shall pass with such Member's membership as herein provided, and to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration, including, without limitation, the following provisions:

2.1.1 The right of the Association to limit the Members use of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements by Persons who are not Members, except as otherwise provided herein.

2.1.2 The right of the Association to establish reasonable non-discriminatory rules and regulations pertaining to or restricting the use of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements by Members or other Persons.

2.1.3 The right of the Association to borrow money for the purpose of installing, improving, replacing and restoring the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements.

2.2 Delegation of Use. No Member may delegate his right of use and enjoyment of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements to any Person, except to the members of his or her immediate family as provided in Section 3 or to his or her guests, invitees, tenants and providers of services as permitted by the Association Rules.

2.3 Waiver of Use. No Member may exempt himself, and no Member shall be exempt, from personal liability for Assessments and the liens and other provisions of this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, by voluntary waiver of or suspension or restriction of such Member's right to the use and enjoyment of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements or the abandonment of such Member's Tract or membership.

3. MEMBERSHIP.

3.1 Membership. Every Owner of a Tract shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a Tract. Only one (1) membership shall exist based upon ownership of a single Tract or if a Tract is split or subdivided, based upon ownership of each additional tract, lot or parcel.

3.2 Transfer of Memberships. The rights and obligations of an Owner and a membership in the Association shall not be assigned, transferred, pledged or alienated in any way, except upon the transfer of the Tract to which it appertains (and then only to such transferee), whether by sale, intestate succession, testamentary disposition, foreclosure of a Mortgage or other legal process transferring fee simple title to such Tract. Any attempt to make a prohibited transfer shall be void.

3.3 Voting Rights. The Association shall have two (2) classes of voting memberships:

Class A - Class A Members shall be all Owners except the Declarant and, except as hereafter provided in the case of election of directors, and each Member shall be entitled to one (1) vote for each Tract and subject to assessment as hereinafter provided. When more than one person owns a portion of the interest required for membership, the vote for each Tract shall be exercised as they themselves determine, but in no event shall more than one (1) vote be cast with respect to any Tract or if a Tract is split or subdivided, with respect to each additional tract, lot or parcel. If two or more persons shall be in disagreement or unable to make a determination for any reason, the Board may designate and empower one of them to vote.

Class B - The Class B Member shall be the Declarant and shall be entitled to the number of votes which when added to the total number of votes outstanding from time to time for all Class A memberships shall equal fifty-one percent (51%) of the total votes outstanding for the Class A and Class B memberships.

The Class B membership shall cease upon the conveyance by Declarant to an Owner other than Declarant of the sixteenth Tract owned by Declarant in the Property, or at such earlier time when Declarant, by a recorded declaration, expressly relinquishes such Class B membership.

If and so long as any Class B membership is outstanding, the Class A memberships shall not be entitled to cast any vote with respect to the election of directors.

3.4 Articles and Bylaws. Each Member shall have such other rights, duties, and obligations as are set forth in the Articles and Bylaws.

4. ASSOCIATION.

4.1 Purpose of Association. The Association has been, or will be, incorporated as a non-profit corporation to serve as the governing body for all of the Members for the protection, improvement, alteration, maintenance, repair, replacement, administration and operation of the Property, the assessment of expenses, payment of losses, disposition of casualty insurance proceeds, and other matters as provided in this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines. The Association shall not be deemed to be conducting a business of any kind, and all funds received by the Association shall be held and applied by it for the Owners and Members in accordance with the provisions of this Declaration, the Articles and the Bylaws.

4.2 Membership in Association. Each Owner shall be a Member of the Association so long as he or she shall be a Member of the Association as provided in Section 3, and such membership shall automatically terminate when he or she ceases to be a Member. 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 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.

4.3 Pledge of Voting Rights. Notwithstanding the foregoing, in the event that an Owner has granted an irrevocable proxy, or otherwise pledged the voting right appurtenant to the Membership with respect to his or her Tract, to a Mortgagee as additional security, only the vote of such Mortgagee will be recognized in regard to such special matters, if a copy of such proxy or other instrument pledging such vote has been filed with the Association.

4.4 Assignment of Declarant's Voting Rights. If any lender to whom the Declarant has assigned, or hereafter assigns, as security all or substantially all of its rights under this Declaration succeeds to the interests of the Declarant by virtue of said assignment, the absolute voting rights of the Declarant as provided in Section 4.15 shall not be terminated thereby, and such lender shall hold the Declarant's memberships and voting rights on the same terms as they were held by the Declarant pursuant hereto.

4.5 Board of Directors.

4.5.1 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 the Declarant, each director shall be a Member. If a director shall cease to meet such qualifications during his or her term, he or she will thereupon cease to be a director and his or her place on the Board shall be deemed vacant.

4.5.2 The Declarant shall have the absolute power and right to appoint and remove the members of the Board until its Class B membership terminates as provided for herein.

4.6 Controlling Effect of This Designation. In the event of any dispute or disagreement between any Owners relating to the Property, or any question of interpretation or application of the provisions of this Declaration, the Articles or the Bylaws, the determination thereof by the Board shall be final and binding on each and all of such Owners.

4.7 Additional Provisions in Articles and Bylaws. The Articles and Bylaws may contain any provision 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.

4.8 Association Rules. The Board shall be empowered to adopt, amend, or repeal such rules and regulations as it deems reasonable and appropriate (the "Association Rules"), binding upon all Persons subject to this Declaration and governing the use of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate and any other part of the Property under

the control of the Association. The Association Rules may include the establishment of a system of fines and penalties enforceable as Special Assessments. The Association Rules shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements; provided, however, that the Association Rules may not discriminate among Owners and Members or other permitted users, except as expressly provided or permitted herein, and shall not be inconsistent with this Declaration, the Articles, Bylaws or Design Guidelines. A copy of the Association Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal to specific portions of the Association Rules shall be delivered to each Owner and Member in the same manner established in this Declaration for the delivery of notices. Upon completion of the notice requirements, said Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and Members, and all other Persons having any interest in, or making any use of the Property and the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements whether or not such notice was actually received. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner, Member or other Person reasonably entitled thereto, upon request. In the event of any conflict between any provision of the Association Rules and any provisions of this Declaration, or the Articles, Bylaws or Design Guidelines, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles, Bylaws or Design Guidelines to the extent of any such conflict.

4.9 Indemnification. To the fullest extent permitted by law, every director and every officer of the Association, and members of the Design Review Committee, and the Declarant (to the extent a claim may be brought against the Declarant by reason of its appointment, removal or control over members of the Board or the Design Review Committee) shall be indemnified by the Association, and every other person serving as an employee or direct agent of the Association, or on behalf of the Association as a member of a committee or otherwise, may, in the discretion of the Board, be indemnified by the Association, against all expenses, liabilities and judgments, including attorneys' fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of being or having served in such capacity on behalf of the Association (or in the case of the Declarant by reason of having appointed, removed or controlled or failed to control members of the Board or the Design Review Committee), or any settlement thereof; whether or not he or she is a director, officer or member of the Design Review Committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that such officer, director member of the Design Review Committee or other person, or the Declarant, did not act, fail to act, or refuse to act willfully or with gross negligence or fraudulent or criminal intent in the performance of his or her duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

4.10 Non-Liability of Officials. To the fullest extent permitted by law, neither Declarant, the Board, the Design Review Committee or any other committees of the Association nor any member thereof, nor any directors or officers of the Association, shall be liable to any Member, Owner, the Association or any other Person for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, inaction, omission, error, negligence or the like made in good faith and which Declarant, the Board, or such committees or persons reasonably believed to be within the scope of their respective duties.

4.11 Accounting. The Association, at all times, shall keep, or cause to be kept, true and correct records of account in accordance with generally acceptable accounting principles, and shall have available for the inspection of all owners and Members at reasonable times during regular business hours, such books which shall specify in reasonable detail all expenses incurred and funds accumulated from assessments or otherwise.

4.12 Records. The Association shall, upon reasonable written request and during reasonable business hours, make available for inspection by each Owner and Member the books, records and financial statements of the Association together with current copies, as amended from time to time, of this Declaration and the Articles, Bylaws, Association Rules and Design Guidelines. The Declarant shall be under no obligation to make its own books and records available for inspection by any Owner, Member or other person.

4.13 Managing Agent. All powers, duties and rights of the Association or the Board, as provided by law and herein, may be delegated to a managing agent under a management agreement; provided, however, that no such delegation shall relieve the Association of its obligation to perform any such delegated duty. Any agreement for professional management, or any other contract providing for services of the Declarant or any other party, shall not exceed a term of three (3) years, which term may be renewed by agreement of the parties for successive one (1) year periods, and shall further provide for termination by either party with or without cause and without payment of a termination fee upon not more than ninety (90) days' written notice.

4.14 Declarant's Control of Association. Notwithstanding anything in this Declaration to the contrary, the Declarant may maintain absolute control over the Association, including appointment of the members of the Board and the members of the Design Review Committee, until conveyance to an Owner other than Declarant of the sixteenth Tract owned by Declarant.

5. EASEMENTS AND PRIVATE ROADS.

5.1 Blanket Easements. There is hereby created a blanket easement upon, across, over and under the Property for ingress and egress over the Private Roads and upon, across, over and under the right of way of the Private Roads for utility easements for installing, constructing, replac-

ing, repairing, maintaining and operating all utilities serving each Tract, including but not limited to water, sewer, gas, telephone, electricity, television cable, security systems, and communication lines and systems, and in addition thereto for the use of emergency vehicles of all types. Such easement shall also include the right to establish easements for drainage and the construction and maintenance of such structures as may be necessary or appropriate for such purposes. By virtue of the easement, it shall be expressly permissible for the utility company to erect (including without limitation any underground installation) and maintain the necessary facilities, wires, circuits, conduits, cables and related appurtenances, facilities and equipment on the Property; provided, however, that the utility company shall replace all vegetation and repair all damage to premises. Notwithstanding anything to the contrary contained in this Section 5, no easements shall be created nor shall any sewers, electrical lines, water lines or other facilities for utilities be installed or relocated except as initially created and approved by the Declarant or thereafter created or approved by the Association. This provision shall in no way affect any other recorded easements on the Property.

5.2 Use of Private Roads. Each owner and Member shall have the non-exclusive right to use the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements in common with all other Owners and Members as required for the purposes of vehicular and nonvehicular access and ingress and egress to (and use, occupancy and enjoyment of) any Tract owned by such Owner or Member. Nonvehicular access shall include pedestrian, bicycle and horseback uses. Such right to use the Private Roads, subject to the Association Rules, shall extend to the family members, guests and invitees of each Owner or Member and to providers of services to each Tract.

5.3 Maintenance Easement. There is hereby reserved a blanket easement upon, over, across and under all Tracts for the purpose of access, ingress to and egress from any portion of the Property for the purpose of performing any maintenance or other function which the Association is empowered and obligated to perform under this Declaration.

5.4 Relocation of Private Roads. Any other provision of this Declaration or the Plat notwithstanding, those portions of the Private Roads bisecting any part of Tracts 1, 2, 17 and 18 may be relocated and reconstructed by the Association at the request of and at the sole expense of the Owners of such Tracts or such part thereof as will be affected by such relocation, with the approval of the Board, which approval of the Board may be granted or withheld in its sole judgment. Any relocation which affects the title of any such Tracts or a split or subdivided tract, parcel or lot thereof shall be made only with the consent of the Owners of the Tract or Tracts affected and any public utility serving the Tract or Tracts affected. The Board shall be entitled to condition its approval upon the fulfillment of such requirements and conditions as may be appropriate, in the Board's sole judgment, to assure that the relocation shall be made and paid for in a manner which will assure that the relocation will be completed on a timely basis without materially interfering with the access and utility services to the Tracts of Lockett Ranches. Any such relocation shall maintain a minimum right of way width of sixty (60) feet and shall conform to county standards for alignment

and grade. The Board may impose a fee to cover the Board's expenses in connection with its approval and the fulfillment of its requirements and conditions.

6. ASSESSMENTS.

6.1 Création of Lien and Personal Obligation. Each Owner and Member, by acceptance of a deed or other conveyance of an interest in a Tract or by acceptance of his or her membership, is deemed to covenant and agree to pay to the Association Regular Assessments, Special Assessments and Capital Improvement Assessments, if applicable, such Assessments to be established and collected from time to time as provided in this Declaration. The Assessments, together with interest thereon, late charges, attorneys' fees and court costs, and other costs of collection thereof, as hereinafter provided, shall be a continuing lien upon such Owner or Member's Tract against which the Assessments are made. Each Assessment, together with such interest and other costs, shall also be the personal obligation of the Member and/or owner to whom such Assessment relates. The personal obligation for delinquent payments shall not pass to an Owner's or Member's successor in title unless expressly assumed by such successor. The obligation of a Member and the Owner of the Tract to which such membership appertains for the payment of Assessments shall be joint and several.

6.2 Purpose of Assessments. The Assessments levied by the Association shall be used to preserve the value of the Tracts, to pay the costs of administration of the Association and all other Common Expenses, or to otherwise further the interests of the Association. Where a Tract has separate gas, electrical, sewer or other similar utilities service, the cost of the same shall be the personal obligation of each Owner. Maintenance of any sewer line serving a single Tract shall be the responsibility of its owner.

6.3 Regular Assessments.

6.3.1 Each Owner shall pay as his Regular Assessment such Member'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.

6.3.2 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 Owner and Member at the Association's office during reasonable times a pro forma operating 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. The Association shall at that time determine the amount of the Regular Assessment to be paid by each Member and notify the Member thereof. Each member shall thereafter pay to the Association his Regular Assessment in quarterly installments. Each such installment shall be due and payable on the date set forth in the written notice sent to Members.

6.3.3 If the Association determines that the total Regular Assessments for the current year are, or will become, inadequate to meet all Common Expenses for whatever reason, including Common Expenses in excess of the estimated Common Expenses used in preparation of the Association's budget for that year, the Board shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessments to be paid by each Member for the balance of the year, and the date or dates when due. If the estimated total Regular Assessments for the current year prove to be excessive in light of the actual Common Expenses, 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. No reduction or abatement of Regular Assessments because of any such anticipated surplus may diminish the quantity or quality of services upon which the Common Expenses for the year in question are based.

6.3.4 The increase in the Regular Assessment from the amount of the previous year's Regular Assessment shall not exceed twenty percent (20%), without the approval of the Majority of the Members of the Association.

6.4 Special Assessments. Special Assessments shall be levied by the Association against a Member and/or an Owner and his Tract to reimburse the Association for:

6.4.1 Costs incurred in bringing a Member or an Owner and his Tract into compliance with the provisions of this Declaration, or the Articles, Bylaws, Association Rules or Design Guidelines;

6.4.2 Any other charge designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules;

6.4.3 Fines levied or fixed by the Board under Section 11.8 or as otherwise provided herein; and

6.4.4 Attorneys' fees, interest and other costs or charges provided to be paid as, or which are incurred in connection with, a Special Assessment in accordance with this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines.

In the event the Association undertakes to provide materials or services which benefit individual Members or Tracts and which can be accepted or not by individual Members, such Members, in accepting such materials or services agree that the costs thereof shall be a Special Assessment.

6.5 Capital Improvement Assessments. In addition to the Regular Assessments, the Association may levy in any calendar year a Capital Improvement Assessment applicable to that year only, for the purpose of defraying, in whole or in part, any action or undertaking on behalf of

the Association in connection with, or the cost of, any construction, installation or replacement of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements, including the necessary fixtures and personal property related thereto. Without the approval of a Majority of Members, the Association shall not impose a Capital Improvement Assessment in an amount which in any one (1) year exceeds two hundred percent (200%) of the estimated annual Common Expenses. Any reserves collected by the Association for the future maintenance and repair of the Common Areas, or any portion thereof, shall not be included in determining the foregoing limitation on any annual Capital Improvement Assessment. 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 to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members.

6.6 Uniform Assessment. The Regular Assessment and Capital Improvement Assessment for each Member shall be uniform.

6.7 Date of Commencement of Regular Assessments. The Regular Assessments shall commence as to each Member on the date of conveyance to the Owner of the Tract to which the Membership appertains.

6.8 Time and Manner of Payment; Late Charges and Interest. Assessments shall be due and payable by the Members in such manner and at such times as the Association shall designate. If not paid within thirty (30) days after its due date, each such Assessment shall have added to it a late charge equal to the greater of ten percent (10%) of the amount of Assessment or fifteen dollars (\$15.00) if not paid within fifteen (15) days thereafter, the Assessment and late charge shall bear interest at the Default Rate of Interest 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. A delinquent Member shall also be liable for attorneys' fees and other related costs incurred by the Association as a result of such delinquency, and if any suit, action or arbitration proceeding is brought to collect any such Assessment or charge, then there shall be added to the amount thereof costs of suit and reasonable attorneys' fees to be fixed by the court and included in any judgment or award rendered thereon. The delinquency of a Member shall be deemed to also constitute the delinquency of the Owner of the Tract to which such Membership appertains.

6.9 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, the Board or the Declarant is not properly exercising its duties and powers as provided in this Declaration; or (b) Assessments for any period exceed Common Expenses.

6.10 Homestead Waiver. Each Owner and Member, to the extent permitted by law, hereby waives, to the extent of any liens created pursuant to this Declaration, whether such liens are

not 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 in effect, or in effect from time to time hereafter.

6.11 Reserves. The reserves included in the Common Expenses which are collected as part of the Regular Assessments shall be deposited by the Association in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association, except to the extent that the Association's regularly employed accountant deems it desirable to do otherwise on the basis of standard accounting principles in similar contexts or the laws, tax or otherwise, of the State of Arizona or the United States relating to non-profit corporations or homeowners associations. Such reserves shall be deemed a contribution to the capital account of the Association by the Members. The responsibility of the Board (whether while controlled by the Declarant or by the Members) shall be only to provide for such reserves as the Board in good faith deems reasonable, and neither the Declarant, the Board nor any member thereof shall have any liability to any Owner or Member or to the Association if such reserves prove to be inadequate.

6.12 Subordination of Lien. Any lien which arises against a Tract by reason of the failure or refusal of an Owner or Member to make timely payment of any Assessment shall be subordinate to the lien of a prior recorded Mortgage on the Tract, acquired in good faith and for value, except for the amount of the unpaid Assessment which accrues from and after the date on which a Mortgagee comes into possession of or acquires title to the Tract, whichever occurs first (together with any interest, costs, reasonable attorneys' fees and any late charges related thereto), and if any lien for unpaid Assessments prior to the date the Mortgagee comes into possession of or acquires title to the Tract has not been extinguished by the process by which such Mortgagee came into possession of or acquired title to the Tract, such Mortgagee shall not be liable for unpaid Assessments arising prior to the aforesaid date and, upon written request to the Association by such Mortgagee, such lien shall be released in writing by the Association. Any unpaid Assessments which are extinguished pursuant to the foregoing sentence shall continue to be the personal obligation of the delinquent Owner and Member and may also be re-allocated by the Association among all Members as part of the Common Expenses.

6.13 Certificate of Payment. Any person acquiring an interest in any Tract shall be entitled to a certificate from the Association setting forth the amount of due but unpaid Assessments relating to such Tract, if any, and such person shall not be liable for, nor shall any lien attach to the Tract in excess of, the amount set forth in the certificate, except for Assessments which occur or become due after the date thereof and any interest, costs, attorneys' fees and any late charges related to such Assessments. Nothing herein shall be construed as requiring that the Association take any action required hereunder in any particular instance, but 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.

6.14 Enforcement of Lien. The lien provided for in this Section 6 may be foreclosed by the Association in any manner provided or permitted for the foreclosure of realty

mortgages or deeds of trust in the State of Arizona. All of the provisions of this Section 6 relating to the enforcement of the lien provided for herein (including without limitation the subordination provisions in Section 6.13 or the provisions of this section 6.14) shall apply with equal force in each other instance provided for in this Declaration, the Association Rules or Design Guidelines 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 6. Nothing herein shall be construed as requiring that the Association take any action required hereunder in any particular instance, 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.

6.15 Pledge of Assessment Rights as Security. The Association shall have the power to pledge the right to exercise its assessment powers and rights provided for in this Declaration as security for any obligation of the Association; provided, however, that any such pledge shall require the prior approval of a majority of the Members. The Association's power to pledge its assessment power shall include, but not be limited to, the ability to make an assignment of Assessments which are then payable to, or which will become payable to, the Association, which assignment may then be presently effective but shall allow said Assessments to continue to be paid to the Association and used by the Association as set forth in this Declaration, unless and until the Association shall default on its obligations secured by said assignment.

6.16 Exemption of Unsold Tracts. Notwithstanding anything in this Section 6 to the contrary, no Assessments shall be levied upon, or payable with respect to, any Tract owned by Declarant, or an affiliate of Declarant to whom the Tract has been conveyed by Declarant until such Tract has been conveyed by Declarant (or said affiliate) to a nonaffiliated purchaser thereof. During the period of time the Declarant's Class B membership is outstanding, the Declarant shall pay or cause to be paid all Common Expenses of the Association over and above the amount of Assessments collected from the Members who are Owners of Tracts, except the Declarant shall not be obligated to establish, maintain or contribute to any reserves of the Association.

7. INSURANCE.

7.1 Authority to Purchase. The Association shall purchase and maintain insurance upon the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements including but not limited to the insurance described in Section 7.3. Such policies, and endorsements thereon, or copies thereof shall be deposited with the Association. The Association shall advise the Owners and Members of the coverage of said policies in order to permit the Owners and Members to determine which particular items are included within the coverage so that the Owners and Members may insure themselves as they see fit, if certain items are not insured by the Association.

7.2 Member's Responsibility. It shall be each Owner's or Member's responsibility to provide for himself or herself insurance on his or her own Tract, if any, additions

and improvements thereto, furnishings and personal property therein, personal liability to the extent not covered by the public liability insurance obtained by the Association and such other insurance which is not carried by the Association as the Owner or Member desires. No Owner or Member shall maintain any insurance, whether on his Tract or otherwise, which would limit or reduce the insurance proceeds payable under the casualty insurance maintained by the Association in the event of damage to the improvements or fixtures maintained by the Association.

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

7.3.1 A multi-peril type policy covering any Entrance Gate and other improvements, except the Private Roads and any Pedestrian and Equestrian Easement, providing, as a minimum, fire and extended coverage, and all other coverage in kinds and amounts customarily acquired or required for projects similar in construction, location and use, including, without limitation, perils normally covered by an "all-risk" policy, in an amount determined by the Association;

7.3.2 A policy of comprehensive public liability insurance covering all of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate and any other improvements in an amount determined by the Association but not less than five Million Dollars (\$5,000,000.00) combined single limit (or the maximum reasonably obtainable, if less), for personal injury or death and Two Hundred Fifty Thousand Dollars (\$250,000) (or the maximum reasonably obtainable, if less) 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, including without limitation, liability for non-owned and hired automobiles, liability for property of others, liability arising in connection with the operation, maintenance or use of the Common Areas, liability assumed by contract or contractual liability, and liability arising out of any employment contracts of the Association;

7.3.3 The Association shall, at its election, obtain fidelity bond coverage against dishonest acts on the part of directors, officers, managers, trustee, agents, employees or volunteers responsible for handling funds belonging to or administered by the Association. If funds of the Association are handled by a management agent, then fidelity bond coverage shall also be obtained for the officers, employees or agents of the management agreement handling or responsible for Association funds. The fidelity bond or insurance must name the Association as the named insured and shall be written to provide protection in an amount not less than the lesser of (a) one-half ($\frac{1}{2}$) times the Association's estimated annual operating expenses and reserves, (b) a sum equal to three (3) months' aggregate Regular Assessments plus reserves, or (c) the estimated maximum amount of funds, including reserves, in the custody of the Association (and its management agent) at any one time. In connection with such coverage, an appropriate endorsement to the policy to cover any person who serves without compensation shall be added if the policy would not otherwise cover volunteers. Such coverage must name the Association as an obligee;

7.3.4 A workmen's compensation policy, if necessary to meet the requirements of law;

7.3.5 A homeowner's association, including "directors and officers" liability coverage, if available; and,

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

7.4 Required Provisions. The insurance policies purchased by the Association shall, to the extent reasonable and available, contain the following provisions:

7.4.1 The coverage afforded by such policies shall not be brought into contribution or proration with any insurance which may be purchased by any Owner, Member or Mortgagee.

7.4.2 The conduct of any one or more owners or Members shall not constitute grounds for avoiding liability on any such policies.

7.4.3 There shall be no subrogation with respect to the Association, its agents or employees, Owners, Members, or members of their households or families and employees, and each Mortgagee of all or any part of the Property or of any Tract, or the policy shall name said persons as additional insureds; and, each policy must contain a waiver of any defenses based on co-insurance or on invalidity arising from the acts of the insured.

7.4.4 A "severability of interest" endorsement shall be obtained which shall preclude the insurer from denying the claim of an Owner or Member because of the conduct or negligent acts of the Association and its agent or other Owners or Members.

7.4.5 Any "no other insurance" clause shall exclude insurance purchased by Owners, Members or Mortgagees.

7.4.6 Coverage must not be prejudiced by (a) any act or neglect of Owners or Members when such act or neglect is not within the control of the Association or (b) any failure of the Association to comply with any warranty or condition regarding any portion of the Project over which the Association has no control.

7.4.7 Coverage may not be cancelled or substantially modified without at least thirty (30) days' (or such lesser period as the Association may reasonably deem appropriate) prior written notice to the Association.

7.4.8 Any policy of property insurance which gives the carrier the right to elect to restore damage in lieu of a cash settlement must provide that such election is not exercisable

without the prior written approval of the Association, or when in conflict with the insurance trust provisions contained herein, or any requirement of law.

7.4.9 A recognition of any insurance trust agreement entered into by the Association.

7.4.10 Each hazard insurance policy shall be written by a hazard insurance carrier which has a financial rating as designated in Best's Key Rating Guide of Class XV or better, or if such rating service be discontinued, an equivalent rating by a successor thereto or a similar such rating service. Each insurance carrier must be specifically licensed or authorized by law to transact business within the State of Arizona.

7.4.11 Policies shall not be utilized where, under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against the Owners, Members or the Association or loss payments are contingent upon action by the carrier's board of directors, policyholders, or members.

7.5 Non-Liability of Association/Board/President. Notwithstanding the duty of the Association to obtain insurance coverage as stated herein, neither the Association nor any Board member nor the Declarant shall be liable to any Owner, 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 Owner and 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 Owner or Member may desire.

7.6 Premiums. Premiums upon insurance policies purchased by the Association shall be paid by the Association as a Common Expense, except that the amount of increase over any annual or other premium occasioned by the use, misuse, occupancy or abandonment of a Tract or its appurtenances by an Owner or Member, shall be assessed against that particular Owner or Member.

7.7 Insurance Claims. The Association is hereby irrevocably appointed and authorized, subject to the provisions contained herein, to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims, and to do all other acts reasonably necessary to accomplish any of the foregoing.

7.8 Benefit. Except as otherwise provided herein, all insurance policies purchased by the Association shall be for the benefit of, and any proceeds of insurance received by the Association or any insurance trustee shall be held or disposed of in trust for, the Association, the Owners or the Members, as their interests may appear.

8. DAMAGE AND DESTRUCTION.

8.1 Duty of Association. In the event of partial or total destruction of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements, it shall be the duty of the Association to restore and repair the same as promptly as practical pursuant to this Section 8. The proceeds of any casualty insurance maintained pursuant to this Declaration shall be used for such purpose, subject to the prior rights of Mortgagees whose interest may be protected by said policies.

8.2 Automatic Reconstruction. In the event that the amount available from the proceeds of any insurance policies for such restoration and repair, together with any uncommitted reserves of the Association, shall be insufficient to cover the cost of restoration and repair, a Capital Improvement Assessment against each Member in its Proportionate Share, and/or the Owner of the Tract to which a Membership is appurtenant, may be levied by the Association to provide the necessary funds for such reconstruction in excess of the amount of the funds available for such purpose. The Association shall thereupon cause the damaged or destroyed improvements to be restored to substantially the condition the improvements were in prior to the destruction or damage.

8.3 Excess Insurance Proceeds. In the event any excess insurance proceeds remain after any reconstruction by the Association pursuant to this Section, the Association, in its sole discretion, may retain such sums in the general funds of the Association or may distribute all or a portion of such excess to the Members in their Proportionate Shares, subject to the prior rights of Mortgagees whose interest may be protected by the insurance policies carried by the Association. The rights of a Member, an Owner, or the Mortgagee of a Tract as to such distribution shall be governed by the provisions of the Mortgage encumbering such Tract.

8.4 Use of Capital Improvement Assessments. All amounts collected as Capital Improvement Assessments pursuant to this Section 8 shall only be used for the purposes set forth in this Section 8 and shall be deposited by the Association in a separate bank account to be held in trust for such purposes. Such funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members. Any Capital Improvement Assessment for the purpose of this Section 8 shall be secured by the lien provided for in Section 6.

8.5 Contract for Reconstruction. In the event the Association undertakes the repair and restoration of the improvement, the Association shall contract with a licensed contractor or contractors who may be required to post a suitable performance or completion bond. The contract with such contractor or contractors shall provide for the payment of a specific sum for completion of the work described therein and shall provide for periodic disbursements of funds, which shall be subject to the prior presentation of an architect's, or similar, certificate containing such provisions as may be appropriate in the circumstances and deemed suitable by the Association.

8.6 Insurance Proceeds Trust. Upon receipt by the Association of any insurance proceeds, the Association may, at its option, cause the insurance proceeds to be paid directly to a bank or trust company located in Coconino County, Arizona, as designated by the Association as trustee (the "Insurance Trustee"). Such funds shall be received, held and administered by the Insurance Trustee subject to a trust agreement consistent with the provisions of this Declaration and which shall be entered into between the Insurance Trustee and the Association. Disbursements to contractors performing any repair or reconstruction upon the Property shall be made periodically as the work progresses in a manner consistent with procedures then followed by prudent lending institutions in Coconino County, Arizona.

9. EMINENT DOMAIN.

9.1 Definition of Taking. The term "taking" as used in this Section 9 shall mean condemnation by eminent domain or sale under threat of condemnation of all or any portion of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements.

9.2 Representation in Condemnation Proceedings. In the event of a threatened taking of all or any portion of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements, the Owners and Members hereby appoint the Association through such persons as the Board may delegate to represent all of the Owners and Members in connection therewith. The Association shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action.

9.3 Award for Common Areas. Any awards received by the Association on account of the taking of the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements shall be paid to the Association. The Association may, in its sole discretion, retain any award in the general funds of the Association or distribute all or any portion thereof to the Owners or Members as their interest may appear. The rights of an owner and the Mortgagee of his Tract as to any distribution shall be governed by the provisions of the Mortgage encumbering such Tract.

10. MAINTENANCE, REPAIRS AND REPLACEMENTS.

10.1 Owner's Responsibility. Each Owner shall furnish and be responsible for, at his own expense, all of the maintenance, repairs and replacements within his own Tract. Each Owner shall also be responsible for keeping his Tract, prior to completion of any improvements thereon, free of all trash debris, weeds and other fire hazards of any kind. If trash debris, weeds or any fire hazard accumulates on any Tract, the Association may, at its option, clear and dispose of

any such accumulation and charge said Owner for all expenses incurred thereby. The obligation to pay all such charges shall be a Special Assessment secured by the lien provided for in Section 6.

10.2 Maintenance by Association. Except as otherwise provided herein, the Association shall maintain the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements at a level of general maintenance at least equal to the standard prevailing with respect to areas of a similar nature located in Coconino County, Arizona.

10.3 Enforcement of Owner's Maintenance Obligations. In the event that any owner fails to maintain his Tract in accordance with the standards set forth in Section 10.2 herein, then the Association may, at its option, cause such maintenance to be accomplished and charge such Owner for the complete cost thereof. If, due to the willful or negligent act of any owner or Member, or a member of his family, invitee, guest or other person for whom such Owner may be responsible, damage shall be caused to the Common Areas or to a Tract or Tracts owned by others, or maintenance, repairs or replacements shall be required which would otherwise be Common Expense, then such Owner shall pay for such damage and for such maintenance, repairs and replacements as may be determined necessary or appropriate by the Association, to the extent not covered by the Association's insurance. The obligations set forth herein shall be a Special Assessment secured by the lien provided for in Section 6.

10.4 Right of Access. An authorized representative of the Association, and all contractors, repairmen or other agents employed or engaged by the Association, shall be entitled to reasonable access to each of the Tracts as may be required in connection with maintenance, repairs or replacements of or to the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements or any equipment, facilities or fixtures affecting or serving other Tracts or to perform any of the Association's duties or responsibilities hereunder.

11. ARCHITECTURAL CONTROL.

11.1 Appointment of Design Review Committee. The Association shall have a Design Review Committee consisting of not less than three (3) nor more than five (5) persons, as specified from time to time in the Design Guidelines by resolution of the Board. The Declarant shall initially appoint the members of the Design Review Committee. The Declarant shall retain the right to appoint, augment or replace all members of the Design Review Committee until the Declarant's Class B membership terminates. Thereafter, members of the Design Review Committee shall be appointed by the Board. Persons appointed to the Design Review Committee, other than those persons appointed by Declarant, must be Members or satisfy such other requirements as may be set forth in the Design Guidelines. The Declarant voluntarily may (but shall not be required to) permit the Members to appoint one or more members of the Design Review Committee at any time.

11.2 Design Guidelines. The Design Review Committee shall establish reasonable procedural rules, regulations, restrictions, architectural standards and design guidelines (the "Design

Guidelines") which the Design Review Committee may, from time to time in its sole discretion, amend, repeal or augment. The Design Guidelines as adopted and in force and effect from time to time are hereby incorporated herein and shall be deemed to be a part of this Declaration and shall be binding on all Owners, Members or other Persons as if expressly set forth herein. A copy of the current Design Guidelines shall at all times be a part of the Association's records. The Design Guidelines may include, among other things, those restrictions and limitations set forth below.

11.2.1 Time limitations for the completion, within specified periods after approval, of the improvements for which approval is required pursuant to the Design Guidelines.

11.2.2 Conformity of completed improvements to plans and specifications approved by the Design Review Committee; provided, however, as to purchasers and encumbrancers in good faith and for value, unless notice of noncompletion or nonconformance, identifying the violating Tract and specifying the reason for the notice, executed by an authorized representative of the Design Review Committee, shall be recorded with the County Recorder of Coconino County, Arizona, and given to the Owner of such Tract within one (1) year of the expiration of the time limitation described in Section 11.2.1 above, or, if later, within one (1) year following completion of the improvement, or unless legal proceedings shall have been instituted to enforce compliance or completion within said one (1) year period, the completed improvements shall be deemed to be in compliance with plans and specifications approved by the Design Review Committee and in compliance with the architectural standards of the Association and this Declaration, but only with respect to purchasers and encumbrancers in good faith and for value.

11.2.3 Such other limitations and restrictions as the Board or Design Review Committee in its reasonable discretion shall adopt, including, without limitation, the regulation of landscaping (including without limitation absolute prohibitions of certain types of landscaping, trees and plants), and regulation of all construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, structure, wall or fence, including, without limitation, the nature, kind, shape, height, materials, exterior color, surface texture, and location of any such improvement.

11.3 General Provisions.

11.3.1 The Design Review Committee may assess a fee of Three Hundred Dollars (\$300.00) or whatever additional reasonable fee the Design Review Committee sets in connection with its review of plans and specifications; and may require a deposit for damage to the Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements in connection with construction of improvements on a Tract.

11.3.2 The Design Review Committee may delegate its plan review responsibilities, except final review and approval as may be required by the Design Guidelines, to one or more of its members or architectural consultants retained by the Design Review Committee. Upon such delegation, the approval or disapproval shall be equivalent to approval or disapproval by the entire Design Review Committee.

11.3.3 The address of the Design Review Committee shall be the address established for giving notice to the Association, unless otherwise specified in the Design Guidelines. Such address shall be the place for the submittal of plans and specifications and the place where the current Design Guidelines shall be kept.

11.3.4 The establishment of the Design Review Committee and the procedure herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain their Tracts as may otherwise be specified in this Declaration, Bylaws or Association Rules.

11.3.5 The Design Review Committee shall approve or disapprove any plans and specifications submitted to it in accordance with the Design Guidelines within such period as may be specified in the Design Guidelines.

11.4 Approval and Conformity of Plans. No excavation, fill or other alteration of the topography or drainage of any Tract shall be begun and no building, fixture, fence, wall or other structure or improvement of whatever type shall be commenced, erected or maintained upon the Tract, nor shall there be any addition to or change to the exterior of any residence or other structure or improvement upon a Tract or the landscaping, grading or drainage thereof, including, without limitation, the painting (other than painting with the same color of paint as previously existed) of exterior walls, patio covers and fences, except in compliance with plans and specifications therefor which have been submitted to and approved by the Design Review Committee.

The Design Review Committee shall have the right to refuse to approve any grading plans or plans and specifications which are not suitable or desirable, in its sole option, for aesthetic or other reasons. It shall have the right to take into consideration the harmony of external design and location in relation to surrounding structures and topography and the effect of the improvements as planned on the outlook from adjacent or neighboring Tracts. No changes or deviations in or from such grading plans and plans and specifications once approved shall be made without the prior written approval of the Design Review Committee.

11.5 Non-Liability for Approval of Plans. Plans and specifications shall be approved by the Design Review Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances, and by approving such plans and specifications neither the Design Review Committee, the members thereof, the Association, any Member, the Board nor the Declarant assumes any liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications. Neither the Design Review Committee, any member thereof, the Association, the Board or the Declarant shall be liable to any Owner or other Person for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development, or manner of

development, of any Tract within the Property or (d) the execution and filing of an estoppel certificate pursuant to the Design Guidelines, whether or not the facts therein are correct; provided, however, that such action, with the actual knowledge possessed by him, was taken in good faith. Approval of plans and specifications by the Design Review Committee is not, and shall not be deemed to be, a representation or warranty that said plans or specifications comply with applicable governmental ordinances or regulations including, but not limited to, zoning ordinances and building codes.

11.6 Inspection and Recording of Approval. Any member or authorized consultant of the Design Review Committee, or any authorized officer, director, employee or agent of the Association, may at any reasonable time enter, without being deemed guilty of trespass, upon any Tract after reasonable notice as provided herein to the Owner in order to inspect improvements constructed or being constructed on such Tract to ascertain that such improvements have been or are being built in compliance with the Design Guidelines and this Declaration. The Design Review Committee shall cause such an inspection to be undertaken within thirty (30) days of a request therefor from any owner as to his Tract, and if such inspection reveals that the improvements located on such Tract have been completed in compliance with this Section 11 and the Design Guidelines, the Design Review Committee shall provide to such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Section 11 and the Design Guidelines as to the improvements described in such recorded notice, but as to such improvements only.

11.7 Additional Powers of the Board. The Board may promulgate as a part of the Design Guidelines such additional architectural and landscape standards, rules and regulations as it deems to be appropriate and as are not in conflict with this Declaration. WITHOUT LIMITING THE GENERALITY OF THE PRECEDING SENTENCE, THE BOARD MAY FIX A FINE OF UP TO FIVE THOUSAND DOLLARS (\$5,000.00) FOR FAILURE TO OBTAIN REQUIRED APPROVAL FROM THE DESIGN REVIEW COMMITTEE.

12. USE AND OCCUPANCY RESTRICTIONS.

12.1 Residential Use. No part of the Property shall be used for other than a single family residence and related purposes except that Developer reserves the right to maintain a sales office and signs on the Property until all Tracts have been conveyed. No Tract shall be used to conduct any religious, commercial or industrial operations of any kind; except for (a) temporary use for construction of improvements and (b) the sale of a Tract by an Owner. The Board may allow an inoffensive, home office type business use to be conducted within improvements as long as the use does not involve drive-in customers or clients and the use is allowed under zoning ordinances applicable to the Property, as amended from time to time.

12.2 Landscaping. Vacant Tracts (that is to say Tracts upon which no structures have been constructed) shall be preserved in a natural condition and shall not be used for parking or storage except building materials during active construction. A Tract shall not be stripped or cleared

of its trees, but reasonable thinning and clearing for improvements shall be permitted. The Board shall have sole discretion in determining if any activity violates this Section.

12.3 Renting. An Owner may rent any Tract or residence, but not less than the entire Tract or residence. No Owner may rent or allow the use of a Tract for transient (such as a bed and breakfast) or hotel or multi-family dwelling or apartment purposes, nor for sororities, fraternities, boarding or similar uses. All leases or rental agreements must be in writing and provide that the terms of the lease or rental agreement shall be subject in all respects to this Declaration and the Articles, Bylaws and Association Rules; and must provide that failure to comply with Articles, Bylaws and Association Rules will be a default under the lease or rental agreement. A copy of the lease or rental agreement shall be delivered by the renting Owner to the Board on or before commencement of occupancy by the tenant. An Owner granting rights under a lease or occupancy agreement shall remain liable with the Occupant for the payment of any Assessment and compliance with this Declaration, the Articles, Bylaws and Association Rules, including any charges levied thereunder.

12.4 Temporary Structures; Residence During Construction. All residences shall be constructed on-site. There shall be no temporary or mobile residence or living quarters allowed on any Tract. A temporary structure may be kept on a Tract for construction purposes for not longer than nine (9) months, unless authorized by the Association. No improvement shall be occupied for residential purposes during the course of construction or at any time prior to completion.

12.5 Signs. No sign shall be displayed on any Tract without the prior approval of the Board except: (a) signs required by law or legal proceedings;; (b) signs as may be used by Developer in connection with the sale of Tracts; (c) in connection with sale or lease of a Tract, one "For Sale" or "For Lease" sign per Tract which shall not be larger than four (4) feet square; (d) one name and address sign for each Tract; and (e) signs for crime prevention. The location and composition of signs referred to in clauses (c), (d) and (e) shall be as set forth in the Design Guidelines or approved by the Board. All signs shall comply with applicable ordinances. Address numbers no less than four inches in height and visible to the road are required for each residence.

12.6 Pets. Commonly accepted household pets may be kept in each Tract without the prior approval of the Board. All other pets are prohibited unless approved by the Board. No animal shall be kept, bred or maintained on any Tract for any commercial purpose; however, the Board may approval animals on Tracts for 4-H projects. No animal shall be allowed to make an unreasonable amount of noise or otherwise become a nuisance. All pets shall be appropriately restrained when on any part of the Tract, other than within a building. Upon the request of any Owner, the Board shall determine, in its sole and absolute discretion, whether for the purposes of this Section 3.7, a particular animal is a commonly accepted household pet or whether a particular animal is a nuisance. The Board, by Association Rule, may limit the number of household pets.

12.7 Animals. Horses may be kept on a Tract, not to exceed twenty (20) for a full original Tract, not to exceed five (5) for any split or subdivided tract, lot or parcel of three acres or

more and not to exceed three (3) for any split or subdivided tract, lot or parcel of two (2) acres but less than three (3) acres, except as may otherwise be authorized by the Board. No horses may be stabled, corralled or kept within fifty feet of any Tract boundary line, except horses may be permitted to graze anywhere within fenced boundaries and a reasonable number of cattle or sheep may be grazed on a full original Tract or on any split or subdivided tract, lot or parcel of ten (10) or more acres, as may be approved by the Board. Pigs, chickens, goats, ducks and other farm animals are not allowed unless specifically approved for a short term project by the Board.

12.8 Nuisances. Upon completion of construction of any improvement on a Tract, no rubbish of any kind shall be permitted to accumulate on the Tract, and no odors, noise or nuisance shall be permitted to arise from, or exist on, any Tract such as to be offensive to the Occupant of any other Tract. Operation of chain saws, lawnmowers, garden tractors, trimmers, blowers or other power equipment, other than cars, pickups and other motor vehicles, from 8:00 p.m. to 8:00 a.m. shall be deemed a nuisance and shall be prohibited on any Tract. No Owner shall permit or interfere with the rights of other Owners or Occupants or unreasonably annoy other Owners or Occupants. Each Owner shall comply with all requirements of State and County health and other authorities with respect to such Owner's Tract. Each Owner shall maintain the Owner's Tract at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Owners of their respective Tracts. Allowing any portion of a Tract to remain or exist in a natural condition except for clearance of pine needles and other debris surrounding each structure pursuant to Section 12.17 shall meet the requirements of this Section with respect to such portion.

12.9 Drainage. There shall be no interference with the established drainage pattern over the Property, unless adequate provision is made for proper channeling conforming to County drainage criteria. As used in this Section, "established drainage" is defined as the drainage which exists at the time improvement plans are submitted to the Board. Drainageways shall conform to all State and County legal requirements.

12.10 Unsightly Articles. Unsightly articles shall not be placed on a Tract so as to be visible from neighboring Tracts. Any item stored in a carport or garage shall not be visible from neighboring Tracts. Storage piles and equipment shall not be visible from neighboring Tracts. Temporary trash piles shall be permitted where necessary to allow for pick up and disposal services. The Board shall have sole discretion in determining if any activity violates this Section.

12.11 Trash. Garbage and trash shall be kept on a Tract only in containers of a type, size and style approved by the Board. No trash, garbage, tree branches, pine needles or like materials shall be burned on any Tract. No campfires shall be permitted.

12.12 (a) Vehicles. No motor-driven vehicles of any kind shall make use of any easements or areas set aside for pedestrian or equestrian use.

(b) Automobiles and private passenger cars and trucks of the pickup class may be parked in the front or side yard of a Tract. Trucks larger than the pickup class shall not be kept on any Tract or street except in a private garage or screened enclosure approved by the Board. Boats, recreational vehicles, trailers (other than horse trailers), and vehicles or equipment other than as described above shall be parked only in enclosures or in rear yards screened from view or as approved by the Board.

(c) Horse trailers are not required to be enclosed or screened but may not be kept in the front yard or side yard closer to the street than the front wall of the primary residence.

(d) No motor vehicle which is under repair and not in operating condition shall be placed or permitted to remain on any portion of any Tract unless it is within an enclosed garage or structure.

12.13 Fences. The boundary of any Tract abutting on property adjacent to and outside of the Property shall be fenced so as to prohibit or restrict entry into the Property by livestock and the public from such abutting property. Tracts may be fenced with wood, painted metal, v-mesh, plastic, piping and colored plastic covered chain link. Barbed wire and "no barb" wire fencing shall not be used, except for a boundary fence between the Tract and abutting property outside of the Property.

12.14 Underground Utilities. All utility lines, cables, pipes and mains shall be placed underground, except for transformer boxes or other equipment which must be maintained at ground level. The foregoing notwithstanding, above ground utility poles may be utilized within the Private Road right of way designated on the Plat with the approval of the Declarant or the Association..

12.15 Set Backs. No structures, except fences, may be constructed within fifty (50) feet of the Private Road right of way of any Tract or within thirty (30) feet of any side or rear boundary.

12.16 Preservation of Natural Growth. The natural trees, shrubs, vegetation, plants, and growth of a Tract shall be preserved, except for land used for the buildings, structures, driveways, parking areas, recreational facilities, animal enclosures, and gardens of the Tract.

12.17 Fire Hazards. No condition shall be permitted which increases the fire hazard. All chimneys shall have spark arresters. The grounds surrounding each structure shall be cleaned of pine needles and other debris for a distance of not less than thirty (30) feet at least annually.

12.18 Roof Slopes. No house or structure will be constructed with a flat roof, and all roofs will have a 6/12 slope, except as otherwise approved by the Design Review Committee.

12.19 Violation of Law or Insurance. No Owner or Member shall permit anything to be done or kept in or on his Tract or in or upon the Private Roads or the Pedestrian and Equestrian Easement which will result in the cancellation of insurance thereon or which would be in violation of any law.

12.20 Exterior Lights. No spotlights, flood lights or other high intensity lights shall be placed or utilized on any Tract which in any manner will allow light to be directed or reflected on the adjoining Tracts, or any part thereof, except as may be expressly permitted by the Association Rules.

12.21 Antennas. No radio, television or other antennas or devices of any kind or nature, or device for the reception or transmission of television, radio, microwave or other similar signals, shall be placed or maintained upon any Tract, except in compliance with Association Rules.

12.22 Reflective Materials; Solar Devices. No fixtures may be installed on any Tract which are visible from the exterior of any Tract, including but not limited to solar hot water heaters and electric generating devices, except in compliance with the Association Rules; and no reflective materials which would be visible from the exterior of any Tract shall be used on any roof or for any window, door or for other purpose, except in compliance with the Association Rules.

12.23 Clothes Drying Area. No portion of any Tract visible to the Private Roads or any adjacent Tract shall be used as a drying area for laundry of any kind, it being the intention hereof that all such facilities shall be screened or fenced.

12.24 Garage Sales. No "garage sales" shall be conducted on any Tract. An "estate sale" not to exceed one-day shall be permitted. Association Rules may be adopted for such purpose.

12.25 Further Division or Split. A Tract may be divided, split or subdivided by any Owner, if permitted by applicable law, provided that no division or split shall result in any Tract or divided or split lot or parcel having a net area of less than two acres.

12.26 Enforcement. The Association or its authorized agents may enter any Tract in which a violation of these restrictions exists and may correct such violation at the expense of the Owner of such Tract. In addition to, but not in exclusion to its other remedies set forth in this Declaration, the Association shall be empowered to levy fines upon the Owner of such Tract in an amount of up to One Hundred Dollars (\$100.00) per day for each such violation during the continuance thereof. Such expenses, and such fines as may be imposed pursuant to the Bylaws, Association Rules or Design Guidelines, and shall be a Special Assessment secured by a lien upon such Tract enforceable in accordance with the provisions of Section 6 hereof. All remedies described in Section 16 hereof and all other rights and remedies available at law or equity shall be available in the event of any breach by any Owner, Member, Occupant or other Person of any provision of this Section 12.

12.27 Modification. The Board may modify or waive the foregoing restrictions or otherwise restrict and regulate the use and occupancy of the Tracts by reasonable rules and regulations of general application adopted by the Board from time to time which shall be incorporated into the Association Rules.

13. MORTGAGE PROTECTION CLAUSE.

No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any Mortgage made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any such lien holder in possession of a Tract and any owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Tract.

14. PRIVATE ROADS AND ENTRANCE GATES.

14.1 Private Roads. The Private Roads shall constitute non-exclusive easements for vehicular and nonvehicular access and utilities serving the Property for the benefit of all Tracts of the Property. The Association may impose reasonable controls and restrictions on such use, including but not limited to speed, traffic and directional controls and parking restrictions.

14.2 Entrance Gates. Subject to the easements created in Section 5 and Section 14.1, the Association shall control the access through any Entrance Gate onto the Private Roads and the Pedestrian and Equestrian Easement; provided, however, that twenty-four (24) hour daily access to the Tracts shall be provided without unreasonable restrictions. The Declarant reserves the unrestricted right of entry and use of such roads and easements for itself and its successors in interest as to the Property for its employees, agents, invitees, licensees and guests. Any Entrance Gate may be kept open, or hours of any manned operation reduced to less than twenty-four (24) hours per day, at the discretion of the Association.

14.3 Exterior Fences. The Association may elect from time to time to erect maintain or repair a fence or gate along any portion or portions of an exterior boundary of the Plat, whether such a fence or gate has been erected by an Owner, the Association or any other Person, for the purpose of excluding trespassers from the Tracts, the Private Roads and the Pedestrian and Equestrian Easement. The expense of erection, maintenance and repair, to the extent not chargeable to an Owner as a Special Assessment, shall be a Common Expense. Each Owner hereby grants to the Association and the Declarant hereby reserves for the benefit of the Association an easement for such purposes over each Tract having a common boundary with an exterior boundary of the Plat.

15. EXEMPTION OF DECLARANT FROM RESTRICTIONS.

Notwithstanding anything contained in this Declaration to the contrary, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant, its employees, agents and subcontractors, or parties designated by it in connection with the construction of Private Roads, the Pedestrian and Equestrian Easement and any Entrance Gate or other improvements and the sale of the Tracts.

16. REMEDIES.

16.1 General Remedies. In the event of any default by an Owner, Member or other Person under the provisions of this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, the Declarant and the Association shall have each and all of the rights and remedies which may be provided for in this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, or which may be available at law or equity, and may prosecute any action or other proceedings against such defaulting Owner, Member or other Persons for a mandatory injunction, whether affirmative or negative, or for enforcement or foreclosure of the lien herein provided and the appointment of a receiver for the Tract, or for damages, or specific performance, or for judgment for payment of money and collection thereof, or the right to take possession of the Tract and to rent the Tract and apply the rents received to payment of unpaid Assessments and interest accrued thereon, and to sell the same as hereinafter in this Section 16.1 provided, or for any combination of remedies or for any other relief, all without notice and without regard to the value of the Tract or the solvency of such owner or Member. The proceeds of any such rental or sale shall first be paid to discharge court costs, other litigation costs, including without limitation reasonable attorneys' fees, and all other expenses of the proceeding and sale, and all such items shall be taxed against the defaulting Owner or Member in final judgment. Any balance of proceeds after satisfaction of such charges and any unpaid Assessments hereunder or any liens shall be paid to the Owner or Member. Upon the confirmation of the sale, the purchasers thereupon shall be entitled to a deed to the Tract and to immediate possession of the Tract and may apply to the court for a writ of restitution for the purpose of acquiring such possession, and it shall be a condition of any such sale, and the judgment shall so provide, that the purchaser shall take the interest in the property sold subject to this Declaration.

16.2 Expenses of Enforcement. All expenses of the Association or the Declarant in connection with any action or proceeding described or permitted by this Section 16, including court costs and reasonable attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon until paid at the Default Rate of Interest, shall be charged to and assessed against such defaulting Owner or Member or other Person and shall be a Special Assessment against such Owner or Member or other Person and the Association shall have a lien as provided in Section 6 therefor. In the event of any such default by any Owner, Member, or other Person the Association and Declarant, and the manager or managing agent of the Association, if so authorized by the Board, shall have the authority to correct such default and to do whatever may be

necessary for such purpose, and all expenses in connection therewith shall be charged to and assessed against such defaulting Owner, Member or other Person as a Special Assessment, which shall constitute a lien against the defaulting Owner or Member's Tract as provided in Section 6. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or the Declarant.

16.3 Legal Action. In addition to any other remedies available under this Section 16.3, if any Owner or Member (either by his conduct or by the conduct of any occupant of his Lot or family member, guest, invitee or agent) shall violate any of the provisions of this Declaration, or the Articles, Bylaws, Association Rules or Design Guidelines, as then in effect, then the Association, the Declarant, or any affected or aggrieved Owner or Member, shall have the power to file an action against the defaulting Owner or Member for a judgment or injunction against the Owner or Member or such other Person requiring the defaulting Owner, Member or other Person to comply with the provisions of this Declaration, or the Articles, Bylaws, Association Rules or Design Guidelines, and granting other appropriate relief, including money damages.

16.4 Effect on Mortgage. Anything to the contrary herein notwithstanding, any breach of any of the covenants, restrictions, reservations, conditions and servitudes provided for in this Declaration, or any right of re-entry by reason thereof, shall not defeat or adversely affect the lien of any Mortgage upon any Tract but, except as herein specifically provided, each and all of said covenants, restrictions, reservations, conditions and servitudes shall be binding upon and effective against any lessee or owner of a Tract whose title hereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise.

16.5 Limitation on the Declarant's Liability. Notwithstanding anything to the contrary herein, it is expressly agreed that the Declarant (including without limitation any assignee of the interest of the Declarant hereunder) shall not have any personal liability to the Association, or any Owner, Member or 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 in the case of the Declarant (or its assignee) to the extent of its interest in the Property.

17. AMENDMENT.

17.1 Amendment to Declaration. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment To Declaration" which sets forth the entire amendment; provided, however, no amendment of this Declaration or of the Plat may diminish the rights of use of the Public Roads, the Pedestrian and Equestrian Easement or any Entrance Gate by Owners of Tracts. Except as otherwise specifically provided for in this Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Members. Amendments may be adopted at a meeting of the Members upon the approval thereof of two-thirds of all of the Members or without any meeting if all Members have been duly notified and if two-thirds of all of the Members consent in writing to such amendment. In all events, the amendment

when adopted shall bear the signature of the president of the Association and shall be attested to by the secretary, who shall state whether the amendment was properly adopted, and shall be acknowledged by them as officers of the Association. Amendments once properly adopted shall be effective upon recording of the Amendment To Declaration in the official records of Coconino County, Arizona.

17.2 Effect of Amendment. It is specifically covenanted and agreed that any amendment to this Declaration properly adopted will be completely effective to amend any and all of the covenants, conditions and restrictions contained herein which may be effected and any or all clauses of this Declaration or the Plat, unless otherwise specifically provided in the section being amended or the amendment itself.

17.3 Amendment of Plat. Declarant may amend a Plat at any time subject to the provisions of Section 17.5. Subsequent to the termination of the Declarant's Class B membership, except as otherwise provided herein and subject to the rights of Owners of Tracts, a Plat may be amended by revised versions or revised portions thereof referred to and described as to effect in an amendment to this Declaration adopted as provided for herein. Copies of any such proposed amendment to a Plat shall be made available for the examination of every Member at the offices of the Association during reasonable times. Such amendment to a Plat shall be effective, once properly adopted, upon recordation in the appropriate governmental office in conjunction with the Declaration amendment.

17.4 Required Approvals. Notwithstanding the provisions of the foregoing sections of this Section 17:

(a) If this Declaration or any applicable provisions of law requires the consent or agreement of all Members and/or Owners and/or all lienholders and all trustees and/or beneficiaries under trust deeds, or a specified percentage thereof, for any action specified in this Declaration, then any instrument changing, modifying or rescinding any provision of this Declaration with respect to such action shall be signed by all of the Members and/or all lienholders and trustees and/or beneficiaries under trust deeds, or the specified percentage thereof, as required by this Declaration or by said law.

(b) Until the Declarant's Class B Membership terminates, this Declaration or the Plat may not be amended by the Members pursuant to Section 17.1 without the written consent of Declarant, which may be withheld for any reason.

17.5 Declarant's Right to Amend. Notwithstanding any other provision of this Section 17, until Declarant's Class B Membership terminates, the Declarant reserves the right to amend this Declaration without the approval of the Board or the Members; provided, however, that no such amendment shall have the effect of changing the boundaries of an Owner's original Tract without the consent of the Owner or allocating distribution of hazard insurance proceeds or condemnation awards without the approval of the Members as provided in Section 17.1.

17.6 Services to Third Parties. Any provision of this Declaration notwithstanding, the Declarant, by a written Amendment to Declaration or by a contract between the Association and a third party may provide for the services of the Association to be extended to and made available to a property or a parcel, lot or tract which is not included within the Property and for payment of the cost of such services by the owner or occupant of such property, in accordance with the assessment, payment, lien, and collection provisions herein provided for a Tract, or in such other manner as the Declarant may provide in the Amendment to Declaration or contract. For the purposes of determining the cost (including reasonable management, administrative and overhead expenses), the Declarant shall be entitled to rely upon the findings, report and recommendations of any recognized public accounting firm engaged by Declarant for such purpose.

18. GENERAL PROVISIONS.

18.1 Notices. Notices provided for in this Declaration, or the Bylaws or Association Rules, shall be in writing and shall be address to the Association at the address specified in the Bylaws. The Association may designate a different address or addresses for notice by giving written notice of such change of address to all Owners and Members at such time. All notices to Owners shall be to their respective Tracts or to the last address shown on the records of the Association and to other Members or other Persons at the last address shown on the records of the Association. Any Member or other Person may designate a different address or addresses for notices to him by giving written notice of his change of address to the Association. Notices addressed as above shall be deemed delivered when sent by United States mail, postage prepaid, or when delivered in person with written acknowledgment of the receipt thereof.

18.2 Captions and Exhibits; Construction. Captions given to various section herein and the Table Of Contents for this Declaration are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. The various exhibits referred to herein are incorporated as though fully set forth where such reference is made. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the use of the Tracts as hereinabove set forth.

18.3 Severability. If any provisions of this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, or any section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines, and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances, shall not be affected thereby, and the remainder of this Declaration, the Articles, Bylaws, Association Rules or Design Guidelines shall be construed as if such invalid part were never included therein.

18.4 Rule Against Perpetuities. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against

perpetuities, then such provision shall continue until twenty-one (21) years after the death of the survivor of the now living descendants of the Robert W. Lockett, Sr. and Henry C. Lockett, II.

18.5 Mortgage of Tracts. Each Owner shall have the right, subject to the provisions hereof, to make separate Mortgages for his or her respective Tract. No Member shall have the right or authority to make or create or cause to be made or created any Mortgage, or other lien or security interest, on or affecting the Property or any part thereof, except only to the extent of his or her Tract.

18.6 Power of Attorney. Unless otherwise specifically restricted by the provisions of this Declaration, wherever the Association is empowered to take any action or do any act, including but not limited to action or acts in connection with the Private Roads, the Pedestrian and Equestrian Easement, and any Entrance Gate or other improvements or in connection with the public utility easements, which may at any time be deemed to require the act of any Owner or Member, the Owners and Members and each of them hereby constitute and appoint the Association as their attorney-in-fact, as may be appropriate, for the purposes of taking such action or doing such acts including but not limited to executing, acknowledging and delivering any instruments or documents necessary, appropriate or helpful for such purposes. It is acknowledged that this power of attorney is irrevocable and coupled with an interest and not affected by disability of the principal and that by becoming a Member of the Association or by the acceptance of a deed of for a Tract or by signing a contract for purchase of the Tract, or any interest therein, or a membership in the Association, each Owner and Member shall be deemed and construed to have ratified and expressly granted the above power-of-attorney.

19. RIGHTS AND OBLIGATIONS.

Each grantee of Declarant by the acceptance of a deed of conveyance, or each purchaser under any contract for such deed of conveyance, or each purchaser under any agreement of sale, or each Person becoming an Owner and acquiring a membership in the Association, and the heirs, successors and assigns of the foregoing Persons, accepts the same subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations hereby imposed shall be deemed and taken to be covenants running with the land and equitable servitudes; and shall bind any Person having at any time any interest or estate in said land, and shall inure to the benefit of any such Person in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance, purchase contract or instrument evidencing or creating such interest.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be duly executed and recorded.

Lockett Investors, L.L.C., an Arizona limited liability company

By *Henry C. Lockett III*
Manager

By *Mary Lockett* by *Joseph L. Lockett*
Manager her Atty. in fact.

By *Joseph L. Lockett Sr.*
Manager

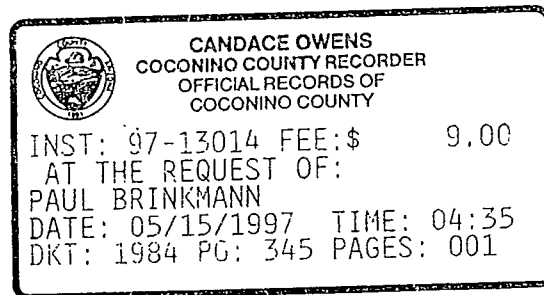
STATE OF ARIZONA)
) ss.
County of *Cocconino*)

The foregoing instrument was acknowledged before me this *19* day of *August*, 1996, by *Henry C. Lockett III, Mary Lockett**, as a Manager of Lockett Investors, L.L.C., an Arizona limited liability company, on behalf of the limited liability company.
* by *Joseph L. Lockett her Atty in fact, & Joseph L. Lockett Sr.*

Stephanie Contreras
Notary Public

My Commission Expires:





When recorded, return to:
 PAUL LAURENCE BRINKMANN, P.C.
 114 North San Francisco Street, Suite 206
 Flagstaff, AZ 86001

**LOCKETT RANCHES OWNERS ASSOCIATION
 RELINQUISHMENT OF CLASS B MEMBERSHIP**

Declarant of the Lockett Ranches Owners Association, LOCKETT INVESTORS, L.L.C., an Arizona limited liability company, pursuant to Section 3.3 of the Declaration of Covenants, Conditions and Restrictions for Lockett Ranches, recorded with the Coconino County Recorder's Office at Docket 1907, Page 170, relinquishes its Class B Membership and all rights associated therewith as of April 1, 1997. ~~XXXXXX~~

LOCKETT INVESTORS, L.L.C., an Arizona
 limited liability company

By: *Duane Miller*

Duane Miller, Manager

STATE OF ARIZONA)
) ss.
 County of Coconino)

ON this 13th day of May 1997, Duane Miller, Manager of LOCKETT INVESTORS, L.L.C., personally appeared before me, who is personally known to me or whose identity is proved by satisfactory evidence to be the person whose name is subscribed to the foregoing instrument, and acknowledged that he executed it on behalf of the limited liability company for the purposes therein contained.

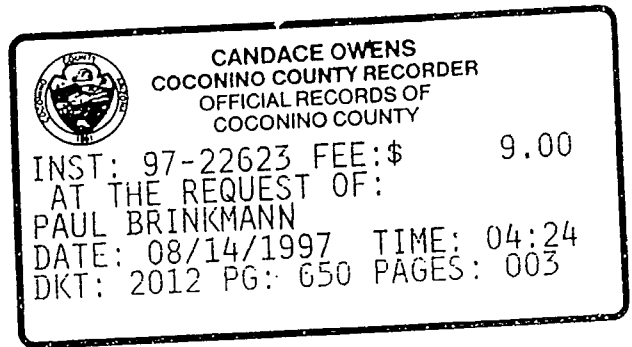
WITNESS my hand and official seal.

Joelynn Gludstone
 Notary Public

My commission expires:
9-17-97

1984-345

When recorded, return to:
Kevin S. Heinonen, Esq.
Paul Laurence Brinkmann, P.C.
114 North San Francisco Street, #206
Flagstaff, Arizona 86001



**FIRST AMENDMENT
TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
LOCKETT RANCHES**

The Declaration of Covenants, Conditions, and Restrictions is recorded at Docket 1907, Pages 170-211, records of Coconino County.

Pursuant to Section 17.1 of the Declaration, and after receiving the necessary approval of the owners, Lockett Ranches Owners Association gives notice that it is amending the original, recorded Declaration of Covenants, Conditions, and Restrictions with respect to the assessments regarding the initial capital improvements and the lien provisions for unpaid assessments.

The amendments regarding the Capital Improvement Assessments for the two-phase road construction and dry utility installation are being made to effect the Association's desire to assess the cost of the project among the original eighteen (18) Tracts, notwithstanding any split or subdivision of those Tracts. These changes will result in the following changes to the Declaration:

Section 1.22 shall be amended in its entirety to read as follows: "Proportionate Share shall mean the total of each assessment, divided by the total number of Tracts, including any additional tracts, lots or parcels resulting from the split or subdivision of an original Tract. Notwithstanding the specific language above, however, the total assessment for the capital improvements regarding the two-phase construction of the private road and establishment of the dry utilities to the original eighteen (18) Tracts shall be divided among the original eighteen (18) Tracts as designated on the approved plat map recorded with the Coconino County Recorder's Office."

Section 1.27 shall be amended in its entirety to read as follows: "Tract shall mean the initial eighteen (18) Tracts shown on the Plat. If any Tract is split or subdivided, then each additional tract, lot or parcel shall also be a 'Tract' under this

Declaration and all references to Tracts shall include such additional tracts, lots or parcels. Notwithstanding the specific language above, however, with respect to the assessment for the capital improvements regarding the two-phase construction of the private road and establishment of the dry utilities, the 'Tracts' shall consist of the initial eighteen (18) Tracts as represented on the approved plat map recorded with the Coconino County Recorder's Office regardless of any split or subdivision of those original eighteen (18) Tracts."

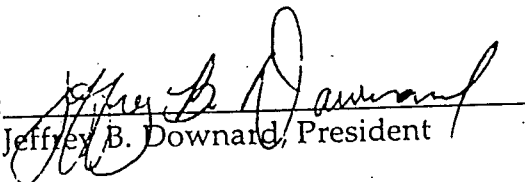
A new Section 6.5.5 shall be added to read: "Rescission of Road Construction. After approval by the Members is gained by the Association for any phase of the construction of the private road or installation of the dry utilities, no plan can be rescinded except by the approval of two-thirds (2/3) of all the Members."

Section 6.6 shall be amended in its entirety to read as follows: "Uniform Assessment. The Regular Assessment and Capital Improvement Assessment for each Member shall be uniform except that those Capital Improvement Assessments directly related to the two-phase construction of the private road and establishment of dry utilities to the original eighteen (18) Tracts shall be uniformly assessed among the original eighteen (18) Tracts shown on the approved plat map recorded with the Coconino County Recorder's Office without regard to any split or subdivision of any of the original eighteen (18) Tracts. For those assessments related to the two-phase construction of the private road and establishment of dry utilities, for each Member who is an owner of all or part of an original Tract, each and all of them shall be jointly and severally responsible for the full share of the assessment that is owed for the original Tract."

The Lockett Ranches Owners Association has determined that the foregoing described changes would be in the best interests of the affected lot owners and the subdivision as a whole.

Dated as of May 14, 1997.

LOCKETT RANCHES OWNERS
ASSOCIATION

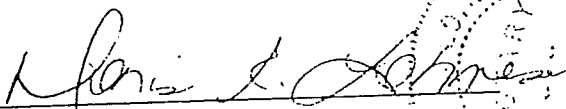
By: 
Jeffrey B. Downard, President

LOCKETT RANCHES OWNERS
ASSOCIATION

By: 
Leslie C. Butters, Secretary

STATE OF ARIZONA)
) ss.
County of Coconino)

SUBSCRIBED and SWORN to before me this 12th day of
August 1997 by JEFFREY B. DOWNARD, the President of
LOCKETT RANCHES OWNERS ASSOCIATION.



Notary Public



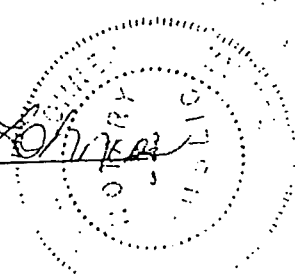
My commission expires:
February 25, 1999

STATE OF ARIZONA)
) ss.
County of Coconino)

SUBSCRIBED and SWORN to before me this 12th day of
August 1997 by LESLIE C. BUTTERS, the Secretary of LOCKETT
RANCHES OWNERS ASSOCIATION.



Notary Public



My commission expires:
February 25, 1999

STATE OF ARIZONA)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1996, by _____, as a Manager of Lockett Investors, L.L.C., an Arizona limited liability company, on behalf of the limited liability company.

Notary Public

My Commission Expires:

STATE OF ARIZONA)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1996, by _____, as a Manager of Lockett Investors, L.L.C., an Arizona limited liability company, on behalf of the limited liability company.

Notary Public

My Commission Expires:
