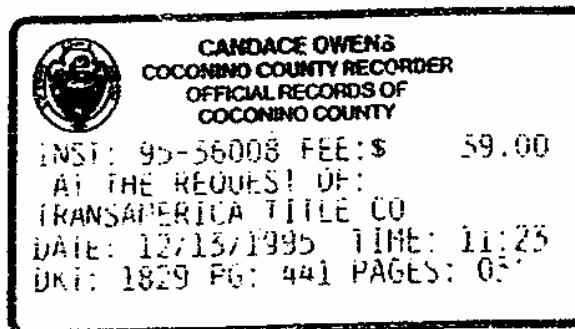


WHEN RECORDED RETURN TO:
John S. Lancy, Esq.
JOHN S. LANCY & ASSOCIATES
2425 East Camelback Road
Suite 390
Phoenix, AZ 85016



DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR STARLIGHT PINES RANCHETTES

This Declaration of Covenants, Conditions and Restrictions for Starlight Pines Ranchettes ("Declaration", made as of this 11th day of December, 1995, by Transamerica Title Insurance Company, a California corporation, as Trustee under Trust Nos. 84-935, 84-936, 84-937 (the "Trusts"), as legal owner, and Starlight Pines Land Company ("Starlight Pines"), as Second Beneficiary under said Trusts, to run with the real property herein described for the purposes as herein set forth:

*and 84-762

WITNESSETH:

A. WHEREAS, Starlight Pines is the Second Beneficiary under the Trusts and is in possession of approximately 370 acres of land in Coconino County, Arizona more specifically described in Exhibit "A" attached hereto and made a part hereof (the "Property");

B. WHEREAS, Starlight Pines intend to develop, in stages, the Property into a new and uniquely planned recreation property to be known as "Starlight Pines Ranchettes" and impose upon the Property mutually beneficial restrictions and obligations with respect to the proper use, conduct upon and maintenance thereof for the benefit of all persons who now or hereafter use, own, occupy or have an interest in any portion of the Property;

C. WHEREAS, Starlight Pines has the authority under the Trusts to prepare a file, a Declaration of Covenants, Conditions and Restrictions covering the Property;

NOW THEREFORE, Starlight Pines as Declarant ("Declarant") hereby declares that all of the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the Property and be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner of all or any part thereof.

ARTICLE I

DEFINITIONS

Except as otherwise expressly provided in this Declaration, the following terms shall for purposes of this Declaration, have

the meanings set forth below:

Section 1.1 "Annual Charge" shall mean the charge levied and assessed each year against each Lot within the Assessable Property, as defined hereinbelow.

Section 1.2 "Architectural Committee" shall mean the committee created pursuant to Article X hereof.

Section 1.3 "Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee.

Section 1.4 "Articles" shall mean the Articles of Incorporation of the Association which shall be filed in the office of the Corporation Commission of the State of Arizona and said Articles may be amended from time to time.

Section 1.5 "Assessable Property" shall mean the entire Property, as defined hereinbelow, except such part or parts thereof as may from time to time constitute Exempt Property, as defined hereinbelow.

Section 1.6 "Association" shall mean and refer to Starlight Pines Ranchettes Homeowners Association of Coconino County, an Arizona non-profit corporation, its successors and assigns.

Section 1.7 "Association Expenses" shall mean the actual and estimated expenses of performing all obligations and exercising all rights and powers of the Association hereunder and otherwise of operating the Association, including any reasonable reserves, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration, the Articles or Bylaws.

Section 1.8 "Association Property" shall mean such part or parts of the Property as may be owned by the Association, together with any adjacent real property upon which the Association is granted an easement, license or right to use, and any Improvements (as defined hereinbelow) thereon, and any personal property as may be owned by the Association.

Section 1.9 "Board" shall mean the Board of Directors of the Association.

Section 1.10 "Bylaws" shall mean the Bylaws of the Association, and such Bylaws may be amended from time to time.

Section 1.11 "Declarant" shall mean STARLIGHT PINES LAND COMPANY, and any successor and assignee of the rights and duties granted or reserved to the Declarant herein. The term "Declarant" shall in no event refer to a "Public Purchaser".

Section 1.12 "Declaration" shall mean the covenants, conditions, and restrictions herein set forth in this document, as same may from time to time be amended.

Section 1.13 "Deed" shall mean a deed or other instrument conveying the fee simple title in a "Lot", as defined hereinbelow.

Section 1.14 "Exempt Property" shall mean the following parts of the Property:

(i) All land and permanent Improvements owned by the ~~United States, the State of Arizona, Coconino County, or any~~ political subdivision thereof, for as long as any such entity or political subdivision is the Owner thereof.

(ii) All Association Land, for as long as the Association is the Owner thereof.

Section 1.15 "Improvements" shall mean the buildings, garages, carports, roads, driveways, parking areas, fences, walls, decks, hedges, plantings, planted trees and shrubs, and all other structures or landscaping improvements of every type and kind.

Section 1.16 "Lot" shall mean any parcel of real property designated as a Lot on any recorded Subdivision Map that is located within the Property. A Lot shall be deemed "Developed" when adjacent, off-site streets and utilities have been completely installed. A Lot shall be deemed "Improved" when a single family residence has been completely constructed thereon. All other Lots shall be deemed "Unimproved" Lots.

Section 1.17 "Member" shall mean any person, corporation, partnership, joint venture or other legal entity who is a member of the Association.

Section 1.18 "Owner(s)" shall mean and refer to the record holder, whether one or more persons or entities, of legal, equitable or beneficial title to the fee simple interest of any Lot. "Owner" shall include the purchaser of a Lot under an executory contract for the sale of real property. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation or a lessee, tenant or any other person other than an Owner who occupies or is in possession of a Lot.

Section 1.19 "Property" shall mean as follows:

(i) the real property more specifically described on Exhibit "A" attached hereto and made a part hereof and any adjacent real property upon which easements, licenses or rights are granted to the Association:

(ii) any and all streets and highways constructed, built, installed or erected upon the aforescribed real property described in subparagraph (i) hereof;

(iii) any permanent Improvements built, installed or erected upon the real property described in subparagraph (i) hereof.

Section 1.20 "Public Purchaser" shall mean any person or legal entity other than the Declarant who becomes an Owner of any Lot within the Property.

Section 1.21 "Resident" shall mean any person who is an Owner, lessee, tenant or any other person other than an Owner who occupies or is in possession of a Lot.

Section 1.22 "Rules and Regulations" shall mean the rules and regulations regarding the Property and its use, occupancy, operation and maintenance adopted by the Board, as they may be amended from time to time.

Section 1.23 "Single Family" shall mean a group of one or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three (3) persons not all so related, together with their domestic servants, who maintain a common household in a dwelling.

Section 1.24 "Single Family Residential Use" shall mean the occupation or use of a single family residence in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state, county or municipal rules and regulations.

Section 1.25 "Subdivision Map" or "Subdivision Plat" shall mean a recorded map or plat covering any or all of the property described in Exhibit "A".

Section 1.26 "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is or would be visible to a person six feet tall, standing on any part of such neighboring property at an elevation no greater than the elevation of the base of the object being viewed.

ARTICLE II

COVENANTS BINDING ON PROPERTY AND OWNERS

Section 2.1 Property Bound. From and after the date of recordation of this Declaration, the Property shall be subject to the covenants, conditions and restrictions, assessments, charges, servitudes, liens, reservations and easements hereinafter set forth (collectively referred to as "Covenants"), and said Covenants shall run with, bind and burden the Property.

Section 2.2 Owners Bound. From and after the date of recordation of this Declaration, the Covenants shall be binding upon each Owner and their heirs, executors, administrators, successors and assigns. The Owner for themselves, their heirs, executors, administrators, successors and assigns, expressly agrees to pay, and be personally liable for, the assessments provided for in this Declaration ("Assessments"), and to be bound by all of the Covenants herein set forth. Each Owner shall be and remain personally liable, regardless of whether they have transferred title to their Lot, for the Assessments (together with interest

thereon, costs of collection and attorney's fees, if any) which fell due while the Owner held record title to his Lot. No Owner shall escape personal liability for the Assessments by non-use of the Property or transfer or abandonment of his Lot. The Owner's personal obligation shall not pass to a successor Owner unless expressly assumed by the successor Owner, but any such assumption of personal liability by a successor Owner shall not relieve the prior Owner of his personal liability for the Assessments which fell due while the prior Owner held record title to his Lot.

ARTICLE III

LAND USE CLASSIFICATIONS PERMITTED USES AND RESTRICTIONS

Section 3.1 Permitted Uses and Restrictions - Single Family.
The permitted uses, easements, and restrictions for the Property shall be as follows:

(a) Single Family Residential Use. The Property shall be used, improved and devoted exclusively to Single Family Residential Use. No business, commercial, manufacturing, industrial, mercantile, vending or similar activity of any kind whatsoever shall be conducted on any of the Property, with the exception of the construction and sales activities of the Declarant or any affiliate or agent of Declarant with respect to the Property. Nothing herein shall be deemed to prevent the leasing of any Property to a single family from time to time by the Owner thereof, subject to all of the provisions of the Declaration. All buildings and structures erected on the Property shall be of new construction and no buildings or structures shall be moved from any other location onto said Property except for buildings or structures used by the Declarant or any affiliate or agent of Declarant in construction or sales activities. No building or structure shall be erected or maintained separate from the single family residence located on any Lot other than a small barn to accommodate horses or a separate garage or small shed in accordance with Coconino County zoning ordinances in existence at the time. No dwelling or residence shall be erected, permitted or maintained having a floor area of less than thirteen hundred (1300) square feet and a ground floor area of less than one thousand (1000) square feet, exclusive of an open porch, carport or attached garage. No barn or garage or shed shall be built prior to the issuance of a Coconino County building permit for the construction of a single family residence.

Section 3.2 Only tanks that contain fuel for heating purpose shall be allowed on the Lots and must be walled in or kept screened by adequate planting to conceal it from the neighboring properties, roads and streets. The location and method of concealment of the tanks must be approved by the Declarant or Architectural Committee. All tanks must be painted earth-tone colors.

Section 3.3 Horse corrals shall be constructed of new material of round metal posts with no less than four (4) round metal rails to a height of not more than sixty (60) inches from the

ground. The perimeter of a Lot may be fenced with wood rail fencing or the same material as used for the horse corral up to, but not exceeding, sixty (60) inches in height from the ground. All fencing, except horse corrals, must be of materials complimentary to the area and must be approved by the Declarant or Architectural Committee.

~~Section 3.4 No changes or deviations in or from such plans~~ and specifications once approved by the Declarant or Architectural Committee shall be without the prior written approval of the Declarant or Architectural Committee. All decisions of the Declarant or Architectural Committee shall be final and no Lot owner or other parties shall have recourse against the Declarant or Architectural Committee for its refusal to approve any such plans and specifications or plot plan, including lawn area and landscaping. No building material of any kind or character shall be placed upon any Lot except in connection with construction on said Lot of an Improvement as approved by the Declarant or Architectural Committee. As soon as building materials are placed on any Lot in such connection, construction shall be promptly commenced and diligently prosecuted in order that such construction shall be completed within a reasonable time after commencement but not later than nine (9) months from the date the material has been placed on the Lot.

Section 3.5 Driveways. All driveways which are established upon a Lot by an Owner shall be surfaced or paved with concrete, gravel, cinders or asphalt. The location of the driveway and the materials used shall be approved by the Declarant or Architectural Committee prior to the commencement of construction or use. All driveways must be ten (10) feet in width and all driveways exceeding one hundred fifty (150) feet must have a looped turn around to accommodate fire apparatus.

Section 3.6 Temporary Structures. No temporary building or structure shall be placed, erected or maintained on any portion of the Property.

Section 3.7 Trailers and Motor Vehicles. No mobile homes or manufactured homes of any kind shall be allowed on any portion of the Property. No vehicles shall be driven on any streets or roads, within the Property, unless properly licensed. No unlicensed vehicles shall be kept or placed upon any portion of the Property unless parked within an enclosed garage. Except with the prior approval of the Declarant or Architectural Committee, no bus motor home, truck larger than 3/4 ton, trailer of any kind, boat, recreational vehicle, mini-bike, camper, (except during the course of making deliveries or for purposes of loading or unloading) or permanent tent or similar vehicles or equipment shall be kept, placed, maintained, constructed, reconstructed or repaired, upon any portion of the Property, including streets and roads (public or private) within the Property in such a manner as will be visible from any Neighboring Property provided, however, that the provisions of this paragraph shall not apply to emergency vehicle repairs and/or vehicles used exclusively in connection with the

construction of any Improvements approved by the Declarant or Architectural Committee.

Section 3.8 Maintenance of Lawns and Plantings E. Owner. Each Owner of a Lot shall keep his Lot free of trash and other unsightly material. No Owner shall cut down any tree larger than two (2) inches in diameter without the consent of the Declarant or Architectural Committee.

Section 3.9 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon any portion of the Property, and no odors shall be permitted to arise therefrom, so as to render any portion of the Property unsanitary, unsightly, offensive or detrimental to any other portion of the Property or to its occupants. No noxious, destructive or offensive activity or any activity constituting an unreasonable source of annoyance shall be permitted to be conducted, exist or operate upon any portion of the Property. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other devices, except security devices used exclusively for security purposes, shall be located, used or placed on any portion of the Property. The Declarant or the Board in its sole discretion shall have the right to determine the existence of any of the activities described herein.

Section 3.10 Repair of Buildings. No building or structure upon any portion of the Property shall be permitted to fall into despair, and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished.

Section 3.11 Trash Containers and Collection. No garbage or trash shall be placed or kept on any portion of the Property except in covered containers of a type, size and style which are approved by the Declarant or Architectural Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Properties. All rubbish, trash, or garbage shall be removed from any portion of the Property and shall not be allowed to accumulate thereon. No incinerators for burning trash or garbage shall be kept or maintained on any portion of the Property, nor shall garbage or trash be permitted to be buried on any portion of the Property at any time.

Section 3.11.1 Fires. No outdoor fire of any kind is permitted at any time for any reason with the sole exception of cooking food, and then such fire must be confined to a barbecue type container, either free standing or built in, and under no circumstances shall such barbecue fire be directly on the ground.

Section 3.12 Clothes Drying Facilities. Outside clothes lines or other outside facilities for drying or airing clothes may be erected, placed or maintained on any Lot provided they are: (i) more than twenty (20) feet from any property line and erected, placed and maintained exclusively within a fixed service yard or otherwise concealed; (ii) not visible from neighboring property

and, (iii) previously approved by the Architectural Committee.

Section 3.13 Right of Entry. During reasonable hours, Declarant, any member of the Architectural Committee, any member of the Board or any of their authorized representatives shall have the right to enter upon and inspect any Lot (but not the interior of any dwelling located thereon) at any reasonable time and during the course of construction of any Improvements thereon, for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, and such persons shall not be deemed guilty of trespassing by reason of such entry.

Section 3.14 Mineral Exploration. No portion of the Property shall be used in any manner to explore for or to remove oil or other hydrocarbons, minerals or any kind, gravel, earth or any earth substance of any kind.

Section 3.15 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon any portion of the Property except such machinery or equipment as is usual and customary in connection with the use in construction of a residence, or other Improvements, and except that which Declarant or the Association may require for the development, operation and maintenance of the Property.

Section 3.16 Disease and Insects. No Owner shall permit any thing or condition to exist upon any portion of the Property which shall induce, breed or harbor infectious plant diseases or noxious insects.

Section 3.17 Restriction on Further Subdivision. No Lot shall be further subdivided or separated into smaller Lots or parcels by any Owner, and no portion less than all of any such Lot, nor any easement or other interest therein, shall be conveyed or transferred by any Owner without the prior written approval of the Declarant or the Board.

Section 3.18 Signs. No signs or billboards whatsoever including, but not limited to, "For Sale" signs, commercial, political or other similar signs shall be erected or maintained on any Lot or portion of the Property except

Section 3.18.1 Such signs as may be required by legal proceedings;

Section 3.18.2 Not more than two (2) residential identification signs each of a combined total face area of seventy-two (72) square inches or less provided such signs must contain the address numbers that are not less than four (4) inches in height and are visible from the street and approved in advance by the Declarant or Architectural Committee;

Section 3.18.3 During the time of construction of any building or other improvement, one job identification sign not larger than eighteen (18) by twenty-four (24) inches in height and

width and having a face area not larger than three (3 square feet);

Section 3.18.4 Such signs the nature, number, and location of which have been approved in advance by the Declarant or Architectural Committee and;

Section 3.18.5 Such signs, the number, type and size of which as may be approved from time to time by the Board;

Section 3.19 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant or any developers approved by Declarant, or their duly authorized representatives, agents of any structures, improvements or signs necessary or convenient to the development, sale, operation or other disposition of Property, or any portion thereof.

Section 3.20 Utility Easements. There is hereby reserved to the Declarant or Association the power to grant blanket easements upon, across, over and under all of the Association Property for ingress, egress, installation, replacement, repair and maintenance of all utility and service lines and systems, including, but not limited to, water, sewer, gas, telephone, electricity, television cable or communication lines and systems provided no such easement shall interfere with the use of any dwelling or the Declarant's construction and sales activities. This easement shall in no way affect any other recorded easements on the Property. Should any entity furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, the Association shall have the right to grant such easement in accordance with the terms hereof.

Section 3.21 Cleaning and Damage Deposit. A cleaning and damage deposit of \$500.00 shall be required from each Lot Owner at the time of plan approval by the Declarant or Architectural Committee to insure that construction of the Improvement is completed in a workmanlike manner. The deposit shall be deposited into a trust account for the benefit of the Association and is subject to being returned in full or in part upon the Declarant's or Architectural Committee's approval of the completion of Improvements.

Section 3.22 Animals. No animals other than a reasonable number of generally recognized house or yard pets or horses shall be maintained on any portion of the Property and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. Notwithstanding the foregoing, no swine or geese shall be kept, bred or raised on any portion of the Property.

Section 3.23 Antennas. No antennas or other devices for the transmission or reception of television or radio signals shall be placed, constructed or maintained outdoors on any Lot unless previously approved by the Declarant or Architectural Committee.

Section 3.24 Improvements and Alterations. The Property is located in a forested area which could be conducive to fire; therefore, the Owners are encouraged to use fire sprinkler systems and are discouraged from utilizing wood shake shingles. No improvements, alterations, repairs, excavation or other work which in any way alters the exterior appearance of any Lot existing on the date such Lot was first conveyed by Declarant to a Public Purchaser shall be made or done without the prior approval of the Declarant or the Architectural Committee, except as otherwise expressly provided in this Declaration. No building, fence, wall, screen, residence or other structure shall be commenced, erected, maintained, improved, altered, in respect of any Lot without the prior written approval of the Declarant or Architectural Committee. Pursuant to its rule-making power, Declarant or the Architectural Committee shall establish a procedure for the preparation of Improvements. The Declarant or Architectural Committee shall have the right to refuse or approve any plans or specifications including grading plans. In reviewing such plans and specifications and without any limitation of the foregoing, the Declarant or Architectural Committee shall have the right to take into consideration the suitability of the proposed building or other Improvement and the materials of which it is to be constructed, the site upon which it is proposed to be erected, the harmony thereof with the surroundings, and the effect of the building or other Improvement as planned, on the outlook from the adjacent or neighboring property. All subsequent additions to, changes or alterations in any building or Improvement, shall be subject to the prior approval of the Declarant or Architectural Committee.

ARTICLE IV

STARLIGHT PINES RANCHETTES HOMEOWNERS' ASSOCIATION

Section 4.1 Organization.

Section 4.1.1 The Association. The Association to be called STARLIGHT PINES RANCHETTES HOMEOWNERS ASSOCIATION shall be or is a non-profit Arizona corporation charged with the duties and vested with the powers prescribed by law and set forth in the Articles and Bylaws of the Association, and this Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

Section 4.1.2. Board of Directors and Officers. The affairs of the Association shall be conducted by a Board of Directors and such Officers and the Directors may elect or appoint, in accordance with the Articles and the Bylaws, as same may be amended from time to time.

Section 4.2 The Rules. By a majority vote of the Board, the Association may, from time to time and subject to the provisions of this Declaration, adopt, amend, and repeal rules and regulations to be known as the "Rules and Regulations". The Rules and Regulations

may restrict and govern the use of any area by any Owner, by the family of such Owner, or by any invitee, guest or lessee of such Owner provided, however, that the Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws of the Association. A copy of the Rules and Regulations as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner and may be recorded. Upon recordation, said Rules and Regulations shall have the same force and effect as if they were set forth in and were a part of the Declaration.

Section 4.3 Personal Liability. No member of the Board or any committee of the Association, or any officer of the Association, shall be personally liable to any Owner, or to any other party, for any damage, loss or prejudice suffered or claimed by such Owner or any other person on account of any act, omission, error or negligence of the member of the Board or any Committee of the Association or any officer of the Association, provided that such member or officer has, upon the basis of such information as may be in possession by him, acted in good faith, without willful or intentional misconduct.

Section 4.4 Personal Property and Real Property for Common Use. The Association, through action of the Board, may acquire, hold and dispose of tangible and intangible personal property and real property, except as provided elsewhere herein, no dedication, sale or transfer of all or any part of the Association Property shall be made or effective unless approved by not less than two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called or such purpose. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold or other property interests within, adjacent to or related to all or any part of the Property as may be conveyed or assigned to the Association by Declarant (or by a trustee holding title for the benefit of Declarant).

Section 4.5 Availability of Books, Records and Other Documents. The Association shall maintain complete and current copies of this Declaration, the Articles, the Bylaws, and the Rules and Regulations (as well as any amendments to the foregoing) and of the books, records and financial statements of the Association and, upon the prior written request to the Association by any Owner, shall make the same available for inspection, at reasonable times and under reasonable circumstances, by such Owner. Copies of the Articles and Bylaws may be purchased for such reasonable fees as may be prescribed by the Association.

Section 4.6 Other Express or Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration, the Articles or the Bylaws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association herein or reasonably necessary to effectuate any such right or privilege.

Section 4.7 Association's Rights and Powers as Set forth in Articles of Incorporation and By-Laws. In addition to the rights and powers of the Association set forth in this Declaration the Association shall have such rights and powers as are set forth in the Articles and Bylaws. Such rights and powers, subject to the approval thereof by any agencies or institutions deemed necessary by the Declarant, may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law, provided such Articles and Bylaws are not inconsistent with the provisions of this Declaration and are necessary, desirable or convenient for effectuating the purposes set forth in this Declaration

Section 4.8 Association's Rights of Enforcement of Provision In Other Instruments Affecting the Property. The Association, as the agent and representative of the Owners, shall have the right to enforce the Covenants set forth in this Declaration and/or any and all covenants, restrictions, reservations, servitudes, assessments, conditions, liens or easements provided for in any contract, deed, declaration of restrictions or other instrument affecting all or any portion of the Property. Any such instrument shall have been executed pursuant to, or subject to, the provisions of this Declaration, or otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Association, its successors or assigns.

Section 4.9 Contracts with Others for Performance of Association's Duties. Subject to the restrictions and limitations contained in this Declaration, the Association may enter into contracts and transactions with the Declarant, its subsidiaries and affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors of the Association is employed by or otherwise connected with the Declarant, its subsidiaries and affiliates, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction and provided further that the transaction or contract is fair and reasonable, and any such director may be counted in determining the existence of a quorum at that meeting of the Board of Directors of the Association which shall authorize any such contract or transaction and may vote thereat to authorize any such contract or transaction with like force and effect as if he were not so interested.

Section 4.10 Mergers and Consolidations. The Association shall have the right and power to participate in mergers or consolidations with any other non-profit corporation or association regardless of whether the objects, purposes, rights and powers of such non-profit corporation or association are lesser than, the same as, or greater than those of the Association. Any proposed merger or consolidation shall not be effective or voted upon by the Owners without prior approval of the Board of Directors of the Association. Any such merger or consolidation shall be consummated only upon an affirmative vote of the Owners of two-thirds of the Lots as defined for voting purposes at an election held for such purpose in the manner provided in Article VI. Upon any such merger

or consolidation, all of the properties, rights and obligations of the other non-profit corporation or association shall be transferred to and assumed by the Association as the survivor, or alternatively, all the properties, rights and obligations of the Association shall be transferred to and assumed by the surviving or newly created non-profit corporation or association.

ARTICLE V

PROPERTY RIGHTS

Section 5.1 Every Owner shall have a non-exclusive right and easement of enjoyment in, to and over the Association Property, subject to any restrictions or limitations contained herein or in any instrument conveying such property to the Association or subjecting such property to this Declaration, and subject further to the Rules and Regulations. Any Owner may assign his right of enjoyment to (and share the same with) the members of his household and assign the same to and share the same with his tenants and invitees subject to the provisions of this Declaration and to the reasonable regulation by the Board. An Owner who leases his Lot shall be deemed to have delegated such Owner's rights under this Article V to the lessee of such Lot for the term of such lease.

ARTICLE VI

MEMBERSHIP AND VOTING RIGHTS

Section 6.1 Votes of Owners of Lots. Every Owner of a Lot automatically shall be a Member of the Association and shall remain a Member for so long as such ownership continues. Each Owner's membership in the Association shall be appurtenant to and may not be separated from ownership of the Lot to which the membership is attributable. In the event any Lot is owned by two or more persons, whether by joint tenancy, tenancy in common, community property or otherwise, each such person shall be considered a Member but the membership as to such Lot shall be joint, and such persons shall jointly designate to the Association in writing one of their number who shall have the power to vote said membership, and, in the absence of such designation and until such designation is made, the Board shall make such designation and such designation shall be binding for all purposes. Notwithstanding the foregoing, so long as the Class B membership is in existence, no Class B Member shall at the same time be a Class A Member and the membership and number of votes of the Class B Member(s) shall be determined in accordance with Subsection 6.3.2. Subject to Subsection 6.3.1, each Owner (other than Declarant, so long as the Class B membership is in existence) shall have one (1) vote for each Lot owned by such Owner.

Section 6.2 Declarant. Declarant shall be a Member of the Association for so long as it holds a Class A or Class B membership.

Section 6.3 Voting Classes. The Association shall have two classes of voting Members:

Section 6.3.1 Class A. Class A Members shall be all Owners except Declarant (until the conversion of Declarant's Class B membership to Class A membership as provided below); and

~~Section 6.3.2 Class B. The Class B Member shall be~~
Declarant, who shall be entitled to five (5) votes for each Lot owned by Declarant. Declarant shall have the right, at any time and from time to time, to assign all or any part of its voting rights appurtenant to its Class B membership (as well as all or any other rights appurtenant thereto) to one or more Persons acquiring for purposes of development and sale, any part of the Property. Further, Declarant shall have the right, at any time and from time to time, to designate an individual or individuals to exercise Declarant's voting rights (whether appurtenant to Class A or Class B membership), provided, however, that such designation shall not act as any assignment by Declarant of its membership or voting rights hereunder.

The Class B membership automatically shall cease and be converted to Class A membership upon the happening of the first of the following events:

- (a) the date which is ninety (90) days after the date upon which the Declarant ceases to own any portion the Property.
- (b) the date which is ten (10) years after the date this Declaration is Recorded; or
- (c) the date on which Declarant records a written notice electing to convert the Class B membership to Class A membership.

Section 6.4 Right to Vote. Subject to the authority of the Board to suspend voting rights, each Member shall be entitled to cast votes as established in this Declaration, the Articles, the Bylaws and the Rules and Regulations. No change in the ownership of a Lot shall be effective for voting purposes until the Board receives written notice of such change together with satisfactory evidence thereof. The vote(s) for each Member must be cast as a single unit. Split or fractional votes shall not be allowed. If any Owner casts a vote or votes representing a certain Lot, that Owner will thereafter be conclusively presumed to be acting with the authority and consent of all other Owners of such Lot unless and until objection thereto is made to the Board in writing. Any Owner of a Lot which is leased or which is subject to a valid, outstanding and recorded executory agreement of sale may, in the lease, agreement of sale, or other written instrument, assign the voting right appurtenant to the Lot to the lessee thereof or to the purchaser thereof under such agreement of sale, as applicable, provided that a copy of the written assignment of such voting rights is furnished to the secretary of and Association prior to

any meeting at which such lessee or purchaser seeks to exercise such voting right.

Section 6.5 Member's Rights. Each Member shall have the right, duties and obligations set forth in this Declaration, the Articles, the Bylaws and the Rules and Regulations.

Section 6.6 Transfer of Membership. Except as otherwise provided in this Declaration, the rights, duties and obligations of a Class A Member cannot and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of such Class A Member's Lot, and then only to the transferee thereof. Such transfer may be effected by deed, intestate succession, testamentary disposition, foreclosure or other legal process authorized under Arizona law, shall operate to transfer the membership appurtenant thereto to the new Owner and any attempt to make any other form of transfer shall be void.

Section 6.7 Suspension of Voting Rights. In the event any Owner is in arrears in the payment of any Assessments or other amounts due under any of the provisions of this Declaration, the Articles, the Bylaws, or the Rules and Regulations for a period of fifteen (15) days, said Owner's right to vote as a Member of the Association shall be suspended and shall remain suspended until all payments, including payments for accrued interest, attorneys' fees and related collection costs and fees, are brought current and paid. In the event any Owner is in default, breach, or in violation of any of the provisions of this Declaration, the Articles, the Bylaws or the Rules and Regulations, other than for nonpayment of any Assessment, said Owner's right to vote as a Member of the Association shall be suspended and shall remain suspended for a period not to exceed sixty (60) days and for successive sixty (60) day periods thereafter if the infraction has not been corrected during the prior sixty (60) day suspension period.

ARTICLE VII

MAINTENANCE

Section 7.1 Association's General Responsibilities. The Association shall maintain and keep in good repair the Association Property (and certain other areas, as more expressly provided in this Section 7.1), the costs of such maintenance to be Association Expenses (subject to any insurance then in effect). This maintenance shall include, but not be limited to:

Section 7.1.1 maintenance, repair and replacement of any and all landscaping and other flora, structures and improvements situated upon the Association Property, and any perimeter or boundary walls or fences surrounding the Property;

Section 7.1.2 maintenance, repair and replacement of any street or road located upon Association Property, including but not limited to, any adjacent real property upon which the Association

has been granted an easement, license or right of way; and

Section 7.1.3 maintenance and repair of any drainage easements upon or across the Association Property.

Section 7.2 Maintenance of Owner's Structures. Each Owner shall be responsible for the maintenance, cleaning, painting, repair and general care of all structures existing or constructed upon such Owner's Lot, and, in particular, each Owner shall cause the exterior of said structures to be maintained in good condition and repair and in an attractive state consistent with general community standards within the Property. In the event that the Board shall determine that any Owner is in breach of such Owner's obligations under the preceding sentence, the Board shall promptly give such Owner written notice of such determination, including a reasonably detailed list or description of the repairs, maintenance or other work required to cure such Owner's breach, and shall give such Owner a reasonable opportunity to be heard before the Board, and in the event the Owner shall not have cured such breach within thirty (30) days after the date of said written notice (or such longer period as may be specified in writing by the Board), the Board, acting on behalf of the Association, may cause the repairs, maintenance or other work to be performed so as to cure such Owner's breach, and the Association's costs in doing so, together with interest from the date of expenditure at the rate to be determined by the Board, shall be the personal obligation of such Owner and shall constitute a lien on such Owner's Lot, which lien shall have the priority and may be enforced in the manner described in Section 9.3 of this Declaration; the Board, acting on behalf of the Association, shall also have standing and authority to request that a court of competent jurisdiction compel such Owner to cure such breach, and to the extent not inconsistent with an order of such court, the Board, acting on behalf of the Association, may pursue either or both of the courses of action described in this sentence. The Association and its officers, directors, agents, employees and contractors shall have an easement on, over, across and through each Lot to permit it to carry out its duties and obligations, and to exercise its rights and privileges, under this Article VII.

Section 7.3 Publicity-Dedicated Areas. Except as expressly provided in this Article VII. and except as may otherwise be required by applicable law, the Association shall have no responsibility to maintain any areas within the Property (including, but not limited to, public streets) which are dedicated to or the responsibility of a municipality or other governmental entity.

Section 7.4 No Discrimination. The provision of services in accordance with this Article shall not be deemed to be discrimination in favor of or against any Owner.

ARTICLE VIII

INSURANCE AND FIDELITY BONDS; CASUALTY LOSSES

Section 8.1 Insurance to be Obtained by the Association.

Section 8.1.1 Hazard Insurance. The Board, acting on behalf of the Association, shall obtain and maintain at all times insurance for all insurable improvements on the Association Property against loss or damage caused by fire or other hazards customarily covered for similar types of projects.

Section 8.1.2 Liability Insurance. The Board, acting on behalf of the Association, shall obtain and maintain at all times a comprehensive general liability policy in amounts, with deductibles, and under such terms and conditions as are acceptable to the Board in its sole discretion insuring the Association, each member of the Board and each Owner (and, so long as Declarant, or a person with whom Declarant contracts directly for the performance of all or a substantial portion of Declarant's rights and obligations hereunder, or for the construction of substantial improvements on the Property, retains an interest in the Property or any Lot,) insuring Declarant and such person.

Section 8.1.3 Fidelity Bonds. The Board, acting on behalf of the Association, shall obtain and maintain at all times fidelity bond coverage in amounts, with deductibles, and under such terms and conditions as are acceptable to Board in its sole discretion to protect against dishonest acts on the part of officers, directors and employees of the Association and all others who handle, or are responsible for handling, funds held or administered by the Association, whether or not such officers, directors, employees or others receive compensation for services they render to or on behalf of the Association.

Section 8.1.4 Cost of Insurance. All premiums for the insurance or bonds required to be obtained by the Board by this Section 8.1 shall be Association Expenses. The Board shall not be liable for failure to obtain or maintain any of the insurance coverage required by this Section 8.1, or for any loss or damage resulting from such failure, if such failure is due to the unavailability of such insurance coverage from reputable companies authorized to provide such insurance in the State of Arizona.

Section 8.2 Insurance to be Obtained by the Owners.

Section 8.2.1 Public Liability Insurance. It shall be the individual responsibility of each Owner to provide, as such Owner sees fit and at such Owner's sole expense, such public liability insurance as such Owner may desire against loss or liability for damages and any expense of defending against any claim for damages which might result from the ownership, use or occupancy of such Owner's Lot.

Section 8.2.2 Hazard and Contents Insurance. It shall be the individual responsibility of each Owner to provide, as such Owner sees fit and at such Owner's sole expense, such fire, liability, theft and any other insurance as such Owner may desire covering the improvements on such Owner's Lot.

Section 8.3 Repair or Reconstruction of Buildings. In the event of the destruction of a building or other structure on a Lot, or of damage to such building or other structure which, in the reasonable judgment of the Board, materially affects the exterior appearance thereof, the Board shall have the right, at its option, exercisable by written notice to the Owner of the Lot upon which such building or other structure is situated, to require such Owner to repair or reconstruct or demolish and remove, at such Owner's expense (subject to any insurance proceeds as such Owner may then or thereafter receive in respect of such destruction or damage), such building or other structure within such period of time as shall be specified by the Board in such notice. The Board may exercise such right and establish such time period notwithstanding such Owner's failure to maintain hazard or casualty insurance upon such Owner's Lot or any structures thereon and notwithstanding any unavailability or delay in receipt of proceeds of any insurance policy or policies, although the Board may take such matters into account in establishing or extending the time period within which such repair or reconstruction or demolishing and removal must be completed. Any such repair or reconstruction work or demolishing and removal work shall be performed in compliance with all applicable provisions hereof, and the Owner of such Lot shall take such steps as are reasonably necessary to prevent damage to surrounding property and injury to persons as may result from or arise in connection with the destroyed or damaged or other structure or the repair or reconstruction activities with respect thereto.

ARTICLE IX

ASSESSMENTS

Section 9.1 Creation of Assessment Rights. In order to provide funds to enable the Association to meet its financial and other obligations and to create and maintain appropriate reserves (including reserves for contingencies, reserves for maintenance, repair and replacement, and reserves to cover deductible amounts under policies of insurance owned or held by the Association), there is hereby created a right of assessment exercisable on behalf of the Association by the Board. Annual Assessments and Special Assessments shall be for Association Expenses and shall be allocated equally among all Lots, subject to the other provisions of this Article IX.

Section 9.2 Covenants with Respect to Assessments. Each Owner, by acceptance of his deed (or other instrument of transfer or conveyance) with respect to a Lot, is deemed to covenant and agree to pay the Assessments levied pursuant to this Declaration with respect to such Owner's Lot, together with interest from the

date due at a rate equal to fifteen percent (15%) per annum, and together with such costs and reasonable attorneys' fees as may be incurred by the Association in seeking to collect such Assessments. Each of the Assessments with respect to a Lot, together with interest, costs and reasonable attorneys' fees as provided in this Section 9.2, shall also be the personal obligation of the person who or which was the Owner of such Lot at the time such Assessment arose with respect to such Lot, provided, however, that the personal obligation for delinquent Assessments shall not pass to a successor in title of such Owner unless expressly assumed by such successor. No Owner shall be relieved of his obligation to pay any of the Assessments by abandoning or not using his Lot or the Association Property, or by leasing or otherwise transferring occupancy rights with respect to his Lot. However, upon transfer by an Owner of fee title to such Owner's Lot, as evidenced by a recorded instrument, such transferring Owner shall not be liable for any Assessments thereafter levied against such Lot. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution of abatement of Assessments or set-off shall be claimed or allowed by reason of the alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration, the Articles, the Bylaws or the Rules and Regulations, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law ordinance or with any order or directive of any municipal or other governmental authority.

Section 9.3 Lien for Assessments; Foreclosure. There is hereby created and established a lien against each Lot which shall secure payment of all present and future Assessments assessed or levied against such Lot or the Owner or occupant thereof (together with any present or future charges, fines, penalties, or other amounts levied against such Lot or the Owner or occupant thereof pursuant to this Declaration or the Articles, or the Bylaws or the Rules and Regulations). Such lien is and shall be prior and superior to all other liens affecting the Lot in question, except (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (b) the lien or charge of any first mortgage or deed of trust made in good faith and for value. Such liens may be foreclosed in the manner provided by prevailing Arizona law relating to foreclosure. The sale and transfer of any Lot pursuant to a mortgage foreclosure or any proceeding in lieu thereof relating to a mortgage, deed of trust, or other lien having higher priority than the lien for Assessments created hereunder shall extinguish the lien of the Assessments only as to payments which became due prior to such sale or transfer, but no such sale or transfer shall relieve the previous Owner of such Lot from liability for any Assessments becoming due prior to such sale or transfer. The Association shall have the power to bid for any Lot at any sale to foreclose the Association's lien on the Lot, and to acquire and hold, lease, mortgage and convey the same. During the period any Lot is owned by the Association, no right to vote shall be exercised with respect to said Lot and no Assessment (whether

Annual or Special) shall be assessed or levied on or with respect to said Lot, provided, however, that the Association's acquisition and ownership of a Lot under such circumstances shall not be deemed to convert the same into Association Property. The Association may also maintain a suit to recover a money judgment for unpaid Assessments, rent, interest and attorneys' fees without foreclosing or waiving the lien securing same. Recording of this Declaration constitutes record notice and perfection of the liens established hereby, and further recordation of any claim of a lien for Assessments or other amounts hereunder shall not be required, whether to establish or perfect such lien or to fix the priority thereof, or otherwise (although the Board shall have the option to Record written notices of claims of lien in such circumstances as the Board may deem appropriate).

Section 9.4 Dates Assessments Commence; Declarant's Rate. Assessments shall be payable in respect of a Lot from the date upon which title to said Lot shall first be conveyed to an Owner, other than the Declarant, and such Assessments shall be payable regardless of whether a building or other structure shall be situated upon such Lot on such date. Notwithstanding the foregoing, the Declarant shall have no obligations to pay any Assessments. As to any Lot conveyed by Declarant to an Owner, assessments as to such Lot shall be prorated as of the close of escrow with respect to such Lot (or, if no escrow is utilized, as of the date of Recordation of the deed conveying such Lot to such Owner).

Section 9.5 Computation of Assessments; Annual Budget. The Board shall prepare and adopt an estimated annual budget for each fiscal year of the Association, which annual budget shall serve as the basis for determining the Annual Assessments for the applicable fiscal year (subject to the limitations of Section 9.7 hereof). Such budget shall take into account the estimated Association Expenses and cash requirements of the Association or the year. The annual budget shall also take into account the estimated net available cash income for the year, if any, from the operation or use of any of the Association Property. The annual budget shall also provide for a reserve in such reasonably adequate amount as shall be determined by the Board (a) for contingencies for the year (and for subsequent fiscal years), (b) for maintenance, repairs and replacements, and (c) to cover deductible amounts under insurance policies owned or held by the Association. Not later than sixty (60) days following the meeting of the Board at which the Board adopts the annual budget for the fiscal year in question, the Board shall cause to be delivered or mailed to each Owner a copy of the Budget and a statement of the amount of the Annual Assessments to be levied against such Owner's Lot for the fiscal year in question. In the event the Board fails to adopt a budget for any fiscal year prior to commencement of such fiscal year, then until and unless such budget is adopted, the budget (and amount of the Annual Assessments provided for therein) for the year immediately preceding shall remain in effect. Subject to the provisions of the Section 9.5, Section 9.7 and Section 9.9, neither the annual budget (nor any amended budget) adopted by the Board, nor any Assessment

levied pursuant thereto, shall be required to be ratified or approved by the Owners. If, at any time during a fiscal year of the Association the Board deems it necessary to amend the budget for such year, the Board may do so and may levy an additional Annual Assessment for such year, subject to the limitations imposed by Section 9.7, or may call a meeting of the Members to request that the Members approve a Special Assessment pursuant to Section 9.9. Within sixty (60) days after adoption of an amended budget (if the Board elects to levy an additional Annual Assessment), the Board shall cause a copy of the amended budget and a statement of the additional Annual Assessments to be levied against the Lots to be delivered or mailed to each Owner.

Section 9.6 Due Dates. Annual Assessments for each fiscal year shall be due and payable in equal periodic installments, payable not more frequently than monthly nor less frequently than semiannually, as determined for such fiscal year by the Board, with each such installment to be due and payable on or before the first day of the applicable period during that fiscal year. Special Assessments, if any, shall be paid in such manner and on such dates as may be fixed by the Board. In addition to any other powers of collection or enforcement granted hereunder, in the event any Assessments with respect to a Lot are delinquent, the Board shall have the right, in its sole discretion, to accelerate the date on which all Assessments with respect to such Lot are due and payable. For purposes of this Declaration, Assessments shall be deemed "paid" when actually received by the Association or by its manager or agent designated by the Association to collect the same (provided, however, that if any Assessments are paid by check and the bank or other institution upon which such check is drawn thereafter dishonors and refuses to pay such check, those Assessments shall not be deemed "paid" and shall remain due and payable with interest accruing from the date such Assessments were originally due).

Section 9.7 Maximum Annual Assessment. The Annual Assessments provided for herein shall not at any time exceed the Maximum Annual Assessment, as determined in accordance with this Section 9.7. For the first fiscal year of the Association, the Maximum Annual Assessment shall be Two Hundred Dollars (\$200.00) for each Lot. Thereafter all increases shall be approved by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose. Notwithstanding the foregoing, the Board may, without the approval of the Members, increase the Maximum Annual Assessment for any fiscal year by an amount sufficient to permit the Board to meet any increases over the preceding fiscal year in (i) premiums for any insurance coverage required by the Declaration to be maintained by the Association, and (ii) charges for services necessary to the Association's performance of its obligations under this Declaration. Nothing herein shall obligate the Board to levy, in any fiscal year, Annual Assessments in the full amount of the Maximum Annual Assessment for such fiscal year, and the election by the Board to not levy Annual Assessments in the full amount of the

Maximum Annual Assessments for any fiscal year shall not prevent the Board from levying Annual Assessments in subsequent fiscal years in the full amount of the Maximum Annual Assessment for such fiscal year (as determined in accordance with this Section 9.7). In the event that, for any fiscal year, the Board elects to levy an Annual Assessment at less than the full amount of the Maximum Annual Assessment for such fiscal year the Board may, if in its reasonable discretion circumstances so warrant, subsequently levy an additional Annual Assessment during said fiscal year so long as the total of the Annual Assessment levied during said fiscal year does not exceed the Maximum Annual Assessment for such fiscal year.

Section 9.8 Notice and Quorum for Meetings to Consider Special Assessments and Certain Increases in Annual Assessments. Notwithstanding any other provisions hereof or of the Articles, the Bylaws or Rules and Regulations, written notice of any meeting called for the purpose of (a) approving the establishment of any Special Assessment, as required by Section 9.9 hereof, or (b) approving any increase in the Maximum Annual Assessment greater than that permitted under Section 9.7 hereof, shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days prior to the date of said meeting. At the first meeting thus called to consider the particular Special Assessment or increase in the Maximum Annual Assessment, a quorum shall consist of sixty percent (60%) of the votes in each class of Members (whether represented in person or by valid proxy), provided, however, that if a quorum, as so determined, is not present at said first meeting, a second meeting may be called (subject to the same notice requirements as set forth above) to consider the same issue, and a quorum at said second meeting shall be one-half (1/2) of the required quorum at the first meeting, as described above. Such second meeting may not be held more than sixty (60) days after the first meeting.

Section 9.9 Special Assessments. In addition to the Annual Assessments authorized by this Article IX, the Association may levy Special Assessments from time to time, provided, however, that any Special Assessment shall be effective only with the approval of not less than two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called and convened to consider such Special Assessment pursuant to Section 9.8 hereof. Subject to Section 9.4, Special Assessments shall be allocated equally among all Lots.

Section 9.10 Certificates. The Association shall, upon the written request of any Owner or the holder, insurer or guarantor of any mortgage or deed of trust, and upon payment of such reasonable charge as may be determined by the Board, furnish to the requesting party a certificate, executed by an officer of the Association, stating the date to which Assessments with respect to such Owner's Lot (or the Lot against which such mortgage or deed of trust is recorded) have been paid and the amount, if any, of any Assessments which have been levied with respect to said Lot but which remain unpaid as of the date of such certificate, said certificate shall be binding upon the Association as to the matters set forth therein.

as of the date thereof.

Section 9.11 Surplus Monies. Unless otherwise expressly determined by the Board, any surplus monies of the Association shall be held by the Association and placed in one or more reserve accounts as determined by the Board, and shall not be paid to the Owners or credited against the Owners' respective liabilities for Assessments.

Section 9.12 Declarant's Obligation for Deficiencies. So long as the Class B membership exists, Declarant shall pay and contribute to the Association, within thirty (30) days after the end of each fiscal year of the Association, or at such other times as may be requested by the Board, such funds as may be necessary, when added to the Assessments levied by the Association pursuant to this Declaration, to provide for (a) the operation and maintenance of the Association Property, (b) the maintenance of adequate reserves, and (c) the performance by the Association of all other obligations of the Association under this Declaration or the Articles or Bylaws. Declarant's obligations under this Section 9.12 may be satisfied in the form of a cash subsidy or by "in kind" contributions of services or materials, or a combination of both.

Section 9.13 Association Expenses Resulting from Misconduct. Notwithstanding any other provision of this Article IX, if any Association Expense is caused by the misconduct of any Owner (or of any occupant, tenant, employee, servant, agent, guest or invitee for whose actions such Owner is responsible under applicable law), the Association may assess that Association Expense exclusively against such Owner and such Owner's Lot.

ARTICLE X

ARCHITECTURAL STANDARDS: ARCHITECTURAL COMMITTEE

Section 10.1 Appointment of Architectural Committee:
Standing to Enforce. All property which is now or hereafter subject to this Declaration shall be subject to architectural, landscaping and aesthetic review as provided herein. This review shall be in accordance with this Article X and such standards as may be promulgated by the Architectural Committee, which is hereby established. Authority and standing on behalf of the Association to enforce in any court of competent jurisdiction decisions of the Architectural Committee and the provisions of this Article X shall be vested in the Board, provided, however, that so long as Declarant has the right to appoint the Architectural Committee under this Section 10.1, Declarant shall have the right, but not the obligation, to enforce decisions of the Architectural Committee and the provisions of this Article X, on behalf of the Association, in courts of competent jurisdiction. So long as Declarant (or a trustee for the benefit of Declarant) owns any portion of the Property, the Architectural Committee shall consist of three (3) individuals appointed by Declarant. At such time as either (a) neither Declarant nor a trustee for the benefit of Declarant owns

any portion of the Property, or (b) Declarant records a written waiver of its right to appoint the Architectural Committee with the Board, the Board shall appoint the members of the Architectural Committee, which shall have such number of members (but not less than three (3)) as the Board may elect, from time to time. Each member of the Architectural Committee appointed by the Declarant or Board respectively shall serve in such capacity until (i) such member is removed by the Declarant or the Board respectively, or ~~(ii) such member resigns such position or dies.~~ Prior to the appointment of the initial members of the Architectural Committee, and at any time when there is no one serving on the Architectural Committee (whether due to death, resignation or removal), the Board shall have and may exercise any and all rights, powers, duties and obligations of the Architectural Committee.

Section 10.2 Jurisdiction of the Architectural Committee:
Promulgation of Standards. The Architectural Committee shall have jurisdiction over all original construction and any modifications, additions or alterations to improvements on any portion of the Property including, but not limited to, the construction or installation of, or modifications, additions or alterations to: (a) all buildings or structures; (b) landscaping; (c) fences; (d) heating, ventilating, air conditioning and cooling units; (e) solar panels; (f) paint; and (g) any other construction, modification, addition or alteration affecting the exterior appearance of any structure or Lot. The Architectural Committee shall adopt, and may from time to time, amend, supplement and repeal, architectural and landscaping standards and application procedures and shall make the same available to Owners, builders and developers who seek to engage in development of or construction upon any portion of the Property. Such standards and procedures shall interpret, implement and supplement this Declaration, and shall set forth procedures for Architectural Committee review. Such standards and procedures may include, without limitation, provisions regarding:

Section 10.2.1 the size of the buildings or structures;

Section 10.2.2 architectural design, with particular regard to the harmony of the design with surrounding buildings or structures and topography;

Section 10.2.3 placement of buildings or structures;

Section 10.2.4 landscaping design, content and conformance with the character of the Property, and permitted and prohibited plants;

Section 10.2.5 requirements concerning exterior color schemes, exterior finishes and materials;

Section 10.2.6 signage; and

Section 10.2.7 perimeter and screen wall design and appearance.

Such standards and procedures shall have the same force and effect as the Rules and Regulations. Further, after termination of Declarant's right to appoint the members of the Architectural Committee pursuant to Section 10.1, any and all amendments, supplements, repeals, or replacements to or of such standards and procedures shall be subject to the approval of the Board.

Section 10.3 Submission and Review of Plans. No original construction, modification, alteration or addition subject to the Architectural Committee's jurisdiction (including, but not limited to, landscaping) shall be commenced until it has been approved or is deemed approved by the Architectural Committee as provided herein. Any Owner or other person or entity seeking to construct or install any new improvements or landscaping or to make any modification, alteration or addition to any existing improvement (including, but not limited to, landscaping) upon any portion of the Property (or to cause same to be constructed, installed or made) shall first submit to the Architectural Committee detailed plans, specifications and elevations relating to the proposed construction, installation, modification, alteration or addition prior to making any submission to Coconino County. All plans, specifications and elevations (including, but not limited to, a detailed site plan) shall be sent to the Architectural Committee by (a) personal delivery, in which case the person delivering the same shall obtain a signed and dated receipt from the recipient thereof (in which event they shall be deemed received as of the date indicated by the recipient on such receipt), or (b) by U.S. mail, postage paid, certified mail, return receipt requested (in which event they shall be deemed received as of the date indicated on the return receipt). The Architectural Committee shall have thirty (30) days after receipt of such plans, specifications, and elevations to approve or disapprove of the proposed construction, installation, modification, alteration or addition or to request additional information, and, if the Architectural Committee disapproves, to give such Owner or other person or entity reasonable detailed written reasons for such disapproval. In the event the Architectural Committee fails either to approve or disapprove the proposed construction, installation, modification, alteration or addition (or to request additional information) within said thirty (30) day period, such proposed construction, installation, modification, alteration or addition shall be deemed approved.

Section 10.4 Obligation to Obtain Approval.

Section 10.4.1 Except as otherwise expressly provided in this Declaration or the Architectural Committee's standards and procedures, without the prior written approval by the Architectural Committee of plans and specifications prepared and submitted to the Architectural Committee in accordance with the provisions of this Declaration and such standards and procedures:

(a) no improvements, alterations, repairs, excavation, grading, landscaping or other work shall be done which in any way alters the exterior appearance of any portion of the Property or

improvements thereon from their natural or improved state existing on the date such portion of the Property first becomes subject to this Declaration; and

(b) no building, fence, exterior wall, pool, spa, roadway, driveway or other structure, improvement or grading shall be commenced, erected, altered, changed or made on any portion of the Property at any time.

Section 10.4.2 No material changes or deviations in or from the plans and specifications for any work to be done on any portion of the Property, once approved by the Architectural Committee, shall be permitted without approval of the change or deviation by the Architectural Committee.

Section 10.4.3 No other item or matter required by this Declaration to be approved in accordance with this Article X shall be done, undertaken or permitted until approved by the Architectural Committee.

Section 10.5 Changes to Interiors of Residential Units or Other Structures. Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his Residential Unit or other structure on such Owner's lot or to paint the interior of his Residential Unit or such other structure any color desired, except to the extent such remodeling or painting is visible from outside such Residential Unit or other structure or affects the exterior appearance of such Residential Unit or other structure.

Section 10.6 Other Approvals; Liability. No approval by the Architectural Committee of any proposed construction, installation, modification, addition or alteration shall be deemed to replace or be substituted for any building permit or similar approval required by any applicable governmental authority nor shall any such approval be deemed to make the Architectural Committee (or the Board or the Association) liable or responsible for any damage or injury resulting or arising from any such construction, modification, addition or alteration. None of Declarant, the Association, the Board or the Architectural Committee (nor any member thereof) shall be liable to the Association, Owner or any other party for any damage, loss or prejudice suffered or claimed on account of:

Section 10.6.1 the approval or disapproval of any plans, drawings or specifications, whether or not defective;

Section 10.6.2 the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; or

Section 10.6.3 the development of any portion of the Property.

Section 10.7 Fee. The Board may establish a reasonable processing fee to defer the costs of the Architectural Committee in

considering any request for approvals submitted to the Architectural Committee or for appeals to the Board, which fee shall be paid at the time the request for approval or review is submitted.

Section 10.8 Inspection. Any member or authorized consultant of the Architectural Committee, or any authorized officer, director, employee or agent of the Association, may at any ~~reasonable time and without being deemed guilty of trespass~~ enter upon any Lot, after reasonable notice to the Owner of such Lot, in order to inspect the improvements constructed or being constructed on such Lot to ascertain that such improvements have been, or are being, built in compliance with this Declaration, the standards and procedures adopted by the Architectural Committee and any approved plans, drawings or specifications.

Section 10.9 Waiver. Approval by the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring approval of the Architectural Committee, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

Section 10.10 Appeal to Board. Except as provided in this Section 10.10, any Owner or person or entity aggrieved by a decision of the Architectural Committee may appeal the decision to the Board in accordance with procedures to be established in the Architectural Committee's standards and procedures. In the event the decision of the Architectural Committee is overruled by the Board on any issue or question, the prior decision of the Architectural Committee shall be deemed modified to the extent specified by the Board. Notwithstanding the foregoing, until termination of Declarant's right to appoint the members of the Architectural Committee pursuant to Section 10.1, no decision of the Architectural Committee may be appealed to the Board.

Section 10.11 Nonapplicability to Declarant. The provisions of this Article X shall not apply to any portion of the Property owned by Declarant (or by a trustee for the benefit of Declarant) or any person or entity affiliated with Declarant so long as any improvements constructed thereon (or any additions, modifications or alterations to any such improvements) are constructed or made in a good and workmanlike fashion and are generally comparable in terms of quality of construction to other improvements theretofore constructed by Declarant or any person or entity affiliated with Declarant on the Property. Further, this Article X may not be amended without Declarant's written consent so long as Declarant (or a trustee for the benefit of Declarant) owns any portion of the Property.

ARTICLE XI

GENERAL PROVISIONS

Section 11.1 Term. The Covenants of this Declaration (a)

shall run with and bind the Property, (b) shall inure to the benefit of and shall be enforceable by the Association or by the owner of any property subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, and (c) shall remain in full force and effect (as the same may be amended from time to time in accordance with the provisions of this Declaration) until June 1, 2045, at which time said Covenants, unless revoked by an affirmative vote (in person or by proxy) or written consent of Members owning not less than seventy-five percent (75%) of all Lots, shall automatically be extended for successive periods of twenty-five (25) years each, until revoked in the manner provided above. Notwithstanding any such revocation of this Declaration, each Owner of a Lot (and such Owner's tenants, guests and invitees) shall nevertheless have a permanent easement across the Association Property as may be necessary for access to such Lot and for access to and use of such facilities as may exist on the Association Property at the time of such revocation.

Section 11.2 Amendment. Except as otherwise provided herein, this Declaration may be amended during the first ten (10) year period of the Association only by the affirmative vote (in person or by proxy) or written consent of Members owning at least ninety percent (90%) of all Lots and thereafter only by the affirmative vote (in person or by proxy) or written consent of Members owning at least seventy-five percent (75%) of all Lots. No amendment to this Declaration shall be effective unless and until such amendment shall be recorded with the Recorder of Coconino County, Arizona.

Section 11.3 No Partition. No person acquiring any interest in the Property or any part thereof shall have a right to, nor shall any person seek, any judicial partition of the Association Property, nor shall any Owner sell, convey, transfer, assign, hypothecate or otherwise alienate all or any of such Owner's interest in the Association Property or any funds or other assets of the Association except in connection with the sale, conveyance or hypothecation of such Owner's Lot (and only appurtenant thereto), or except as otherwise expressly permitted herein. This Section 11.3 shall not be construed to prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring or disposing of title to real property (other than disposition of title to the Association Property) which may or may not be subject to this Declaration.

Section 11.4 Severability; Interpretation; Gender. Invalidation of any one of the provisions of this Declaration by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect. The provisions hereof shall be construed and interpreted in accordance with the laws of the State of Arizona. Where the context hereof so requires, any personal pronouns used herein, whether used in the masculine, feminine or neuter gender, shall include all genders, and the singular shall include the plural and vice versa. Titles of Articles and Sections are for convenience only and shall not affect the interpretation hereof.

Section 11.5 Perpetuities. If any of the Covenants or other provisions of this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of the President of the United States serving in office on the date this Declaration is recorded among the official records of Coconino County, Arizona.

Section 11.6 Enforcement. The Association shall have the standing and power to enforce the provisions of this Declaration, the Articles, the Bylaws and the Rules and Regulations of the Association, and the provisions of any other recorded document pertaining to any Lot or Lots, and its costs in doing so, including, but not limited to, reasonable attorneys' fees, together with interest thereon from the date the costs are expended at a rate equal to fifteen percent (15%) per annum, shall constitute a lien on all Lots owned by the Owner or Owners against whom the action is taken, which lien shall have the priority and may be enforced in the manner described in Section 9.3. In addition, any Owner or Owners shall have the standing and power to enforce the provisions of this Declaration, the Articles, the Bylaws and the Rules and Regulations, and the prevailing party or parties in any action by an Owner or Owners to enforce any such provisions shall be entitled to recover from the other party or parties their costs in such action (including reasonable attorneys' fees), together with interest thereon at the rate of fifteen percent (15%) per annum, and shall further be entitled to have all such costs (including such interest) included in any judgment awarded to the prevailing party or parties in such action. Failure by the Association or by any Owner to take any such enforcement action shall in no event be deemed a waiver of the right to do so thereafter.

Section 11.7 Property Held in Trust. Any and all portions of the Property which are now or hereafter held in a subdivision or similar trust or trusts (or similar means of holding title to property), the beneficiary of which trust(s) is Declarant, shall be deemed for all purposes hereunder to be owned by Declarant and shall be treated for all purposes hereunder in the same manner as if such real property were owned in fee by Declarant. No conveyance, assignment or other transfer of any right, title or interest in or to any of such real property by Declarant to any such trust (or the trustee thereof) or to Declarant by any such trust (or the trustee thereof) shall be deemed for purposes of this Declaration to be a sale of such real property or any right, title or interest therein.

Section 11.8 Number of Days. In computing the number of days for purposes of any provision of this Declaration or the Articles, the Bylaws or Rules and Regulations, all days shall be counted including Saturdays, Sundays and holidays, provided, however, that if the final day of any time period falls on a Saturday, Sunday or legal holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or legal holiday.

Section 11.9 Declarant's Right to Use Similar Name. The Association hereby irrevocably consents to the use by any other nonprofit corporation which may be formed or incorporated by Declarant of a corporate name which is the same or deceptively similar to the name of the Association provided one or more words are added to the name of such other corporation to make the name of the Association distinguishable from the name of such other corporation. Within five (5) days after being requested to do so by the Declarant, the Association shall sign such letters, documents or other writings as may be required by the Arizona Corporation Commission in order for any other non-profit corporation formed or incorporated by the Declarant to use a corporate name which is the same or deceptively similar to the name of the Association.

Section 11.10 Notice of Violation. The Association shall have the right to record among the official records of Coconino County, Arizona a written notice of a violation by any Owner or occupant of the Owner's Lot ("Occupant") of any restriction or provision of this Declaration, the Article, the Bylaws or the Rules and Regulations. The notice shall be executed and acknowledged by an officer of the Association and shall contain substantially the following information: (a) the name of the Owner; (b) the legal description of the Lot against which the notice is being recorded; (c) a brief description of the nature of the violation; (d) a statement that the notice is being recorded by the Association pursuant to this Declaration; and (e) a statement of the specific steps which must be taken by the Lot Owner to cure the violation. Recordation of a notice of violation shall serve as a notice to the Owner and any Occupant and to any subsequent purchaser of the Lot that there is such a violation. If, after the recordation of such notice, it is determined by the Association that the violation referred to in the notice does not exist or that the actual violation referred to in the notice has been cured, the Association shall record a notice of compliance which shall state the legal description of the Lot against which the notice of violation was recorded, and the recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured, or if such be the case, that it did not exist. Notwithstanding the foregoing, failure by the Association to record a notice of violation shall not constitute a waiver of any existing violation or evidence that no violation exists.

Section 11.11 Temporary Sign Easement. Declarant hereby reserves to itself and its agents a temporary easement over, upon, and across those portions of the Association Property for purposes of installing and maintaining signs identifying persons building upon or developing portions of the Property. The easement reserved hereby shall expire and terminate upon completion of construction and sales activities upon the Property by Declarant.

Section 11.12 Amendments Affecting Declarant Rights. Notwithstanding any other provision of this Declaration, no provision of this Declaration (including, but not limited to, this Section 11.12) which grants to or confers upon Declarant any

rights, privileges, easements, benefits or exemptions (except for rights, privileges, easements, benefits, or exemptions granted to or conferred upon Owners generally) shall be modified, amended or revoked in any way, so long as Declarant (or trustee holding the Property in trust for the benefit of the Declarant pursuant to Section 11.7 hereof) owns any portion of the Property, without the express written consent of Declarant.

Section 11.13 Amendments to Articles and Bylaws. The Articles and Bylaws may only be amended by following the procedure set forth in this Section 11.13. The Board shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of Members, which may be either an annual or a special meeting, and if approved by Members of each class holding (either personally or by valid proxy) the Applicable Percentage (defined below) of the votes eligible to be cast on the amendment (including votes otherwise eligible to be cast but not represented personally or by valid proxy at such meeting), such amendment shall have been adopted, provided, however, that a copy of any such proposed amendment or a summary of the changes to be effected shall have been given to each Member at least ten (10) days prior to said meeting of the Members. For purposes hereof, the "Applicable Percentage" shall mean, in the case of an amendment to the Articles, sixty-seven percent (67%) of each class of Members, in the case of an amendment to the Bylaws, fifty-one percent (51%) of each class of Members. Any number of amendments may be submitted and voted upon at any one meeting.

Section 11.14 Violations and Nuisance. Every act or omission whereby any provisions of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by Declarant, the Association or any Owner. However, any other provision to the contrary notwithstanding, only Declarant, the Association, the Board or the duly authorized agent of any of them may enforce by self help any of the provisions of this Declaration.

Section 11.15 Violation of Law. Any violation of any state, municipal, or local law, ordinance or regulation, pertaining to the ownership, occupation or use of any property within the Property is hereby declared to be in violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

Section 11.16 Remedies Cumulative. Each remedy provided in this Declaration is cumulative and not exclusive.

Section 11.17 Delivery of Notices and Documents. Any written notice or other documents relating to or required by this Declaration may be delivered either personally or by mail. If by mail, it shall be deemed to have been delivered twenty-four (24) hours after a copy of same has been deposited in the United States Mail, postage prepaid, properly addressed.

Section 11.18 The Declaration. Deeds of conveyance of property in STARLIGHT PINES RANCHETTES, or any part thereof, may contain the covenants, conditions and restrictions contained herein by reference to this document, but whether or not such reference is made in any or all of said deeds, by acceptance of a deed or by acquiring any ownership interest in any of the real property included in STARLIGHT PINES RANCHETTES and affected by this Declaration, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments hereof.

STARLIGHT PINES LAND COMPANY,
an Arizona Corporation

By: Stephen A. Kohner
Its: Pres.

TRANSAMERICA TITLE INSURANCE COMPANY
a California Corporation as Trustee
under No. 84-935, 84-936, and 84-937
and 84-762

By: [Signature]
Its: Asst. Secretary

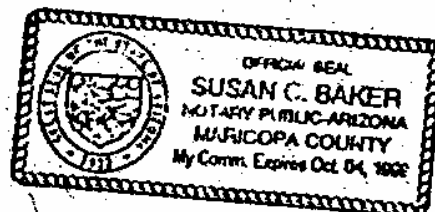
STATE OF ARIZONA)
County of Maricopa) ss.

On this 11th day of December, 1995, before me, the undersigned officer, personally appeared STEPHEN A. KOHNER, and acknowledged himself to be the President of Starlight Pines Land Company and that he, in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

[Signature]
Notary Public

My Commission Expires:


October 4, 1999



1
1 ss.

1

Shirley J. Boren
Notary Public


 OFFICIAL SEAL
SHIRLEY J. FOREN
 Notary Public - State of Alaska
 MARICOPA COUNTY
 My Comm. Expires Dec. 20, 1995