

When Recorded Return to:

**Four Hills Ranch
Property Owners Association
2532 N 4th Street
PMB 343
Flagstaff, AZ 86004**

**CERTIFICATE OF FIRST AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOUR HILLS RANCH
(aka Howard Mesa Ranch, Phase Two)
Coconino County, Arizona**

THIS DECLARATION, is made by Transnation Title Insurance Company, an Arizona corporation, as Trustee, Trust No. 7325 as to Four Hills Ranch (aka; Howard Mesa Ranch, Phase Two) acting on behalf of its beneficiary, Arizona Land and Ranches, Inc., an Arizona corporation, along with its successors and designees and shall replace and supercede any previous Declaration of Covenants, Conditions and Restrictions recorded against the Property.

This Declaration is being recorded to establish a general plan for the development, sale, lease and use of the Project in order to protect and enhance the value and desirability of the Project. The Declarant declares that all of the property within the Project shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any interest in any of the property subject to this Declaration, each person or entity, for him/herself or itself, his/her heirs, personal representatives, successors, transferees and assigns, binds him/herself, his/her heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the development, sale, lease and use of the Property and hereby evidences his/her interest that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, lessees and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners. Declarant, its successors, assigns and grantees, covenants and agrees that the Parcels and the membership in the Association and the other rights created by this Declaration shall not be separated or separately conveyed, and each membership shall be deemed to be conveyed or encumbered with its respective Parcel even though the description in the instrument of conveyance or encumbrance may refer only to the Parcel.

I. DEFINITIONS

As used herein, the following terms have the following meanings:

A. "Additional Property" means the real property owned by Declarant which is adjacent to or situated within the vicinity of the Property, together with all improvements situated thereon.

B. "Association" means the Four Hills Ranch Property Owners Association, an Arizona nonprofit corporation, as referred to in Paragraph 2 of this Declaration.

C. "Bona Fide First Deed of Trust" means any deed of trust or realty mortgage, or agreement for sale made in good faith and for value and properly executed and recorded so as to create a lien on any Parcel or Parcels that is prior to the lien of any other deed of trust or realty mortgage.

D. "Common Roadways" are those roadways lying within the Howard Mesa Ranch Phase One Property that are used to access Parcels within Four Hills Ranch (aka; Howard Mesa Ranch Phase Two), Howard Mesa Ranch Phase One and Howard Mesa Subdivision from State Highway 64 (more specifically; "Latigo Road," "Jackrabbit Drive" and "Big Elk Road").

E. "Declaration" means this Declaration of Covenants, Conditions, and Restrictions.

F. "Declarant" means Transnation Title Insurance Company, an Arizona corporation, as Trustee, Trust Xo. 7325 acting on behalf of Arizona Land and Ranches, Inc., an Arizona corporation. The rights and responsibilities of Declarant hereunder shall be exercised and a carried out by Arizona Land and Ranches, Inc.

G. "Lessee" is any current person or entity holding the lease to the Grazing Rights, along with the rights to certain existing Registered Waters and certain grazing-related facilities situated on the Property as located and defined on the Record of Survey (recorded Plat).

H. "Owner" shall mean and refer to the owner of record, whether one or more persons or entities, of fee or equitable or beneficial title to any Parcel, including Declarant. Owner shall include the purchaser of a Parcel under an executory contract for purchase. The foregoing definition does not include persons or entities that hold an interest in any Parcel solely as security for the performance of an obligation.

I. "Parcel" or "Parcels" means a portion of the Project intended for independent ownership and use and designated as a Parcel on the Record of Survey, either individually or collectively as the case may be as such divisions maybe allowed by law.

J. "Property" or "Project" means the real property described on Exhibit "A", attached to this Declaration, together with all improvements located thereon, and all Additional Property, together with all improvements located thereon, which is annexed and subjected to this Declaration by the Declarant pursuant to Paragraph 3 of this Declaration. The Property is comprised of the "Four Hills Ranch" (aka; Howard Mesa Ranch, Phase Two) Property.

K. "Transition Date" means that date specified on or before which the Declarant transfers control of the Association to Owners or at such time as one hundred percent (100%) of the Parcels have been sold or earlier, at Declarant's option.

2. PROPERTY OWNERS ASSOCIATION.

A. The Property shall be subject to the Four Hills Ranch Property Owners Association. The purpose of the Association is: (1) To maintain and improve; (a) the roadways (including snow removal), gates, fences and roadway drainage facilities within the Property, along with Common Roadways which lie within Howard Mesa Ranch Phase One and Howard Mesa Subdivision Property; (b) any wells and their appurtenances designated by Declarant as common area, and (c) any other common areas benefiting the Property and designated by Declarant for maintenance by the Association. (2) To maintain and

improve roadways on land not within the Property that lie within public or private easements, but only if such roadways provide access to the Property from highways and roads maintained by public funds. Nothing stated in subpart 2.A(2) shall be construed to require the Association to maintain the roadways described in that subpart.

B. Each and every Parcel Owner, in accepting a deed or contract for any Parcel, whether or not it shall be so expressed in such deed or contract, automatically becomes a member of the Association, and agrees to be bound by such reasonable rules and regulations as may, from time to time, be established by the Association. Membership shall be appurtenant and may not be separated from ownership of the Parcel. The rights and obligations of an Owner and membership in the Association shall not be assigned, transferred, pledged, conveyed or alienated in any way, except upon transfer of ownership of such Parcel, whether by intestate succession, testamentary disposition, foreclosure of a deed of trust or a mortgage, or such other legal processes as are now in effect or as may be hereafter established pursuant to the laws of the State of Arizona. The Association shall be operated and conducted on a strictly cooperative and non-profit basis. Each Parcel Owner as a member shall have such voting rights as are set forth in this Declaration.

C. The Association shall take necessary and appropriate action for the maintenance, repair, replacement, and management of the facilities referred to in subpart 2.A(1) above, and shall have the right to enter upon a Parcel, if reasonably necessary, in order to take such action. The Association may take such action as the Association deems appropriate to maintain or repair the facilities referred to in subpart 2.A(2), above.

D. The Association shall have the power to borrow and encumber its assets and, in all respects, shall have the powers set forth herein, including the power to enter into contracts with third parties to perform all or part of its functions, and to hire its own employees to do so. The Association shall have the power to obtain appropriate insurance, to create reserves, and to issue rules and regulations.

E. Each Parcel Owner shall pay: 1) Regular assessments for normal maintenance and repair and reserves, along with insurance and operating costs; 2) Special assessments for capital improvements with such assessments to be established by the Association. For each Parcel the applicable regular and any special assessments, late payment penalties and charges, if any, together with interest, (all as set by the Association) costs and reasonable attorney's fees, shall be a lien on the Parcel. Each Parcel Owner shall be personally responsible for his or her share of assessments imposed by the Association. This personal obligation or delinquent assessments shall not pass to the Owner's successor; PROVIDED, HOWEVER, the obligation to pay the same shall be a continuing lien on the applicable Parcel, excepting for the provisions of Paragraph 2.L below, relating to deed of trust beneficiaries and to realty mortgagees.

F. The Association shall, on an annual basis, make a determination of the estimated costs of insurance, operating costs and the repair and maintenance of the roadways and any other designated common areas as shown on the Record of Survey or otherwise so designated, including any reserves necessary for future capital expenditures and maintenance. The Association shall furthermore allocate such estimated costs for roadway and common areas servicing the Property, along with the designated costs of the Common Roadways. Regular annual assessments shall include the cost of roadway and any other common area maintenance and repair within the Project, ALONG WITH the cost of maintenance and repair of Common Roadways. Assessments shall be charged to each applicable Owner on a uniform per Parcel per year basis (all Parcels, regardless of size, shall be charged the same assessment amount).

Exceptions:

1. Assessments for Parcels sub-divided before January 1, 2007 with a change in ownership shall be

charged to each applicable Owner on a uniform per acre (calculated to the nearest whole acre) per year basis. If the sub-divided Parcel changes ownership after January 1, 2007, the assessment for the Parcel shall then be charged based on the uniform per Parcel per year basis.

2. If a Parcel is sub-divided without a change in ownership for the subdivided parcels, the combined sub-divided parcels will be treated as "one Parcel" for assessment and voting purposes, until such time as one or more of the sub-divided parcels change ownership.

The assessments may be collected on a monthly, quarterly, or annual basis, or any combination of same as determined by the Association. The Association shall prepare an annual budget and also an annual accounting of monies received and disbursed.

G. Each Owner, other than Declarant, shall be responsible to pay the regular assessment which will be assessed as of the date of recordation of the deed or purchase contract wherein the Owner acquired legal, beneficial or equitable title to the Parcel. The Parcel Owner acquiring his or her interest from Declarant during the calendar year shall be obligated for a pro rata portion thereof. The Declarant shall not be responsible for comparable assessments on each Parcel owned by it. However, Declarant may be responsible for providing labor, material and/or monies in sufficient amounts, not to exceed the amount of the normal Parcel assessment for each Parcel owned by it, if necessary in Declarant's opinion, to properly fulfill the Association's maintenance responsibilities until the Transition Date or earlier, at Declarant's option.

The amount of regular assessments shall be set by the Association on an annual calendar year basis. The Association shall fix the amount of the regular assessments at least thirty (30) days prior to the end of the calendar year. Written notice of the assessments shall be sent to every Owner and shall state the payment due date as established by the Association. The Association shall share in the cost of maintenance and repair of the Common Roadways, by paying the "Howard Mesa Ranch Property Owners Association" an initial annual amount of \$0.38 per acre of the assessments which are due and payable by its members. Said payment is to be paid within 30 days of the assessment due date. An accounting of the number of acres assessed shall be given to the Association at the time of payment. The initial assessment shall be \$189 per Parcel (including \$15.84 for the cost of Common Roadway maintenance and repair), or \$5.26 per acre (including \$0.46 for the cost of Common Roadway maintenance and repair).

Any division of a Parcel prior to January 1, 2007 shall be a separate parcel subject to a separate assessment (per acre per year) and entitled to a separate vote in the Association as set forth in Paragraph 2.J. See exception #2 in Section 2F.

Any division of a Parcel after January 1, 2007 shall be a separate parcel subject to a separate assessment (per Parcel per year) and entitled to a separate vote in the Association as set forth in Paragraph 2.J. See exception #2 in Section 2F.

DECLARANT SHALL MAINTAIN THE COMMON ROADWAYS UNTIL THE TRANSITION DATE OF THE ASSOCIATION.

H. In addition to the regular assessments as set forth above, the Association may set special assessments if the Association determines that such is necessary to meet the primary purposes of the Association. Special assessments shall be established by two-thirds (2/3) of the number of votes cast by members representing a twenty-five percent (25%) quorum. Any special assessments shall be allocated and charged on the same basis per Parcel as regular assessments.

I. All sums assessed by the Association chargeable to a Parcel, but unpaid, shall constitute a lien on such Parcel prior to all other liens excepting only ad valorem liens in favor of a governmental

assessing unit or special assessment district. The Association lien may be foreclosed by the Association in a like manner as a foreclosure of a real property deed of trust or realty mortgage. The Association shall have the power to bid on the delinquent Parcel at a foreclosure sale, and acquire, hold, lease, encumber and convey the same. A suit to recover a money judgment for unpaid assessments and charges shall be maintainable by the Association without foreclosing or waiving the lien securing the same.

J. The total number of votes in the Association shall be on the basis of one (1) vote per Owner per Parcel. The total number of Parcels and therefore the total number of votes may also be increased or decreased from time to time by the annexation of Additional Property or the de-annexation of Property, pursuant to Paragraphs 3 and 4 of this Declaration. Unless otherwise specifically provided herein, all Association matters shall be determined by a majority vote (i.e., a majority of the votes cast) so long as the quorum requirements are met. If more than one party is the Owner of a Parcel, there must be unanimous agreement among those who own an interest, otherwise the vote(s) attributable to that Parcel shall not be counted. Any action requiring a vote of the members that the Association may take at any annual, regular or special meeting may take place one of three ways: 1) In person at a meeting. 2) By written proxy at a meeting. 3) By written ballot in lieu of a meeting according to the terms stated in the Bylaws. Subject to Paragraphs 2.H, 7.D, and 7.E and of this Declaration, members present at a meeting of the members or represented by proxy, holding one-tenth of the votes entitled to be cast (10%), shall constitute a quorum. If written ballot is used, the number votes cast must equal or exceed the number of votes required to approve the matter at a meeting.

At any time that a Parcel not owned by Declarant is legally further divided in accordance with this Declaration, each new Parcel shall be allocated one (1) vote.

K. Subject to Paragraph 6 herein, the members of the Association shall elect the board of directors who shall have the power to adopt Bylaws and appoint officers, as well as promulgate reasonable rules and regulation relating to the matters within its purpose. Unless otherwise stated herein, the directors shall conduct the affairs and exercise the powers of the Association

L. Where the holder of a Bona Fide First Deed of Trust, including Declarant, obtains title to the Parcel as a result of trustee's sale, or deed in lieu of foreclosure, of said Bona Fide First Deed of Trust, such acquirer of title, its successors and assigns, shall not be liable for the share of the assessments by the Association chargeable to such Parcel which became due prior to the acquisition of title to such Parcel by such acquirer. Such acquirer shall be responsible, as any Owner, for assessments charged subsequent to the acquisition.

M. In the event the Association determines that any Parcel Owner has not complied with the provisions of this Declaration, then the Association may, at its option, give written notice to the Owner of the conditions complained of. The Owner shall correct same or, if not readily correctable within fifteen (15) days after notice from the Association, the Owner shall submit corrective plans proposing its remedy to the condition complained of with fifteen (50) days after notice from the Association. The Association shall approve or disapprove any plans submitted by the Owner and set forth a reasonable time for correction of the condition complained of. In the event such condition is not corrected according to the approved plans, within the allotted time, the Association shall have the right to undertake to remedy such condition or violation complained of. The cost thereof shall be deemed to be an assessment to such Owner and enforceable by the Association in the same manner any other unpaid assessment. The Association is hereby granted the right of entry on the affected Parcel to so correct the condition or violation complained of.

3. ANNEXATION OF ADDITIONAL PROPERTY.

A. Declarant, its successors and designees reserve all present and future rights to utilize all private roads and easements within the Project to comparably develop lands within or adjacent to the Project. Any such expansion to be included within this Declaration shall be subject to the terms and conditions of this Declaration, but may include reasonable variances.

B. At any time the Declarant shall have the right to annex and subject to this Declaration all or any portion of the Additional Property without the consent of any other Owner or person. The annexation of all or any portion of the Additional Property shall be effected by the common area or any other area which will be maintained, repaired and replaced by the Association. Unless a later effective date is set forth in the Declaration of Annexation annexing Additional Property, the annexation shall become effective upon the recording of the Declaration of Annexation. A Declaration of Annexation including Additional Property being annexed into separate phases shall provide for a separate effective date with respect to each phase. The voting rights of the Owners of Parcels annexed pursuant to this section shall be effective as of the date the Declaration of Annexation annexing such property is recorded. The Parcel Owners obligation to pay assessments shall commence as provided in Paragraph 2 of this Declaration. If Declaration of Annexation annexing a portion of the Additional Property divides the annexed portion of the Additional Property into phases, the Declarant shall have the right to amend any such Declaration of Annexation to change the description of the phases within the annexed Project, except that the Declarant may not change any phase in which a Parcel has been conveyed to an Owner.

C. Declarant makes no assurances as to the exact number of Parcels that will be added to the Project by annexation or if all or any portion of the Additional Property will be annexed.

D. The Additional Property may be annexed as a whole, at one time or in one or more portions at different times, or it may never be annexed, and there are no limitations upon the order of annexation or the boundaries thereof. The Additional Property annexed by the Declarant pursuant to this Paragraph 3 need not be contiguous with other Property in the Project, and the exercise of the right of annexation as to any portion of the Additional Property shall not bar the further exercise of the right of annexation as to any other portion of the Additional Property.

E. DECLARANT MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER THAT: (1) The Project will be completed in accordance with the plans for the Project as they exist on the date this Declaration is recorded; (2) Any Property subject to this Declaration will be committed to or developed for a particular use or for any use; or (3) The use of any Property subject to this Declaration will not be changed in the future.

4. DE-ANNEXATION

Notwithstanding any other provision of this Declaration, Declarant shall have the right from time to time, at its sole option and without the consent of any Owner or any other person, to delete from the Property and remove from the effect of this Declaration one or more portions of the Property, so long as (a) the portion of the Property to be removed and deleted is owned by Declarant, or the Owner of such portion of the Property executes and records an instrument approving such deletion and removal; and (b) such deletion and removal would not deprive Owners of other parts of the Property of easements or rights-of way necessary to the continued use of their respective parts of the Property (unless Declarant at the same time provides for reasonably adequate replacement easements or rights-of way). Declarant may exercise its rights of de-annexation in each case by executing and causing to be recorded an instrument which identifies the portion of the Property to be so deleted and removed and which is executed by each Owner of

such portion of the Property to be so deleted and removed (if other than Declarant), and the deletion and removal of such portion of the Property shall be effective upon the date such instrument is recorded; whereupon, the portion of the Property so deleted and removed shall thereafter for all purposes be deemed not a part of the Property. No such deletion and removal of a portion of the Property shall act to release such portion from the lien for assessments or other charges hereunder which have accrued prior to the effective date of such deletion and removal, but all such assessments or other charges shall be appropriately prorated to the effective date of such deletion and removal. Each portion of the Property deleted and removed pursuant hereto shall thereafter be deemed to be a part of the Additional Property unless otherwise expressly provided to the contrary in the instrument recorded to effect such deletion and removal.

5. GENERAL RESTRICTIONS APPLICABLE TO ALL PARCELS

A. Single Family Residential and Recreational Use Only: All Parcels shall be used for residential and recreational purposes only provided, however, livestock may be kept pursuant to paragraph 5.K. Notwithstanding anything contained in this Paragraph this restriction shall not prohibit home offices in a residential property where business is conducted through telephone, computer, or other electronic means and where the business is not apparent from the exterior of the residence; does not create noise or congestion from traffic or parking; and preserves the residential nature of the Property. All uses shall be in compliance with Coconino County zoning regulations and permitted uses.

B. Dwelling Type: A site built structure can be no more than two stories in height. The finished exterior shall be in harmony with its' natural surroundings. Septic permits must be obtained and the septic system installed and completed prior to placement of home. Building permits will be required by Coconino County and the State of Arizona. Construction must be completed within twelve (12) months from beginning.

No mobile or manufactured homes older than five (5) years from the date of manufacture to the date of installation may be brought onto and located on a Parcel. All mobile or manufactured homes must be skirted. The ground around the mobile or manufactured home shall be graded so that water shall flow away from the home. Residences shall be a minimum of 480 square feet.

C. Travel Trailers, RV's : No travel trailer or recreational vehicle may be used as a permanent residence on a Parcel. One travel trailer or recreational vehicle may be used for temporary use only if the use extends for not more than three (3) consecutive months during a calendar year, unless the occupant has been issued a building permit by Coconino County and is diligently proceeding to construct a permanent residence on a Parcel, so long as permitted by Coconino County regulations.

D. Sanitary Facilities: All dwelling's and/or living quarters shall be self-contained, connected to a septic system, waterless toilet, or other alternative waste disposal system which has been approved by the appropriate governmental agency.

E. Additional Subdivisions: No original Record of Survey Parcel(s) may be resold by the Owner for a period of eighteen (18) months from the date of initial conveyance. Not less than four (4) years after the initial conveyance of any Parcel, it may be further subdivided in strict accordance with all applicable laws including required approvals by Coconino County and the State of Arizona, which is the sole responsibility of the Owner. Original Parcels may be subdivided up to three times, creating a maximum of four (4) Parcels, with a minimum Parcel size of ten (10) acres each. All Parcels newly created by an Owner through subdividing an original Parcel must contain a minimum of 150' feet of road frontage on roads which have been previously dedicated to the Four Hills Ranch Property Owners Association by Declarant AND/OR on an easement created on Owner's original

Parcel for the sole purpose of creating said road frontage along the newly created Parcels. Such easement must be recorded by Owner in the Office of the Coconino County Recorder. Declarant may grant a written variance to the four (4) year waiting period to subdivide a Parcel under the following circumstances: a) for the purpose of constructing permanent dwelling(s) on the Parcel and or newly created Parcels ONLY b) the original Parcel and any newly created Parcels may not be sold by original Parcel Owners) for a period of four (4) years from date of initial conveyance of the original Parcel to Owners) UNLESS the Parcel offered for sale has a permanent dwelling constructed on it.

F. No Medical Facilities: Hospitals, clinics, and other facilities for the treatment or care of the physically or mentally ill or disabled are prohibited.

G. Churches or Clubs: or other institutions organized for religious worship or discussion are prohibited as are buildings used primarily as clubhouses or meeting facilities.

H. Vehicles: Any motor vehicle under repair or inoperable may not be parked on any roadway, driveway, or other easement. When said vehicles are parked on a Parcel, such motor vehicles must be hidden by walls, fences, screens, or foliage, so as the vehicle is not to be visible from roadways or other Parcels. All vehicles, engines, or motors must be operated with a muffler and or spark arrestor.

I. Trash: No Parcel may be used for temporary or permanent storage of rubbish or trash (collectively, garbage). No garbage may be kept on any Parcel except in covered containers and screened from view from adjacent Parcels.

J. Junkyards, Auto Repair, Second-Hand Business, Material Storage: No junkyards, auto repair, second-hand businesses or other commercial uses that create a negative visual impact, excessive noise or congestion from traffic or parking shall be conducted on any Parcel. No storage of trucks, cars, buses, machinery, equipment or building materials shall be stored on any Parcel unless enclosed in a proper structure to not be visible from an adjoining Parcel or passing on the roadway.

K. Livestock: No swine shall be raised, bred, or kept on any Parcel. A Parcel may be used for ranching, including the use of keeping a reasonable number of horses and cattle thereon, provided the Parcel has been fenced in accordance with the fencing guidelines and setbacks set forth in Paragraph 5.S. "Fencing Setbacks". Under no circumstances shall a stockyard, dairy, riding stable, kennel, poultry farm or any other commercial activity (other than ranching) involving animals be permitted.

L. Nuisance Activities: The unusual, unnecessary, prolonged, or indiscriminate creation of noise, dust, fumes, odors or any other offensive activity is prohibited, including but not limited to excessive gunfire, road racing and loud music.

M. Signs: No signs will be permitted (including but not limited to For Sale or For Rent signs) on Parcels until after December 31, 2004: EXCEPT for address signs that identify the address and or the Owner of the Parcel, which signs will not exceed 4 square feet. All signs are to be in strict conformance with the laws and ordinances set forth by Coconino Count. Permits may be required. Declarant reserves the right to remove any and all signs that are in violation of the provisions in this Declaration. None of the sign restrictions in this Declaration apply to the Declarant or its' assigns or successors, for the purpose of selling Parcels, locational, directional or street signs. Nothing in this provision shall prohibit an Owner from attempting to sell their Parcel in accordance with the provisions stated in this Paragraph and in Paragraph 5.E.

N. Structure Setbacks: All structures shall be built at least fifty (50) feet from the front, and thirty (30) feet from the sides and rear, of any Parcel boundary. If local governmental regulations provide for more

restrictive setbacks, those regulations shall govern. In any event, any construction on a Parcel shall comply with all applicable Coconino County building regulations. Any fences constructed on a Parcel shall not be closer than thirty (30) feet to any Parcel line for the purpose of grazing animals and/or utility easements as stated on the Record of Survey.

O. Easements: Subject to Paragraph 5.S., no structure including fencing shall be constructed on the recorded easements as they are shown on the Record of Survey. However cattle guards may be used. Parcel Owners will provide access to the subject easement whenever requested by utility companies. Subject to Paragraph 5.E, there shall be no further granting of easements by Parcel Owners without the express written approval of the Association

P. Declarant's Exemption: Nothing herein shall be construed as prohibiting Declarant from maintaining a sales or development office on any Parcel or engaging in activities which Declarant deems appropriate to its development or sales program or ranching activities.

Q. Mineral Rights: In no event shall any Owner or lessee use or cause to be used any portion of the Property, including his or her own Parcel, for the purposes of drilling, exploring, mining, or otherwise developing any deposits of oil, minerals, or other natural resources lying above, on, or under said Property, with the exception of such drilling and exploration by the Declarant or the Owner as may be necessary to produce an adequate water supply for the development of the Parcel involved.

R. Grazing Rights: The grazing rights to the Property along with certain registered surface waters have been and are hereby retained by and for the exclusive use of .Arizona Land & Ranches, Inc., an Arizona Corporation, Lessee, and/or it's assignees. Subject to easements to any reserved surface waters, Owner may fence out and exclude livestock from grazing on Owner's Parcel in accordance with the fencing guidelines set forth below in Paragraph 5.S, at which time the grazing rights over that portion of the Parcel which has been fenced shall be deemed suspended.

S. Fencing Setbacks: Subject to any easements to reserved surface waters, Owner may fence off all or any part of Owner's Parcel in order to restrict horses and other livestock from crossing or grazing on Owner's Parcel. Construction of said fence must be adequate to help keep off livestock. All fencing must be set back at least 30' from Parcel lines and may not encroach upon any easement referred to on the Record of Survey and or this Declaration. Owner, at his/her expense, shall have the right to move any existing fence which goes through Owner's Parcel, provided said fence so moved is reconnected so that there is no gap in the overall fencing. Any fences moved and or installed by Owner, shall be at Owner's sole expense. All fences shall be constructed using "wildlife friendly"¹ techniques as follows: Wherever barbed wire fencing is constructed, it shall have smooth wire on the bottom strand, which shall be 18 inches above the ground and fence height shall not exceed 60 inches. Additionally, *all* fencing shall be constructed with the following minimal requirements: a) with posts not more than 15' apart; b) not less than three stays between posts; c) with four continuous strands of wire and; d) such fence is adequate, in accordance with normal ranch standards to contain horses and other livestock.

For fencing purposes, when one Owner purchases two or more contiguous Parcels, Declarant may revoke any easements granted along the common boundary lines of the contiguous Parcels, PROVIDED said easements do not provide physical or necessary utility access to other Parcel Owners. Declarant shall execute and record a unilateral "Declaration of Easement Revocation" which shall be effective only so long as one Owner owns all of the affected Parcels. HOWEVER if one or more of the subject Parcels are subsequently conveyed to separate, individual Owners, the "Revocation" shall terminate with regard to the affected Parcel(s) and the 30' easement originally created along each side of the common boundary lines, shall be reinstated and thereafter run with the land. **Nothing in this paragraph shall be construed as to allow for the construction of any structures, including fencing (other than**

perimeter fencing of the combined Parcels) within the original easement area of the common boundary lines.

T. Environmental Protection: The beauty of the Property is in the mixture of trees and open space. Trees having a minimum trunk diameter of six inches and measuring two feet above ground level and may only be cut if the following conditions are met: a) are dead or dying and; b) removal is required to clear land for building sites, access roads, fire prevention, enable installation of utilities, view corridors, or recreational open space. In any event not more than twenty percent (20%) of any one Parcel may be cut or cleared.

U. Waiver: The Declarant and its' successor shall have the right to allow variances where strict enforcement of these restrictions would cause undue hardship.

6. DECLARANT'S CONTROL OF THE ASSOCIATION AND MAINTENANCE OF THE COMMON PROPERTY.

A. The Declarant will maintain control of the Association and may act as it's board of directors until it's Transition Date. The Transition Date to be at such time as 100% of the Parcels is sold or earlier, at Declarant's option.

B. The Declarant shall notify the Association members in writing of the Transition Date on or about thirty (30) days prior to said Transition Date. The Declarant, as the Association's initial board of directors shall call a meeting of Owners (aka; members of the Association) for the purpose of taking over the operation of the Association. Prior to said meeting, the Association members shall elect, by a majority of the votes cast by members meeting the 10% quorum requirement, a minimum of three (3) and a maximum of five (5) persons to the board of directors with the election results to be announced at the meeting. So long as Declarant owns any Parcels at the time of the Transition Date, it may exercise it's voting rights by casting the number of votes it still retains at the time. The transition meeting shall also constitute an annual meeting as defined in the Bylaws. The newly elected directors may hold their first director's meeting immediately following the annual meeting for the purposes of electing officers and conducting any other business of the directors. Thereafter, all affairs of the Association shall be conducted by the board of directors and such officers that the board may elect or appoint in accordance with the Articles and Bylaws, as they may be amended from time to time.

C. The Association may employ or contract for maintenance of roadways and assess members for the cost thereof.

7. GENERAL PROVISIONS

A. Enforcement: The covenants, conditions, and restrictions contained in this Declaration shall run with the land and shall be binding upon all persons owning, leasing, subleasing or occupying any Parcel after the date on which this instrument shall have been recorded in die Office of the Recorder of Coconino County, Arizona. This Declaration may be enforced by the Declarant, by any Owner, the Lessee or a lessee of any Parcel by the holder of a Bona Fide First Deed of Trust on any Parcel, by the Association, or by any one or more of said persons acting jointly; PROVIDED, HOWEVER, that any breach by reason thereof shall not defeat or adversely affect the lien of a Bona Fide First Deed of Trust upon any Parcel, but each and all said covenants, conditions, and restrictions shall be binding upon and effective against any Owner, lessee or occupant of said Parcel whose title thereto is acquired by foreclosure, or otherwise, and FURTHER PROVIDED that the breach of any said covenants, conditions, and restrictions may be enjoined, abated or remedied by appropriate proceedings, notwithstanding the lien or existence of any such Bona Fide First Deed of Trust. All instruments of conveyance or assignment of

any interest in all or any party of the Property may refer to this Declaration and shall be subject thereto as fully as though this Declaration were therein set forth in full.

B. Invalidity: Invalidation of any of the covenants, conditions, and restrictions, contained **herein** by a court of competent jurisdiction, shall in no way affect the validity of any other provision of this Declaration, all of which shall remain in full force and effect.

C. Legal Fees and Costs: The Declarant or the board of directors of the Association may cause a lawsuit to be commenced and maintained in the name of the Association against an Owner to enforce the payment of any delinquent assessment or to enforce any other pertinent provision of this Amended and Restated Declaration. Any judgment rendered in any such action shall include the amount of the delinquency, interest at the rate of twelve percent (12%) per annum from the date of delinquency, the amount of damages proven, court fees, and reasonable attorney's fees which are incurred by the Association as fixed by the court.

D. Amendments: After the Transition Date this Declaration may be amended by instrument approved by two-thirds (2/3) of the votes cast by those members meeting a twenty-five percent (25%) quorum requirement. Such amendment shall be recorded in the Office of the Coconino County Recorder and become effective immediately thereafter. So long as it owns any Parcel, Declarant may amend this Declaration without approval of the Owners, to correct any inconsistencies or to make non-substantive revisions or to comply with any law or regulation. Paragraphs 5.R and 5.S may not be amended by the Association after the Transition Date in such a way as to change or negate the rights provided to the Lessee in this Declaration.

E. Term: This Declaration may hereafter be amended in accordance with the terms hereof, and shall remain in full force and effect for a term of twenty (20) years from and after the date of recording of this Declaration. This Declaration shall be automatically renewed and extended for successive periods of ten (10) years each, unless terminated by three-quarters (3/4) of the votes cast by the members entitled to vote or amended pursuant to Paragraph D above. Such termination or amendment shall be recorded in the Office of the Coconino County Recorder.

EXECUTED this _____ day of April 2007

APPROVED:

FOUR HILLS RANCH PROPERTY OWNERS ASSOCIATION,
an Arizona Corporation

By _____
Kevin Bohannon, President

This instrument was acknowledged before me this _____ day of _____, 2007 by Kevin Bohannon as President of Four Hills Ranch Property Owners Association.

Notary Public _____

My Commission expires

EXHIBIT "A"

FOUR HILLS RANCH (aka: HOWARD MESA RANCH PHASE TWO):

LOTS 600 - 648 INCLUSIVE OF HOWARD MESA RANCH PHASE 2, UNIT 1; SECTION 19 AND PARTS OF SECTIONS 29, 30 & 31, TOWNSHIP 25 NORTH, RANGE 01 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, AS RECORDED IN THE OFFICE OF THE COCONINO COUNTY RECORDER AT FEE NUMBER 3012621 IN THE RECORD OF SURVEYS.

LOTS 649 - 767 INCLUSIVE OF HOWARD MESA RANCH PHASE 2, UNIT 2; SECTIONS 1, 10 (PARTIAL), 11, 12, 13, 14, 23 (PARTIAL) & 25, TOWNSHIP 25 NORTH, RANGE 02 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA AS RECORDED IN THE OFFICE OF THE COCONINO COUNTY RECORDER AT FEE NUMBER 3049684 IN THE RECORD OF SURVEYS.

LOTS 768 - 1068 INCLUSIVE OF HOWARD MESA RANCH PHASE 2 UNIT 3; SECTIONS 17, 28, 31, 33 AND 34 TOWNSHIP 26 NORTH, RANGE 01 EAST; AND SECTIONS 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 17 18, 21, 23, 26, 27 AND 33 TOWNSHIP 25 NORTH, RANGE 01 EAST OF THE GILA AND SALT RIVER MERIDIAN, COCONINO, ARIZONA, AS RECORDED IN THE OFFICE OF THE COCONINO COUNTY RECORDER AT FEE NUMBER 3067287 IN THE RECORD OF SURVEYS.

TOGETHER WITH;

LOTS 1, 2, 5 THROUGH 7. INCLUSIVE, 11, 12, 15, 22, 24 THROUGH 29, INCLUSIVE, 34 THROUGH 39, INCLUSIVE, 44,45, 47 THROUGH 53, INCLUSIVE, 57, 59, 62, 65, 68, 70, 72, 73, 78 THROUGH 80, INCLUSIVE, 84, 85, 87, 89, 90, 94, 98 THROUGH 100, INCLUSIVE, 106, 124, 125, 129, 143, 148, 149, 152, 155, 156, 162, 165, 169, THROUGH 171, INCLUSIVE, 175, 189, 193, 194, 196, 201, 203, 204, 206, 209, 212, 213, 216, 217, 219, 225, 230, 232, 233, 245, 247, AND 249 THROUGH 252, INCLUSIVE, CLEAR AIR ESTATES, ACCORDING TO CASE 2, MAPS 252, 252A AND 252B, RECORDS OF COCONINO COUNTY, ARIZONA:

AND:

LOTS 1, 3, 4, 12 THROUGH 14, INCLUSIVE, 16 THROUGH 19, INCLUSIVE, 22 THROUGH 25, INCLUSIVE, 80, 85, 112, 117, 133, 134, 144, 149, 245 THROUGH 249, INCLUSIVE, 255, 256, 258 THROUGH 261, INCLUSIVE, 264 THOUGH 266, INCLUSIVE, 268 THROUGH 270, INCLUSIVE, 272 THROUGH 274, INCLUSIVE, 277, 279, 281, 287, 289, 291, 292, 297, 301, 303 THROUGH 305, INCLUSIVE, 309, 316, 316, 328, 330 THROUGH 365, INCLUSIVE, 367 THROUGH 379, INCLUSIVE, 382, 383, 385 THROUGH 388, INCLUSIVE, 390, 391, 395, 398 THROUGH 400, INCLUSIVE, 405 THROUGH 408, INCLUSIVE, 410 THROUGH 414, INCLUSIVE, 416 THROUGH 421, INCLUSIVE, 423 THROUGH 429, INCLUSIVE, 431, 432, 436, 438, 439, 441, 444 THROUGH 448, INCLUSIVE, 452, 454, 455, 457, 459 THROUGH 462, INCLUSIVE, 464 THROUGH 466, INCLUSIVE, 468 THROUGH 470, INCLUSIVE, 473 THROUGH 483, INCLUSIVE, 485 THROUGH 487, INCLUSIVE, 489, 491, AND 493, CLEAR AIR ESTATES. ACCORDING TO CASE 2, MAPS 314, 312A AND 314B, RECORDS OF COCONINO COUNTY. ARIZONA.