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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
THE HIGHLANDS AT DESERT FOOTHILLS ESTATES

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

THE HIGHLANDS AT DESERT FOOTHILLS ESTATES

THIS DECLARATION, made on the date hereinafter set forth, by Stewart Title & Trust of Phoenix, Inc., as Trustee under Trust No. 2342 and Trust No. 2344 (hereinafter sometimes termed "Trustee"), is made with reference to the following facts:

A. Trustee is the fee simple title holder (under two subdivision trusts in which the beneficiaries entitled to possession are defined herein as "Declarant"), of approximately eighty-eight and 49/100 (88.49) acres of land in Bullhead City, Mohave County, Arizona, known as The Highlands at Desert Foothills Estates, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by reference (hereinafter sometimes referred to as "The Highlands at Desert Foothills Estates" or the "Property").

B. The Property is intended to be developed into single-family residential lots.

C. Declarant intends by this document to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all of the Lots in the Property and the Owners thereof.

D. The Property is part of a larger master planned project and is thereby subject to the Master Declaration. The Master Declaration provides that the Master Association shall have administrative duties concerning Desert Foothills Estates and shall have the right to assess all property owners therein, as provided more fully in the Master Declaration. Additionally, pursuant to Article IV of the Master Declaration, this Declaration shall constitute the "Tract Declaration" for Lot 14 of Desert Foothills Estates, as the Property is defined in the Master Declaration.

NOW, THEREFORE, subject to all provisions of this Declaration, and with the consent of the Master Association, Declarant hereby declares that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold and improved subject to the following declarations, limitations, covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property and every part thereof, in accordance with the plan for the improvement of the Property and the division thereof. All of the limitations, covenants, conditions, restrictions and easements shall constitute covenants which shall run with the land and shall be binding upon Declarant, its successors and assigns and all parties having or acquiring any right, title or interest in or to any part of the Property. Nothing in this Declaration shall be construed to prevent the Declarant from modifying development plans for the Property or any portions thereof, provided Declarant is the Owner of the portion to be modified or from dedicating or conveying portions of The Highlands at Desert Foothills

Estates, including without limitation, streets, flood control uses, utilities or roadways for uses other than as a Lot or Common Area.

ARTICLE 1

Definitions

1.1 "Architectural Committee" shall mean the Committee of the Association to be created pursuant to Article 7.

1.2 "Articles" shall mean and refer to the Articles of Incorporation of the Association as amended from time to time.

1.3 "Assessment" shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Property which is to be paid by each Owner as determined by the Association and as provided herein.

1.4 "Assessment Lien" shall mean the lien created and imposed by Article 4.

1.5 "Association" shall mean and refer to THE HIGHLANDS AT DESERT FOOTHILLS ESTATES OWNERS ASSOCIATION, an Arizona nonprofit corporation, the Members of which shall be the Owners of Lots.

1.6 "Available" means available for inspection (and copying at the expense of the requesting party), upon request, during normal business hours or under other reasonable circumstances.

1.7 "Board" or "Board of Directors" shall mean and refer to the governing body of the Association.

1.8 "Bylaws" shall mean and refer to the Bylaws of the Association as amended from time to time.

1.9 "Common Area(s)" shall mean and refer to those parcels within the Property the title to which is from time to time conveyed to the Association, including all landscaping, buildings, improvements, utility and plumbing wires, pipes and other installations thereon.

1.10 "Common Expenses" means and includes the actual and estimated expenses of operating the Property and the Association and any reasonable reserve for such purpose as found and determined by the Board and all sums designated as Common Expenses by or pursuant to the Project Documents.

1.11 "Declarant" shall mean and refer to F.S.T.Y.-5 Associates, a Nevada general partnership, as Second Beneficiary under Stewart Title & Trust of Phoenix, Inc., Trust No. 2342 (with respect to that portion of the Property which is subject to Trust No. 2342) and F.S.T.Y.-21 Associates, a Nevada general partnership, as Second Beneficiary under Stewart Title & Trust of Phoenix, Inc., Trust No. 2344 (with respect to that portion of the Property which is subject to Trust No. 2344); with respect to any Lot or portion of the

Property which is subject in part to Trust No. 2342 and in part to Trust No. 2344, Declarant shall mean F.S.T.Y.-5 Associates and F.S.T.Y.-21 Associates, jointly and severally. Declarant shall also mean the successors and assigns of Declarant's rights and powers hereunder, but shall not include members of the public purchasing Lots. With respect to any Declarant right or obligation which affects all of the Property, F.S.T.Y.-5 Associates and F.S.T.Y.-21 Associates shall act collectively and shall be deemed a single Declarant. With respect to any right or obligation of Declarant that is tied specifically to any Lot or portion of the Property of which either F.S.T.Y.-5 Associates or F.S.T.Y.-21 Associates is Owner such as Memberships, Membership voting rights, Assessments and particular activities on their respective Lots, either F.S.T.Y.-5 Associates or F.S.T.Y.-21 Associates, whichever entity is the Owner, shall be deemed the Declarant.

1.12 "Declaration" shall mean and refer to this enabling Declaration, as amended and supplemented from time to time.

1.13 "Eligible First Mortgagees" shall mean First Mortgagees who have filed a written request as described in Subarticle 8.5.3.1.

1.14 "Eligible Insurer or Guarantor" shall mean an insurer or governmental guarantor of a First Mortgage which has requested notice of certain matters in accordance with Subarticle 8.5.3.1.

1.15 "FHA" shall mean the Federal Housing Administration.

1.16 "FHLMC" shall mean the Federal Home Loan Mortgage Corporation.

1.17 "First Mortgage" shall mean any Mortgage which is a first priority lien on any Lot.

1.18 "First Mortgagee" shall mean the holder of a First Mortgage.

1.19 "FNMA" shall mean the Federal National Mortgage Association.

1.20 "Guests" shall mean any employee, tenant, guest (whether or not for hire) or invitee of such Owner or Resident.

1.21 "Identifying Features" shall mean a monument sign or other distinctive features identifying the Property as part of Desert Foothills Estates.

1.22 "Lot" shall mean and refer to any numbered plat of land shown on the Map, together with the improvements constructed thereon. Each Lot shall be a separate freehold estate.

1.23 "Map" shall mean and refer to that subdivision plat recorded July 14, 1995, at Fee Number 95-36104 of the Official Records of Mohave County, Arizona, and any

subsequently recorded subdivision Map and all amendments thereto which cover the Property or a portion thereof. The Map is hereby made a part hereof with the same force and effect as if incorporated herein at length.

1.24 "Master Association" shall mean and refer to the Desert Foothills Estates Owners Association, an Arizona non-profit corporation established as provided in the Master Declaration and having various administrative duties thereunder.

1.25 "Master Declaration" shall mean and refer to the Declaration for Desert Foothills Estates recorded October 19, 1994 at Book No. 2479, Page 222, as amended from time to time in the Official Records of Mohave County, Arizona.

1.26 "Maximum Annual Assessment" shall mean and refer to assessments as defined in Article 4.

1.27 "Member" and "Membership" shall mean and refer to a person entitled to and the membership in the Association, as provided herein. Membership shall mean a membership in the Association and the rights granted to the Owners and Declarant pursuant to Article 3 to participate in the Association.

1.28 "Mortgage" shall include a recorded deed of trust as well as a recorded mortgage.

1.29 "Mortgagee" shall include the beneficiary or a holder of a deed of trust as well as a mortgagee of a mortgage.

1.30 "Mortgagor" shall include the trustor of a deed of trust as well as a mortgagor of a mortgage.

1.31 "Owner" shall mean (when so capitalized) the record holder of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest in any Lot, but excluding others who hold such title merely as security for the performance of an obligation, pursuant to a purchase and sale agreement or other similar executory contract or as a Tenant of a Lot. In the case of Lots the fee simple title to which is vested of record in a trustee pursuant to Arizona Revised Statutes, Section 33-801 et seq., legal title shall be deemed to be in the Trustor. An Owner shall include any person who holds record title to a Lot in joint ownership with any other person or holds an undivided fee interest in any Lot. An Owner shall also include a purchaser under a contract for deed, agreement for sale or similar contract through which a seller has conveyed to a purchaser equitable title in a Lot under which there is an obligation to convey to the purchaser legal title upon payment of all sums due under the contract or other agreement. In the case of Lots the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement the beneficiary of any such trust who is entitled to possession of the trust property shall be deemed the Owner.

1.32 "Party Fence" shall mean a block wall fence (or block wall and wrought iron fence, if specifically permitted by the Architectural Committee, in designated areas within the Property) constructed on or immediately adjacent to the common boundary of Lots or the common boundary of Common Areas and a Lot.

1.33 "Project Documents" means and includes this Declaration as it may be amended from time to time, the exhibits, if any, attached hereto, the Map, the Articles and Bylaws of the Association and the rules and regulations for the Members as established from time to time.

1.34 "Property" shall mean and refer to the real property described in Exhibit A, including the real property covered by this Declaration as of the effective date hereof.

1.35 "Resident" shall mean:

- (1) Each Owner and each Tenant actually residing on any Lot; and
- (2) Members of the immediate family of each Owner and each Tenant referred to in subparagraph (1) actually living in the same household with such Owner or Tenant.

Subject to such reasonable rules and regulations as the Association may hereafter specify the term "Resident" also shall include Guests if and to the extent the Board in its absolute discretion by resolution so directs.

1.36 "Tenant" shall mean any person who occupies a Lot located in The Highlands at Desert Foothills Estates under any type of rental or letting arrangement.

1.37 "VA" shall mean the Veterans Administration.

1.38 "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 (6') tall standing at ground level on any part of the neighboring property based upon the assumption that the neighboring property has an elevation substantially the same as the property on which such object is situated. In the event of any dispute regarding an object being "Visible From Neighboring Property," the Architectural Committee shall make the final determination.

End of Article 1 Entitled
Definitions

ARTICLE 2

Description of Property, Division of Property
and Creation of Property Rights

2.1 Description of Property

The Property consists of the underlying real property, together with all improvements located or to be located thereon.

2.2 Division of Property

Situated within the Property are Lots and Common Area:

2.2.1 Lots

Each of the Lots is separately shown, numbered and designated on the Map.

2.2.2 Common Area

Each Owner shall have, as appurtenant to his Lot, a membership in the Association which shall hold title to the Common Area. Each Owner shall have a nonexclusive right to use the Common Area in accordance with the purposes for which it is intended without hindering the exercise of or encroaching upon the rights of any other Owner. Notwithstanding the transfer of the Common Area to the Association, the Declarant shall reserve and hereby reserves to itself and its successors and assigns an easement over and to the Common Area for ingress to and egress from the Common Area for the purpose of completing improvements thereon or for the performance of necessary repair work and for the development of the Property.

2.3 No Separate Conveyance of Interests and Easements

The interests and easements described in this Article 2 or elsewhere in this Declaration as being part of or appurtenant to each respective Lot are to be conveyed only with the respective Lot and cannot be changed except as set forth herein. Declarant, its successors, assigns and grantees covenant and agree that the fee title to each Lot conveyed shall include all of the interests and easements referred to in the preceding sentence, all of which shall be deemed to be conveyed or encumbered with the Lot even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the Lot.

2.4 Partition Prohibited

The Common Area shall remain undivided as set forth above. Except as provided by law, and subject to the terms and provisions of Subarticle 8.5.2 herein, no Owner shall bring any action for partition, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Property. Judicial partition by sale of a single Lot owned by two or more persons and division of the sale proceeds is not prohibited hereby (but partition of title to a single Lot is prohibited).

2.5 Buyer's Right to Sell Lot

The right of any Owner to sell, transfer or otherwise convey his Lot shall not be subject to any right of first refusal or any similar restriction in favor of the Association.

End of Article 2 Entitled
Description of Property, Division of Property
and Creation of Property Rights

ARTICLE 3

Association, Administration, Membership and Voting Rights

3.1 Association to Manage

The management of portions of the Common Area and the portions of the Property which the Association is responsible for maintaining pursuant to this Declaration shall be vested in the Association in accordance with the Bylaws. The Owners of all the Lots covenant and agree that the administration of the Property shall be in accordance with the provisions of this Declaration, the Articles and the Bylaws of the Association, subject to the standards set forth in this Declaration and all applicable laws, regulations and ordinances of any governmental or quasi-governmental body or agency having jurisdiction over the Property. Any agreement for professional management of the Property or any agreement providing for services by Declarant (or any affiliate of Declarant) shall provide for termination by either party without cause or payment of a termination fee upon ninety (90) days' or less written notice and for cause upon thirty (30) days' or less written notice and without payment of a termination fee. Such agreement shall further provide for a reasonable contract term not to exceed one (1) year and be renewable only by consent of the Association and the other party.

3.2 Membership

The Owner of a Lot shall automatically, upon becoming the Owner of same, be a Member of the Association and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease. Membership shall be in accordance with the Articles and the Bylaws of the Association.

3.3 Transferred Membership

Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of ownership of the Lot to which it is appurtenant, and then automatically to the new Owner as provided in Subarticle 3.2 above. Any attempt to make a prohibited transfer is void. Upon the transfer of an ownership interest in a Lot, the Association shall record the transfer upon its books, causing an automatic transfer of membership as provided in Subarticle 3.2 above.

3.4 Classes of Membership

The Association shall have two (2) classes of voting membership established according to the following provisions:

3.4.1 Class A Membership

Class A Membership shall be that held by each Owner of a Lot other than Declarant (while two classes of Membership exist), and each Class A Member shall be entitled to one (1) vote for each Lot owned. If a Lot is owned by more than one (1) person, each such person shall be a Member of the Association but there shall be no more than one (1) vote for each Lot.

3.4.2 Class B Membership

Class B Membership shall be that held by Declarant (or its successor) which shall be entitled to three (3) votes for each Lot owned by Declarant and subject to this Declaration, provided that Class B Membership shall be converted to Class A Membership and shall forever cease to exist on the occurrence of whichever of the following is first in time:

3.4.2.1 The total outstanding votes held by Class A Members equals the total outstanding votes held by the Class B Member; or

3.4.2.2 The first day of January, 2015; or

3.4.2.3 The Declarant notifies the Association in writing that it relinquishes its Class B Membership.

3.5 Voting Requirements

Any action by the Association which must have the approval of the Association Membership before being undertaken shall require fifty-one percent (51%) of the votes of the Membership present and voting or represented by valid proxy at a duly called and held meeting of the Membership at which a quorum as prescribed herein or in the Bylaws has been constituted or the written assent of fifty-one percent (51%) of the votes of the Membership unless another percentage is specifically prescribed by a provision within this Declaration, the Bylaws or the Articles of the Association.

3.6 Membership Meetings

Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place and in accordance with the provisions of the Bylaws of the Association.

3.7 Board of Directors

The affairs of the Association shall be managed by a Board of Directors which shall be established and which shall conduct regular and special meetings according to the provisions of the Bylaws of the Association.

End of Article 3 Entitled
Association, Administration, Membership and Voting Rights

ARTICLE 4

Assessments and Charges

4.1 Creation of the Lien and Personal Obligations for Assessments and Charges

Each Owner of any Lot, by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such document, is deemed to covenant and agree to pay to the Association (a) regular annual Assessments, (b) special Assessments for capital improvements and unexpected expenses, and (c) other charges made or levied by the Association against the Owner or Lot pursuant to this Declaration or the Bylaws, including, but not limited to, late charges for delinquent assessments, such Assessments and charges to be established and collected as provided herein and in the Bylaws of the Association. Any part of any Assessment (or other amount due from the Owner to the Association, including interest and/or late charges) not paid within thirty (30) days after the due date for the Assessment established in this Article 4, Subarticle 8.12, or elsewhere in this Declaration shall bear interest at a rate equal to the lesser of: (a) twelve percent (12%) per annum, or (b) the highest rate of interest permitted by law, from the due date until paid. The annual and special Assessments and any other charge made against an Owner or a Lot pursuant to this Declaration or the Bylaws, together with interest, costs and reasonable attorneys' fees incurred by the Association in enforcing compliance with this Declaration (whether or not a lawsuit or other legal action is instituted or commenced) as provided in Subarticle 8.12.2, shall be a charge and a continuing lien upon the Lot. Each such Assessment and charge, together with interest, costs and reasonable attorneys' fees as provided above, shall also be the personal obligation of the Owner of such Lot at the time the Assessment or other charge fell due as provided in this Article 4, Subarticle 8.12, or elsewhere in this Declaration, but this personal liability shall not pass to successor Owners unless specifically assumed by them. The Assessment Lien on each Lot shall be prior and superior to all other liens 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 on that Lot. No Owner may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Area or by the abandonment of his Lot.

4.2 Purpose of Assessments

The Assessments by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all the residents in the Property, for the improvement and maintenance of the Property as provided herein, and for the common good of the Property. Annual Assessments shall include an adequate reserve fund for taxes, insurance, maintenance, repairs and replacement of the Common Area and other property which the Association is responsible for maintaining.

4.3 Annual Assessments

4.3.1 Uniform Rate of Assessment. The amount of any annual or special Assessment against each Lot shall be fixed at a uniform rate per Lot. Annual Assessments may be collected on a monthly, quarterly or annual basis and special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Association approving the special Assessment. Declarant shall not be required to pay Assessments for Lots owned by Declarant subject to Class B Memberships but shall be required to subsidize the Association the difference between the cost of normal and every day operation and administration of the Association and Assessment income received. When the Class B Membership ceases, Declarant shall no longer be required to subsidize the cost of operating and administering the Association but shall be subject to payment of Assessments for all remaining Lots of which Declarant is Owner.

4.3.2 Maximum Annual Assessment. The annual Assessment to be established by the Board may not exceed a certain amount, hereinafter referred to as the "Maximum Annual Assessment", which Maximum Annual Assessment shall be determined and shall vary in accordance with the following provisions:

(a) Until January 1 of the year following the recordation of the first deed to a Lot, the Maximum Annual Assessment against each Owner shall be \$180.00 per each Lot.

(b) From and after January 1 of the year immediately following recordation of the first deed to a Lot, and during such year, the Maximum Annual Assessment may be increased effective January 1 of each year without a vote of the Membership by a maximum of five percent (5%) of the Maximum Annual Assessment for the prior year or by an amount equal to the increase, if any, of the Consumer Price Index as hereinafter defined, whichever is greater. The Maximum Annual Assessment for each such period shall be computed by reference to the statistics published in the Monthly Labor Review by the United States Department of Labor, Bureau of Labor Statistics, designated "Consumer Price Index—U.S. City Average for Urban Wage Earners and Clerical Workers, 1967 Equals 100, All Items", hereinafter called the "Consumer Price Index". An adjustment in the Maximum Annual Assessment on the basis of the rise in the Consumer Price Index shall be computed by the following formula:

X = Consumer Price Index for September of the year of the first annual Assessment.

Y = Consumer Price Index for September of the year immediately preceding the calendar year for which the Maximum Annual Assessment is to be determined.

$\frac{Y-X}{X}$ plus 1.0, multiplied by the amount of the initial Maximum Annual Assessment equals the Maximum Annual Assessment for the year in question.

If the Bureau of Labor Statistics shall change the method of determining the Consumer Price Index, the formula for determining the Maximum Annual Assessment shall be altered or amended, if possible, so as to continue the base period and base figure, but in the event it shall be impossible to do so, or in the event the Bureau of Labor Statistics shall cease to publish the said statistical information and such information is not available from any other source, public or private, then and in any such event a new formula for determining the Maximum Annual Assessment shall be adopted by the Board.

(c) From and after January 1 of the year immediately following the recordation of the first deed to a Lot, the Maximum Annual Assessment may be increased above the Maximum Annual Assessment otherwise determined under Subsection (b) above by a vote of two-thirds (2/3) of the votes entitled to be cast by the Members who are voting in person or by proxy at a meeting duly called for such purpose.

Declarant shall collect a sum equal to at least two (2) months' estimated monthly Assessments for each Lot sold by Declarant and such Lot's share shall be collected and paid to the Association at the time that the sale of that Lot is closed. These monies shall be held in a segregated fund. The foregoing shall not apply to any Lot owned by Declarant. Such amount shall be non-refundable and shall not be considered as an advance payment of any Assessment levied by the Association pursuant to this Declaration.

4.4 Special Assessments

In addition to the regular annual Assessments authorized above, the Board may levy, in any Assessment year, special Assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon those portions of the Common Area, or other improvements, the Association is responsible for maintaining, including fixtures and personal property related thereto, or to defray any unanticipated or underestimated expense normally covered by a regular Assessment and, where necessary, for taxes assessed against the Common Area, and for any deficiency caused in whole or in part by delinquent assessments, provided, however, that no such special Assessment shall be made without the affirmative vote of two-thirds (2/3) of the votes entitled to be cast by the Members voting in person or by proxy at a meeting duly called for such purpose.

4.5 Notice and Quorum for any Action Authorized Under Subarticles 4.3 and 4.4

Written notice of any meeting called for the purpose of taking any action authorized under Articles 4.3 or 4.4 shall be sent to all Owners not less than thirty (30) days nor more

than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or proxies therefor entitled to cast sixty percent (60%) of all of the votes of the Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. While Class B Membership exists, the quorum requirements described above shall apply to both classes and a quorum shall not exist for a meeting unless a quorum of each class is present.

4.6 Date of Commencement of Annual Assessment: Due Dates

The regular annual Assessments provided for herein shall commence as to each Lot in the Property on the first day of the month following the close of escrow on the sale of the first Lot in the Property by Declarant. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making the Assessments provided herein and for the billing and collection of the annual and special Assessments, provided that said procedures are not inconsistent with the provisions hereof. The Association shall be under no duty to refund any payments received by it even though the ownership of a Membership changes during an Assessment period; successor Owners of Lots shall be given credit for prepayments, on a prorated basis, made by prior Owners. The amount of the annual Assessment against Members who become such during an Assessment period upon the recordation of a deed to a Lot shall be prorated and such new Members shall not be personally liable for any previously levied special Assessments which were due and payable prior to recordation of the deed to the Lot.

4.7 Transfer of Lot by Sale or Foreclosure

The sale or transfer of any Lot shall not affect the Assessment Lien or liability for Assessments due and payable except as provided below. No sale or transfer of a Lot shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien therefor. Where, however, the First Mortgagee of a First Mortgage of record or another person obtains title to a Lot as a result of foreclosure, trustee's sale or deed in lieu thereof of any such First Mortgage, such First Mortgagee or other person shall not be liable for the share of the Common Expenses or Assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such First Mortgagee or other person, and the Assessment lien therefor on such Lot shall be extinguished. Such unpaid share of Common Expenses or Assessments shall be deemed to be Common Expenses collectible from all of the Lots. In a voluntary conveyance of a Lot, the grantee of the same shall not be personally liable for Assessments or any other charges due to the Association in connection with that Lot which accrued prior to the conveyance unless liability therefor is specifically assumed by the grantee, but an Assessment Lien on the Lot shall not be extinguished by such transfer. Any such grantee shall be entitled to a statement from the Association setting forth the amount of the unpaid Assessments due the

Association. The grantee shall be personally liable for any such Assessment becoming due after the date of any such conveyance of a Lot.

4.8 Enforcement of Assessment and Other Monetary Obligations; Discipline; Remedies Cumulative

4.8.1 Enforcement and Foreclosure of Lien

The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days written notice prior to such foreclosure or enforcement, at the address of the Member on the records of the Association, that the Assessment or any installment thereof is or will be due and the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The lien may be foreclosed by the Association, its attorney or other person authorized by this Declaration or by law to make the sale or as provided herein; and the Lot may be sold in the same manner as a realty mortgage and property mortgaged thereunder, or the lien may be enforced or foreclosed in any other manner permitted by law for the enforcement or foreclosure of liens against real property or the sale of property subject to such a lien. Any such enforcement, foreclosure or sale action may be taken without regard to the value of such Lot, the solvency of the Owner thereof or the relative size of the Owner's default. Upon the sale of a Lot pursuant to this subarticle, the purchaser thereof shall be entitled to a deed to the Lot and to immediate possession thereof, and said purchaser may apply to a court of competent jurisdiction for a writ of restitution or other relief for the purpose of acquiring such possession. The proceeds of any such sale shall be applied as provided by applicable law but, in the absence of any such law, shall be applied first to discharge costs thereof, including but not limited to court costs, other litigation costs, collection costs and attorneys' fees incurred by the Association, all other expenses of the proceedings, interest, late charges, unpaid Assessments and other amounts due to the Association, and the balance thereof shall be paid to the Owner. It shall be a condition of any such sale, and any judgments or orders shall so provide, that the purchaser shall take the interest in the Lot sold subject to this Declaration. The Association, acting on behalf of the Lot Owners, shall have the power to bid for the Lot at any sale and to acquire and hold, lease, mortgage or convey the same. In the event the Owner against whom the original Assessment was made is the purchaser or redemptioner, the lien shall continue in effect and said lien may be enforced by the Association, or by the Board for the Association, for the Lot's Assessment and other amounts that were due prior to the final conclusion of any such foreclosure, sale or equivalent proceedings. Further, notwithstanding any foreclosure of the lien or sale of the Lot, any Assessments and other amounts due after application of any sale proceeds as provided above shall continue to exist as personal obligations of the defaulting Owner of the Lot to the Association, and the Board may use reasonable efforts to collect the same from said Owner even after he is no longer a Member of the Association.

4.8.2 Suspension of Rights

In addition to all other remedies provided for in this Declaration or at law or in equity, the Board may temporarily suspend the Association voting rights of an Owner who is in default in the payment of any Assessment or any other amount due to the Association as provided in the Bylaws.

4.8.3 Other Remedies

The rights, remedies and powers created and described in Subarticles 4.8.1, 4.8.2, 8.12 and elsewhere in this Declaration, the Articles or the Bylaws are cumulative and may be used or employed by the Association in any order or combination, except as specifically provided to the contrary herein. Without limiting the foregoing sentence, suit to recover a money judgment for unpaid Assessments, interest, rent, costs, attorneys' fees and/or other amounts due hereunder, to obtain specific performance of obligations imposed hereunder and/or to obtain injunctive relief may be maintained without foreclosing, waiving, releasing or satisfying the liens created for Assessments or other amounts due hereunder.

4.9 Unallocated Taxes

In the event that any taxes are assessed against the Common Area or the personal property of the Association, rather than against the Lots, said taxes shall be included in the Assessments made under the provisions of this Article, and, if necessary, a special Assessment may be levied equally against all of the Lots.

End of Article 4 Entitled
Assessments and Charges

ARTICLE 5

Duties and Powers of the Association

5.1 Duties and Powers

In addition to the duties and powers enumerated in the Bylaws and the Articles, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall:

5.1.1 Except as provided in Subarticles 5.2 and 5.3, provide maintenance to the Common Areas as provided in this Declaration.

5.1.2 Enforce the provisions of this Declaration by appropriate means, including without limitation the expenditure of funds of the Association, the employment of legal counsel and the commencement of legal actions.

5.1.3 Maintain such policy or policies of insurance as are required by this Declaration or as the Board deems necessary or desirable in furthering the purposes of and protecting the interests of the Association and its Members.

5.1.4 Grant and reserve easements where necessary for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

5.1.5 Have the authority to employ a management company or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, subject to Subarticles 3.1 and 8.7 of this Declaration, the Bylaws and restrictions imposed by any governmental or quasi-governmental body or agency having jurisdiction over the Property.

5.1.6 Adopt reasonable rules not inconsistent with this Declaration, the Articles or the Bylaws relating to the use of the Common Area and all facilities thereon and the conduct of Owners, their Tenants, Residents and Guests, with respect to the Property and other Owners. Without limiting the generality of the foregoing, the Association may adopt a schedule of fines to be assessed against Owners for the violation of any provision of the Project Documents by any Owner, Guest, Tenant or Resident and may impose the same pursuant to procedures adopted in the Bylaws.

5.1.7 Borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as is necessary or appropriate; provided, however, the Association shall not secure repayment of money borrowed by mortgaging the Common Area unless an instrument signed by the Owners of two-thirds (2/3) of the Memberships in each class of Members agrees to such encumbrance.

5.2 Maintenance of Property by Association

The Association shall maintain, repair, replace, restore, operate, manage and keep in good condition (a) all of the Common Area and all facilities, improvements, equipment (including landscaping watering systems), and landscaping thereon; and (b) any landscaped portion of a Lot or other property within the Property over which the Association or the Master Association has received a landscape easement and the Association has accepted maintenance responsibility therefor; and (c) improvements situated thereon within or adjacent to the Property located within the dedicated rights of way with respect to which the City of Bullhead City has not accepted responsibility for the maintenance thereof, but only if and until such time as the City of Bullhead City has accepted all responsibility for the maintenance, repair and replacement of such areas and only if the specific areas to be maintained, repaired and replaced by the Association pursuant to this clause have not been expressly accepted and retained for maintenance, repair and replacement by the Master Association. The Association shall not be responsible for maintaining and repairing Lots or any improvements, equipment or other items thereon or therein except as expressly provided above. Such maintenance responsibility shall remain with the Owner of the Lot.

No Owner, Tenant, Resident or Guest of any Lot shall make any changes, alterations, deletions or additions to the landscaping on his Lot and other improvements for which the Association is responsible to provide maintenance, which would, may or might affect the Association's performance of work under this subarticle, interfere with such work or make it more difficult for the Association to perform such work, without the prior written approval of the Association.

The responsibility of the Association for maintenance and repair shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner, his Guests, Tenants or Residents. The repair or replacement of any portion of the Property resulting from such activity shall be the responsibility of such Owner. With respect to an Owner's responsibility to maintain his Lot, the Association shall be entitled to commence an action at law or in equity to enforce the Owner's responsibility and duty and/or recover damages for the breach thereof. Liability hereunder shall be limited to that provided for or allowed in the statutory or case law of the State of Arizona.

5.3 Entry Onto Lots/Association Easements

The Board or its agents and representatives may enter any Lot when necessary in connection with any repairs, maintenance, landscaping or construction for which the Association is responsible or for any other purpose reasonably related to the performance by the Association of its responsibilities under this Declaration. Such entry shall be made during reasonable hours and upon reasonable notice, unless it would be impractical to give notice in an emergency, and with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Board at the expense of the Association. Provided maintenance on a Lot for which the Association is responsible is done during reasonable daytime hours, no special notice to the Owner of entry for those

purposes shall be required. No Owner shall do any act or create any obstruction which would unreasonably interfere with the right or ability of the Association to perform any of its obligations or exercise any of its rights under this Declaration.

Subject to the requirements of Subarticle 8.5, the Association shall have the right to dedicate, grant permits, licenses, and easements over the Common Area for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Property, as to any portion of the Common Area which it maintains. Any dedication of a Common Area shall be subject to the provisions set forth in Subarticle 8.17.

End of Article 5 Entitled
Duties and Powers of the Association

ARTICLE 6

Use Restrictions

In addition to all of the covenants contained herein, the use of the Property and each Lot therein is subject to the following:

6.1 Residences

Each residence constructed on a Lot shall be a single-family residence containing no less than fifteen hundred (1,500) square feet. No residence or appurtenant structure shall extend more than thirty feet (30') from the established finished pad elevation (as shown on the Grading Plans for the Property, maintained in Declarant's office), to the highest point on the roof of such residence or appurtenant structure; but in no event shall any residence extend more than two (2) stories above the established finished pad. Every residence shall have appurtenant to it a fully enclosed parking structure to accommodate a minimum of two (2) vehicles. No garage door shall be allowed to remain open on a Lot unless vehicles and/or other items are being transported into, out of or through the garage area. All residences shall be constructed of masonry or frame and stucco; no wood or metal siding shall be permitted. The roofing material of all pitched roof residences shall consist of either wood shake shingles, slate, clay tile or cement tile. No asphalt or metal roofs shall be permitted. All residences designed with a flat roof shall have a parapet wall not less than one (1) foot above the highest point of the roof structure. Built up rolled type asphalt roof covering may be used on all flat roof areas screened by the parapet walls.

6.2 Yard Enclosures

Every residential rear yard shall be enclosed with a masonry fence painted or stuccoed consistent with the residence; which fence shall equal the maximum height permitted under the zoning code for the City of Bullhead City, Arizona, unless the Lot line upon which a fence is to be erected is adjacent to an upward slope; in which event, masonry fencing shall be as required by the Architectural Committee upon review of the topography of the Lot and the adjacent slope. Notwithstanding the foregoing, all fences visible from an Arterial Street, as defined in the Master Declaration, must conform to the Desert Foothills Master Landscape Plan, as defined in the Master Declaration.

6.3 Rooftop Improvements to Residences

Except as provided herein, no rooftop heating, air conditioning, ventilation or other mechanical or electrical equipment shall be permitted on any residence. All such items shall be ground mounted and screened by visual barriers so as not to be Visible From Neighboring Property. Roof mounted solar equipment shall be permitted; provided no solar equipment shall be Visible From Neighboring Property. Any screening used as a visual barrier for solar equipment shall be consistent with the materials and design of the residence. No exterior antenna nor any satellite reception dish or other device for the

transmission or reception of television or radio signals shall be erected, used or maintained outdoors on any Lot, whether attached to a building or structure or otherwise; notwithstanding the foregoing, a satellite reception dish may be erected and maintained in the yard of a residence, provided it is not Visible From Neighboring Property, and a small roof-mounted satellite reception dish may be erected and maintained on the rooftop of a residence, provided such dish shall not exceed nineteen inches (19") in diameter and shall not extend more than thirty-six inches (36") above the rooftop from the point of installation.

6.4 Signs

Subject to the provisions hereof, and the Master Declaration, the Declarant shall be entitled to install Identifying Features on a portion of the Property provided that: (a) the exact location, nature and size of the Identifying Features shall be agreed upon by Declarant and the Owner of the Lot so affected; and (b) installation of the Identifying Features shall be performed at the sole expense of Declarant. In the event that, and at such time as, the parties reach agreement on the matters set forth above, the Owner of the Lot so affected shall convey or grant an easement over the portion of the Lot upon which the Identifying Features are to be located which easement shall be for the benefit of Declarant.

6.5 Slope Areas

Any slope areas remaining after grading the Property not otherwise requiring additional landscaping pursuant to the City of Bullhead City requirements or the Desert Foothills Estates Architectural Committee's requirement pursuant to landscaping plan review shall be maintained in their natural vegetative state. During grading and development, it is anticipated that those slope areas not graded shall be maintained in a natural, undisturbed manner. No excavation or grading work shall be performed on any Lot without the prior written approval of the Architectural Committee. When seeking such approval, the Owner of a Lot shall submit to the Architectural Committee and the Desert Foothills Estates Architectural Committee a grading plan which shall describe the method by which the Lot Owner proposes to ensure that no material shall spill over and affect the slope's natural, undisturbed state. Graded slopes adjacent to undisturbed native areas shall be revegetated by the Lot Owner at its sole cost and expense with native or naturalized plant material to create a compatible transition to areas maintained in their natural vegetative state. Parcels K and L, as defined on the recorded subdivision plat for Desert Foothills Estates, shall be maintained as natural and undisturbed areas except as improved with landscaping in accordance with landscape plans submitted to the Desert Foothills Estates Architectural Committee by the Declarant and thereafter approved. During grading and development of any Lot adjacent to Parcels K and L as defined on the recorded subdivision plat for Desert Foothills Estates, and Parcels A through F, inclusive, as defined on the recorded subdivision plat for The Highlands at Desert Foothills Estates, no material shall spill over onto such parcels except as approved by the Desert Foothills Estates Architectural Committee and the Architectural Committee on the grading plan submitted by the Owner of the Lot.

6.6 Restriction on Further Subdivision Property Restrictions and Rezoning

No Lot shall be further subdivided or separated into smaller lots or parcels by any Owner other than the Declarant and no portion less than all of any such Lot shall be conveyed or transferred by any Owner other than Declarant without the prior written approval of the Architectural Committee. No Lot shall be partitioned or subdivided without the prior written approval of the holder of any First Mortgage on such Lot. No further covenants, conditions, restrictions or easements shall be recorded by any Owner other than Declarant against any Lot without the provisions thereof having first been approved in writing by the Architectural Committee. No application for rezoning, variances or use permits pertaining to any Lot shall be filed with any governmental authority by any Owner other than Declarant unless the application has been approved by the Architectural Committee and the proposed use otherwise complies with this Declaration.

6.7 Construction Activities

Normal construction activities, maintenance of temporary buildings, construction trailers and parking in connection with building of improvements on a Lot shall not be considered a nuisance or otherwise prohibited by this Declaration; provided, however, construction trailers or other structures or equipment used during construction on any part of a Lot shall be removed immediately after completion of the construction. If any such temporary buildings, trailers, structures or equipment are not promptly removed after completion of construction, the Association shall be entitled to enter on the Lot, remove such items, and recover the cost of such removal from the offending Owner as provided in Subarticle 8.12. In no event shall any construction-related equipment, trailers, vehicles or temporary buildings or structures be placed on any portion of a Lot prior to thirty (30) days before the scheduled date for commencement of construction on such property. Any Lot under construction shall be kept in a neat and tidy condition during construction periods. Trash, weeds and debris shall not be permitted to accumulate and supplies of brick, block, lumber and other building materials will be stored only in such areas as may be approved by the Architectural Committee. In addition, the Architectural Committee may require screening of the storage areas for such materials. Construction, alteration or other work must be completed within one (1) year of initiation of construction; failure to do so shall operate to automatically revoke the Architectural Committee's approval of applicable plans, specifications and materials, and upon demand by the Board, the Lot upon which such construction, alteration or other work was undertaken shall be restored as nearly as possible to its state existing prior to any such construction, alteration or other work. If such Lot is not so restored, the Board, upon the affirmative vote of at least two-thirds (2/3) of the Directors of the Board, may undertake such restoration at the cost and expense of the Owner of the Lot, which cost and expense shall be added to the assessments against the applicable Owner and Lot and shall be enforceable and collectible as an assessment in accordance with this Declaration; provided, however, that the Board shall not alter or demolish construction on a Lot as a result of a violation of the provisions of this Declaration without first obtaining the approval of the Owner or instituting Court proceedings and obtaining Court approval therefor. The Board in its sole discretion shall have the right to

determine the existence of any such nuisance. Further, the Architectural Committee shall have the right to designate one or more access routes to the Lot for use by construction-related equipment and vehicles. Upon such designation, all such equipment and vehicles shall be transported onto and taken from the Lot only by the use of such designated access route or routes.

6.8 Landscaping

Landscaping on each Lot shall be completed within three (3) months after the improvements on such Lot are first completed and shall consist of and be limited to landscaping as approved by the Architectural Committee and shall consist only of those plants described on the approved list set forth in the Desert Foothills Master Landscape Plan. In the event an Owner of a Lot fails to plant or maintain landscaping on such Lot as required hereunder, then the Architectural Committee shall have the right to enter on any such Lot for purposes of planting and/or maintenance of landscape with the cost of such planting and/or maintenance to be paid by the Owner of the subject Lot and the amount of such costs shall be secured by the Assessment Lien.

6.9 Association Rules

The Board may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations pertaining to: (a) the management, operation and use of the Common Areas and the portions of the Property which the Association is responsible for maintaining, including but not limited to, any recreational facilities situated upon the Common Areas, (b) minimum standards for the maintenance of Lots, and (c) restrictions on the use of Lots. In the event of any conflict or inconsistency between the provisions of this Declaration and the Association rules, the provisions of this Declaration shall prevail. The Association rules shall be enforceable in the same manner and to the same extent as the covenants, conditions and restrictions set forth in this Declaration.

6.10 No Warranty of Enforceability

While Declarant has no reason to believe that any of the restrictive covenants contained in this Article 6 or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Lot in the Property in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and by acquiring the Lot agrees to hold Declarant harmless therefrom.

6.11 Compliance with Master Declaration Use Restrictions

The use restrictions contained in this Article 6 are expressly in addition to and not in lieu of the covenants, conditions and use restrictions in the Master Declaration. To the

extent that the use restrictions (and/or Declarant's exemption therefrom) contained herein are less restrictive or otherwise conflict with the terms and provisions of said Master Declaration, the terms of said Master Declaration shall prevail and any inconsistent terms and provisions contained herein shall be deemed modified to comply with said Master Declaration. Whenever the provisions of this Article 6 or of any other article in this Declaration require the prior written approval of the Architectural Committee, such approval shall not be deemed to satisfy any requirements of the Master Declaration unless expressly so provided therein.

6.12 Encroachment Easements

Each Lot within the Property is hereby declared to have an easement not to exceed one foot (1') over adjoining Lots and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of buildings or any other similar cause. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting, provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. Notwithstanding the foregoing, in the event any Party Fence encroaches upon a Lot, a valid easement for such encroachment and for the maintenance of the Party Fence shall and does exist in favor of the Owners of the Lots which share such Party Fence.

End of Article 6 Entitled
Use Restrictions

ARTICLE 7

Architectural Control

7.1 Prohibition of Alteration and Improvement

Subject to the exemption of Declarant under Subarticle 8.7 below, no buildings, fence, wall, obstruction, balcony, screen, window coverings, patio, patio cover, air conditioning unit, evaporative cooling system, solar collector, antenna, tent, awning, fountains, landscape or decorative features, improvement or structure of any kind shall be commenced, erected, painted or maintained upon the Property, nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by an Architectural Committee appointed by Declarant or elected by the Board as provided in this Article. There shall be no construction, alteration or removal of any structure or improvement in the Property which would impair or affect the integrity or stability of any existing structure and no changes to exterior color schemes in the Property shall be permitted without the prior written consent of the Architectural Committee as provided below.

7.2 Plans and Approval

A complete set of architectural plans and specifications, including but not limited to, landscape and sprinkler plan, inclusive of all sizes, types, placement and numbers of plants, type and color of all exterior finishes specified with color chips attached to the plans, details on all rear yard fencing, exterior lighting, square foot calculations of residence and of appurtenant structures, locations of all mechanical and electrical equipment, roof finishes and color specifications of such improvements or alterations shall be submitted to the Architectural Committee for approval as to quality of workmanship, design and harmony of external design with existing structures and as to location in relation to surrounding structures, topography and finished grade elevation. Any change, deletion or addition to the plans and specifications approved by the Architectural Committee shall be approved in writing by the Architectural Committee. No permission or approval shall be required to rebuild in accordance with plans and specifications previously approved by the Architectural Committee. The Architectural Committee shall have the right to employ professional consultants to review plans and specifications submitted by an Owner to assist it in discharging its duties. In the event the Architectural Committee elects to employ such consultant, the Architectural Committee first gives notice to the Owner of the fee required for purposes of hiring any such consultant and the Owner shall promptly pay said consultant's fee to the Architectural Committee prior to the Architectural Committee being obligated to proceed further with its review of said Owner's submission. In the event the Architectural Committee fails to approve or disapprove such plans, specifications and proposed improvement or alteration within forty-five (45) days after said plans and specifications have been submitted to it, written approval by the Architectural Committee will not be required and this article will be deemed to have been fully complied with. The restrictions contained in this paragraph shall not apply to the Declarant in any manner.

Approval by the Architectural Committee shall not be deemed or interpreted to be a warranty or confirmation of any kind concerning the engineering or structural integrity, quality or safety of construction of the proposed improvements or modifications and the person proposing the same and his agents and contractors shall be solely responsible therefor. Moreover, approval by the Architectural Committee shall not be deemed to satisfy any further or additional consents required by or from the Master Association or any other architectural control body established under the Master Declaration.

7.3 Architectural Control Committee

The number, appointment and term of members of the Architectural Committee shall be as follows:

7.3.1 There shall be three (3) members on the Architectural Committee. Plans submitted to the Architectural Committee may be approved with the consent of at least two (2) Committee members.

7.3.2 So long as Declarant owns any Lot, the Declarant shall have the sole right to appoint and remove the members of the Architectural Committee. At such time as the Declarant no longer owns any Lot, the members of the Architectural Committee shall be appointed by the Board. The Declarant may at any time voluntarily surrender its right to appoint and remove the members of the Architectural Committee, and in that event, the Declarant may require, for so long as the Declarant owns any Lot, that specified actions of the Architectural Committee described in a recorded instrument executed by the Declarant be approved by the Declarant before they become effective. After the Board assumes responsibility for appointment of members of the Architectural Committee, the Board shall have the power to appoint replacements for or remove and replace any or all of the members of the Architectural Committee. Subject to the right and power of the Board to remove and replace, at any time, any member of the Architectural Committee, Committee members or replacements appointed by the Board shall serve one (1) year terms.

7.3.3 Committee members appointed by Declarant need not be Members of the Association. Committee members appointed by the Board shall be Members of the Association. Officers and Directors of the Association can be members of the Architectural Committee.

End of Article 7 Entitled
Architectural Control

ARTICLE 8

General Provisions

8.1 Invalidity of Any Provision

Should any provision of this Declaration be declared invalid or in conflict with any law of the jurisdiction where the Property is situated, the validity of all other provisions shall remain unaffected and in full force and effect.

8.2 Term; Method of Termination

This Declaration shall be effective upon the date of recordation hereof and as amended from time to time and shall continue in full force and effect for a term of twenty (20) years from the date this Declaration is recorded. From and after said date, this Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Declaration by the then Members casting ninety percent (90%) of the votes in each class of Membership cast at an election held for such purpose, in person or by proxy, within six (6) months prior to the expiration of the initial effective period hereof, or any ten (10) year extension. Notwithstanding the foregoing, the Declaration may be terminated at any time if ninety percent (90%) of the votes cast by each class of Membership shall be cast in favor of termination at an election held for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote, from the First Mortgagees, on seventy-five percent (75%) of the Lots upon which there are such recorded First Mortgages. If the necessary votes and consents are obtained, the Board shall cause to be recorded with the County Recorder of Mohave County, Arizona, a Certificate of Termination duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles. So long as there is a Class B Membership in the Association, any termination of this Declaration must be approved by the VA (if the VA previously approved The Highlands at Desert Foothills Estates) or the FHA (if FHA previously approved The Highlands at Desert Foothills Estates). Notwithstanding the foregoing, so long as the Declarant of the Master Declaration is the Owner of a Lot or any other parcel in Desert Foothills Estates, this Declaration may be terminated only if approved in writing by the Declarant of the Master Declaration.

8.3 Amendments

Notwithstanding anything to the contrary set forth in this Declaration, this Declaration may be amended at any time during the initial term or any extension term by recording with the County Recorder of Mohave County, Arizona, a Certificate of

Amendment, duly signed and acknowledged as required for a Certificate of Termination in Subarticle 8.2. The Certificate of Amendment shall set forth in full the amendment adopted, and, except as provided in Subarticle 8.4, shall certify that Members holding sixty-seven percent (67%) of the votes voted affirmatively or provided written approval for the adoption of the amendment. Votes may be cast either by an election held for that purpose or by written consent. If The Highlands at Desert Foothills Estates and this Declaration has previously been approved by VA or FHA and provided that there is a Class B Membership in the Association at the time of the proposed amendment, any amendment of this Declaration must be approved by the VA (if the VA previously approved The Highlands at Desert Foothills Estates) and/or by the FHA (if FHA previously approved The Highlands at Desert Foothills Estates). So long as Declarant owns any Lot or any other portion of the Property, no amendment to this Declaration shall be effective unless approved in writing by the Declarant (or unless the Declarant expressly waives in writing its right to approve such amendment). Notwithstanding the foregoing, so long as the Declarant of the Master Declaration is the Owner of a Lot or any other parcel in Desert Foothills Estates, this Declaration may be amended by a recorded instrument only if approved in writing by the Declarant of the Master Declaration.

8.4 Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions

Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by the FHA, VA, FNMA or FHLMC and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot. Any such amendment shall be effected by the recordation, by Declarant or Trustee at the direction of Declarant, of a Certificate of Amendment duly signed by or on behalf of the partners, authorized agents, or authorized officers of Declarant or Trustee at the direction of Declarant, as applicable, with their signatures acknowledged, specifying the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate, when recorded, shall be binding upon all of the Property. It is the desire of Declarant to retain control of the Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Subarticle 8.4 deletes, diminishes or alters such control, Declarant shall have the right to prepare, provide for and adopt as an amendment hereto, other and different control provisions. The Declarant, so long as Declarant owns any Lot, and thereafter the Board, may amend this Declaration without the consent of any other Owner to correct any error or inconsistency in the Declaration. Except as provided in this Subarticle 8.4, Declarant shall not have any right to amend this Declaration otherwise than in accordance with and pursuant to the provisions of Subarticle 8.3.

8.5 Mortgagee Protection Clause

8.5.1 Rights of First Mortgagees

8.5.1.1 No breach of any of the covenants, conditions and restrictions contained in this Declaration, nor the enforcement of any lien provisions herein, shall render invalid the lien of any First Mortgage on any Lot, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure, trustee's sale or otherwise.

8.5.1.2 An action to abate the breach of any of these covenants, conditions, restrictions and reservations may be brought against the purchaser who has acquired title through foreclosure of a First Mortgage and the subsequent sheriff's sale (or through any equivalent proceedings) and the successor in interest to said purchaser, if the breach continues to exist after the time said purchaser acquired an interest in such Lot.

8.5.1.3 Notwithstanding anything contained herein to the contrary, at such time as the First Mortgagee shall become record Owner of a Lot, the First Mortgagee shall be subject to all of the terms and conditions of this Declaration, including but not limited to the obligations to pay all Assessments and charges accruing thereafter in the same manner as any other Owner.

8.5.2 Changes Requiring Approval of Mortgagees

Notwithstanding anything to the contrary contained in this Declaration, without the prior written approval of Declarant (while Declarant is an Owner of any Lot) and of at least sixty-seven percent (67%) of the holders of the First Mortgages on the Lots [based upon one (1) vote for each First Mortgage held] or of the Owners, other than Declarant, of at least sixty-seven percent (67%) of the Lots, the Association shall not be entitled to and no provision of this Declaration shall be applied, effective, interpreted or construed to (or entitle the Association to):

8.5.2.1 Change the Memberships, the share of Assessments charged to any Lot or the method of determining such Assessments;

8.5.2.2 By act or omission, seek to terminate or abandon the status of the Property as a subdivision under Arizona law;

8.5.2.3 By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any portion or element of the Common Area (the granting of easements for public utilities or for other public purposes consistent with the intended use of such Property shall not be deemed a transfer within the meaning of this clause);

8.5.2.4 Use hazard insurance proceeds for losses or damages to any portion of the Common Area for other than the repair, replacement or reconstruction thereof;

8.5.2.5 Fail to maintain fire and extended coverage insurance on the Common Area on a current replacement cost basis in an amount equal to not less than one hundred percent (100%) of the insurable value (based on current replacement cost); or

8.5.2.6 By act or omission, change, waive, or abandon any scheme of regulations or their enforcement pertaining to the exterior design and maintenance of the residences constructed on Lots, or the maintenance of the Common Area.

8.5.2.7 The foregoing requirements are in addition to the requirements set forth in Subarticle 8.3. In the event of any conflict or inconsistency between the provisions of this Subarticle 8.5.2 and any other provision of the Project Documents, the provisions of this subarticle shall prevail; provided, however, that in the event of any conflict or inconsistency between the provisions of this subarticle and any other provisions of the Project Documents with respect to the number or percentage of Owners or First Mortgagees that must consent to (a) an amendment of the Declaration, Articles or Bylaws or (b) a termination of the status of the Property as a subdivision, the provision requiring the consent of the greatest number or percentage of Owners or First Mortgagees shall prevail. Provided, further, that so long as the Declarant owns any Lot, and thereafter the Board, without the consent of any Owner or First Mortgagee being required, shall have the right to amend this Declaration pursuant to Subarticle 8.4 and Subarticle 8.5.4.

8.5.2.8 Any First Mortgagee who receives a written request from the Board to respond to or consent to any action requiring the consent of the First Mortgagee shall be deemed to have approved such action if the Association has not received a negative response from such First Mortgagee within thirty (30) days of the date of the Association's request.

8.5.3 Rights of First Mortgagees and Insurers or Guarantors of First Mortgages

8.5.3.1 Upon written request to the Association identifying the name and address of the First Mortgagee for any Lot or the insurer or guarantor of such First Mortgage and the Lot number or address, any such First Mortgagee or insurer or guarantor of such First Mortgage will be entitled to timely written notice of:

8.5.3.1.1 Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

8.5.3.1.2 All meetings of the Members of the Association and be permitted to designate a representative to attend all such meetings.

8.5.4 Compliance with FHA/VA and FHLMC/FNMA Regulations

The Declarant intends that the Property shall comply with all requirements of the FHA and the VA pertaining to the insurance and/or guaranty of loans in the Property and with the requirements of the FHLMC and the FNMA pertaining to the purchase by the FHLMC and FNMA of conventional home loans. Declarant and all Lot Owners therefore agree that in the event the Property or any of the Project Documents do not comply with the FHA/VA or the FHLMC/FNMA requirements, the Declarant, so long as Declarant owns any Lot, and thereafter the Board shall have the power (on behalf of the Association) to amend any of the Project Documents as necessary to comply with FHA/VA/FHLMC/FNMA requirements and enter into any agreement with the FHA/VA/FHLMC/FNMA (or their designees) reasonably required by the FHA/VA/FHLMC/FNMA to allow the Property to comply with such requirements and make such changes in the Project Documents to effectuate the same.

8.5.5 Payment of Taxes and Insurance Premiums by Mortgagees

First Mortgagees may, jointly or singly, pay any taxes, Assessments or other charges which are in default and which may or have become a lien or charge against the Common Area and may pay overdue premiums on hazard insurance policies (or secure new hazard insurance coverage on the lapse of a policy) for the Common Area. Any First Mortgagee making such payments shall be entitled to immediate reimbursement therefor from the Association.

8.6 Insurance: Damage or Destruction

8.6.1 Reconstruction by Lot Owners

Subject to other provisions of this Declaration, in the event of damage to or destruction of improvements on a Lot, the Owner of such Lot shall reconstruct the same as soon as reasonably practicable and substantially in accordance with the original plans and specifications therefor. Each Owner shall have an easement of reasonable access onto any adjacent Lot for purposes of such repair or reconstruction as provided in this subarticle.

8.6.2 Association Insurance

Commencing not later than the time of the first conveyance of a Lot, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

8.6.2.1 The Association shall obtain and continue in effect comprehensive public liability insurance insuring the Association, the Declarant, the agents and employees of each and the Owners, Residents, Tenants and Guests against any liability incident to the ownership or use of the Common Area and areas within the Property which the Association is responsible for maintaining, including, if obtainable, a cross-liability

endorsement insuring each insured against liability to each other insured and a "severability of interest" endorsement precluding the insurer from denying coverage to one Owner because of the negligence of other Owners or the Association. Such insurance shall be in amounts deemed appropriate by the Board.

8.6.2.2 The Association shall obtain and continue in effect a master or blanket policy of multi-peril insurance on the Common Area, providing at a minimum fire and extended coverage, said coverage to be obtained on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of all improvements in the Common Area. Such policy shall contain extended coverage and replacement cost endorsements (providing for replacement of insured improvements from insurance loss proceeds) and if available, shall also contain vandalism and malicious mischief coverage, stipulated agreed amount and inflation guard endorsements and a determinable cash adjustment clause or a similar clause to permit cash settlement covering the full value of the improvements in the Common Area in the event of destruction and a decision not to rebuild pursuant to this Declaration. If the Property is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards, a "blanket" policy of flood insurance on the Common Area shall be maintained in an amount equal to the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended. Such policies shall be in form and amount as determined by the Board, shall name as insured the Association, the Owners, Declarant (so long as Declarant is an Owner of any Lots) and all Mortgagees as their respective interests may appear, and shall provide that any proceeds be paid to the Association for the use and benefit of the Owners and Mortgagees as their interests may appear. Such policy shall not be required to insure the personal property or improvements within any individual Lot, which insurance shall be the responsibility and risk of the Lot Owners.

8.6.2.3 The Association may purchase such other insurance as it may deem necessary, or as may be required by state or local laws, including, without limitation, workers' compensation, directors liability and errors and omissions insurance, and shall purchase fidelity coverage against dishonest acts by any directors, managers, trustees, employees or volunteers of the Association who are responsible for handling funds belonging to or administered by the Association. The fidelity insurance shall name the Association as the insured and shall provide coverage in an amount not less than one and one-half (1-1/2) times the Association's estimated annual operating expenses and reserves.

8.6.3 Choice of Carriers; Insurance Premiums

The insurance policies required under this Subarticle 8.6 shall be acquired from carriers determined by the Board. Insurance premiums shall be included in the Assessments levied by the Association. Neither the Declarant, the Association nor any officer or director thereof shall be liable to any Owner or other party if any risk or hazard is not covered by insurance or the amount is inadequate.

8.6.4 Proceeds from Insurance

If any of the Common Area improvements are damaged by fire or other casualty, insurance proceeds payable to the Association shall be used to rebuild or repair such damage substantially in accordance with the original plans and specifications therefor. Any excess insurance proceeds shall be deposited to the general funds of the Association. In the event the proceeds of the Association's insurance policy are insufficient to rebuild or repair the damaged Common Area improvements, then the Association may use funds from its general account or, if necessary, from levying a special Assessment on all Lot Owners to restore or rebuild said improvements. The Association's use of funds from its general account or levy of a special Assessment shall not constitute a waiver of the Association's or any Owner's right to institute any legal proceeding or suit against the person or persons responsible, purposely or negligently, for the damage. Notwithstanding the foregoing, the Association shall not be required to rebuild or repair such damage to the Common Area if repair or replacement would be illegal under any state or local health or safety statute or ordinance or Declarant (while Declarant is the Owner of any Lot) and Owners representing at least sixty-seven percent (67%) of the Lots vote not to repair or replace the damaged or destroyed improvements.

8.6.5 Waiver of Subrogation: Notice of Cancellation

All property and liability insurance carried by the Association or the Owners shall contain provisions whereby the insurer waives rights of subrogation as to the Association, officers, directors, Members and their Guests, Tenants, agents and employees. All insurance carried by the Association shall contain a provision requiring the insurer to notify First Mortgagees requesting notice of cancellation at least thirty (30) days in advance of the effective date of any reduction in or cancellation of the policy. All insurance coverage shall provide that no act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy. Coverage afforded by any policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners for their Mortgagees. A "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners shall be included. Also included shall be a statement of the name of the insured as the Association.

8.6.6 Additional Insurance Requirements

It is the intent of Subarticle 8.6 of this Declaration to generally set forth the insurance requirements for the Property which are, at all times, to comply with all governmental and quasi-governmental requirements. Because Property insurance requirements are subject to change from time to time, it is impractical to set forth all of those requirements herein. Therefore, the Association, the Board and Owners shall at all times carry, maintain in good standing and pay for all hazard, liability, fidelity and other insurance policies, binders and bonds required by the governmental and quasi-governmental

regulations or guidelines as such requirements change from time to time, and shall provide satisfactory evidence thereof promptly to any First Mortgagee or insurer or guarantor of any First Mortgage which requests such evidence. All such policies, binders and bonds shall comply with and be consistent in form and substance with all such governmental and quasi-governmental requirements as they change from time to time, and shall include all mortgagee clauses and endorsements of any kind or nature as may be required by such regulations or guidelines, as such requirements change from time to time.

8.7 Limitation of Restrictions on Declarant; Additional Restrictions on Declarant

Declarant is undertaking the work of construction of improvements upon the Property. The completion of that work and the sale of the Lots are essential to the establishment and welfare of the Property as a residential community. In order that said work may be completed and said Property be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

8.7.1 Prevent Declarant, its contractors or subcontractors from doing whatever is reasonably necessary or advisable in connection with the completion of the work on the Property or any Lot;

8.7.2 Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Property such structures as may be reasonable and necessary for the conduct of its business of completing said work and establishing said Property as a residential community and disposing of the same in parcels by sale, lease or otherwise;

8.7.3 Prevent Declarant from conducting on any part of the Property its business of completing the work and of establishing a plan of Lot ownership and of disposing of said Property in Lots by sale, lease or otherwise;

8.7.4 Prevent Declarant from maintaining such sign or signs on any portion of the Property as may be necessary for the sale, lease or disposition thereof; or

8.7.5 Prevent Declarant from maintaining any models, sales or display offices on any Lot, the Common Area or in any improvement thereon.

So long as Declarant or its successors or assigns owns one or more of the Lots established and described in this Declaration and, except as otherwise specifically provided herein, Declarant and its successors or assigns shall be subject to the provisions of this Declaration. Without limiting the further and more restrictive provisions of Subarticle 3.1 hereof regarding management contracts and contracts with Declarant and its affiliates, Declarant shall not, and shall not have authority or power to, bind the Association prior to termination of Class B Membership, either directly or indirectly, to contracts or leases unless the Association is provided with a right of termination of any such contract or lease, without

cause, which is exercisable without penalty or the payment of a termination fee at any time after the first Board of Directors elected after Class B Membership expires takes office upon not more than ninety (90) days' notice. Notwithstanding anything contained in this Subarticle 8.7 or elsewhere in this Declaration to the contrary, the foregoing restrictions shall not be construed to apply to or limit the Declarant's right to enter into (or the terms of) contracts or leases with providers of cable TV or satellite communications services for the benefit of the Property.

8.8 Termination of Any Responsibility of Declarant

In the event Declarant shall convey all of its right, title and interest in and to the Property to any partnership(s), individual(s) or corporation(s), then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership(s), individual(s) or corporation(s) shall be obligated to perform all such duties and obligations of the Declarant.

8.9 Owner's Compliance

Each Owner, tenant or occupant of a Lot shall comply with the provisions of the Project Documents and all decisions and resolutions of the Association or its duly authorized representative(s), and failure to comply with any such provisions, decisions or resolutions shall be grounds for an action to recover sums due, for damages (including costs and attorneys' fees) and/or for injunctive relief. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or in the Bylaws shall be deemed to be binding on all Lot Owners, their successors and assigns.

8.10 Conflict of Project Documents

If there is any conflict among or between the Project Documents, the provisions of this Declaration shall prevail. Thereafter, priority shall be given to Project Documents in the following order: Map, Articles, Bylaws and rules and regulations of the Association.

8.11 Persons Entitled to Enforce Declaration

The Association, any Owner and any governmental or quasi-governmental agency or municipality having jurisdiction over the Property shall have the right to enforce, by any proceeding at law or in equity, all covenants, conditions, restrictions, reservations, liens and charges now or hereafter imposed by this Declaration, and in such action shall be entitled to recover costs and reasonable attorneys' fees as are ordered by the Court, provided, however, that an individual Owner shall have no right to enforce the collection of any Assessment levied against any other Owner under Article 4 above. Failure by any such person to enforce any such provision shall in no event be deemed a waiver of the right to do so thereafter. Declarant shall have the right but not the obligation to enforce the provisions of this Declaration and to take corrective action in the event of a breach hereof

to the same extent that the Association may enforce this Declaration or take corrective action with respect to a breach hereof in accordance with the terms and conditions of the Declaration. Any reasonable costs or expenses incurred by Declarant in enforcing any provision of this Declaration shall be reimbursed to Declarant by the Association and the Association shall be entitled to recover the amount of such costs or expenses as maintenance charges from the Owner of the Lot with respect to which any breach has occurred to the same extent and in the same manner as if the Association had incurred such costs or expenses through actions of the Association.

8.12 Remedies for Violation of Declaration

The following provisions are in addition to and not in lieu of any other terms and conditions contained in the Declaration relating to remedies, including but not limited to those contained in Subarticle 4.8.

8.12.1 Violation of any of the covenants, conditions or restrictions, the breach of any of the covenants or agreements contained herein, or the breach of any rules and regulations promulgated by the Board, whether by an Owner, Resident, Tenant or Guest, shall enable the Association, acting through the Board or an authorized agent, to enter the Lot as to which said violation or breach may exist and summarily enforce such covenants, conditions, restrictions, agreements, rules and regulations and to abate and remove the thing or condition which may exist thereon contrary to the provisions hereof, at the sole expense of the Owner of said Lot, without being deemed guilty of having trespassed in any manner, provided, however, that an appropriate court order shall be required before any items of construction can be removed or altered.

8.12.2 In the event of any default by an Owner, Resident, Tenant or Guest under the provisions of this Declaration, the Articles, the Bylaws or the rules and regulations of the Association, the Association, its successors and assigns, acting through the Board or an authorized agent, shall have each and all of the rights and remedies which may be provided for in this Declaration, the Articles, the Bylaws and said rules and regulations or which may be available at law or in equity, including but not limited to an action for the appointment of a receiver for the Lot without regard to the value of such Lot or the solvency of such Owner, or for damages, injunction, specific performance or for a judgment for payment of money and collection thereof. Nothing contained in this Declaration shall preclude the Association, its agents, the Board, Declarant, an aggrieved Owner or a First Mortgagee from exercising any available remedy at law or in equity. All costs and attorneys' fees incurred by the Association in enforcing compliance with this Declaration (whether or not a lawsuit or other legal action is instituted or commenced) or in connection with any legal action or proceedings in connection with any default under this Declaration by an Owner, Resident, Tenant or Guest of any Lot and all damages, liquidated or otherwise, together with interest as provided in Subarticle 4.1, shall be charged to and paid by such defaulting Owner as provided in Subarticle 4.1. The Association, acting through the Board or its authorized agent, shall have the authority to correct any default and to do whatever may be necessary for such purpose, and all expenses in connection therewith shall be

charged to and paid by such defaulting Owner, and such charges shall be part of and be secured by the lien against the defaulting Owner's Lot as provided in Subarticle 4.1. Any amounts charged to an Owner of a Lot pursuant to this Subarticle 8.12, Subarticle 4.1 or Subarticle 4.8 shall be immediately due and payable upon notice to the Owner unless a specific due date is established therefor pursuant to this Declaration.

8.12.3 Anything to the contrary herein notwithstanding, any breach of any of the covenants, conditions, restrictions, reservations and servitudes provided for in this Declaration shall not defeat or adversely affect the lien of any First Mortgagee upon any Lot but, except as herein specifically provided, each and all of said covenants, conditions, restrictions, reservations and servitudes shall be binding upon and effective against any lessee or Owner of a Lot whose title thereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise.

8.13 Waiver; Remedies Cumulative

No failure or delay on the part of any person in exercising any right, power or privilege hereunder and no course of dealing between or among the persons subject hereto shall operate as a waiver of any provision hereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which any person subject hereto would otherwise have. No notice to or demand upon any person in any case shall entitle such person to any other or further notice or demand in similar or other circumstances or constitute a waiver of rights to any other or further action in any circumstances.

8.14 Judicial Proceedings

All Owners agree that any matter arising under this Declaration may be finally adjudged or determined in any court or courts of the State of Arizona or of the United States of America having jurisdiction in the State of Arizona, and such Owners hereby submit generally and unconditionally to the jurisdiction of such courts and of any of them in respect to any such matter; provided, however, as to those matters to be submitted to arbitration pursuant to any provision hereof, such arbitration provisions shall be controlling and prevail. For the purpose of instituting or defending any action with respect to the Common Area, or with respect to any matter affecting the Owners with respect to the Common Area, and further in connection with enforcing this Declaration, the Articles, the Bylaws and any rules and regulations adopted pursuant to this Declaration, the Articles or the Bylaws, or in any other instance where the Board and/or the Members of the Association deem it is necessary for the best interest of the Property as a whole, the Association, acting by and through its Board, shall be deemed the real party in interest and is hereby authorized to commence and prosecute any such proceedings or to defend any such action. Nothing contained in this Subarticle 8.14 shall be deemed or construed to impose upon the Association, its Members or the Board any liabilities or obligations nor

grant to any third party or parties any rights that any of said above-named parties would not otherwise have if this article were not contained herein.

8.15 Condemnation

Upon receipt of notice of intention or notice of proceedings whereby all or any part of the Common Areas is to be taken by any governmental body by exercise of the power of condemnation or eminent domain, all Owners and First Mortgagees shall be immediately notified by the Association thereof. The Association shall represent the Owners in any condemnation or eminent domain proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any part of the Common Area of the Property and every Owner appoints the Association his attorney-in-fact for this purpose. The entire award made as compensation for such taking of Common Area, including, but not limited to, any amount ordered as severance damages, or the entire amount received and paid in anticipation and settlement for such taking, after deducting therefrom in each case reasonable and necessary costs and expenses, including, but not limited to, attorneys' fees, appraisers' fees and court costs (which net amount shall hereinafter be referred to as the "Award") shall be paid to the Association as trustees for the use and benefit of the Owners and their First Mortgagees, as their interests may appear. The Association shall, as it is practicable, cause the Award to be utilized for the purpose of repairing and restoring the Common Areas, including, if the Association deems it necessary or desirable, the replacement of any improvements so taken or conveyed.

8.16 Governing Law

This Declaration and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of Arizona.

8.17 FHA/VA

As long as there is Class B Membership, the following actions will require the prior approval of the FHA or the VA if either of those agencies has approved the proposed development plan of the Property: Annexation of additional properties, dedication of the Common Area, amendment of this Declaration and withdrawal or deannexation of any property from this Declaration.

8.18 Plurals; Gender

Whenever the context so requires, the use of the singular shall include and be construed as including the plural and the masculine shall include the feminine and neuter.

8.19 Compliance with Master Declaration

The terms and provisions set forth in this Declaration are expressly subject to the Master Declaration and to the extent of any conflict or any inconsistency therewith, the

terms and provisions of the Master Declaration shall govern. Subject to the foregoing, all requirements of this Declaration shall be deemed to be additional to all requirements of the Master Declaration, and the fact that the provisions hereof may be more restrictive than those of the Master Declaration shall not be deemed to create a conflict or inconsistency therewith.

8.20 Rule Against Perpetuities

If any interest purported to be created by this Declaration is challenged under the Rule against Perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest; the "lives in being" for computing the period of perpetuities shall be (a) those which would be used in determining the validity of the challenged interest, plus (b) those of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

8.21 Declarant's Disclaimer of Representations

Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on a recorded plat or other recorded instrument, Declarant makes no representations or warranties whatsoever that the plans presently envisioned for the complete development of The Highlands at Desert Foothills Estates can or will be carried out, or that any land now owned or hereafter acquired by it is or will be subjected to this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular purpose or that if such land is once used for a particular use, such use will continue in effect.

8.22 References to the Covenants in Deeds

Deeds to instruments affecting any Lot or any part of The Highlands at Desert Foothills Estates may contain the covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the covenants set forth herein shall be binding upon the grantee-Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

8.23 Attorneys' Fees

In the event the Association employs an attorney to enforce any lien granted to it under the terms of this Declaration, or to collect any Assessments or other amounts due from an Owner, or to enforce compliance with or recover damages for any violation or noncompliance with the Declaration, Articles, By-Laws or The Highlands at Desert Foothills Estates Rules and Regulations, the offending Owner or other person or entity shall pay to

the Association upon demand all attorneys' fees and court costs incurred by the Association, whether or not suit is filed, which fees and costs shall be secured by the Assessment Lien.

8.24 Laws, Ordinances and Regulations

The covenant set forth in this Declaration, and the provisions requiring Owners and other persons to obtain written approval of the Board, or the Architectural Committee, with respect to certain actions, are independent of the applicable laws, ordinances and regulations and compliance with this Declaration shall not relieve any Owner or any other person from the obligation to also comply with all applicable laws, ordinances and regulations. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within The Highlands at Desert Foothills Estates is hereby declared to be a violation of this Declaration and subject to any and all of the enforcement procedures set forth herein.

8.25 Liability of Declarant, Board, Architectural Committee and Association

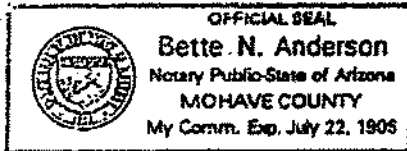
Provided that Declarant, the Board, the Architectural Committee, the Association, and any person or entity to whom authority has been properly delegated, are acting in good faith and with due diligence, neither Declarant, the Board, the Architectural Committee, nor the Association, nor any officer, director, employee, agent or representative of the same shall be liable to the Association, any Owner, Resident, Tenant or Guest, or any other person, for any damage, loss or prejudice suffered or claimed on account of the approval or disapproval of any plans, specifications or materials relating to any property within the Property, including, but not limited to, surface water drainage plans, whether or not defective; the construction or performance of any work within the Property, whether or not pursuant to approved plans, specifications and materials; the development or manner of development of any property within the Property; the execution or recording of a form or notice of approval, disapproval or withdrawal or expiration of approval, whether or not the facts stated therein are correct; the performance of any other function pursuant to the provisions of this Declaration; or any other act or omission of Declarant, the Board, the Architectural Committee, the Association, or any officer, director, employee, agent or representative of Declarant, the Board, the Architectural Committee or the Association, or any party to whom any Board, Architectural Committee or Association authority has been properly delegated. Declarant, on behalf of all future Owners, hereby waives, and each Owner by becoming an Owner of a Lot, whether or not it shall be expressed in a Deed or other instrument conveying such Lot, shall be deemed to have waived any right of recovery against any of said parties by reason of or on account of any such acts or omissions undertaken in good faith and with due diligence. The Association may provide for the exculpation, indemnification and/or insuring of directors, officers, Members, Association employees, agents, contractors or other persons and entities in its Articles of Incorporation and/or By-Laws.

End of Article 8 Entitled
General Provisions

STATE OF ARIZONA)
) ss.
County of Mohave)

On August 31, 1995, before me, the undersigned Notary Public in and for said state and county, personally appeared Larry A. Sinagoga, known to me to be the President of Bullhead-Laughlin Land & Development Company, a Nevada corporation, the authorized agent of F.S.T.Y.-5 Associates, a Nevada general partnership.

Witness my hand and official seal.



Bette N. Anderson
Notary Public

My Commission Expires:

July 22, 1996

IN WITNESS WHEREOF, The undersigned, being the holder of legal title to the property subjected to this Declaration ("Trustee" herein), has executed this Declaration in such capacity, and none other, this 29 day of August, 1995

STEWART TITLE & TRUST OF PHOENIX, INC., as Trustee under its Trust No. 2342 and Trust No. 2344

By *Steven A. Gronek*
Its Vice President and Trust Officer

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 29 day of August, 1995, by Steven A. Gronek, the Vice President of Stewart Title & Trust of Phoenix, Inc., a Delaware corp., on behalf of such corporation.

Angela Jacobs
Notary Public

My commission Expires: 10-1-97



EXHIBIT "A"

The Highlands at Desert Foothills Estates, Tract 5032,
according to plat recorded in Mohave County, Arizona on
July 14, 1995 at Fee Number 95-36104.

PAGE 50 OF 50
BK 2615 PG 1000 FEE#95045892

34
WHEN RECORDED, MAIL TO:

Amy S. Fisher, Esq.
AMY S. FISHER, P.C.
7301 N. 16th Street, Ste. 103
Phoenix, Arizona 85020

9612387 BK 2697 PG 849
OFFICIAL RECORDS OF MOHAVE COUNTY, AZ
JOAN MC CALL, MOHAVE COUNTY RECORDER
03/07/96 01:29P PAGE 1 OF 3
BULLHEAD LAUGHLIN LAND & DEV. CO
RECORDING FEE 10.00

**CERTIFICATE OF FIRST AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
THE HIGHLANDS AT DESERT FOOTHILLS ESTATES**

A First Amendment to Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates (the "First Amendment"), was made effective as of the 26th day of February, 1996, by F.S.T.Y.-5 Associates, a Nevada general partnership, and F.S.T.Y.-21 Associates, a Nevada general partnership (collectively, "Owners").

The Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates, dated August 31, 1995, was recorded August 31, 1995 at Book 2615, Page 951, official records of Mohave County, Arizona (the "Declaration").

Article VIII, subarticle 8.3, of the Declaration provides that the Declaration may be amended by the Members holding sixty-seven percent (67%) of the votes.

The Owners constitute one hundred percent (100%) of all votes of Members.

The Owners have unanimously voted to amend the Declaration in accordance with the following provisions.

Article XIII, Section 2 of the Master Declaration requires the approval of the Declarant under the Master Declaration to amend any provision of the Declaration. The Declarant under the Master Declaration has approved of the following amendments to the Declaration.

NOW, THEREFORE, in consideration of the foregoing, the undersigned President of The Highlands at Desert Foothills Estates Owners Association certifies that, pursuant to Article VIII, subarticle 8.3, of the Declaration, the Owners, intending to be legally bound, have declared, covenanted and agreed, and otherwise amended the Declaration and pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendments to the Declaration as follows:

3478.12\AMD-CCRS.003
02/26/96

pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendments to the Declaration as follows:

1. Article VI, subarticle 6.1, is amended to permit single family residences containing no less than one thousand two hundred fifty (1,250) square feet;

2. Article VI, subarticle 6.2, shall be deleted in its entirety and the following substituted therefor:

6.1 Every residential rear yard shall be enclosed with a masonry fence painted or stuccoed consistent with the residence; which fence shall equal the maximum height permitted under the zoning code for the City of Bullhead City, Arizona, unless the Lot line upon which a fence is to be erected is on or adjacent to a slope; in which event, masonry fencing shall be as required by the Architectural Committee upon review of the topography of the Lot and the subject slope. Notwithstanding the foregoing, all fences visible from any Arterial Street as defined in the Master Declaration must conform to the Desert Foothills Master Landscape Plan, as defined in the Master Declaration.

3. In addition to the foregoing amendments, the Owners acknowledged that Declarant has amended the Map pursuant to the rights reserved by Declarant in the Declaration and Owners approved of the amended Map. The amended Map was recorded at Fee Number 96-9489 of Official Records of Mohave County, Arizona.

4. Terms used in Certificate of First Amendment as specifically designated herein shall have the meaning given to such terms as set forth in the Declaration;

5. Except as provided herein, the Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned, being authorized to do so by the vote of sixty-seven percent (67%) of the Members, has executed this Certificate of First Amendment to become effective as of the date first above written.

///

[Signatures on following page]

WHEN RECORDED, MAIL TO:

Amy S. Fisher, Esq.
AMY S. FISHER, P.C.
7301 N. 16th Street, Ste. 103
Phoenix, Arizona 85020

9627131 BK 2733 PG 736
OFFICIAL RECORDS OF MOHAVE COUNTY, AZ
JOAN MC CALL, MOHAVE COUNTY RECORDER
05/17/96 03:38P PAGE 1 OF 10
TRANSACTION TITLE INS CO
RECORDING FEE 15.00

**CERTIFICATE OF SECOND AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
THE HIGHLANDS AT DESERT FOOTHILLS ESTATES**

A Second Amendment to Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates (the "Second Amendment"), was made effective as of the 15th day of May, 1996, by F.S.T.Y.-5 Associates, a Nevada general partnership, and F.S.T.Y.-21 Associates, a Nevada general partnership (collectively, "Owners").

The Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates, dated August 31, 1995, was recorded August 31, 1995 at Book 2615, Page 951 and thereafter amended March 7, 1996 at Book 2697, Page 849, Official Records of Mohave County, Arizona (the "Declaration") respecting real property described on Exhibit "A" attached hereto and by the reference incorporated herein.

Article VIII, subarticle 8.3, of the Declaration provides that the Declaration may be amended by the Members holding sixty-seven percent (67%) of the votes.

The Owners constitute one hundred percent (100%) of all votes of Members.

The Owners have unanimously voted to amend the Declaration in accordance with the following provisions.

Article XIII, Section 2 of the Master Declaration requires the approval of the Declarant under the Master Declaration to amend any provision of the Declaration. The Declarant under the Master Declaration has approved of the following amendments to the Declaration.

NOW, THEREFORE, in consideration of the foregoing, the undersigned President of The Highlands at Desert Foothills Estates Owners Association certifies that, pursuant to Article VIII, subarticle 8.3, of the Declaration, the Owners, intending to be legally bound, have declared, covenanted and agreed, and otherwise amended the Declaration and

pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendments to the Declaration as follows:

1. A portion of the Property is hereby deannexed ("Deannexation"). The Deannexation property shall consist of that real property more particularly described on Exhibit "B" attached hereto and by this reference incorporated herein.

2. After giving effect to the Deannexation the Declaration constitutes the "Tract Declaration" for the Property as defined herein.

3. Article I, subarticle 1.23 is deleted in its entirety and the following substituted therefore:

"Map" shall mean and refer to that portion of the subdivision plat recorded July 14, 1995 as Fee No. 95-36104, thereafter amended by amended plat recorded February 22, 1996 as Fee No. 96-9489 of the Official Records of Mohave County, Arizona as described on Exhibit "C" attached hereto, and any subsequently recorded subdivision Map and all amendments thereto which cover the Property or a portion thereof. The Map is hereby made a part hereof with the same force and effect as if incorporated herein at length.

4. Article I, subarticle 1.34 is deleted in its entirety and the following substituted therefore:

"Property" shall mean and refer to the real property described on Exhibit "C" attached hereto and by this reference incorporated herein. Which property consists of approximately fifty-seven (57) acres of land.

5. Article VI, subarticle 6.5 is amended to delete the reference to Parcels A, B and C as defined on the recorded subdivision plat for The Highlands at Desert Foothills Estates, as amended.

6. A new Article I, subarticle 1.39 is added to the Declaration as follows:

"Annexable Property" shall mean and refer to that certain real property described on Exhibit "D" attached hereto and by this reference incorporated herein.

7. A new Article IX, of the Declaration is hereby added as follows:

9.1 Right of Annexation. Declarant hereby expressly reserves the right, on the terms described herein, to annex and

subject to this Declaration from time to time, all or any part of the Annexable Property. Such right is exercisable by Declarant, without consent of any Owner, until ten (10) years following the later of: (a) recordation of the Declaration; or (b) the last recording of a Declaration of Annexation as provided herein. In the event there is contemplated annexation of all or any portion of the Annexable Property after such date, said annexation requires written approval of at least seventy-five percent (75%) of the Class A Members' votes.

9.2 Method of Annexation. The annexation of all or any portion of the Annexable Property shall be accomplished by the Declarant recording with the County Recorder of Mohave County, Arizona a Declaration of Annexation stating the following:

- (a) the legal description of the Annexable Property being annexed;
- (b) a description of any portion of the Annexable Property being added which will be Common Area.

9.3 Voting and Assessments for Annexed Property. The voting rights and assessments appurtenant to Lots annexed pursuant to this subarticle shall be effective as of the date the Declaration of Annexation is recorded.

9.4 No Assurance. Notwithstanding anything contained in this Declaration or the other Project Documents to the contrary, Declarant has no obligation to annex all or any portion of the Annexable Property to this Declaration. Any and all Annexable Property or other real property Declarant may own or have an interest in, from time to time, may be used for any lawful purpose and shall not be bound by any requirement of the Map, this Declaration, or the Project Documents unless and until it is formally annexed as described herein. Further, Declarant makes no assurances as to the location of improvements or features of any description to be constructed or located on the Annexable Property whether or not any portion of the Annexable Property is annexed. Declarant makes no assurances as to the number of Lots which may be added by annexation of all or any portion of the Annexable Property. Declarant makes no assurances as to what improvements if any will be constructed on the Annexable Property but such improvements located on Annexable Property

that is annexed shall be consistent in general quality, material and style with the improvements constructed on the Property initially covered by this Declaration. All taxes and other assessments relating to all or any portion of the Annexable Property annexed by the Declarant covering any period prior to the time at which such portion of the Annexable Property is subjected to this Declaration shall be the responsibility of and shall be paid for by the Declarant.

9.5 Declarant's Rights. All of Declarant's rights under this Declaration shall apply to any and all Annexable Property at any time subjected to this Declaration. Nothing in this Article shall limit any right provided to Declarant elsewhere by this Declaration and nothing in this Declaration shall limit Declarant's rights under this Article.

8. Terms used in Certificate of Second Amendment as specifically designated herein shall have the meaning given to such terms as set forth in the Declaration;

9. Except as provided herein, the Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned, being authorized to do so by the vote of one hundred percent (100%) of the Members, has executed this Certificate of Second Amendment to become effective as of the date first above written.

The Highlands at Desert Foothills Estates
Owners Association, an Arizona non-profit
corporation

ATTEST:



Its Secretary

By: 

Its President

(Notarization on following page)

STATE OF ARIZONA)
County of MoHAVE) ss.

On this 5th day of May, 1996, before me, a Notary Public, personally appeared Larry A. Sinagoga, who acknowledged himself to be the President of The Highlands at Desert Foothills Estates Owners Association, an Arizona non-profit corporation, and being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Bette N. Anderson
Notary Public

My Commission Expires:

July 21, 2000

EXHIBIT "A"

Amended Final Plat the Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXHIBIT "B"

Lots 56, 57, 61 and Lots 138-211, inclusive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

Parcels A, B and C, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

Together with rights-of-way dedicated to the City of Bullhead City know as Crystal Point Circle, Desert Heights Drive, Desert Bloom Circle and Lakeview Drive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXHIBIT "C"

The Amended Final Plat at The Highlands at Desert Foothills Estates, Tract 5032, according to the plat recorded in Mohave County, Arizona, on July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXCEPT Lots 56, 57, 61 and Lots 138-211, inclusive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXCEPT Parcels A, B and C, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXCEPT rights-of-way dedicated to the City of Bullhead City know as Crystal Point Circle, Desert Heights Drive, Desert Bloom Circle and Lakeview Drive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXHIBIT "D"

Lots 56, 57, 61 and Lots 138-211, inclusive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

Parcels A, B and C, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

Together with rights-of-way dedicated to the City of Bullhead City know as Crystal Point Circle, Desert Heights Drive, Desert Bloom Circle and Lakeview Drive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

RATIFICATION

The undersigned, STEWART TITLE & TRUST OF PHOENIX, INC. as Trustee under Trust No. 2342 and Trust No. 2344 acknowledges receipt and review of the attached Certificate of Second Amendment to Declaration of Covenants, Conditions and Restrictions The Highlands at Desert Foothills Estates dated as of May 15, 1996; and, as record title holder of the real property to be encumbered by such Second Amendment hereby ratifies and confirms the actions of the Members of The Highlands at Desert Foothills Estates Owners Association in amending the Declaration of Covenants, Conditions and Restrictions The Highlands at Desert Foothills Estates.

STEWART TITLE & TRUST OF PHOENIX, INC.
as Trustee under Trust No. 2342 and Trust No. 2344

By: *William R. Lake*
Its *Vice President*

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 16th day of May, 1996, before me the undersigned Notary Public personally appeared William R. Lake, the Vice President of Stewart Title & Trust of Phoenix, Inc. as Trustee under Trust No. 2342 and Trust No. 2344 and that he, as such officer being authorized so to do, executed the foregoing instrument for the purposes therein contained.

Diane R. Corsi
Notary Public

My Commission Expires:



WHEN RECORDED, MAIL TO:

Amy S. Fisher, Esq.
 AMY S. FISHER, P.C.
 227 Highland Hill Dr.
 Durango, Colorado 81301



INDEXED

99034045 BK 3316 PG 618
 OFFICIAL RECORDS OF MOHAVE COUNTY, AZ
 JOAN MC CALL, MOHAVE COUNTY RECORDER
 06/04/1999 03:20P PAGE 1 OF 5
 TRANSACTION TITLE INS CO
 RECORDING FEE 10.00

**CERTIFICATE OF THIRD AMENDMENT TO
 DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
 THE HIGHLANDS AT DESERT FOOTHILLS ESTATES**

A Third Amendment to Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates (the "Third Amendment"), was made effective as of the 16th day of March, 1999, by owners of lots within The Highlands at Desert Foothills Estates (collectively, "Owners").

The Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates, dated August 31, 1995, was recorded August 31, 1995 at Book 2615, Page 951 and thereafter amended March 7, 1996 at Book 2697, Page 849, Official Records of Mohave County, Arizona and May 17, 1996 at Book 2733, Page 736, Official Records of Mohave County, Arizona (the "Declaration") respecting real property described on Exhibit "A" attached hereto and by the reference incorporated herein.

Article VIII, subarticle 8.3, of the Declaration provides that the Declaration may be amended by the Members holding sixty-seven percent (67%) of the votes.

The Owners constitute one hundred percent (100%) of all Class B Members and ninety eight percent (98%) of all Class A Members.

The Owners have voted to amend the Declaration in accordance with the following provisions.

Article XIII, Section 2 of the Master Declaration requires the approval of the Declarant under the Master Declaration to amend any provision of the Declaration. The Declarant under the Master Declaration has approved of the following amendments to the Declaration.

NOW, THEREFORE, in consideration of the foregoing, the undersigned President of The Highlands at Desert Foothills Estates Owners Association certifies that, pursuant to Article VIII, subarticle 8.3, of the Declaration, the Owners, intending to be legally bound, have declared, covenanted and agreed, and otherwise amended the Declaration and pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendment to the Declaration as follows:

1. Article 5, subarticle 5.2 (a) is deleted in its entirety and the following substituted therefore:

(a) all of the Common Area and all facilities, improvements, equipment and landscaping thereon, including without limitation, all roadways, curbs, gutters, sidewalks, gates, walls and landscape watering systems; and

2. Terms used in this Certificate of Third Amendment as specifically designated herein shall have the meaning given to such terms as set forth in the Declaration;

3. Except as provided herein, the Declaration shall remain in full force and effect.

///
///
///

IN WITNESS WHEREOF, the undersigned, being authorized to do so by the vote of one hundred percent (100%) of the Class B Members and ninety eight percent (98%) of the Class A Members, has executed this Certificate of Third Amendment to become effective as of the date first above written.

The Highlands at Desert Foothills Estates
Owners Association, an Arizona non-profit
corporation

ATTEST:

John Waner
Its Secretary

By: *[Signature]*
Its President

STATE OF ARIZONA)
) ss.
County of Mohave)

On this 13th day of May, 1999, before me, a Notary Public, personally appeared Larry A. Sinagoga, who acknowledged himself to be the President of The Highlands at Desert Foothills Estates Owners Association, an Arizona non-profit corporation, and being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

John Waner
Notary Public

My Commission Expires:
3/18/2000

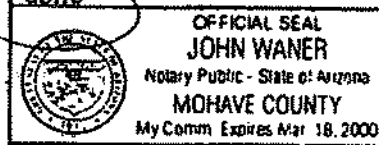


EXHIBIT "A"

Amended Final Plat the Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

ACCOMMODATION RECORDING INSTRUCTIONS

Transnation Title Insurance Company

DATE: 6/2/99

The following documents are handed to you for recording in the office of the MoHare County Recorder, as an accommodation only. I/We make no demand in connection therewith, and you are relieved of any liability and responsibility as to the condition of title to the property therein described and as to the validity, sufficiency and effect of said documents. We understand that there is no charge for this service other than recording fees and any other charges incurred by your company. These Accommodation Recording Instructions are to be attached to and recorded with each of the following documents.

I/We, the undersigned, do hereby acknowledge that we may obtain title insurance by purchasing an owner's or lender's policy of title insurance as may be appropriate, at the company's regular rates for its policies or guarantees.

ASF
 Initials

 Document First Party Second Party Recording Fees

Easement THE HIGHLANDS OWNERS ASSOC. DESERT FAITHFUL ASSOC.
CC+RS Amendment The Highlands Owners Assoc.

Total _____

Remarks

When recorded, please mail to:

Amy S. Fisher, Esq.
227 Highland Hill Drive
Durango CO 81301
 Signed: _____
 Signed: _____

Received June 4, 1999
 Transnation Title Insurance Company
 By: [Signature]

1310

WHEN RECORDED, MAIL TO:

Amy S. Fisher, Esq.
AMY S. FISHER, P.C.
7301 N. 16th Street, Ste. 103
Phoenix, Arizona 85020

9612387 BK 2697 PG 849
OFFICIAL RECORDS OF MOHAVE COUNTY, AZ
JOAN MC CALL, MOHAVE COUNTY RECORDER
03/07/96 01:29P PAGE 1 OF 3
BULLHEAD LAUGHLIN LAND & DEV. CO
RECORDING FEE 10.00

**CERTIFICATE OF FIRST AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
THE HIGHLANDS AT DESERT FOOTHILLS ESTATES**

A First Amendment to Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates (the "First Amendment"), was made effective as of the 26th day of February, 1996, by F.S.T.Y.--5 Associates, a Nevada general partnership, and F.S.T.Y.--21 Associates, a Nevada general partnership (collectively, "Owners").

The Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates, dated August 31, 1995, was recorded August 31, 1995 at Book 2615, Page 951, official records of Mohave County, Arizona (the "Declaration").

Article VIII, subarticle 8.3, of the Declaration provides that the Declaration may be amended by the Members holding sixty-seven percent (67%) of the votes.

The Owners constitute one hundred percent (100%) of all votes of Members.

The Owners have unanimously voted to amend the Declaration in accordance with the following provisions.

Article XIII, Section 2 of the Master Declaration requires the approval of the Declarant under the Master Declaration to amend any provision of the Declaration. The Declarant under the Master Declaration has approved of the following amendments to the Declaration.

NOW, THEREFORE, in consideration of the foregoing, the undersigned President of The Highlands at Desert Foothills Estates Owners Association certifies that, pursuant to Article VIII, subarticle 8.3, of the Declaration, the Owners, intending to be legally bound, have declared, covenanted and agreed, and otherwise amended the Declaration and pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendments to the Declaration as follows:

3478.12\AMD-CCRS.003
02/26/96

pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendments to the Declaration as follows:

1. Article VI, subarticle 6.1, is amended to permit single family residences containing no less than one thousand two hundred fifty (1,250) square feet;

2. Article VI, subarticle 6.2, shall be deleted in its entirety and the following substituted therefor:

6.1 Every residential rear yard shall be enclosed with a masonry fence painted or stuccoed consistent with the residence; which fence shall equal the maximum height permitted under the zoning code for the City of Bullhead City, Arizona, unless the Lot line upon which a fence is to be erected is on or adjacent to a slope; in which event, masonry fencing shall be as required by the Architectural Committee upon review of the topography of the Lot and the subject slope. Notwithstanding the foregoing, all fences visible from any Arterial Street as defined in the Master Declaration must conform to the Desert Foothills Master Landscape Plan, as defined in the Master Declaration.

3. In addition to the foregoing amendments, the Owners acknowledged that Declarant has amended the Map pursuant to the rights reserved by Declarant in the Declaration and Owners approved of the amended Map. The amended Map was recorded at Fee Number 96-9489 of Official Records of Mohave County, Arizona.

4. Terms used in Certificate of First Amendment as specifically designated herein shall have the meaning given to such terms as set forth in the Declaration;

5. Except as provided herein, the Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned, being authorized to do so by the vote of sixty-seven percent (67%) of the Members, has executed this Certificate of First Amendment to become effective as of the date first above written.

///

[Signatures on following page]

WHEN RECORDED, MAIL TO:

Amy S. Fisher, Esq.
AMY S. FISHER, P.C.
7301 N. 16th Street, Ste. 103
Phoenix, Arizona 85020

9627131 BK 2733 PG 736
OFFICIAL RECORDS OF MOHAVE COUNTY, AZ
JOAN MC CALL, MOHAVE COUNTY RECORDER
05/17/96 03:38P PAGE 1 OF 10
TRANSACTION TITLE INS CO
RECORDING FEE 15.00

**CERTIFICATE OF SECOND AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
THE HIGHLANDS AT DESERT FOOTHILLS ESTATES**

A Second Amendment to Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates (the "Second Amendment"), was made effective as of the 15th day of May, 1996, by F.S.T.Y.--5 Associates, a Nevada general partnership, and F.S.T.Y.--21 Associates, a Nevada general partnership (collectively, "Owners").

The Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates, dated August 31, 1995, was recorded August 31, 1995 at Book 2615, Page 951 and thereafter amended March 7, 1996 at Book 2697, Page 849, Official Records of Mohave County, Arizona (the "Declaration") respecting real property described on Exhibit "A" attached hereto and by the reference incorporated herein.

Article VIII, subarticle 8.3, of the Declaration provides that the Declaration may be amended by the Members holding sixty-seven percent (67%) of the votes.

The Owners constitute one hundred percent (100%) of all votes of Members.

The Owners have unanimously voted to amend the Declaration in accordance with the following provisions.

Article XIII, Section 2 of the Master Declaration requires the approval of the Declarant under the Master Declaration to amend any provision of the Declaration. The Declarant under the Master Declaration has approved of the following amendments to the Declaration.

NOW, THEREFORE, in consideration of the foregoing, the undersigned President of The Highlands at Desert Foothills Estates Owners Association certifies that, pursuant to Article VIII, subarticle 8.3, of the Declaration, the Owners, intending to be legally bound, have declared, covenanted and agreed, and otherwise amended the Declaration and

pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendments to the Declaration as follows:

1. A portion of the Property is hereby deannexed ("Deannexation"). The Deannexation property shall consist of that real property more particularly described on Exhibit "B" attached hereto and by this reference incorporated herein.

2. After giving effect to the Deannexation the Declaration constitutes the "Tract Declaration" for the Property as defined herein.

3. Article I, subarticle 1.23 is deleted in its entirety and the following substituted therefore:

"Map" shall mean and refer to that portion of the subdivision plat recorded July 14, 1995 as Fee No. 95-36104, thereafter amended by amended plat recorded February 22, 1996 as Fee No. 96-9489 of the Official Records of Mohave County, Arizona as described on Exhibit "C" attached hereto, and any subsequently recorded subdivision Map and all amendments thereto which cover the Property or a portion thereof. The Map is hereby made a part hereof with the same force and effect as if incorporated herein at length.

4. Article I, subarticle 1.34 is deleted in its entirety and the following substituted therefore:

"Property" shall mean and refer to the real property described on Exhibit "C" attached hereto and by this reference incorporated herein. Which property consists of approximately fifty-seven (57) acres of land.

5. Article VI, subarticle 6.5 is amended to delete the reference to Parcels A, B and C as defined on the recorded subdivision plat for The Highlands at Desert Foothills Estates, as amended.

6. A new Article I, subarticle 1.39 is added to the Declaration as follows:

"Annexable Property" shall mean and refer to that certain real property described on Exhibit "D" attached hereto and by this reference incorporated herein.

7. A new Article IX, of the Declaration is hereby added as follows:

9.1 Right of Annexation. Declarant hereby expressly reserves the right, on the terms described herein, to annex and

subject to this Declaration from time to time, all or any part of the Annexable Property. Such right is exercisable by Declarant, without consent of any Owner, until ten (10) years following the later of: (a) recordation of the Declaration; or (b) the last recording of a Declaration of Annexation as provided herein. In the event there is contemplated annexation of all or any portion of the Annexable Property after such date, said annexation requires written approval of at least seventy-five percent (75%) of the Class A Members' votes.

9.2 Method of Annexation. The annexation of all or any portion of the Annexable Property shall be accomplished by the Declarant recording with the County Recorder of Mohave County, Arizona a Declaration of Annexation stating the following:

(a) the legal description of the Annexable Property being annexed;

(b) a description of any portion of the Annexable Property being added which will be Common Area.

9.3 Voting and Assessments for Annexed Property. The voting rights and assessments appurtenant to Lots annexed pursuant to this subarticle shall be effective as of the date the Declaration of Annexation is recorded.

9.4 No Assurance. Notwithstanding anything contained in this Declaration or the other Project Documents to the contrary, Declarant has no obligation to annex all or any portion of the Annexable Property to this Declaration. Any and all Annexable Property or other real property Declarant may own or have an interest in, from time to time, may be used for any lawful purpose and shall not be bound by any requirement of the Map, this Declaration, or the Project Documents unless and until it is formally annexed as described herein. Further, Declarant makes no assurances as to the location of improvements or features of any description to be constructed or located on the Annexable Property whether or not any portion of the Annexable Property is annexed. Declarant makes no assurances as to the number of Lots which may be added by annexation of all or any portion of the Annexable Property. Declarant makes no assurances as to what improvements if any will be constructed on the Annexable Property but such improvements located on Annexable Property

that is annexed shall be consistent in general quality, material and style with the improvements constructed on the Property initially covered by this Declaration. All taxes and other assessments relating to all or any portion of the Annexable Property annexed by the Declarant covering any period prior to the time at which such portion of the Annexable Property is subjected to this Declaration shall be the responsibility of and shall be paid for by the Declarant.

9.5 Declarant's Rights. All of Declarant's rights under this Declaration shall apply to any and all Annexable Property at any time subjected to this Declaration. Nothing in this Article shall limit any right provided to Declarant elsewhere by this Declaration and nothing in this Declaration shall limit Declarant's rights under this Article.


8. Terms used in Certificate of Second Amendment as specifically designated herein shall have the meaning given to such terms as set forth in the Declaration;

9. Except as provided herein, the Declaration shall remain in full force and effect.

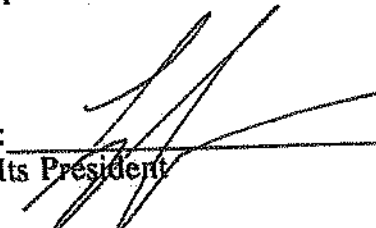
IN WITNESS WHEREOF, the undersigned, being authorized to do so by the vote of one hundred percent (100%) of the Members, has executed this Certificate of Second Amendment to become effective as of the date first above written.

The Highlands at Desert Foothills Estates
Owners Association, an Arizona non-profit
corporation

ATTEST:



Its Secretary

By: 

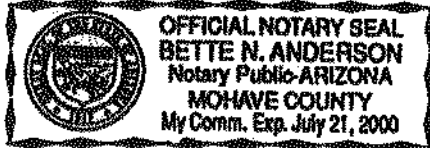
Its President

(Notarization on following page)

STATE OF ARIZONA)
County of Mohave) ss.

On this 15th day of May, 1996, before me, a Notary Public, personally appeared Larry A. Sinagoga, who acknowledged himself to be the President of The Highlands at Desert Foothills Estates Owners Association, an Arizona non-profit corporation, and being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Bette N. Anderson
Notary Public

My Commission Expires:

July 21, 2000

EXHIBIT "A"

Amended Final Plat the Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXHIBIT "B"

Lots 56, 57, 61 and Lots 138-211, inclusive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

Parcels A, B and C, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

Together with rights-of-way dedicated to the City of Bullhead City know as Crystal Point Circle, Desert Heights Drive, Desert Bloom Circle and Lakeview Drive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXHIBIT "C"

The Amended Final Plat at The Highlands at Desert Foothills Estates, Tract 5032, according to the plat recorded in Mohave County, Arizona, on July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXCEPT Lots 56, 57, 61 and Lots 138-211, inclusive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

EXCEPT Parcels A, B and C, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

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EXHIBIT "D"

Lots 56, 57, 61 and Lots 138-211, inclusive, Amended Final Plat The Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

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RATIFICATION

The undersigned, STEWART TITLE & TRUST OF PHOENIX, INC. as Trustee under Trust No. 2342 and Trust No. 2344 acknowledges receipt and review of the attached Certificate of Second Amendment to Declaration of Covenants, Conditions and Restrictions The Highlands at Desert Foothills Estates dated as of May 15, 1996; and, as record title holder of the real property to be encumbered by such Second Amendment hereby ratifies and confirms the actions of the Members of The Highlands at Desert Foothills Estates Owners Association in amending the Declaration of Covenants, Conditions and Restrictions The Highlands at Desert Foothills Estates.

STEWART TITLE & TRUST OF PHOENIX, INC.
as Trustee under Trust No. 2342 and Trust No. 2344

By: *William R. Lake*
Its *Vice President*

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 16th day of May, 1996, before me the undersigned Notary Public personally appeared William R. Lake, the Vice President of Stewart Title & Trust of Phoenix, Inc. as Trustee under Trust No. 2342 and Trust No. 2344 and that he, as such officer being authorized so to do, executed the foregoing instrument for the purposes therein contained.

Diane R. Corsi
Notary Public

My Commission Expires:



INDEXED

99034045 BK 3316 PG 618
 OFFICIAL RECORDS OF MOHAVE COUNTY, AZ
 JOAN MC CALL, MOHAVE COUNTY RECORDER
 06/04/1999 03:20P PAGE 1 OF 5
 TRANSACTION TITLE INS CO
 RECORDING FEE 10.00

WHEN RECORDED, MAIL TO:

Amy S. Fisher, Esq.
 AMY S. FISHER, P.C.
 227 Highland Hill Dr.
 Durango, Colorado 81301



**CERTIFICATE OF THIRD AMENDMENT TO
 DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
 THE HIGHLANDS AT DESERT FOOTHILLS ESTATES**

A Third Amendment to Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates (the "Third Amendment"), was made effective as of the 16th day of March, 1999, by owners of lots within The Highlands at Desert Foothills Estates (collectively, "Owners").

The Declaration of Covenants, Conditions and Restrictions, The Highlands at Desert Foothills Estates, dated August 31, 1995, was recorded August 31, 1995 at Book 2615, Page 951 and thereafter amended March 7, 1996 at Book 2697, Page 849, Official Records of Mohave County, Arizona and May 17, 1996 at Book 2733, Page 736, Official Records of Mohave County, Arizona (the "Declaration") respecting real property described on Exhibit "A" attached herto and by the reference incorporated herein.

Article VIII, subarticle 8.3, of the Declaration provides that the Declaration may be amended by the Members holding sixty-seven percent (67%) of the votes.

The Owners constitute one hundred percent (100%) of all Class B Members and ninety eight percent (98%) of all Class A Members.

The Owners have voted to amend the Declaration in accordance with the following provisions.

Article XIII, Section 2 of the Master Declaration requires the approval of the Declarant under the Master Declaration to amend any provision of the Declaration. The Declarant under the Master Declaration has approved of the following amendments to the Declaration.

NOW, THEREFORE, in consideration of the foregoing, the undersigned President of The Highlands at Desert Foothills Estates Owners Association certifies that, pursuant to Article VIII, subarticle 8.3, of the Declaration, the Owners, intending to be legally bound, have declared, covenanted and agreed, and otherwise amended the Declaration and pursuant to Article XIII, Section 2 of the Master Declaration, Declarant under the Master Declaration has so approved such amendment to the Declaration as follows:

1. Article 5, subarticle 5.2 (a) is deleted in its entirety and the following substituted therefore:

(a) all of the Common Area and all facilities, improvements, equipment and landscaping thereon, including without limitation, all roadways, curbs, gutters, sidewalks, gates, walls and landscape watering systems; and

2. Terms used in this Certificate of Third Amendment as specifically designated herein shall have the meaning given to such terms as set forth in the Declaration;

3. Except as provided herein, the Declaration shall remain in full force and effect.

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///

IN WITNESS WHEREOF, the undersigned, being authorized to do so by the vote of one hundred percent (100%) of the Class B Members and ninety eight percent (98%) of the Class A Members, has executed this Certificate of Third Amendment to become effective as of the date first above written.

The Highlands at Desert Foothills Estates
Owners Association, an Arizona non-profit
corporation

ATTEST:

John Waner
Its Secretary

By: [Signature]
Its President

STATE OF ARIZONA)
) ss.
County of Mohave)

On this 13th day of May, 1999, before me, a Notary Public, personally appeared Larry A. Sinagoga, who acknowledged himself to be the President of The Highlands at Desert Foothills Estates Owners Association, an Arizona non-profit corporation, and being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

John Waner
Notary Public

My Commission Expires:
3/18/2000

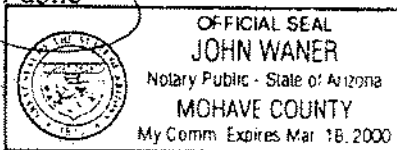


EXHIBIT "A"

Amended Final Plat the Highlands at Desert Foothills Estates, Tract 5032, according to plat recorded July 14, 1995 as Fee No. 95-36104 and Amendment recorded February 22, 1996 as Fee No. 96-9489, records of Mohave County, Arizona.

ACCOMMODATION RECORDING INSTRUCTIONS

Transnation Title Insurance Company

DATE: 6/2/99

The following documents are handed to you for recording in the office of the MoHare County Recorder, as an accommodation only. I/We make no demand in connection therewith, and you are relieved of any liability and responsibility as to the condition of title to the property therein described and as to the validity, sufficiency and effect of said documents. We understand that there is no charge for this service other than recording fees and any other charges incurred by your company. These Accommodation Recording Instructions are to be attached to and recorded with each of the following documents.

I/We, the undersigned, do hereby acknowledge that we may obtain title insurance by purchasing an owner's or lender's policy of title insurance as may be appropriate, at the company's regular rates for its policies or guarantees.

ASP
 Initials

 Document First Party Second Party Recording Fees

Easement THE HIGHLANDS OWNERS ASSOC. DESERT FAITHFULS ASSOC.
CC&RS Amendment The Highlands Owners Assoc.

Total _____

Remarks

When recorded, please mail to:
Amy S. Fisher, Esq.
227 Highland Hill Drive
Durango CO 81301
 Signed: _____
 Signed: _____

Received June 4, 1999
 Transnation Title Insurance Company
 By: [Signature]
 Form: 12 rev. 10/93