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## DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

BONITO VALLEY RANCH  
Apache County, Arizona

THIS DECLARATION, is made by First American Title Insurance Co., a California corporation, as Trustee, under its Trust No. 8494 referred to as "Trustee", acting on behalf of its Optionee, St. Johns Area L.L.C., an Arizona limited liability company, which along with its successors and designees, shall be hereinafter referred to as "Declarant" with regard to the following described real property.

Parcels 1 through 39, 41 thru 46, 48 thru 63, 65 thru 83, 91 thru 126, and Tracts A, B, C and D, Bonito Valley Ranch, according to the Result of Survey recorded in Book 9 of Surveys, pages 1, records of Apache County, Arizona.  
11 sheets

Declarant hereby declares that all of the Parcels, or any portion thereof, described above shall be held, sold and conveyed subject to the following covenants, conditions, and restrictions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of all the Parcels, and all of which are hereby declared to be for the benefit of all the real property described herein and the owners thereof, their heirs, successors, grantees and assigns.

### 1. PURPOSE OF THESE COVENANTS, CONDITIONS AND RESTRICTIONS

The purpose of these covenants, conditions and restrictions is to assure the use of the property for attractive residential and non-commercial ranch purposes (as set forth herein) only, and securing to each Parcel Owner the full benefit and enjoyment of his or her Parcel in furtherance of a common plan.

### 2. DEFINITIONS

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

A. "Association" means the Bonito Valley Ranch Property Owners Association as referred to in Part 3 of this Declaration.

B. "Bona Fide First Mortgage" means any Realty Mortgage or Deed of Trust or Agreement for Sale made in good faith and for value and properly executed and recorded so as to create a lien on

any Parcel or Parcels that is prior to the lien of any other Realty Mortgage or Deed of Trust or Agreement for Sale.

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

D. "First Beneficiary" shall mean and refer to the parties comprising the First Beneficiary and successors under the aforesaid Trust No. 8494, and the respective heirs, executors, personal representatives, successors and assigns of such parties.

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

F. "Parcel" or "Parcels" means the Parcels as shown on the Result of Survey, either individually or collectively, as the case may be, and any divisions thereof as allowed by law.

G. "Property" means the real property described in the Result of Survey or any part thereof.

H. "Result of Survey" or "Survey Map" means the result of survey of record, and subsequent results of survey included by Expansion pursuant to Section 4, as may hereafter be amended, as prepared by Declarant and recorded in the Office of the Apache County, Arizona Recorder.

### 3. PROPERTY OWNERS ASSOCIATION

A. There is hereby created the Bonito Valley Ranch Property Owners Association. The purpose of the Association is to: maintain and improve the roadways, along with gates, fences, and culverts involving such roadways and any common areas, and water wells so designated by Declarant as an Association function, all in accordance with the provisions of this Declaration.

B. Each and every Parcel Owner, in accepting a deed or contract for any Parcel, whether or not it shall be so expressed in such deed or contract, automatically becomes a member of the Association, and agrees to be bound by such reasonable rules and regulations as may, from time to time, be established by the Association. Membership shall be appurtenant and may not be separated from ownership of the Parcel. The rights and obligations of an Owner and membership in the Association shall not be assigned, transferred, pledged, conveyed or alienated in any way, except upon transfer of ownership of such Parcel, whether by intestate succession, testamentary disposition, foreclosure of

mortgage, or such other legal processes as now in effect or as may be hereafter established pursuant to the laws of the State of Arizona. The Association shall be operated and conducted on a strictly cooperative and non-profit basis. Each Parcel Owner as a member shall have such voting rights as set forth in this Declaration.

C. In furtherance of its purposes, which are generally as set forth above, the Association shall provide necessary and appropriate action for the maintenance, repair, replacement and management of the facilities referred to in 3 A above and shall have the right to enter upon a Parcel, if reasonably necessary, in order to accomplish its purpose.

D. The Association shall have the power to borrow and encumber its assets and, in all respects, shall have the powers necessary to carry out its purposes, whether or not specifically set forth herein, including the power to enter into contracts with third parties to perform all or part of its functions, and to hire its own employees to do so. The Association shall have the power to obtain appropriate insurance, to create reserves, and to issue rules and regulations.

E. Each Parcel Owner is obligated to pay: (i) regular assessments for normal maintenance and repair and reserves, along with Association insurance and operating costs; (ii) special assessments for capital improvements with such assessments to be established by the Association. The regular and any special assessments, late payment penalties and charges, if any, together with interest, (all as set by the Association) costs and reasonable attorneys fees, shall be a lien on the Parcel. Each Parcel Owner shall be personally responsible for his or her share of assessments imposed by the Association. This personal obligation for assessments shall not pass to the Owner's successor in title, unless expressly assumed by such successor; however, the obligation to pay same shall be a continuing lien on the Parcel, excepting for the provisions of Paragraph 3 L below, relating to mortgages.

F. The Association shall, on an annual basis, make a determination of the estimated costs of the repair and maintenance of the roadways and any other designated common areas as shown on the Result of Survey or otherwise so designated, including any reserves necessary for future capital expenditures and maintenance. Assessments shall be charged to each Owner on a per acre basis, as provided for in Paragraph G below. The assessments may be collected on a monthly, quarterly, or annual basis, or any combination of same as determined by the Association. The Association shall prepare an annual budget, and also an annual accounting of monies received and disbursed.

G. Each Owner shall be responsible to pay the regular assessment commencing on the first day of the month following the

date of recordation of the deed or purchase contract wherein the Owner acquired legal, beneficial, or equitable title to the Parcel. The Declarant shall not be responsible for comparable assessments on each Parcel owned by it. However, Declarant shall be responsible to provide labor, material and/or monies in sufficient amounts, not to exceed the amount of the normal Parcel assessment for each Parcel owned by it, if necessary in Declarant's opinion, to properly fulfill the Association's maintenance responsibilities. Regular assessments shall be set by the Association on an annual calendar year basis. The initial regular assessment per Parcel shall be: Parcels under 50 acres in size \$160 per year; Parcels 50 acres thru 99 acres in size \$180 per year; Parcels of 100 acres in size or larger \$200 per year. Any division of an original Parcel shall be a separate Parcel subject to a separate assessment based on above. The Parcel Owner acquiring his or her interest from Declarant during the calendar year shall be obligated for a pro rata portion thereof. The Association shall fix the amount of the regular assessment at least thirty (30) days prior to the end of the calendar year. Written notice of the assessment shall be sent to every Owner. The payment due date shall be established by the Association.

H. In addition to the regular assessment as set forth above, the Association may set special assessments if the Association determines by two-third's vote that such is necessary to meet the primary purposes of the Association. Any special assessments shall be charged on the same basis per Parcel as regular assessments.

I. All sums assessed by the Association chargeable to a Parcel, but unpaid, shall constitute a lien on such Parcel prior to all other liens excepting only ad valorem liens in favor of a governmental assessing unit or special assessment district. The Association lien may be foreclosed by the Association in a like manner as a foreclosure of a real property deed of trust or mortgage. The Association shall have the power to bid on the delinquent Parcel at a foreclosure sale, and acquire, hold, lease, encumber and convey same. A suit to recover a money judgment for unpaid assessments and charges shall be maintainable by the Association without foreclosing or waiving the lien securing same.

J. The total number of votes in the Association shall be on the basis of one (1) vote per acre, calculated to the nearest whole acre. Provided, the Declarant shall have nine (9) votes for each such acre it owns. Any Parcel which is legally further divided shall, upon any such division, be entitled to one (1) vote for each acre rounded to the nearest whole acre, and shall be subject to a separate comparable per acre assessment for each division. The total number of Parcels and therefore the total number of votes may also be increased from time to time by expansion, pursuant to Section 4 of the project as evidenced by a Supplemental Declaration, incorporating this Declaration, executed and recorded by Declarant or its designee. Unless otherwise

specifically provided herein, all Association matters shall be determined by a majority vote. If more than one party is the Owner of a Parcel, there must be unanimous agreement among those who own an interest in the Parcel as to how to cast that Parcel's vote, otherwise, that vote shall not be counted.

K. The Association shall have the power to adopt Bylaws and to appoint its officers and directors, as well as promulgate reasonable regulations relating to the matters within its purpose.

L. Where the holder of a first mortgage of record, including Declarant, obtains title to the Parcel as a result of foreclosure, or deed in lieu of foreclosure, of said first mortgage, such acquirer of title, its successors and assigns, shall not be liable for the share of the expenses of the assessments by the Association chargeable to such Parcel which became due prior to the acquisition of title to such Parcel by such acquirer. As used in this Declaration, the term "mortgage" shall include "deed of trust" and "agreement for sale" and "mortgagee" shall include the "Beneficiary" under a deed of trust and "vendor" under an agreement for sale. Such acquirer shall be responsible, as any Owner, for assessments charged subsequent to the acquisition. Similarly, if title to any Parcel is reconveyed by Trustee to First Beneficiary as a result of a Forfeiture of otherwise under the aforesaid Trust No. 8494, First Beneficiary shall not be liable for the share of the expenses of the assessments by the Association chargeable to such Parcel which become due prior to or after the acquisition of title to such Parcel by First Beneficiary.

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

#### 4. EXPANSION

Declarant, its successors and designees reserve the right to comparably develop adjacent lands within the Bonito Valley Ranch. Any such expansion to be included within this Declaration shall be subject to the terms and conditions of this Declaration,

but may include reasonable variances. Declarant reserves the right to merge the Association with a property owners association(s) caused to be formed by Declarant as to adjacent lands, not part of Bonito Valley Ranch.

##### 5. GENERAL RESTRICTIONS APPLICABLE TO ALL PARCELS

A. Residential and Recreational Use Only. All Parcels shall be used for residential and recreational hobby ranching purposes only. All installations shall comply with all governmental standards and all appropriate building permits shall be obtained. No commercial business shall be conducted on a Parcel. This restriction shall not prohibit a home office where business is conducted through telephone, computer, or other electronic means and where the business is not apparent from the exterior of the residence; does not create noise or congestion from traffic or parking; and preserves the residential nature of the subdivision.

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

C. No Churches or Clubs. Churches or other institutions organized for religious worship or discussion are prohibited as are buildings used primarily as clubhouses or meeting facilities.

D. Sanitary Facilities. Toilets or other sanitary facilities shall be water-flush devices or other governmentally approved waste water disposal systems located within a residence. Waste water shall be discharged into a county or other appropriate governmental agency approved septic disposal system located on the Parcel.

E. Setbacks. All structures shall be built at a minimum of fifty (50) feet from the front and road boundary and at least fifty (50) feet from either Parcel side boundary. If local governmental regulations provide for more restrictive setbacks, those regulations shall govern. In any event, any construction on a Parcel shall comply with all applicable county building regulations.

F. Easements. No structure, including fencing, shall be constructed on a recorded easement as shown on the survey map, or otherwise, unless the easement in question is one common to two Parcels owned by the same person(s). In that event, fencing or a structure may be constructed on the common easement with the written approval of the Declarant or its successors or designee. Approval shall be conditioned upon the Parcel owner's agreement to provide access to the subject easement whenever requested by

utility companies. Declarant and assigns excepts and reserves to itself an easement, personal and in gross, to Declarant and assigns for public and private ingress and egress and public utilities up to a 50 foot strip around the perimeter of the above described real property and over all roads and trails existing. If Owner elects to change or alter any roads running through Owner's property, and if Owner is legally entitled to do so (Declarant and assigns make no representation as to such legal right), Owner shall at Owner's expense construct a road around the perimeter of Owner's access road which is constructed at Owner's expense and suitable for conventional vehicle to provide for a continuous flow of traffic for public and private ingress and egress.

G. Vehicles. Any motor vehicle under repair or inoperable may not be parked on any roadway or other easement. When parked on a Parcel, such motor vehicles must be hidden by walls, fences, or screens so as to be not visible from roadways or from other Parcels.

H. Livestock. No swine shall be raised, bred or kept on any Parcel. A Parcel may be used for non commercial ranching, including the use and keeping of a reasonable number of horses and cattle, provided the Parcel has been fenced in a manner preapproved by the Association. Under no circumstances shall a stockyard, dairy, riding stable, kennel, or any other commercial activity involving animals be permitted. Declarant and assigns excepts and reserves to itself, its lessees, successors and assigns a permanent easement for grazing horses and other livestock on all of the above described real property, provided that this easement shall not be in effect over any particular part of that real property during any period of time when that particular part is, at the sole expense of Owner, fenced to keep off livestock. All grazing fees received shall be retained by Declarant and assigns, and Owner shall have no right thereto.

I. Nuisance Activities. The unnecessary, prolonged, or indiscriminate creation of noise, including road racing and loud music, dust, fumes, or odors is prohibited. Hunting and the discharge of firearms shall be considered nuisances and are prohibited. Public events are prohibited.

J. Rubbish and Storage. No Parcel shall be used or maintained as a dumping ground for rubbish or as an open storage area.

K. Waiver. The Declarant, its successor or designee shall have the right to allow variances where the strict enforcement of these restrictions would cause undue hardship.

#### 6. GENERAL PROVISIONS

A. Enforcement. The covenants, conditions, and restrictions contained in this Declaration shall run with the land

and shall be binding upon all persons owning, leasing, subleasing or occupying any Parcel, except for those holding a reservation of grazing right under a master agreement, after the date on which this instrument shall have been recorded in the office of the Recorder of Apache County, State of Arizona. This Declaration may be enforced by the Declarant, by any Owner or lessee of any Parcel, by the holder of a Bona Fide First Mortgage on any Parcel, by the Association, by First Beneficiary, or any one or more of said persons acting jointly; provided, however, that any breach by reason thereof shall not defeat or adversely affect the lien of a Bona Fide First Mortgage upon any Parcel, but each and all said covenants, conditions and restrictions shall be binding upon and effective against any Owner, lessee or occupant of said Parcel whose title thereto is acquired by foreclosure, or otherwise, and provided also that the breach of any said covenants, conditions and restrictions may be enjoined, abated or remedied by appropriate proceedings, notwithstanding the lien or existence of any such Bona Fide First Mortgage. All instruments of conveyance or assignment of any interest in all or any part of the Property may refer to this instrument and shall be subject to the covenants, conditions, and restrictions herein contained as fully as though this instrument were therein set forth in full, provided, however, that the terms and conditions of this instrument shall be binding upon all persons affected by its terms, whether express reference is made to this instrument or not. In no event shall any of the covenants, conditions and restrictions contained in this Declaration be enforceable against those holding or reserving any livestock grazing rights, including without limitation the rights of First Beneficiary, Trustee and Declarant in conjunction with the aforesaid Trust No. 8494.

B. Declarant's Reserved Rights.

(i) Nothing herein shall be construed as prohibiting Declarant from maintaining a sales or development office on any parcel or engaging in activities which Declarant deems appropriate to its development or sales program; or ranching activities.

(ii) Declarant shall reserve the right to eliminate the fifty (50) foot perimeter easement as shown on the Result of Survey along the boundary of a Parcel where there is a common ownership of the adjoining Parcel.

(iii) Subject to approval of First Beneficiary Declarant reserves the right to amend this Declaration until such time as ninety percent (90%) of all Parcels, including expansion, have been conveyed by Declarant.

C. Invalidity. Invalidation of any of these covenants, restrictions, reservations, conditions and servitudes by judgment, court order, or otherwise shall in no way affect the validity of



any of the other provisions of this Declaration, all of which shall remain in full force and effect.

D. Amendments. Subject to 6 B above, this Declaration may be amended by instrument executed by the Owners of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the total acreage of the Parcels, and such amendment shall be recorded in the office of the Apache County Recorder.

E. Term. Subject to 6 B above, the covenants, conditions, restrictions and servitudes of this Declaration, as the same may hereafter be amended in accordance with the terms hereof, shall remain in full force and effect for a term of twenty (20) years from and after the date of recording of this Declaration, from which time they shall be automatically renewed and extended for successive periods of ten (10) years each, unless terminated by an instrument executed by the Owners (based on acreage) of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the Parcels, such instrument to be recorded in the office of the Apache County Recorder, and such termination to be effective at any time upon said recording of such instrument.

Executed this 12 day of October 2000.

TRUSTEE

DECLARANT

FIRST AMERICAN TITLE  
INSURANCE COMPANY,  
as Trustee under its  
Trust No. 8494

ST. JOHNS AREA L.L.C.

By: Roderick N. Valt

By: R. D. Schult

STATE OF ARIZONA )

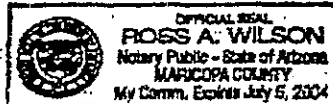
ss.

County of Maricopa )

This instrument was acknowledged before me this 12 day of October, 2000, by Richard D. Schult as Set Mark of St. Johns Area L.L.C.

Notary Public

My Commission Expires:



STATE OF ARIZONA )

) ss.

County of Apache )

This instrument was acknowledged before me this 12 day of October, 2000, by Robert K. Collins, as Trust Officer of First American Title Insurance Company, as Trustee under its Trust No. 8494.

Dennis M. Wright  
Notary Public

My Commission Expires:

