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**DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND EASEMENTS
OF
SKY MOUNTAIN RANCH**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS OF SKY MOUNTAIN RANCH (this "Declaration") is made and executed as of _____, 2006, by SKY MOUNTAIN RANCH, LLC, a New Mexico limited liability corporation (the "Developer"), with its principal office and mailing address at 72703. N. Power Road No. 113-239, Mesa Arizona 85215

RECITALS

WHEREAS, the Developer owns certain real property located in Cibola County, New Mexico, that is more fully described on EXHIBIT A attached hereto (the "Property") and desires to create, establish, maintain and preserve a quality land development project to be known as "Sky Mountain Ranch", which will possess a unique and consistent architectural design concept;

WHEREAS, the Developer desires to impose upon and encumber the Property with those covenants, conditions, restrictions and easements contained herein in order to assure that the Property, or portions thereof that are sold to third parties, are developed and maintained in accordance with a uniform standard;

WHEREAS, the Developer desires to reserve the right to submit in the future additional real property that it owns or may own to the covenants, conditions, restrictions and easements set forth herein, and further desires to reserve unto itself those benefits and rights as are set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the promises and benefits set forth herein, and to provide the means and procedures to achieve them, the Developer hereby subjects the Property to the following covenants, conditions and restrictions, including charges and assessments. Such covenants, conditions and restrictions are hereby granted and imposed for the purpose of protecting the value and desirability of the Property, as a whole, and shall run with

the land and be binding upon, and inure to the benefit of, the Developer and its successors, transferees and assigns and the heirs, personal representatives, successors, transferees and assigns of the Developer's transferees and assigns and all other persons and entities, who or which have, at any time, any right, title or interest in all or any part of the Property including all existing Owners of Lots in the Subdivision and their transferees, assigns, heirs and personal representatives. Each future Owner, by accepting a deed and taking title to a Lot, acknowledges, agrees to and accepts the provisions of this Declaration with respect to such Lot and any Single Family Residence thereon.

ARTICLE 1 DEFINITIONS

When used in this Declaration or in any Supplemental Declaration, the following words shall have the meanings set forth below.

Section 1.01 "Annual Assessment" has the meaning set forth in Section 6.02 hereof.

Section 1.02 "Architectural Review Committee" has the meaning set forth in Section 7.01 hereof.

Section 1.03 "Articles" mean the Articles of Incorporation of the Association, as amended from time to time, that have been filed of record with the New Mexico Secretary of State.

Section 1.04 "Assessments" collectively means the Annual Assessments and Special Assessments levied pursuant to Article 6 hereof along with all other costs, expenses and charges that are properly allocated to any or all Owners pursuant to the provisions of this Declaration or any Supplemental Declaration.

Section 1.05 "Association" means Sky Mountain Ranch Property Owners Association, Inc., a New Mexico mutual benefit nonprofit corporation, and its successors and assigns.

Section 1.06 "Association Documents" means this Declaration, the Articles, the Bylaws, the Initial Rules and Regulations, all Supplemental Declarations and all procedures, rules, regulations and policies adopted under such documents by the Association.

Section 1.07 "Board of Directors" means the governing body of the Association.

Section 1.08 "Bylaws" means the Bylaws adopted by the Association, as amended from time to time, the provisions of which are incorporated herein by this reference.

Section 1.09 "Common Area" means all recreational areas, open or green space areas, entrances, monuments, berms, street islands and other ornamental areas and related utilities, lights, sprinkler systems and landscaping, storm water drainage or detention facilities and improvements and easements therefor, all utility easements and all similar or other places or areas

other than Lots which are owned by the Association or which are identified as Common Areas on any plats filed of record in connection with the development of the Subdivision. All Subdivision plats shall endeavor to clearly illustrate the properties that are expressly identified and designated as Common Areas. The Board of Directors shall have the right to further specify the real and personal property that shall be deemed and considered to constitute Common Areas hereunder.

Section 1.10 "Common Expenses" means all costs and expenses of every nature that are incurred by the Association (a) to administer, service, conserve, manage, maintain, repair, renovate and replace the Common Area and all improvements thereon, (b) to operate recreational and other facilities operated for the general benefit of the Owners, (c) to manage and conduct the affairs of the Association, (d) to repay funds borrowed by the Association, (e) to pay any deficit remaining from a previous assessment period, (f) to create a reasonable contingency or other reserve or surplus fund for maintenance, repairs, and replacement of improvements within the Common Area on a periodic basis, (g) which are expressly declared to be common expenses by this Declaration, any Supplemental Declaration or the Bylaws, or (h) which the Board of Directors determines to be common expenses of the Association, including, without limitation, and as applicable all wages, utility charges, legal, accounting and other fees, taxes, insurance premium and related costs, interest, supplies, parts, and management or service fees associated with all or any aspect of the foregoing.

Section 1.11 "Declaration" means this Declaration of Covenants, Conditions, Restrictions and Easements of Sky Mountain Ranch, as it may be amended or supplemented from time to time.

Section 1.12 "Developer" means SKY MOUNTAIN RANCH, LLC, an Arizona limited liability corporation, and its successors and assigns. The Developer reserves the right to grant Developer status or Successor Developer status to any third party at any time by means of the filing of record of a Supplemental Declaration evidencing said grant.

Section 1.13 "Developer Control Period" means that period of time beginning as of the date of this Declaration and continuing until the earlier of: (i) the date the Developer, in its sole and absolute discretion, terminates in writing the Developer Control Period; or (ii) December 31, 2036.

Section 1.14 "Expansion Property" has the meaning set forth in Section 10.01 hereof.

Section 1.15 "Improvements" has the meaning set forth in Section 7.02 hereof.

Section 1.16 "Initial Rules and Regulations" means those land use restrictions, rules and regulations that the Association may adopt and modify from time to time, the provisions of which are incorporated herein by this reference, that establish certain land use regulations supplemental to those found herein.

Section 1.17 "Lot" means a building lot that is created either by a plat with respect to a Single Family Residence or other permissible Improvement, by replat, lot split certificate of

survey, minor subdivision or otherwise, together with all appurtenances and Improvements now, or in the future, on such Lot.

Section 1.18 "Member" means a member of the Association as set forth in Section 3.01 hereof.

Section 1.19 "Mortgage" means any mortgage, deed of trust, contract for deed or other security document pledging or conveying in trust any Lot or interest therein as security for payment of a debt or obligation.

Section 1.20 "Mortgagee" means any person named as a mortgagee or beneficiary in any Mortgage, or any successor to the interest of any such person under such Mortgage.

Section 1.21 "Owner" means the owner of record, whether one or more persons or entities, of fee simple title to any Lot, including the Developer and the purchaser under a contract for deed. The term shall not include any person or entity having any interest in a Lot merely as security for the performance of an obligation, including a Mortgagee or a trustee or beneficiary under a deed of trust, unless and until such person has acquired fee simple title to the Lot pursuant to foreclosure or other proceedings.

Section 1.22 "Owner's Proportionate Share" means a fraction, the numerator of which is the number of Lots then owned by any individual Owner within the Property, and the denominator of which is the total number of Lots then within the Property, it being noted and understood that the total number of Lots within the Property may increase over time if additional real property is made subject to the provisions of this Declaration.

Section 1.23 "Property" means and refers to the real property on EXHIBIT A attached to this Declaration and also includes all additional property, if any, brought within the jurisdiction of this Declaration by all Supplemental Declarations.

Section 1.24 "Proposed Construction" has the meaning set forth in Section 7.02 hereof.

Section 1.25 "Single Family Residence" means a single-family dwelling constructed on any Lot.

Section 1.26 "Special Assessment" has the meanings set forth in Section 6.04 hereof.

Section 1.27 "Street" shall mean any roadway, street, court, circle, terrace, drive, alley or other right-of-way designated for vehicular traffic shown on any plat of any part of the Property or the Subdivision.

Section 1.28 "Subdivision" means, collectively, the Lots, the Common Areas and all other parts of the Property and may include any portion of the Expansion Property to the extent that said property is subjected to this Declaration by means of the filing of record of a Supplemental Declaration.

Section 1.29 "Subdivision Design Criteria" means that unique design and development concept pursuant to which all Lots and Improvements must comply, which concept will be subsequently designated and identified by the Developer in its sole discretion and which design and concept shall be overseen and administered by the Architectural Review Committee so as to insure that all Improvements are constructed and installed in strict compliance therewith.

Section 1.30 "Successor Developer" means any person or entity to whom the Developer assigns or transfers all, or any part, of its rights, obligations or interests as the developer of the Property, as evidenced by an assignment or deed of record in the Office of the Recorder for Cibola County, New Mexico, designating such person or entity as a Successor Developer.

Section 1.31 "Supplemental Declaration" means an instrument which amends or modifies this Declaration, as more fully provided for herein, including any which includes or adds Expansion Property.

Section 1.32 "Unplatted Land" means that real property that the Developer may own from time to time that has not been subjected to this Declaration by means of the filing of record of a Supplemental Declaration.

ARTICLE 2 PERSONS AND PROPERTY BOUND BY DECLARATION

The covenants, conditions, restrictions, easements, benefits and burdens of this Declaration shall run with the land and shall inure to the benefit of, and be binding upon, the Developer, all Owners of Lots in the Subdivision and all persons or entities who shall hereafter acquire any interest in the Lots or other property within the Subdivision. The Developer and all persons who take any interest in a Lot shall, by taking such interest, be deemed to agree and covenant with all other Owners, the Association and the Developer, and their respective heirs, personal representatives, successors, transferees and assigns, to conform to, and observe, the covenants, conditions and restrictions in this Declaration, all Supplemental Declarations and the other Association Documents for the term hereof.

ARTICLE 3 MEMBERSHIP; VOTING; OPERATIONS

Section 3.01 Membership in the Association. The Owner of each Lot within the Subdivision shall be a Member of the Association. If a Lot is owned by more than one Owner, all Owners of the Lot, collectively, shall be deemed the Member of the Association for such Lot. The Association shall be the sole judge of the qualifications of its Members and of their right to participate in its meetings and proceedings.

Section 3.02 Class of Members. There shall be one class of Association Membership, which shall be comprised of all Owners, and the total number of Members shall be equal to the total number of Lots owned by Owners. The Developer reserves the right to create additional

classes of membership should Expansion Property be sold to third parties for residential, commercial or other non-residential use purposes.

Section 3.03 Meetings. Annual and special meetings of the Members shall be called, held and conducted in the manner provided in the Bylaws or, in the absence of any provision in the Bylaws, as provided by applicable New Mexico law.

Section 3.04 Voting Rights. Except as otherwise provided herein, all Owners shall be entitled to vote on Association matters requiring a vote under this Declaration or as allowed under the Bylaws. If more than one (1) Owner exists for any Lot, the Owners shall designate a single person authorized to cast the subject vote and as they notify the Secretary of the Association in writing. Fractional votes shall not be permitted and there shall be only one (1) vote cast with respect to any Lot.

Section 3.05 Transfer of Membership. Membership is appurtenant to, and may not be separated from, ownership of any Lot. An Owner may not transfer, pledge or alienate membership in the Association in any way except in connection with the sale or encumbrance of the Lot and then only to the purchaser or Mortgagee of the Lot. Upon the sale of a Lot, the membership associated with the Lot shall automatically transfer to the purchaser of the Lot, or the purchaser's Mortgagee if so designated by the purchaser, and the party selling the Lot shall immediately cease being an Association member.

Section 3.06 Developer's Control of Association During the Developer Control Period. Notwithstanding anything in this Article 3 or elsewhere in this Declaration to the contrary, during the Developer Control Period, the Developer shall maintain absolute and exclusive control over the Association and the Architectural Review Committee, including appointment, election and removal of all directors and officers of the Association and all members of the Architectural Review Committee. During the Developer Control Period, only the Developer shall be entitled to cast any votes with respect to the election and removal of Association directors and officers and members of the Architectural Review Committee or any other matters requiring the vote or approval of Members or Owners. The Developer may (but shall not be required to) at any time relinquish all or any part of the Developer's control and rights under this Section 3.08.

ARTICLE 4 POWER AND AUTHORITY; CASUALTY INSURANCE

Section 4.01 General Power and Authority of the Association. Subject to any limitations in applicable laws and regulations and the Articles and Bylaws, the Association has the power and authority to take all action, and to refrain from taking all action, on behalf of the Association, it deems reasonably necessary to protect the rights and to fulfill the obligations of the Association under the terms of this Declaration or as otherwise set forth in the Articles.

Section 4.02 Exercise of Authority. Unless specifically reserved to the Members by this Declaration, the Bylaws, the Articles or applicable law, all powers and authority of the Association shall be exercised by the Board of Directors, acting within its sole discretion. The

Association shall exercise such powers and authority in the discretion of its Board of Directors, unless otherwise specifically required or permitted herein or in the Articles or Bylaws to be exercised by the Members. During the Developer Control Period, the Developer shall possess the sole and exclusive right to unilaterally appoint all members of the Board of Directors of the Association.

Section 4.03 Insurance Requirements Generally. The Association shall annually obtain policies of casualty and liability insurance in amounts and issued by underwriters that the Board of Directors deem reasonable and necessary in its discretion. So long as the Developer owns any Lot, the Developer shall be named as a co-insured on all such policies.

ARTICLE 5 COMMON AREA

Section 5.01 Common Area. The Developer hereby dedicates the Common Area to the Association. The Developer will donate and convey the Common Area to the Association, by special warranty deed, in its present condition at that point in time that the Developer might specify in its discretion. Thereafter, the Developer shall have no further responsibility or obligation of any kind with respect to such Common Area. All Owners shall have the right to use and enjoy the Common Area in a non-discriminatory manner, subject to those usage rules and regulations that the Association might adopt and modify from time to time. The Association reserves the right to improve the Common Areas and construct entry features and other appurtenances thereupon in its sole discretion.

Section 5.02 Maintenance of Common Area. Except as otherwise specifically provided herein, the Association shall manage, operate, replace, repair and improve all Common Area, including all Improvements thereon. Any Owner damaging or abusing the Common Area shall be responsible to the Association for all costs and expenses incurred by it to repair such damage, including full replacement of the damaged property. The Association may, but shall not be required to, maintain, manage, operate, replace, repair and improve all property located within the right-of-way of any Street if the Board of Directors determines, in its sole discretion, that it would be in the best interest of the Association and the Owners that the Association undertake such activities. The Association may contract with a third party to carry out all activities permitted by this Section, and said third party may be the Developer or an affiliate of the Developer.

Section 5.03 Property Rights in the Common Area. Subject to the other provisions hereof, and usage rules promulgated by the Board of Directors, every Member shall have a non-exclusive right and easement of enjoyment in and to the Common Area and such right and easement shall be appurtenant to and shall pass with the title to every Lot.

Section 5.04 Maintenance of the Common Area. The Association shall own, manage, repair, maintain, replace, improve, operate and deal with the Common Area and keep it, and all improvements thereon, in good condition. The cost of performing these duties shall be a Common Expense. The Board of Directors may employ or contract with a third party to render

such services with respect to the Common Area, and said third party may be the Developer or an affiliate of the Developer.

Section 5.05 Insurance. The Association may provide and maintain insurance for the protection, repair and replacement of the Common Area as set forth above.

Section 5.06 No Partition. The Common Area shall be owned by the Association, and no Owner, group of Owners, or the Association shall bring any action for partition or division of the Common Area.

Section 5.07 Streets. All Streets as illustrated on any Subdivision plat shall be used only for their intended purposes as free and clear roadways for ingress and egress purposes and no Owner of any Lot shall block passage, damage or abuse any Street.

ARTICLE 6 ASSESSMENTS, FINES, AND LIEN FEES

Section 6.01 Annual and Special Assessments--Generally. The Association may assess Annual Assessments and Special Assessments against Members owning Lots, and each such Owner, by acceptance of a deed to such Owner's Lot, hereby agrees to pay to the Association all Annual Assessments and Special Assessments. No Assessments shall ever be levied or assessed against any Lots or Unplatted Land owned by the Developer. The Developer is exempt from the payment of any Assessments applicable to any Lots or other property that the Developer owns as of the date hereof, may own in the future, or may subsequently gain title to.

Section 6.02 Determination of Annual Assessments and Special Assessments. Annual Assessments are hereby defined as those Assessments that are imposed and levied by the Board of Directors against each Lot in order to fund the payment of Common Expenses. Annual Assessments shall be determined by the Board of Directors by multiplying the Owner's Proportionate Share by the Common Expenses. Special Assessments are hereby defined as those Assessments that are imposed and levied by the Board of Directors against each Lot in order to fund capital improvements that are not otherwise included in the Common Expenses. The Assessments shall be used for the benefit of the Owners and occupants of the Subdivision as set forth herein. No Assessments of any kind shall be imposed or levied against Unplatted Land included within the Property and no Annual Assessments, Special Assessments or other assessment, levy or contribution demand shall be imposed or levied against any Lots owned by the Developer. As of the date of this Declaration, Annual Assessments have been set and levied at \$25.00 per Lot per month, which sum is subject to increase as provided herein.

Section 6.03 Annual Assessments Payable by All Owners. The Board of Directors, in its sole discretion, shall establish Annual Assessments payable by all Owners (other than the Developer) based upon the estimated Common Expenses for the subsequent fiscal year of the Association. Until modified as provided herein, the Annual Assessments shall be in amounts as determined by the budgets established by the Board of Directors from time to time. The Annual Assessments shall be made by the Board of Directors on or before January 1st of each year and

shall be due and payable on January 31st of each year. The Association reserves the right to provide for period installment payments of Annual Assessments in its discretion. If the Board of Directors fails to timely make any Annual Assessments for any fiscal year, the amount of such Annual Assessments for the year shall automatically be the same as the Annual Assessments for the immediately prior year. During the Developer Control Period, the Board of Directors may increase the Annual Assessments as such Board shall determine appropriate. After the expiration of the Developer Control Period, the Annual Assessments made by the Board of Directors may not exceed (a) one hundred and twenty percent (120%) of the Annual Assessments for the immediately preceding year without the approval of a majority of the Members present at a meeting duly called or (b) one hundred fifty percent (150%) of the Annual Assessments for the immediately preceding year without the approval of sixty-six and 2/3 percent (66 2/3%) of the Members present at a meeting duly called. The Board of Directors may, but shall have no obligation to, make pro rata refunds of any Annual Assessments in excess of the actual Common Expenses incurred in any fiscal year or may hold the same in reserve. The Annual Assessments are payable by all Owners (other than the Developer). If an unimproved Lot is sold by the Developer to a person who is, or by such sale becomes, a Member, at closing the purchaser shall pay the Association the Annual Assessment for the Lot prorated on the number of days remaining in the year during which such purchase occurs less the prorated amount of such Annual Assessment for the Lot while owned by the Developer.

Section 6.04 Special Assessments Payable by All Owners. The Board of Directors may levy in any fiscal year one or more Special Assessments, payable by all Owners (other than the Developer) over any period as it determines, for the purpose of defraying, in whole or in part, the cost of any unexpected repair, renovation or replacement of improvements in the Common Area or for any other expenses incurred by the Association in fulfilling its obligations to all Owners under this Declaration or otherwise imposed upon the Association. In imposing any Special Assessment, the Board of Directors shall specifically refer to this Section 6.04. The Board of Directors shall promptly give the Owners written notice of the amount of all Special Assessments and the time for payment thereof. No payment of all or part of any Special Assessment shall be due less than thirty (30) days after such notice is given.

Section 6.05 Effect of Nonpayment; Liens. Any Annual Assessment or Special Assessment (individually, the "Delinquency" and, collectively, the "Delinquencies") that is not paid within thirty (30) days after its due date as established and specified by the Board of Directors shall be delinquent. Upon a Delinquency becoming delinquent, the Board of Directors, in its sole discretion, may take any or all of the following actions:

- (a) Assess a late charge for each Delinquency in an amount established by the Board of Directors;
- (b) Assess an interest charge from the date of delinquency at the highest interest rate allowed by law, or portion thereof until paid in full, or such other rate as the Board of Directors may establish, but in no event a rate that is usurious under New Mexico law;

- (c) Suspend the voting rights and other privileges of the Owner during any period of a Delinquency;
- (d) Accelerate all remaining Assessment installments so that unpaid Assessments and other Delinquencies shall be immediately due and payable;
- (e) Bring an action at law against any Owner personally obligated to pay the Delinquency;
- (f) File a statement of lien with respect to the Lot; and
- (g) Proceed with foreclosure of liens for the Delinquency.

A Delinquency shall constitute a lien on the Lot, including the Single Family Residence thereon and any other Improvements, and shall attach on the due date for the Assessment. After first giving the applicable Owner of the Lot at least ten (10) days' written notice of the Delinquency and intent to assert a lien, the Association may evidence the lien by filing a certificate of lien with the Circuit Clerk and Ex-Officio Recorder for Cibola County, New Mexico. The certificate of lien, which shall be signed and acknowledged by the President, any Vice President or the Secretary of the Association, or on behalf of the Association by any agent appointed by it, shall, at a minimum, set forth (i) the name and address of the Association, (ii) the amount of the Delinquency, (iii) the amount of accrued interest, penalty and other amounts due, (iv) the name of the Owner of the Lot and (v) the legal description of the Lot. Simultaneously with its filing thereof, the Association shall mail or cause to be mailed a copy of the certificate of lien to the Owner at the address of the Lot or to such other address as the Association has in its files for the Owner. At any time thirty (30) or more days after filing the certificate of lien, the Association may institute foreclosure proceedings against the affected Lot in the manner for foreclosing a deed of trust by private sale on real property under the laws of the State of New Mexico. Each Owner of a Lot by its acceptance of a deed thereto hereby consents to such foreclosure procedure and mechanism. In the event of any such foreclosure, the Owner shall be liable for the amount of all unpaid Delinquencies, all penalties and interest thereon, the cost and expenses of such proceedings, the cost and expenses for filing the notice of the claim and lien and, if allowed by law, all reasonable attorneys' fees and expenses incurred in connection with the enforcement of the lien. The Association shall have the power to bid on a Lot at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. All liens for Delinquencies shall continue for a period of five (5) years from the date of attachment and no longer, unless within such time suit is commenced to collect the Delinquency against persons personally liable for such amount or foreclosure proceedings are instituted. In such cases the lien shall continue until termination of the suit and sale of the Lot upon execution of any judgment obtained or until completion of foreclosure proceedings. The Association may bring suit against the Owner or any successor to recover unpaid Delinquencies any penalties and interest thereon, the cost and expenses of such proceedings and, if allowed by law, all reasonable attorneys' fees and expenses in connection therewith, without foreclosing or waiving the Delinquency lien provided in this Declaration.

Section 6.06 Personal Obligation. The amount of any Delinquency chargeable against any Lot shall be a personal and individual debt of the Owner of the Lot at the time the Assessment became due. No Owner may exempt himself from liability for the Delinquency by abandonment of his Lot or by waiver of the use or enjoyment of all, or any part of, the Common Area. All successors to the fee simple title of a Lot shall be jointly and severally liable for all unpaid Delinquencies, interest, late charges, penalties, costs, expenses, and attorneys' fees against such Lot with the Owner who owned the Lot at the time the unpaid Delinquency first became due. Nothing contained herein shall prejudice any such successor's rights to recover from any prior Owner amounts paid by such successor. The liability of a successor shall not be personal and shall terminate upon termination of such successor's fee simple interest in the Lot.

Section 6.07 Priority of Lien. The lien for Delinquencies provided for in this Declaration shall be subordinate to (a) liens for real estate taxes and special governmental assessments and (b) Mortgages recorded prior to the due date for any such Delinquency. The lien for Delinquencies shall be superior to and prior to any homestead exemption provided now or in the future under the laws of the State of New Mexico which all present and future Owners waive by taking title to Lots. Except as specifically set forth herein or provided by law, no sale or transfer of a Lot shall release it from the lien of any Delinquency. The amount of any extinguished lien for a Delinquency may, at the direction of the Board of Directors, be reallocated and assessed to all Lots as a Common Expense.

Section 6.08 Notification of Association's Address, Owner's Address. The Association shall notify each Owner, at their address listed with the Association, of the Association's address, and all changes thereto, where payments shall be made and other Association business may be conducted. Each Owner shall have the obligation of insuring that their most current mailing address in on-file with the Association for those notification and other purposes set forth herein.

Section 6.09 Pledge of Assessment Rights as Security. The Association shall have the power to pledge the right to exercise its assessment powers and rights as security for any obligations of the Association. Such power shall include the ability to make an assignment of Assessments then payable to, or which will become payable to, the Association, which assignment may be then presently effective but allows such Assessments to continue to be paid to the Association and used by it unless and until the Association shall default on its obligation secured by the assignment.

Section 6.10 Optional Developer Loans to Association. In the event that, at any time or from time to time, the Assessments, are not sufficient for the Association to pay all Common Expenses or otherwise permit the Association to perform its duties and obligations under this Declaration, the Developer may (but shall not be obligated to) make loans or advances to the Association to enable it to meet such deficiency or deficiencies in funding. Any such loan or advance made by the Developer to the Association shall bear simple interest at a per annum rate equal to the maximum rate allowed by New Mexico law. As soon as reasonably practicable, the Board of Directors shall increase the Assessments in amounts sufficient to pay off the principal and interest of such loans or advances made by the Developer to the Association.

ARTICLE 7
ARCHITECTURAL CONTROL AND CONSTRUCTION STANDARDS

Section 7.01 Architectural Review Committee. An Architectural Review Committee, consisting of three (3) or more persons, shall be established to exercise the powers granted by this Article 7. At all times during the Developer Control Period, the Developer shall have the power to appoint all members of the Architectural Review Committee, who shall serve until they resign or are removed by the Developer. Upon the expiration of the Developer Control Period, the Board of Directors shall appoint the members of the Architectural Review Committee who shall serve terms of one (1) year or until their earlier resignation or removal by the Board of Directors. All decisions of the Architectural Review Committee shall be made by a majority of its members.

Section 7.02 Architectural Control. All Owners acknowledge, understand and agree that the Subdivision is being constructed and developed in accordance with a unique design concept that has yet to be fully conceptualized but will be described and illustrated in the Subdivision Design Criteria to be subsequently published by the Developer. The Developer shall have the right to modify and amend the Subdivision Design Criteria at any time until the expiration of the Developer Control Period. By accepting title to any Lot, each Owner agrees to develop and maintain the Owner's Lot and all Improvements thereupon in accordance with the Subdivision Design Criteria, as regulated and monitored by the Architectural Review Committee.

To preserve the harmony of the construction, location and exterior design and appearance of the Lots, the Single Family Residences and other Improvements, and to assure that such development occurs in accordance with the provisions of the Subdivision Design Criteria, (a) all Single Family Residences, buildings, walls, fences, structures and other appurtenances or Improvements of any kind to be constructed or located on any Lot (collectively, the "Improvements"), (b) all additions, changes and alterations to any Improvement which impacts its exterior design or appearance and (c) all changes to the topography of any Lot (collectively, the "Proposed Construction"), shall be approved, in writing, by the Architectural Review Committee before such Proposed Construction is commenced.

The Association shall have the right to seek injunctive or other remedies to halt any Proposed Construction that does not comply with the express provisions of this Article. Except as provided in Section 7.04 hereof, the Architectural Review Committee shall not approve any Proposed Construction which does not fully comply with the requirements hereof or where the exterior design or appearance (including exterior color) of the Proposed Construction is not, in the sole discretion of the Architectural Review Committee, in harmony with the existing Single Family Residences in the Subdivision, the topography and overall design and appearance of the Subdivision, the Developer's intended design and appearance of the Subdivision or otherwise detracts from the design and appearance of the Subdivision in the sole opinion of the Architectural Review Committee.

The Initial Rules and Regulations shall constitute the initial architectural control rules and regulations that pertain to the Subdivision. The Architectural Review Committee shall have the right to modify said rules in their sole discretion, and shall have the right to designate certain of

the Property as Common Area and shall, further, have the right to remove Property from its preexisting designation as Common Area.

Section 7.03 Application for Approval. The Owner shall apply, in writing, to the Architectural Review Committee for approval of all Proposed Construction. The application shall include plans, drawings, specifications and information (including all construction drawings and site plans) showing, as and if applicable, (a) the front, rear and side elevations, (b) proposed grading and drainage from the Lot, (c) floor plan with total square footage, (d) height of all Improvements, (e) exterior materials, (f) method of construction, (g) exterior color scheme, including samples, manufacturers name and product numbers, (h) landscaping and (i) all other information reasonably required by the Architectural Review Committee. The Architectural Review Committee may request additional information from an Owner at any time within thirty (30) days after its last receipt of information from the Owner or his or her representatives. The Architectural Review Committee may establish and publish such other rules and regulations regarding approval of Proposed Construction as the Architectural Review Committee determines are reasonable. If the Architectural Review Committee does not act upon an Owner's application within forty-five (45) days after submission of all information required by the Architectural Review Committee, approval of the Proposed Construction as submitted shall be deemed to have been given and the requirements of this Section 7.03 fully satisfied.

Section 7.04 Modification of Requirements; Appeal of Architectural Review Committee Decision. Except as specifically provided herein to the contrary, by unanimous decision, the Architectural Review Committee may, for good cause shown, waive any of the requirements set forth herein. Any waiver granted shall not be effective and may not be acted upon until eleven (11) days after the date on which the Architectural Review Committee renders its decision. The Owner submitting an application may appeal any decision of the Architectural Review Committee which denies that application for Proposed Construction. An Owner of any Lot may appeal any decision of the Architectural Review Committee which waives any of the requirements set forth herein. All appeals shall be to the full Board of Directors. All appeals to the Board of Directors shall be made in writing and submitted to the Secretary of the Association within ten (10) days after the Architectural Review Committee renders its decision which is the subject of the appeal. If the Board of Directors does not act upon an appeal within seventy-five (75) days of it being timely submitted, the relief requested in the appeal shall be deemed granted. In deciding an appeal, the Board of Directors can take only such actions as the Architectural Review Committee was originally empowered to take. All decisions on appeals shall be made by a majority of the Board of Directors, acting in the sole discretion of the members of the Board, and shall be final and not subject to further appeal, including to the Owners, or subject to judicial review. Pending final decision on appeal, the waiver requested shall be held in abeyance and may not be acted upon.

Section 7.05 Construction Clean-Up. Each Owner agrees that the Owner shall be personally responsible for assuring that all construction is conducted in accordance with those clean-up standards that the Developer or the Architectural Review Committee might develop or promulgate from time to time. Among other things, each Owner agrees that the Owner's construction contractor shall, on a weekly basis, remove all scrap building materials and clean all

streets and roadways caused from construction activities. Each Owner shall additionally be responsible for any damages that the Owner's contractor or subcontractors cause to any Common Areas. Failure of an Owner to promptly reimburse the Association and the Developer for any such damages or expenses shall entitle the Association to levy a special assessment against the Owner's Lot.

ARTICLE 8 USE RESTRICTIONS

Section 8.01 General. Unless the Board of Directors, acting in its sole discretion, unanimously waives the application thereof, the following restrictions are hereby placed on the Property.

Section 8.02 Single Family Residence Use Only. Except as specifically provided herein, only Single Family Residences shall be constructed on Lots and each Single Family Residence shall be used strictly as a family dwelling. No business shall be conducted, or carried on, in or from any Lot, Single Family Residence except: (a) marketing or sales activities by the Developer, or its agents, and builders authorized to have model homes may be conducted from model homes or sales trailers and (b) with the approval of the Architectural Review Committee, conduct of a profession or home business which does not involve: (i) employees working at the Single Family Residence who are not permanently residing therein and (ii) customers regularly visiting to conduct business. Even if the foregoing are satisfied, the Architectural Review Committee may withhold its approval if it determines, in its sole discretion, the commercial activity is not compatible with the Subdivision for any reason, such as, without limitation, a daycare business which is prohibited. Applications for an exemption from the provisions of this section may be submitted to the Architectural Review Committee for review and determination in the sole discretion of the Architectural Review Committee.

Section 8.03 Square Footage. No Single Family Residence shall possess at least 1600 square feet of heated and air conditioned floor space (excluding garage, attic and storage spaces), unless the Architectural Review Committee specifies an alternative maximum square footage.

Section 8.04 Garages. The Architectural Review Committee reserves the right to set construction and architectural standards applicable to garage construction and location, and reserves the right to adopt rules applicable to the use and storage of materials in garages and whether garage doors should be closed during certain periods of time.

Section 8.05 Roofs and Exteriors. The roofs of each Single Family Residence shall be constructed of tile, wood shake shingles or an approved metal roof. All roofing materials must be comprised of those materials, in those colors, that are included in the permissible color pallets as set forth in the Subdivision Design Criteria. The exterior of each Single Family Residence must be constructed of log, log siding, or wood siding as approved by the Architectural Review Committee, or brick and/or stone in those percentages and pursuant to those color pallets and scenarios as set forth in the Subdivision Design Criteria. All windows must be constructed of either wood or aluminum. All color pallets and roofing and exterior materials schemes must be

submitted to the Architectural Review Committee for review and approval prior to the initiation of any construction. The Developer reserves the right to modify and amend the Subdivision Design Criteria at any time.

Section 8.06 Retaining Walls. All retaining walls applicable to, or located adjacent to any Single Family Residence shall be constructed exclusively with either stone, brick matching material or other comparable materials that are identified in the Subdivision Design Criteria and approved by the Architectural Review Committee.

Section 8.07 Set Back Restrictions. Set back restrictions for a Single Family Residence or other allowable structure shall be as set forth in the Subdivision Design Criteria as approved by the Architectural Review Committee or as show on an plat of the Subdivision. Unless otherwise specified on any Subdivision plat or otherwise required by applicable county regulations, the following building set backs shall apply with regard to the construction of all improvements:

- a. 150 feet from the front of any public or private road or Lot boundary line, starting from the edge of road or boundary line.
- b. 120 feet from the side of any public or private road, starting from the edge of road or Lot boundary line, starting from the edge of road or boundary line.
- c. 150 feet from the rear of any public or private road, starting from the edge of road or Lot boundary line, starting from the edge of road or boundary line.

Section 8.08 Fences. All fencing shall be constructed in accordance with the Subdivision Design Criteria and is subject to the review and approval of the Architectural Review Committee, prior to installation.

Section 8.09 Storage of Automobiles, Boats, etc. No automobiles, boats, trailers, campers, recreational vehicles, motorcycles, buses, inoperative vehicles, boat rigging or other similar items shall be parked on any Street, yard area or driveway longer than a forty-eight (48) hour period of time. No eighteen wheel vehicle or other vehicle requiring a commercial drivers license to operate shall be parked on any Street, yard area or driveway except in connection with the delivery of merchandise or materials or in connection with construction activities. No vehicle repair work shall ever be conducted on any Street, yard area or driveway.

Section 8.10 Mailboxes. All Lots shall utilize uniform mailboxes which may be purchased from the Developer or a manufacturer designated by the Developer to insure conformity and uniformity. Each Lot shall possess one mailbox, the location of which shall be specified by the Architectural Review Committee. Mailboxes shall be installed at or prior to the issuance by the applicable governmental regulatory agency of its certificate of occupancy, and all maintenance and repair costs shall be borne exclusively by the corresponding Owner.

Section 8.11 Heating and Cooling Devices. No Single Family Residence shall be permitted to install or possess a heating or cooling unit or devise that is located in a window or other opening that can be viewed from the Street or any adjoining Lot.

Section 8.12 Prohibited Buildings and Structures. Except as provided below, no mobile home or trailer (with or without wheels), basement (without a Single Family Residence above it), moved house, manufactured house, tent, shack, barn, storage shed or other outbuilding or structure shall be constructed or located on any Lot at any time. Other detached structures may be constructed only with the prior approval of the Architectural Review Committee obtained in advance of construction.

Section 8.13 Antennas and Other Projections. No television, radio, citizen's band, short wave or other antenna, satellite dish, flag pole, solar panel, clothes line, pole (exclusive of permitted basketball goals for Single Family Residences only) or other unsightly projection shall be visible from the exterior of any Single Family Residence, including any such item attached thereto or located in a yard or the Common Area. The Architectural Review Committee may, in its sole discretion, approve satellite dishes subject to those screening, location and other requirements that the Architectural Review Committee might propose from time to time.

Section 8.14 Septic Tanks. Only waste disposal systems that have been approved by all applicable health and environmental regulatory agencies shall be allowed.

Section 8.15 Storage Tanks. Storage and propane tanks may be located upon a Lot subject to the application to and approval by the Architectural Review Committee, and the Owner's compliance with those screening wall and other limitations that might be imposed by the Architectural Review Committee in its discretion.

Section 8.16 Refuse. No trash, ashes or other refuse may be thrown, dumped, stored or burned on any Lot or on the Common Area. The storage or burning of trash, garbage, old appliances, junk or other refuse is prohibited on the Property outside of a Single Family Residence, except such items may be set out for collection after 6:00 p.m. on the day before the scheduled collection day. Should any Lot be serviced by an alley, then all refuse receptacles shall be placed in the alley for pick-up, assuming that applicable sanitation services use the alleys for such purposes.

Section 8.17 Signs; Advertising. Except as provided below, no signs, billboards or advertising structures of any kind may be placed on any Lot or in or on any Single Family Residence or be visible from the interior of any Single Family Residence or building on the Lot. Signs advertising the lease or sale of an individual Lot, which do not exceed five (5) square feet in size, may be erected or placed on the Lot being sold or leased. The Developer may erect or place "bill board" type signs related to the Subdivision on any Lot owned by it or on any Common Area.

Section 8.18 Nuisances. No activity shall be carried on in, on or from any Lot, Common Area, or Single Family Residence which is noxious or offensive or an annoyance or nuisance to

the neighborhood. The Owner shall be responsible for all activity carried on in, on or from a Lot, Common Area, or a Single Family Residence whether or not the Owner is involved in, or has knowledge of, such activity.

Section 8.19 Animals. At no time shall pit bulls, animals with vicious propensities by breed, bees, swine, goats, sheep, poultry, other domesticated farm animals, undomesticated (wild) animals, exotic animals or animals requiring special permits from the State of New Mexico or United States of America be kept at any time in any Single Family Residence or on any Lot or the Common Area. Notwithstanding the foregoing, subject to the prior written consent and approval by the Architectural Review Committee, horse corrals, pastures, grazing lands and associated buildings may be constructed and maintained on a Lot so long as they do not encompass more than 60% of the Lot's total square footage, and horses and other animals allowed by applicable county standards and approved by the Architectural Review Committee may be kept and maintained thereon. No more than ten (10) horses may ever be kept on a Lot at any time. The keeping of all animals shall occur consistent with proper sanitary standards that the Architectural Review Committee might specify from time to time.

Section 8.20 Occupancy; Repair. No Single Family Residence shall be occupied until it is fully completed, except for exterior painting and minor trim details. In the event of fire, windstorm or other damage, no Single Family Residence shall be permitted to remain in a damaged condition longer than nine (9) months.

Section 8.21 Storage of Construction Materials. No building material of any kind or character shall be placed or stored on any Lot or the Common Area until the Owner thereof has received required approval from the Architectural Review Committee for the project and is ready to commence construction. All material permitted to be stored on a Lot shall be placed only within the property lines of the Lot or Lots upon which the approved Improvements are to be constructed or on portions of the Common Area approved in advance by the Architectural Review Committee.

Section 8.22 Landscaping Easement. Except as permitted by any plat of the Subdivision and the Architectural Review Committee or elsewhere herein, no Improvement or personal property of any Owner shall be located in any buffer strip shown on any plat affecting the Property or the Common Area.

Section 8.23 Easements. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the plat or plats of the Subdivision or by separate recorded instruments. No structure, except driveways, paved areas and approved fences, may be placed or permitted to remain within any utility easement which interferes with the construction or reconstruction and the proper, safe and continuous maintenance of such utility easement. No structure, planting or other material shall be placed or permitted to remain on any drainage easements which (a) damages or interferes with the installation, use or maintenance of the easement, (b) changes the direction of flow of drainage channels in the easements, (c) obstructs or retards the flow of water through drainage channels or its collection in detention ponds or basins in the easements. There is hereby reserved to the Developer a fifteen (15) foot easement that runs

along each boundary line of every Lot that can be used by the Developer for utility purposes or any other purpose that the Developer might designate in its discretion.

Section 8.24 No Subdividing. No Lot may be subdivided without the prior approval of the Architectural Review Committee and must comply with all other applicable rules and regulations.

Section 8.25 No Mining Activities. No portion of the Property shall be used, at any time, for mining, boring, quarrying, drilling, refining or other operations involving, or related to, the extraction or exploitation of any subsurface natural resource of any kind including oil, gas, coal or other hydrocarbon product. The prohibitions of this Section 8.23 may not, under any circumstances, be waived or amended by the Architectural Review Committee, the Board of Directors, the Owners or Members.

Section 8.26 No Hunting, Firearms or Archery Use Permitted. No hunting or use of firearms, bows, crossbows, arrows or bolts or other archery equipment, spears, blowguns or similar devices shall be permitted or conducted by any Owner, or by any Owner's guests, tenants or invitees, at any time on any Lot or any other portion of the Subdivision or the Property, including the Common Area.

Section 8.27 Common Lighting, Mailboxes. The Architectural Review Committee reserves the right to specify and amend, from time to time, common designs for all exterior lighting, mailboxes and other appurtenances.

Section 8.28 Enforcement by Architectural Review Committee. The Architectural Review Committee and/or the Developer shall have the right to enforce the provisions hereof, and take all steps that they may deem necessary to cure any violations hereof, including the obtaining of injunctive relief to prevent any Owner from violating the provisions hereof and the performing of repair, upkeep and curative work at the cost and expense of the subject Owner. All costs of enforcement, repair, upkeep or other curative work shall become the financial responsibility of the subject Owner and, if not promptly paid by said Owner, said costs will be deemed and considered to constitute a portion of the Assessments. Owners will be assessed a levy of \$40.00 per month per violation of the covenants and restrictions contained herein which, if not paid, shall constitute and comprise a lien against the offending Owner's Lot that is subject to foreclosure.

Section 8.29 Completion of Construction. After a building permit has been issued, a home or other structure must be completed in all phases of construction and become suitable for habitation within 18 months of the initial issuance of said permit.

Section 8.30 Commercial Equipment. No more than 2 pieces of commercial equipment of any kind may be permanently stored on the property. Commercial equipment may not be larger than 25' in length and must be in working condition. Said commercial equipment shall not be visible from the front of the house, street level, and not within 120 feet from any other Lot line.

Section 8.31 Inoperative Vehicles; Travel Trailers. No abandoned or inoperative vehicle

of any type shall be stored or kept on any Lots. No automobiles or other mechanical equipment may be dismantled or allowed to accumulate on any of the Lots. All mechanical equipment must be in operating condition. Travel trailers are allowed on Lots under the following conditions; said trailer must be parked at least 300 feet from the street and trailer may not be permanently stored on the Lot. Travel trailers may not be parked on any Lot for more than 60 consecutive days, and may not exceed more than 90 days in total on any Lot per year. Travel trailers must be maintained in operational condition at all times. Lot owners found in violation of this provision may be fined by the Association and their trailers removed from the premises and the owner's expense.

Section 8.32 Earth Tones Only. All structures shall be painted in earth tones. Colors not allowed are; dark blue, black, bright red or purple.

ARTICLE 9 EXPANSION OR REDUCTION OF PROPERTY

Section 9.01 Reservation of Right to Expand. The Developer reserves the right to submit additional real property to the encumbrances created by this Declaration by means of filing one or more Supplemental Declarations of record in the Office of the Circuit Clerk and Ex-Officio Recorder for Cibola County, New Mexico that, among other things, will expressly identify (a) the real property that the Developer submits hereunder, (b) additional covenants, conditions, easements and restrictions that may pertain uniquely to the expanded property, (c) additional Lots, Common Areas and other specifically identified properties (collectively, the "Expansion Property"). Expansion Property may be added in stages by successive supplements or in one (1) supplemental expansion. The Expansion Property shall be subject to all of the terms and conditions of this Declaration, unless limitations and reservations are expressly provided to the contrary.

Section 9.02 Reservation of Right to Remove. By amendment or supplement to this Declaration, the Developer hereby reserves the absolute right at any time to unilaterally remove from the effect and control of this Declaration any portion of the Property which the Developer has not sold or conveyed, whether platted or unplatted (the "Removed Property"). Any such removal shall be by Supplemental Declaration filed of record in the manner set forth above and shall be effective on the date so filed of record.

ARTICLE 11 DURATION OF DECLARATION; AMENDMENT

Section 10.01 Term. The covenants, conditions, restrictions and easements set forth in this Declaration shall run with and bind the Property until December 31, 2036, after which time they shall be automatically extended for successive periods of ten (10) years each unless terminated at the expiration of any such period by a vote of the Members as set forth in Section 11.03 below.

Section 10.02 Amendment During the Developer Control Period. During the Developer Control Period, the Developer expressly reserves the right to unilaterally modify and amend any of the terms, conditions or provisions of this Declaration at any time and for any purpose upon the filing of record of a Supplemental Declaration that is executed solely by the Developer. Thereafter, the Developer may modify or amend the terms, conditions or provisions of this Declaration at any time so as to resolve any ambiguity that may be contained herein or that might be required to assure comply with rules and regulations that imposed by any national home loan originator or federal, state or local governmental authority.

Section 10.03 Amendment after Developer Control Period. After the Developer Control Period, this Declaration may be amended by a Supplemental Declaration that is signed by the Members holding a majority of votes possible to be cast under this Declaration and the Developer if it then owns any Lots. This Declaration may by additionally amended by a Supplemental Declaration signed by the Members holding at least sixty-six and two-thirds percent (66 2/3%) of the votes possible to be cast under this Declaration. Proper approval of all amendments shall be shown by a certificate of the Secretary of the Association, attached to the Supplemental Declaration to be recorded, certifying that the signature of the Developer or, if required, the signatures of a sufficient number of Members approving the amendment, are on file in the office of the Association. No amendment shall be effective until the Supplemental Declaration setting forth the approved amendment is recorded in the Office of the Circuit Clerk and Ex-Officio Recorder for Cibola County, New Mexico.

Section 10.04 Revocation; Termination. This Declaration shall not be revoked or terminated at any time without the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the votes of the Members possible to be cast under this Declaration and, during the Developer Control Period, the express written approval of the Developer.

ARTICLE 11 GENERAL PROVISIONS

Section 11.01 Enforcement. Except as otherwise provided herein, the Association or the Board of Directors, the Developer and every Owner of a Lot has the right and power to enforce, by a proceeding at law or in equity, all conditions, covenants, restrictions and easements set forth in this Declaration. Failure of the Association or the Board of Directors, the Developer or any Owner to enforce any covenant or restriction contained herein shall not be deemed a waiver of the right to do so at a subsequent time.

Section 11.02 Severability. If any provision of this Declaration, or the application hereof to any circumstance, is held to be invalid or unenforceable to any extent, the remainder of this Declaration and its application to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

Section 11.03 Rule Against Perpetuities. Notwithstanding anything in this Declaration to the contrary, the creation of all interests under this Declaration shall vest, if at all, within the

period of time measured by the life of the survivor of the now living children of Prince Charles, Prince of Wales, plus twenty-one (21) years.

Section 11.04 Conflicts Between Documents. If this Declaration conflicts, in any way, with the Articles or Bylaws, this Declaration shall control.

Section 11.05 Developer's Right to Assign. The Developer may, by appropriate agreement made expressly for that purpose, assign or convey to a Successor Developer all, or any part, of the rights, reservations and privileges herein reserved by the Developer. Upon recording of the assignment in the Office of the Recorder of Cibola County, New Mexico, the Developer's rights and obligations under this Declaration shall cease and terminate to the extent provided in such document. Every Successor Developer shall have the rights of the Developer, including the right to transfer such rights set forth in this Section 11.05.

Section 11.06 Release of Liability. Neither the Developer, the Association, the Board of Directors or the any members of the Architectural Review Committee, nor their respective officers, directors, stockholders, members, employees or agents, shall be liable to any Owner, Member or other person for any discretionary action taken or not taken under the terms hereof including, without limitation, approval, disapproval or failure to approve of any application or enforcement or non-enforcement of the terms hereof.

Section 11.07 Indemnification. To the fullest extent permitted by law, every director and officer of the Association, all members of the Architectural Review Committee and the Developer and its agents and employees (to the extent a claim may be brought against the Developer by reason of its election, appointment, removal or control over directors of the Association Board, its officers or members or the Architectural Review Committee) shall be indemnified by the Association, and every other person serving as an employee or direct agent of the Association or on behalf of the Association as a member of a committee or otherwise, may, in the discretion of the Board of the Association, be indemnified by the Association against all liabilities, damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by or imposed upon him or her in connection with any proceeding or any settlement thereof to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having served in such capacity on behalf of the Association (or, in the case of the Developer, by reason of having elected, appointed, removed or controlled, or failed to control, officers or directors of the Association or members of the Architectural Review Committee) whether or not he or she is a director, an officer or a member of the Architectural Review Committee, or serving in such other specified capacity at the time such expenses are incurred; provided, however, that prior to agreeing to any such indemnification, the Association's Board shall determine, in good faith, that such officer, director, member of the Architectural Review Committee or other person, or the Developer, did not act, fail to act or refuse to act, willfully, or with gross negligence, or with fraudulent or criminal intent, in the performance of his, her or its duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

Section 11.08 Adjoining Properties. Owners understand and acknowledge that certain property adjoining the Subdivision is located within the Cibolla National Forest, and that the federal government reserves the right to convey said property to a third party. Developer provides no assurance as to the use that said third party may make of said property and all Owners accept title subject to whatever subsequent use said property may become subject to. Developer reserves the right to construct a 300 foot undeveloped green belt buffer around said property. Developer also reserves the right to construct an airstrip and certain commercial properties that may be located within or adjacent to the Subdivision. Nothing herein, however, shall obligate Developer to construct such assets and amenities.

IN WITNESS WHEREOF, the Developer has caused this Declaration to be executed by its duly authorized officers as of the day and year first above written.

DEVELOPER:

SKY MOUNTAIN RANCH, LLC

BY: _____
Managing Member

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

ACKNOWLEDGMENT

On this day, before me, a notary public duly commissioned, qualified and acting within and for the said State, personally appeared _____, to me personally well known who acknowledged that he is the managing member of SKY MOUNTAIN RANCH, LLC, and that he, being duly authorized by a resolution of such company so to do, executed the foregoing instrument for the consideration, uses and purposes therein contained and in the capacity therein stated, by signing the name of the company by himself as such officer.

WITNESS my hand and official seal on this _____ day of _____, 2006.

Notary Public

My Commission Expires: _____

LISTING OF EXHIBITS

EXHIBIT A Real Property Legal Description