

appliances, use of gray water, where permitted by applicable law, and landscaping in ways that do not require supplemental irrigation (also known as "xeriscaping"). Owner agrees to enter a Shared Well Agreement and consents to the Shared Well Agreement being recorded against Owner's Lot, and acknowledges and agrees that a well to be drilled by Declarant pursuant to the requirements of this paragraph may be located on the Owner's Lot, provided, however, that Owner's use and enjoyment of the Lot shall not be impaired by the drilling, use, or maintenance of the well. The Association shall (A) be responsible for the cost of routine inspections and maintenance of the well systems, and (B) have the authority to monitor water consumption per Lot. The Association shall have the right to issue rules and regulations limiting water consumption, where the Association deems appropriate.

(viii) Private Wastewater System. Each Owner will be required to purchase and install, at Owner's expense, a specific type of individual wastewater system, as described in the Design Guidelines, to provide sewage service to the Lot. The Association will enter into a service agreement with a certified operator to provide for operation and maintenance for these individual wastewater systems. At the time of installation of the individual wastewater system, Owners will also be required to install a grey water holding tank, which will be installed at Owner's expense. All installation, operation and maintenance expenses for the individual wastewater system and holding tank will be paid for by the Owner. No central wastewater system will be provided. Owners will not be permitted to install an individual septic system on the Lot.

(ix) Standard Mailboxes. The DRB and, during the Development Period, the Declarant, reserve the right to approve and alter the style, design, color and location of mailboxes prior to any original installation or replacement of any mailbox. The Declarant may require, at any time, for all mail to be delivered to a centralized location within the Common Area or the Properties. In such event, mail may no longer be delivered to individual Lots. The type of mailbox mandated may vary from one Village to another or from one Lot to another. Application shall be made to the DRB prior to installation or replacement. By accepting a deed to a Lot, each Owner agrees that the DRB may remove any non-approved mailbox in a reasonable manner; all costs for same shall be paid by Owner of such Lot, and all claims for damages caused by the DRB are waived.

(x) Burning. Owners and Occupants and any agents of an Owner or Occupant, including without limitation any Builder, shall not burn or bury trash, leaves, debris or other materials at any time, except for outdoor fires burned in contained fireplaces and fire pits with screened flues. During periods of elevated wildfire risks, the Association may ban all outdoor fires. Wildfire management techniques shall be employed on each Lot including use of low combustion construction materials, creation of defensible space around structures, and cleaning of deadfall and other organic fuel sources.

(xi) Service Areas. Every Lot shall contain at least one service area and all garbage cans and trash containers, utility meters, air conditioning and other equipment, lawn care equipment, and other materials shall be contained within such service areas; provided however, no such requirement shall apply to any Lot until such time as a dwelling has been constructed on the Lot. Each service area shall be screened so as to be concealed from view of neighboring streets and property in accordance with the Design Guidelines. All rubbish, trash, and garbage shall be regularly removed and shall not be allowed to accumulate. There shall be no dumping of grass clippings, leaves or other debris; rubbish, trash or garbage; petroleum products, fertilizers, or other potentially hazardous or toxic substances into any drainage ditch, recreational amenity, or stream within the Properties, except that fertilizers may be applied to landscaping on Lots provided care is taken to minimize runoff.

9.6 Construction Period. After commencement of construction on the Lot, each Owner shall diligently continue construction to complete such construction in a timely manner. Pursuant to the

Design Guidelines, if an Owner chooses to construct a guest house on the Lot prior to constructing the main dwelling, the Owner must complete the construction of the guest house within eighteen (18) months of commencement of construction. Following completion of construction of the guest house, construction for the main dwelling must commence within three (3) years from guest house completion. Owners must complete construction of a main dwelling on the Lot (whether constructed as the first dwelling on the Lot or constructed following completion of a guest house) within twenty-four (24) months of commencement of its construction. Any period may be extended by the DRB in its sole discretion upon the demonstration of extenuating circumstances by the Owner or Builder. All other construction shall be completed within the time limits established by the DRB at the time that the DRB approves the construction project. The Association may utilize any means of enforcement set forth in Section 4.3 of this Declaration to enforce the terms of this Section 9.6, including, without limitation, the imposition of fines.

For the purposes of this Declaration, commencement of construction shall mean that (a) all plans for such construction have been approved by the DRB; (b) a building permit has been issued for the construction of the structure upon the Lot by both the controlling governmental authority and the DRB; and (c) construction of a structure has physically commenced beyond site preparation. Completion of a structure shall mean that a certificate of occupancy has been issued for a dwelling on the Lot by the controlling governmental authority.

9.7 No Waiver of Future Approvals. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

9.8 Variance. The DRB may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with rules and regulations adopted by the DRB. Such variances may be granted, however, only when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) prevent the DRB from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

9.9 Limitation of Liability. The standards and procedures established pursuant to this Article are intended to provide a mechanism for maintaining and enhancing the overall aesthetics of the Properties only, and shall not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only, and the Declarant, the Association, the Board, and the DRB shall not bear any responsibility for ensuring (i) the structural integrity or soundness of approved construction or modifications; (ii) the adequacy of soils or drainage; (iii) compliance with building codes and other governmental requirements; or (iv) that all dwellings are of comparable quality, value or size, of similar design, or aesthetically pleasing or otherwise acceptable to neighboring property owners. The Declarant, the Association, the Board, the DRB or any committee, or any member of any of the foregoing shall not be held liable for any injury, damages or loss arising out of the manner or quality of approved construction or modifications to any Lot. In all matters, each of the foregoing parties shall be defended and indemnified by the Association as provided in Section 4.6.

9.10 Enforcement. The Declarant, any member of the DRB or the Board, or the representatives of each shall have the right, during reasonable hours and after reasonable notice, to enter upon and inspect any Lot to ascertain whether any structure or improvement is in violation of this Article. Any structure, improvement or landscaping placed or made in violation of this Article shall be deemed to be nonconforming. Upon written notice from the DRB, an Owner shall, at Owner's cost and expense,

cure any violation or nonconformity or remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore the property as required, any authorized agent of Declarant, the DRB, or the Board shall have the right, without the obligation, to enter the property, cure or remove the violation, and restore the property to substantially the same condition as previously existed. Entry for such purposes and in compliance with this Section shall not constitute a trespass. In addition, the Board may enforce the decisions of the Declarant and the DRB by any means of enforcement described in Section 4.3. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Specific Assessment pursuant to Section 8.6.

Unless otherwise specified in writing by the DRB, all approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. If, after commencement, any Person fails to diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with the By-Laws, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Specific Assessment pursuant to Section 8.6.

The Association, the Declarant, the DRB, and their members, officers or directors shall not be held liable to any Person for exercising the rights granted by this Article. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article or the Design Guidelines may be excluded by the DRB from the Properties, subject to the notice and hearing procedures contained in the By-Laws.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the DRB.

ARTICLE 10: USE RESTRICTIONS

10.1 General. This Article sets out certain use restrictions which must be complied with by all Owners and Occupants of any Lot. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, model homes, sales offices for Declarant and/or Builders, an information center and/or a sales office for any real estate broker retained by the Declarant to assist in the sale of property described on Exhibits "A" or "B," offices for any property manager retained by the Association, business offices for the Declarant, the Association or any Private Amenities consistent with this Declaration, any Supplemental Declaration, and the Code.

10.2 Rules and Regulations. In addition to the use restrictions set forth in this Article, the Board may, from time to time, without consent of the Members, promulgate, modify, or delete reasonable rules and regulations applicable to the Properties. The Association Rules are examples of such rules and regulations. The Association Rules shall be distributed to all Owners, Occupants and Members prior to the date that such rules and regulations are to become effective and shall thereafter be binding upon all Owners, Occupants, Members and their invitees, licensees and guests, until and unless overruled, canceled, or modified in a regular or special meeting by Members holding a Majority of the combined total of Class "A" votes in the Association, and, during the Development Period, the written consent of the Declarant.

10.3 Occupants Bound. All provisions of the Declaration, By-Laws, the Association Rules, and Design Guidelines governing the conduct of Owners and Members and establishing sanctions against

Owners and Members shall also apply to all Occupants and guests of Members of the Association, even though Occupants and guests are not specifically mentioned.

10.4 Leasing. Lots may be leased for residential purposes only. All leases for Lots (and any future dwellings thereon) within the real property described on Exhibit "A" shall require a minimum lease term of ninety (90) days. Minimum lease terms may be imposed upon Additional Property that Declarant submits to this Declaration pursuant to the terms of a Supplemental Declaration. All leases shall require that the tenant acknowledge receipt of a copy of the Governing Documents, and the lease shall obligate the tenant to comply with the Governing Documents. The Board may require notice of any lease together with delivery to the Board of a copy of the lease and such additional information deemed necessary by the Board.

10.5 Residential Use. Lots may be used only for residential purposes of a single family and for ancillary business or home office uses. A business or home office use shall be considered ancillary so long as: (a) the existence or operation of the activity is not apparent or detectable by sight, sound, or smell from outside the Lot; (b) the activity conforms to all zoning requirements for the Properties; (c) the activity does not involve regular visitation of the Lot by clients, customers, suppliers, or other invitees or door-to-door solicitation of residents of the Properties; (d) the activity does not increase traffic or include frequent deliveries within the Properties; and (e) the activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

No other business, trade, or similar activity shall be conducted upon a Lot without the prior written consent of the Board. The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full-time or part-time; (b) such activity is intended to or does generate a profit; or (c) a license is required.

The leasing of a Lot shall not be considered a business or trade within the meaning of this Section. No garage sale, yard sale, moving sale, rummage sale, auction or similar activity shall be conducted upon a Lot without the prior written consent of the Board and compliance with the Association Rules. This Section shall not apply to any activity conducted by the Declarant or a Builder approved by the Declarant with respect to its development and sale of the Properties or its use of any Lots which it owns within the Properties, including for the operation of a timeshare, a fractional ownership interest program, a private residence Association or similar program.

10.6 Occupancy of Unfinished Dwellings. No dwelling erected upon any Lot shall be occupied in any manner before commencement of construction or while in the course of construction, nor at any time prior to the dwelling being fully completed.

10.7 Vehicles. All vehicles shall be subject to the Association Rules. Any vehicle parked in violation of the Association Rules may be towed in accordance with the Governing Documents.

10.8 Private Streets. The Private Streets shall be subject to the provisions of this Declaration regarding use of Common Area. Additionally, Owners of Lots and other permitted users of the Private Streets pursuant to Section 2.3 shall be obligated to refrain from any actions which would deter from or

interfere with the use and enjoyment of the Private Streets by other authorized users of the Private Streets. Prohibited activities shall include without limitation obstruction of any of the Private Streets.

10.9 Common Areas, and Other Amenity Areas. Owners as well as their invitees and guests shall refrain from any actions which deter from the enjoyment by other Owners, Declarant, and invitees and guests of areas within the Properties designated as Common Area, including, without limitation, pedestrian and equestrian pathways/trails and greenspace areas. Owners shall also be responsible to ensure that their pets do not cause such distractions. The Owners shall be solely responsible for the actions of their invitees, guests, pets and for the actions of the pets of the invitees and guests of the Owners.

Invitees and guests of Owners must be accompanied by an Owner, or a member of an Owner's immediate family while present on the Common Areas. In addition, no Person shall, by virtue of this Declaration, have any right to prune or otherwise alter any landscaping located on the Common Area. The Board may promulgate additional rules and restrictions for the use of the Common Area as part of the Association Rules.

There shall be no obstruction of the Common Area, nor shall anything be kept, parked or stored on any part of the Common Area without the prior written consent of the Association. With the prior written approval of the Board of Directors, and subject to any restrictions imposed by the Board, an Owner or Member may reserve portions of the Common Area for use for a period of time as set by the Board. Any Person who reserves a portion of the Common Area as provided herein shall assume, on behalf of such Person and guests, Occupants and family of the Person, all risks associated with the use of the Common Area and all liability for any damage or injury to any person or object as a result of such use. The Association shall not be liable for any damage or injury resulting from such use unless such damage or injury is caused solely by the willful acts or gross negligence of the Association, its agents or employees.

10.10 Animals and Pets.

(a) Animals and Pets in General. No animals, livestock or poultry of any kind may be raised, bred, kept, or permitted on any Lot with the exception of dogs, cats or other usual and common household pets, in reasonable number, pursuant to the terms of the Association Rules. Certain types or breeds of pets may be excluded from the Properties as determined by the Board.

(b) Rules Applicable to Animals. No animals shall be kept, bred or maintained on the Lots for commercial purposes. All permitted animals and pets shall be reasonably controlled by the Owner whenever outside a Lot and shall be kept in such a manner as to not become a nuisance by barking or other acts. The Owner of the Lot, keeping the pet shall be responsible for all of the pet's actions and shall keep their pets from entering onto any portion of the Common Area, except in compliance with the Association Rules and with conditions established by the Association. If, in the sole opinion of the Board, any animal has the potential to become dangerous or becomes dangerous or an annoyance or nuisance to the Properties or to nearby property or destructive of wildlife, such animal shall be removed from the Properties at the expense of the Owner of the Lot where the animal was kept. By way of explanation and not limitation, this Section may be enforced by exercising self-help rights provided in Section 4.3. This provision and this Declaration shall not be construed to interfere with or contravene any provision under the Americans with Disabilities Act or any similar applicable federal, state or local law, ordinance or regulation. Service animals in active use shall be permitted on all portions of the Properties.

10.11 Nuisance. It shall be the responsibility of each Owner and Occupant to prevent the development of any unclean, unhealthy, unsightly, or unkempt condition on his or her property. No

property within the Properties shall be used, in whole or in part, for the storage of any property or item that will cause such Lot to appear to be in an unclean or untidy condition or that will be obnoxious to the eye, ear or nose; nor shall any substance, thing, or material be kept that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might, in the sole discretion of the Board, disturb the peace, quiet, safety, comfort, or serenity of the Occupants of surrounding property.

No noxious or offensive activity shall be carried on within the Properties, nor shall anything be done tending to cause embarrassment, discomfort, annoyance, or nuisance to any Person using any property within the Properties. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes or as approved by the DRB, shall be located, installed or maintained upon the exterior of any Lot unless required by law. Any siren or device for security purposes shall contain a device or system which causes it to shut off automatically within a reasonable time after being activated. The Board reserves the right, without the obligation, to establish reasonable rules and to impose reasonable fines upon Owners if such devices are activated in cases where no crime, fire or other such emergency has occurred.

The reasonable and normal development, construction and sales activities conducted or permitted by the Declarant shall not be considered a nuisance or a disturbance of the quiet enjoyment of any Owner, Member, or Occupant.

10.12 Storage of Materials, Garbage, and Dumping. All garbage cans shall be located or screened so as to be concealed from view of neighboring streets and property. All rubbish, trash, and garbage shall be kept in wildlife resistant containers that are regularly emptied such that rubbish, trash, and garbage shall not be allowed to accumulate. The Association may contract with a third-party to collect the garbage and assess the costs of such collection to each Owner as a Common Expense. There shall be no dumping of grass clippings, leaves or other debris; rubbish, trash or garbage; petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch or stream within the Properties or on any Common Area, except that fertilizers may be applied to landscaping on Lots provided care is taken to minimize runoff.

Each Owner shall maintain the Lot in a neat and orderly condition during initial construction of a residential dwelling on the Lot and not allow trash or debris from construction activities to be carried by the wind or otherwise scattered within the Properties. Storage of construction materials on the Lot shall be subject to such conditions, rules, and regulations as may be set forth in the Design Guidelines. Each Owner shall keep roadways, easements, swales, and other portions of the Properties clear of silt, construction materials and trash from its activities at all times. Trash and debris during initial construction of a residential dwelling shall be contained in standard size dumpsters or other appropriate receptacles and removed regularly from Lots and shall not be buried or covered on the Lot. Any Lot on which construction is in progress may be policed by the Association prior to each weekend, and during the weekend and other Days when construction has ceased all materials shall be neatly stacked or placed and any trash or waste materials shall be removed. In addition, Owners shall remove trash and debris from the Lot upon reasonable notice by Declarant in preparation for special events.

10.13 Combustible Liquid. There shall be no storage of gasoline, kerosene, propane, heating or other fuels, except for a reasonable amount of fuel that may be stored in containers appropriate for such purpose on each Lot for emergency purposes and for the operation of lawn mowers, grills, and similar tools or equipment and except as may be approved in writing by the DRB. The Association shall be

permitted to store fuel for operation of carts, maintenance vehicles, generators and similar equipment consistent with operation of the recreational amenities.

10.14 Firearms. The discharge of firearms on the Lots is prohibited. The term "firearms" includes, without limitation, "B-B" guns, pellet guns, and firearms of all types. The Board may impose fines and exercise other enforcement remedies as set forth in this Declaration, but shall have no obligation to exercise self-help to prevent or stop any such discharge. Notwithstanding the foregoing, this provision shall not apply to the discharge of any firearm on or within the Common Areas, any recreational amenity, or within other areas within or adjacent to the Properties intended for such purpose, provided that such use is in compliance with the Association Rules.

10.15 Subdivision of Lot. After a subdivision plat including a Lot has been approved and filed in the Public Records, no Owner other than the Declarant shall subdivide or change boundary lines to any Lot without the Declarant's prior written consent. In addition, no home shall be subdivided or partitioned to create housing for more than a single family. Declarant, however, hereby expressly reserves the right to replat any Lot or Lots which it owns. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations, if any.

10.16 Sight Distance at Intersections. All property located at street intersections or driveways shall be landscaped, improved and maintained so as to permit safe sight across such areas. No fence, wall, hedge or shrub shall be placed or permitted to remain where it would cause a traffic or sight problem.

10.17 Drainage and Grading.

(a) Catch basins and drainage areas are for the purpose of natural flow of water only. No improvements, obstructions or debris shall be placed in these areas. No Owner or Occupant may obstruct or rechannel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains.

(b) Each Owner shall be responsible for maintaining all drainage areas located on its Lot. Required maintenance shall include, but not be limited to, maintaining ground cover in drainage areas and removing any accumulated debris from catch basins and drainage areas.

(c) Each Owner shall be responsible for controlling the natural and man-made water flow from the Lot. No Owner shall be entitled to overburden the drainage areas or drainage system within any portion of the Properties with excessive water flow from the Lot. Owners shall be responsible for all remedial acts necessary to cure any unreasonable drainage flows from Lots. Neither the Association nor the Declarant shall bear any responsibility for remedial actions to any Lot.

(d) Use of any areas designated as "drainage easement areas" on any recorded subdivision plat of the Properties, shall be subject to strict prohibitions against encroachment of structures into, over or across the drainage easement areas, and the right of the Declarant to enter upon and maintain the drainage easement areas. Such maintenance activities may include disturbance of landscaping pursuant to the terms contained in any declaration of easements, notwithstanding approval of the landscaping as set forth in Article 9.

(e) No Person shall alter the grading of any Lot without prior approval pursuant to Article 9 of this Declaration. The Declarant hereby reserves for itself and the Association a perpetual easement across the Properties for the purpose of altering drainage and water flow. The exercise of such

an easement shall not materially diminish the value of or unreasonably interfere with the use of any Lot without the Owner's consent.

(f) All Persons shall comply with: (i) any and all applicable erosion control ordinances and regulations in construction of improvements on any Lot and in conducting any activity within non-disturbance buffer zones; and (ii) any and all applicable state or county ground disturbance laws.

10.18 Streams. No streams which run across any Lot may be dammed, or the water therefrom impounded, diverted, or used for any purpose without the prior written consent of the Board, except that the Declarant shall have such rights as provided in Article 11.

10.19 Wetlands. All areas designated on any recorded subdivision plat as "wetlands" shall be generally left in a natural state, and any proposed alteration of the wetlands must be in accordance with any restrictions or covenants recorded against such property and be approved by the United States Army Corps of Engineers (COE) or any other applicable governmental authority. Prior to any proposed alteration of a Lot, the Owner shall determine if any portion thereof lies within the COE-approved wetland boundary. All proposed fill and/or excavation within delineated wetlands on an Owner's Lot will require compensatory mitigation prior to gaining permit approval and will need to be accomplished in accordance with the wetland mitigation plan for the Properties approved by the COE or such other applicable governmental authority.

10.20 Timesharing. No Lot shall be made subject to or be operated as a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among participants in the program on a fixed or floating time schedule over a period of years; provided however, the Declarant may exempt certain Villages from this prohibition and by Supplemental Declaration create a timesharing, fraction-sharing, or similar program and supplement, create exceptions to, or modify the terms of this Declaration as it applies to such Villages in order to reflect the different character and intended use of such property.

10.21 Conservation Area. All portions of the Properties designated on a recorded subdivision plat as a Conservation Area shall be generally left in their natural state, and any proposed alteration of a Conservation Area, including the removal of fallen limbs, dead trees or other natural debris, [except as necessary to reduce the risk of wildfires, pursuant to Section 9.5(b)(x)] shall require the written consent of the DRB, and so long as the Declarant owns any property which is subject to this Declaration, or has the unilateral right to subject any Additional Property to this Declaration pursuant to the terms of Article 7, the written consent of the Declarant. The designation of a portion of the Properties as Conservation Area has no bearing upon whether such area is subject to a conservation easement.

10.22 Conservation Trust and Potential Conservation Easements. All portions of the Properties and/or any real property adjacent to the Properties that are subject to a conservation easement may be conveyed to or controlled by a Conservation Trust and shall be subject to restrictions that are imposed by the instruments creating such conservation easements or by the Declarant. No Lot will be made subject to a conservation easement without both the Declarant's and the Owner's prior written consent. The terms of the conservation easement and/or any Supplemental Declaration may obligate the Association to maintain the real property subject to the conservation easement ("conservation easement property"), including, without limitation, trails, picnic tables, sheds, and other items that may be constructed or situated upon the conservation easement property located within or adjacent to the Properties; however, such conservation easement property shall not be Common Area. All rights to use the conservation easement property, if any, shall be determined by the terms and conditions of the conservation easement and not by the terms and conditions of this Declaration.

ARTICLE 11: EASEMENTS

Declarant reserves, creates, establishes, promulgates, and declares the non-exclusive, perpetual easements set forth herein for the enjoyment of the Declarant, the Association, the Members, the Owners, and their successors-in-title.

11.1 Easements of Encroachment. Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, reciprocal, appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between adjacent Lots, between each Lot and any adjacent Common Area, due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three (3) feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.2 Easements for Utilities, Etc.

(a) Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, reciprocal, appurtenant easements, for itself during the Development Period, for the Association, and the designees of each (which may include, without limitation, any governmental or quasi-governmental entity and any utility company) perpetual non-exclusive easements upon, across, over, and under all of the Properties (but not through a structure, existing or proposed) to the extent reasonably necessary for the purpose of installing, constructing, monitoring, replacing, repairing, maintaining, operating and removing cable, digital or similar television systems, master television antenna systems, and other devices for sending or receiving data and/or other electronic signals; security and similar systems; roads, walkways, pathways and trails; wetlands, irrigation, and drainage systems; street lights and signage; and all utilities that may serve the properties, including, but not limited to, shared wells, individual wastewater systems, telephone, electricity systems, and utility meters; and an easement for access of vehicular and pedestrian traffic over, across, and through the Properties, as necessary, to exercise the easements described above.

Declarant shall have the right, without the obligation, to assign to the local water supplier, individual wastewater system service provider, electric company, telephone company, internet service provider or cable service provider the easements set forth herein across the Properties for ingress, egress, installation, reading, replacing, repairing, and maintaining utility lines, meters and boxes, as applicable.

(b) Declarant reserves, creates, establishes, promulgates and declares for itself during the Development Period and its designees non-exclusive, perpetual, reciprocal, appurtenant easements, and the non-exclusive right and power to grant such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described on Exhibits "A" or "B."

(c) Any damage to a Lot resulting from the exercise of the easements described in subsections (a) and (b) of this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement. Nothing contained herein shall obligate the Declarant, the Association or the Board to pursue legal recourse against any Person damaging a Lot or any portion thereof as a result of the exercise of this easement. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfere with the use of any Lot, and except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or Occupant.

(d) Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, appurtenant easement, for itself, the Association and affected Owners and their respective representatives, successors, heirs and assigns, contractors and agents, access over, across, under and through each Lot burdened or to be burdened by a Shared Well Agreement for the purposes of installation, maintenance and repair.

(e) Declarant reserves unto itself the right, in the exercise of its sole discretion, upon the request of any Person holding, or intending to hold, an interest in the Properties, or at any other time, (i) to release all or any portion of the Properties from the burden, effect, and encumbrance of any of the easements granted or reserved under this Section, or (ii) to define the limits of any such easements.

11.3 Easement for Slope Control, Drainage and Waterway Maintenance. Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, appurtenant easements, for itself and the Association, and their respective representatives, successors and assigns, contractors and agents, over, across, under, through and upon each Lot for the purposes of:

(a) controlling soil erosion, including grading and planting with vegetation any areas of any Lot which are or may be subject to soil erosion;

(b) drainage of natural or man-made water flow and water areas from any portion of the Properties;

(c) changing, modifying or altering the natural flow of water, water courses or waterways on or adjacent to any Lot or Common Area;

(d) dredging, enlarging, reducing or maintaining any water areas or waterways within the Properties; and

(e) installing such pipes, lines, conduits or other equipment as may be necessary for slope control, drainage and waterway maintenance of any portion of the Properties.

11.4 Easements to Serve Additional Property. The Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, appurtenant easements for itself and its duly authorized successors and assigns, including without limitation, successors-in-title, agents, representatives, and employees, successors, assigns, licensees, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the Additional Property, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads, for the posting of signs, and for connecting and installing utilities serving the Additional Property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of the Additional Property.

11.5 Easement for Entry. Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, appurtenant easements for the Association to enter upon any Lot for emergency, security, and safety reasons. Such right may be exercised by any member of the Board, the Association's officers, committee members, agents, employees and managers of the Association, and by all police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to the Owner. This easement includes the right to enter any Lot to cure any condition which may increase the possibility of fire, slope erosion, immediate risk of personal injury, or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but shall not authorize

entry into any dwelling without permission of the Owner, except by emergency personnel acting in their official capacities. Entry under this Section shall not constitute a trespass.

11.6 Easements for Maintenance and Enforcement.

(a) Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, appurtenant rights and easements for the Association to enter all portions of the Properties, including each Lot but excluding the interior of any residential dwelling, to (i) perform its maintenance responsibilities under Article 5, and (ii) make inspections to ensure compliance with the Governing Documents. Except in emergencies, entry onto a Lot shall be only during reasonable hours. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any damage shall be repaired by the Association at its expense.

(b) The Association may also enter a Lot, excluding the interior of any residential dwelling, to abate or remove, using such measures as may be reasonably necessary, any structure, item or condition which violates the Governing Documents. All costs incurred, including reasonable attorneys and other legal fees, may be assessed against the Owner of the Lot as a Specific Assessment.

(c) Entry under this Section shall not constitute a trespass, and prior notice to the Owner shall not be required except as provided in Section 5.2.

11.7 Easement for Trail Access and Private Streets. Declarant hereby reserves for itself, its successors, assigns, designees, and licensees, including, without limitation, Owners, Members, the Association, and owners of adjoining or nearby property, if so provided by a written easement agreement, a perpetual, non-exclusive easement over and across any areas designated as "walking trails," "equestrian trails," "trail easements," "paths," or by any similar name, on any recorded subdivision plat of the Properties, including, without limitation, those "trail easements" that cross certain Lots as depicted on the recorded subdivision plat. Use of such trails or paths shall be governed by the Association Rules. Additionally, Declarant hereby reserves for itself, its successors, assigns, designees, and licensees, including, without limitation, Owners, Members and the Association, a perpetual, non-exclusive easement over and across the Private Streets contained within the Properties.

11.8 Access Easements. Declarant reserves, creates, establishes, promulgates and declares for itself and for Owners and Members and the Association, a perpetual, non-exclusive easement over and across all those certain means of access that Declarant obtained rights to upon its acquisition of the real property comprising Canyon Ridge. These access easements include access to and from Canyon Ridge from both Buckman Road and New Mexico State Highway 512. These access easements shall include, without limitation, the following easements recorded in the Public Records: (a) Buckman Road Access and Utility Easement recorded in Book 530, Page 8893, and (b) 512 Access and Utility Easement recorded in Book 530, Page 8894. From time to time, the owner of the land on which these access easements exist may dedicate the right-of-way to Rio Arriba County, New Mexico, or the State of New Mexico.

Certain maintenance, insurance, and indemnity requirements exist for some of the access easements referred to in this Section 11.8. Notwithstanding any provision contained herein or in the Disclosure Statement or this Declaration, Declarant shall have the right to assign to the Association the rights and obligations under the access easements referred to in this Section 11.8. In such event, the Association shall be required to assume such obligations, and the costs of complying with such obligations shall be the responsibility of the Association, with costs expended assessed against the Owners pursuant to the terms of this Declaration. Upon such assignment and assumption, Declarant shall

be released from any and all liability or obligation pursuant to each access easement agreement that is assigned.

11.9 Lateral Support. Declarant reserves, creates, establishes, promulgates and declares non-exclusive, perpetual, reciprocal, appurtenant easements over every portion of the Common Area, every Lot, and any improvement which contributes to the lateral support of another portion of the Common Area or of another Lot for lateral support, and each shall also have the right to lateral support which shall be appurtenant to and pass with title to such property.

11.10 Easement for Special Events. Declarant reserves, creates, establishes, promulgates and declares for itself, its successors, assigns and designees a perpetual, non-exclusive appurtenant easement over the Properties for the purpose of conducting or allowing its designees to conduct educational, cultural, entertainment, promotional or sporting events, and other activities of general community interest at such locations and times as Declarant, in its sole discretion, deems appropriate. Each Owner, by accepting a deed or other instrument conveying any interest in a Lot, acknowledges and agrees that the exercise of this easement may result in a temporary increase in traffic, noise, gathering of crowds, and related inconveniences, and each Owner agrees on behalf of itself and the Occupants of its Lot to take no action, legal or otherwise, which would interfere with the exercise of such easement or to recover damages for or as the result of any such activities.

11.11 Rights to Stormwater Runoff, Effluent and Water Reclamation. To the extent that the Declarant has any water rights for the Properties, Declarant hereby reserves for itself and its designees, all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Properties, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain any such rights. Such right shall include an easement over the Properties for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff and effluent.

11.12 Liability for Use of Easements. No Owner shall have a claim or cause of action against the Declarant, the Association, their successors or assigns, arising out of the exercise or non-exercise of any easement reserved hereunder or shown on any recorded subdivision plat for the Properties, except in cases of willful or wanton misconduct.

ARTICLE 12: MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Lots in the Properties. The provisions of this Article apply to both this Declaration and to the By-Laws, notwithstanding any other provisions contained therein.

12.1 Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of sixty (60) Days, or any other violation of the Declaration or By-Laws relating to such Lot or the Owner or Occupant which is not cured within sixty (60) Days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders pursuant to applicable Federal Home Loan Mortgage Corporation or Federal National Mortgage Association requirements, in which event, the consent of such specified percentage of Eligible Holders to such action shall be required.

12.2 Prior Written Approval of First Mortgagees Except as provided by statute in case of condemnation or substantial loss to the Lots or the Common Areas or as provided in this Declaration or the Code, unless at least two-thirds (2/3) of all first Mortgagees (based upon one vote for each first Mortgage owned) or Owners (other than the Declarant or a Builder) of the Lots have given their prior written approval, the Association shall not be entitled to:

(i) By act or omission, seek to abandon or terminate this Declaration;

(ii) Subdivide any Lot without the consent of the Owners thereof. Any subdivision of a Lot shall be subject to such limitations and prohibitions as may be set forth in Section 10.15 of this Declaration or as provided under New Mexico law; or

(iii) Use hazard insurance proceeds for losses to any of the Common Area for any purpose other than the repair, replacement or reconstruction of such Common Area.

12.3 No Priority. No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

12.4 Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

12.5 Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within sixty (60) Days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

12.6 Mortgagee Protection. No breach of this Declaration, nor the enforcement of any provisions relating to the creation or enforcement of any lien, as provided herein, shall defeat or render invalid the lien of any Mortgage made in good faith and for value, but all such conditions and restrictions contained in this Declaration shall be binding on and effective against any such Mortgagee or holder in possession of any Lot, or any Owner whose title is derived through judicial or non-judicial foreclosure or deed in lieu of foreclosure.

12.7 Construction of Article 12. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, By-Laws, or New Mexico law for any of the acts set out in this Article.

ARTICLE 13: DECLARANT'S RIGHTS

13.1 Transfer or Assignment. Any or all of the special rights and obligations of the Declarant set forth in the Governing Documents may be transferred or assigned in whole or in part to the

Association or to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that which the Declarant has under this Declaration or the By-Laws. Upon any such transfer, the Declarant shall be automatically released from any and all liability arising with respect to such transferred rights and obligations. No such transfer or assignment shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the Public Records.

13.2 Development and Sales. The Declarant and Builders authorized by Declarant may maintain and carry on the Properties such activities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the development of the Properties, any Private Amenity, and/or the construction or sale of Lots, such as sales activities, tournaments, charitable events, and promotional events, and restrict Owners and Members from using all or any portion of the Common Areas during such activities. Such activities shall be conducted in a manner to minimize (to the extent reasonably possible) any substantial interference with the Owners' and Members' use and enjoyment of the Common Areas. In the event that any such activity necessitates exclusion of Owners or Members from Common Areas, such activities shall not exceed seven (7) consecutive Days. The Declarant and authorized Builders shall have easements over the Properties for access, ingress and conducting such activities.

In addition, the Declarant and Builders authorized by Declarant may establish within the Properties, including any clubhouse or lodge, such facilities as, in the sole opinion of the Declarant, may be reasonably required, convenient, or incidental to the development of the Properties and/or the construction or sale of Lots, including, but not limited to, business offices, signs, model units, tents, sales offices, sales centers and related parking facilities. During the Development Period, Owners and Members may be excluded from use of all or a portion of such facilities in the Declarant's sole discretion. The Declarant and authorized Builders shall have easements over the Properties for access, ingress, and egress and use of such facilities.

Declarant may permit the use of any facilities situated on the Common Area by Persons other than Owners and Members without the payment of any use fees. These Persons may include, without limitation, prospective purchasers of Lots at the Properties, persons involved in special events, persons involved in group outings and employees and agents of the Declarant, entities affiliated with the Declarant, or the Association. The Declarant reserves the right at any time to hold promotional and other special events, including tournaments and group outings, and to promote Canyon Ridge or any other developments controlled by the Declarant or Declarant-Related Entities. Additionally, Declarant may reserve use of any facilities situated on the Common Area by Persons other than Owners and Members.

13.3 Improvements to Common Areas. The Declarant and its employees, agents and designees shall also have a right and easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as the Declarant deems appropriate in its sole discretion.

13.4 Additional Covenants. No Person shall record any declaration of covenants, conditions and restrictions, declaration of condominium, easements, or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed by the Declarant and recorded in the Public Records. No such instrument recorded by any Person, other than the Declarant pursuant to Section 7.4, may conflict with the Declaration, By-Laws or Articles.

13.5 Right of the Declarant to Disapprove Actions. Until two (2) years following the termination of the Development Period, the Declarant shall have the right to disapprove any action, policy

or program of the Association, the Board and any committee which, in the sole judgment of the Declarant, would tend to impair rights of the Declarant or Builders under the Governing Documents, or interfere with development of, construction on, or marketing of any portion of the Properties, or diminish the level of services being provided by the Association. This right to disapprove shall be in addition to, and not in lieu of, any right to approve or disapprove specific actions of the Association, the Board or any committee as may be granted to the Declarant in the Governing Documents and is more particularly set forth as follows:

(a) The Declarant shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address the Declarant has registered with the secretary of the Association, which notice complies with the By-Laws and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at such meeting. The Declarant may waive its right to receive notice in the same manner as provided in the By-Laws.

(b) The Declarant shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Declarant, acting through any authorized representative, may exercise its right to disapprove at any time within ten (10) Days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) Days following receipt of written notice of the proposed action. No action, policy or program shall be effective or implemented if the Declarant exercises its right to disapprove. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, or the Board or the Association. The Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

13.6 Amendments. Notwithstanding any contrary provision of this Declaration, no amendment to or modification of the Association Rules or Design Guidelines shall be effective without prior notice to and the written consent of the Declarant, during the Development Period. This Article may not be amended without the written consent of the Declarant. The rights contained in this Article shall terminate upon the earlier of (a) twenty (20) years from the date this Declaration is recorded, or (b) upon recording by Declarant of a written statement that all sales activity has ceased.

ARTICLE 14: GENERAL PROVISIONS

14.1 Duration

(a) Unless terminated as provided in Section 14.1(b), the provisions of this Declaration shall run with, bind the Properties and remain in effect perpetually to the extent permitted by law; provided, however, so long as New Mexico law limits the period during which covenants restricting lands to certain uses may run, any provisions of this Declaration affected thereby shall run with and bind

the land for so long as permitted by New Mexico law. To the extent that New Mexico law limits the period during which covenants may run with the land, then to the extent consistent with such law, this Declaration shall automatically be extended at the expiration of such period for successive periods of twenty (20) years each. Notwithstanding the above, if any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

(b) Unless otherwise provided by New Mexico law, this Declaration may be terminated within the first twenty (20) years after the date of recording by an instrument signed by Owners of at least ninety percent (90%) of the total Lots within the Properties, which instrument is recorded in the Public Records; provided however, regardless of the provisions of New Mexico law, this Declaration may not be terminated during the Development Period without the prior written consent of the Declarant. After twenty (20) years from the date of recording, this Declaration may be terminated only by an instrument signed by Owners owning at least fifty-one percent (51%) of the Lots and constituting at least fifty-one percent (51%) of the total number of Owners, and by the Declarant, if the Declarant owns any portion of the Properties, which instrument complies with the requirements of and is recorded in the Public Records. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement. Unless this Declaration is terminated pursuant to this Section, the Association shall rerecord this Declaration or other notice of its terms at intervals necessary under New Mexico law to preserve its effect.

14.2 Amendment

(a) By Declarant. Until termination of the Class "B" membership, Declarant may, to the extent permitted by law, unilaterally amend this Declaration for any purpose. In addition, after the termination of the Class "B" membership, but during the Development Period, Declarant may unilaterally amend this Declaration for any purpose, provided the amendment has no material adverse effect upon any right of any Owner. Thereafter, the Declarant may unilaterally amend this Declaration at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Lots; (iv) to satisfy the requirements of any local, state or federal governmental agency; or (v) to correct any scrivener's error. However, any such amendment shall not materially adversely affect the title to any Lot unless the Owner shall consent in writing.

(b) By Members. Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members holding sixty-seven percent (67%) of the total Class "A" votes in the Association, and, during the Development Period, the written consent of the Declarant.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date. Any amendment to the Declaration shall become effective upon recordation in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six (6) months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a

change of conditions or circumstances operate to amend any provisions of this Declaration. No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant, the Class "B" Member, or the assignee of such right or privilege.

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

14.3 Severability. Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or applications.

14.4 Fair Housing Amendments Act. The provisions of the Governing Documents shall be subordinate to the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3601, et seq., (hereinafter referred to as "FHAA"), and shall be applied so as to comply with the FHAA. In the event that there is a conflict between or among the Governing Documents and the FHAA, the FHAA shall prevail. Notwithstanding anything to the contrary contained herein, in the event that any provision of this Declaration conflicts with the FHAA, the Board of Directors, without the consent of the Members or of the Declarant, shall have the unilateral right to amend this Declaration for the purpose of bringing this Declaration into compliance with the FHAA. Furthermore, notwithstanding Section 2.4 hereof, the Board shall have the unilateral right to assign portions of the Common Area as Exclusive Common Area or to reassign Common Area previously assigned as Exclusive Common Area to one or more Lots to one or more Owner(s) or Occupant(s) should such action be required in order to make a reasonable accommodation under the FHAA.

14.5 Dispute Resolution. It is the intent of the Association and the Declarant to encourage the amicable resolution of disputes involving the Properties and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, the Association, the Declarant and each Owner and Member covenants and agrees that it shall attempt to resolve all claims, grievances or disputes involving the Properties, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Governing Documents through alternative dispute resolution methods, such as mediation and arbitration. To foster the amicable resolution of disputes, the Board may adopt alternative dispute resolution procedures. Participation in alternative dispute resolution procedures shall be voluntary and confidential. Should either party conclude that such discussions have become unproductive or unwarranted, then the parties may proceed with litigation.

14.6 Litigation. Except as provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by Members holding eighty percent (80%) of the Class "A" votes in the Association. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of the Governing Documents (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article 8; (c) proceedings involving challenges to ad valorem taxation; (d) counter-claims brought by the Association in proceedings instituted against the Association; (e) actions brought by the Association against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or (f) actions brought by the Association during such period when the Class "B" Member is in control of the Association. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

14.7 Non-Merger. Notwithstanding the fact that Declarant is the current owner of the Properties, it is the express intention of Declarant that the easements established in the Declaration for the

benefit of the Properties and Owners shall not merge into the fee simple estate of individual lots conveyed by Declarant or its successor, but that the estates of the Declarant and individual lot owners shall remain as separate and distinct estates. Any conveyance of all or a portion of the Properties shall be subject to the terms and provisions of this Declaration, regardless of whether the instrument of conveyance refers to this Declaration.

14.8 Grants. The parties hereby declare that this Declaration, and the easements created herein shall be and constitute covenants running with the fee simple estate of the Properties. The grants and reservations of easements in this Declaration are independent of any covenants and contractual agreements undertaken by the parties in this Declaration and a breach by either party of any such covenants or contractual agreements shall not cause or result in a forfeiture or reversion of the easements granted or reserved in this Declaration.

14.9 Cumulative Effect; Conflict. The provisions of this Declaration shall be cumulative with any additional recorded covenants, restrictions, and declarations applicable to any Village, and the Association may, but shall not be required to, enforce the covenants, restrictions and declarations applicable to any Village; provided however, in the event of a conflict between or among this Declaration and such covenants, restrictions or declarations, and/or the provisions of any articles of incorporation, by-laws, rules and regulations, policies, or practices adopted or carried out pursuant thereto, this Declaration, the By-Laws, Articles, and use restrictions and Association Rules shall prevail over those of any Village. The foregoing priorities shall apply, but not be limited to, the lien for assessments created in favor of the Association. Nothing in this Section shall preclude any Supplemental Declaration or other recorded covenants, restrictions and declarations applicable to any portion of the Properties from containing additional covenants, restrictions or provisions which are more restrictive than the provisions of this Declaration, and the Association shall have the standing and authority to enforce the same.

14.10 Use of the "Canyon Ridge" Name and Logo. No Person shall use the words "Canyon Ridge," or the logo for any of the same or any derivative in any printed or promotional material without the Declarant's prior written consent, which may be withheld at Declarant's sole discretion. However, Owners may use the words "Canyon Ridge" in printed or promotional matter where such terms are used solely to specify that particular property is located within Canyon Ridge, and the Association and any other community association located within Canyon Ridge, and the Declarant shall each be entitled to use the words "Canyon Ridge" in their names.

14.11 Compliance. Every Owner and Occupant of any Lot shall comply with the Governing Documents. Failure to comply shall be grounds for an action by the Association, the Declarant, or by any aggrieved Owner(s) to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, in addition to those enforcement powers granted to the Association in Section 4.3.

14.12 Notice of Sale or Transfer of Title. Any Owner desiring to sell or otherwise transfer title to a Lot shall give the Board at least seven (7) Days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. After the transfer of title, the transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

14.13 Exhibits. Exhibits "A," and "B," are attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by the provisions of Section 14.2. Exhibit "C" is attached for informational purposes and may be amended as provided therein.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 2nd day of April, 2008.

RARE EARTH NEW MEXICO, LLC,
a North Carolina limited liability company

By: Global Development Resources, Inc., a
North Carolina corporation, its sole managing
member

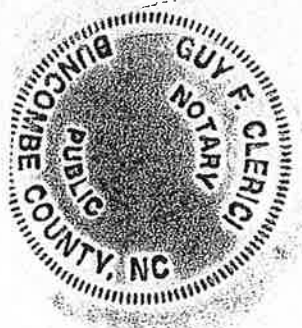
By: *Kent E. Smith*
Name: Kent E. Smith
Title: CEO

STATE OF North Carolina
COUNTY OF Buncombe

This instrument was acknowledged before me this 2nd day of April, 2008, by Kent E. Smith, Chief Executive Officer of Global Development Resources, Inc., a North Carolina corporation, sole managing member of Rare Earth New Mexico, LLC, a North Carolina limited liability company.

Guy F. Clerici
Notary Public Guy F. Clerici

My Commission Expires: 12-20-09



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EXHIBIT "A"

Land Initially Submitted

All that tract and parcel of land, together with the improvements and appurtenances belonging thereto, lying and being in Rio Arriba County, New Mexico and shown as Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, and 24; Common Areas 1, 2, and 3; and those portions of Canyon Ridge Road, Ledge Rock Trail, Elk Rim Trail, and Buckman Road shown thereon, all as depicted upon that certain plat entitled "Plat of Summary Review Division of 802.92 acres for Rare Earth New Mexico, LLC 'Canyon Ridge Tract - 1,'" recorded on January 24, 2008, in Book L1, page 105, Rio Arriba County, New Mexico County Clerk.

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EXHIBIT "B"

Additional Property

All those tracts or parcels of land lying and being within five (5) miles of the boundaries of the real property described on Exhibit "A".

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EXHIBIT "C"

**BY-LAWS
OF
CANYON RIDGE HOMEOWNERS' ASSOCIATION**

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BY-LAWS
OF
CANYON RIDGE HOMEOWNERS' ASSOCIATION

ARTICLE 1: NAME, PRINCIPAL OFFICE, AND DEFINITIONS

1.1 Name. The name of the corporation is Canyon Ridge Homeowners' Association (the "Association"), a New Mexico nonprofit corporation.

1.2 Principal Office. The principal office of the Association shall be located in Rio Arriba County, New Mexico. The Association may have such other offices, either within or outside the State of New Mexico, as the Board of Directors may determine or as the affairs of the Association may require.

1.3 Definitions. The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions and Restrictions for Canyon Ridge to be filed in the Public Records, as it may be amended (the "Declaration"), unless the context indicates otherwise.

ARTICLE 2: ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM, VOTING, PROXIES

2.1 Membership. The Association shall have two (2) classes of membership, Class "A," and Class "B," as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference. The Declarant may establish additional classes of membership as set forth in the Declaration.

2.2 Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate, either within the Properties or as convenient as is possible and practical to the Properties. Meetings may be held by means of telephone conference, video conference or similar communications equipment, by means of which all persons participating in the meeting can converse with each other. Participation by one of these methods shall constitute presence in person at such meeting.

2.3 Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one (1) year from the January 16, 2008, date of incorporation of the Association. Meetings shall be of the Members. Subsequent regular meetings shall be held annually on a date and at a time set by the Board.

2.4 Special Meetings. The president may call special meetings. In addition, it shall be the duty of the president to call a special meeting within thirty (30) Days if so directed by resolution of the Board or upon a petition signed by Members holding at least twenty percent (20%) of the Class "A" votes in the Association or upon written request of the Declarant.

2.5 Notice of Meetings. Written notice stating the purpose of the meeting, place, date, and time of any meeting of the Members shall be delivered to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (60) Days before the date of such meeting, by or at the direction of the president or the secretary or the officers or persons calling the meeting. Notice shall be provided as set forth in Section 6.5 of these By-Laws.

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In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice unless by consent of the Members, either in person or by proxy, present at the special meeting that hold at least fifty-one percent (51%) of the Class "A" votes in the Association.

2.6 Waiver of Notice. Waiver of notice of a meeting of the Association shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting shall be deemed a waiver of any objection as to notice of the time, date, and place thereof, unless a specific objection as to the lack of proper notice is given at the time the meeting is called to order. Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, Members or their proxies holding a Majority of the votes represented at such meeting may adjourn the meeting to a time not less than seven (7) nor more than twenty (20) Days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not set by those in attendance at the original meeting or if for any reason a new date is set for reconvening the meeting after adjournment, notice for reconvening the meeting shall be given to Members in the manner prescribed in Section 2.5.

2.8 Voting. The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference. The Board may adopt policies and procedures regarding the methods of casting votes, such as written ballots, secret ballots or computer access.

2.9 List for Voting. After setting a record date for notice of a meeting, the Board shall prepare an alphabetical list of the names of the Members entitled to notice of such meeting. The list shall show the address of the Member and the number of votes each is entitled to vote at the meeting. The list for voting shall be made available for inspection in accordance with New Mexico law.

2.10 Proxies. At all meetings of the Members, each Member may cast its votes in person (if a corporation, partnership, limited liability company, or trust, through any officer, director, partner, member, manager or fiduciary duly authorized to act on behalf of the Member) or by proxy, subject to the limitations of New Mexico law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws. Every proxy shall be in writing specifying the Lot(s) for which it is given, signed by the Member or such Member's duly authorized attorney-in-fact, dated, and filed with the secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two (2) or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Lot for which it was given, or upon receipt of notice by the secretary of the death or judicially declared incompetence of a Member who is a natural person, or of written revocation to the secretary of the Association, or eleven (11) months from the date of the proxy, unless a shorter period is specified in the proxy.

2.11 Quorum. The presence, in person or by proxy, of twenty percent (30%) of the Class "A" votes entitled to be cast shall constitute a quorum at all meetings.

If a quorum is present at a duly called or held meeting, business may be continued until adjournment, notwithstanding the withdrawal of Members leaving less than a quorum, provided that any action taken is approved by at least a Majority of the votes required to constitute a quorum.

2.12 Conduct of Meetings. The president shall preside over all meetings of the Association, and the secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.13 Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Association may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by all Members entitled to vote on such matter. Such consents shall be signed within sixty (60) Days after receipt of the earliest dated consent, dated and delivered to the Association at its principal place of business in the State of New Mexico. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Members at a meeting. Within ten (10) Days after receiving authorization for any action by written consent, the secretary shall give written notice to all Members summarizing the material features of the authorized action.

ARTICLE 3: BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. Composition and Selection.

3.1 Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) equal vote. Except with respect to directors appointed by the Class "B" Member or serving as a representative of the Declarant, the directors shall be eligible Members or residents; provided, however, no Owner and resident representing the same Lot may serve on the Board at the same time. No Owner or resident shall be eligible to serve as a director if any assessment for such Owner's or resident's Lot is delinquent. A "resident" for the purposes of these By-Laws shall mean any natural person eighteen (18) years of age or older whose principal place of residence is a Lot within the Properties. In the case of a Member that is not a natural person, any officer, director, partner, member, manager, employee, or fiduciary of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member, provided that no Member may have more than one (1) such representative on the Board at a time, except in the case of directors appointed by or serving as representatives of the Class "B" Member or the Declarant.

3.2 Number of Directors. The Board shall consist of three (3) to five (5) directors, as provided in Sections 3.3 and 3.5 below; provided however, the Board may, by resolution, increase or decrease the number of directors at any time. The initial Board shall consist of three (3) directors appointed by the Class "B" Member as provided in Section 3.3 and shall increase as provided in Section 3.5.

3.3 Directors During Class "B" Membership. For so long as the Class "B" membership exists, the directors shall be selected by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member. Directors appointed by or serving as representatives of the Class "B" Member or the Declarant shall not be subject to the qualifications for directors set forth in Section 3.1.

3.4 Nomination and Election Procedures.

(a) Nomination of Directors. The Board may establish a nominating committee consisting of a chairperson, who shall be a member of the Board, and three (3) or more Members or representatives of

Members. If established, the nominating committee shall be appointed by the Board not less than thirty (30) Days prior to each election. Members of the nominating committee, if established, shall serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at the election. A nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled as provided in Section 3.5 below.

Nominations shall also be permitted from the floor at a meeting of the Association. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes. Directors appointed by or serving as representatives of the Class "B" Member or the Declarant shall not be subject to these nomination requirements.

(b) Election Procedures. Each Member may cast the vote(s) assigned to his or her Lot(s) for each position to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5 Election and Term of Office. Notwithstanding any other provision of these By-Laws:

Not later than the first annual meeting of the Association occurring after the termination of the Class "B" membership, or whenever the Class "B" Member earlier determines, the directors appointed by the Declarant shall resign, the Board shall be increased to five (5) directors, and the Association shall hold an election at which the Class "A" Members shall be entitled to elect all of the directors. Three (3) directors shall serve a term of two (2) years, and two (2) directors shall serve a term of one (1) year, as such directors determine among themselves.

Upon the expiration of the term of office of each director elected by the Class "A" Members, the Class "A" Members shall elect a successor to serve a term of two (2) years. The directors elected by the Class "A" Members shall hold office until their respective successors have been elected.

3.6 Removal of Directors and Vacancies. Any director elected by the Class "A" Members may be removed, with or without cause, by Members representing a Majority of the Class "A" votes in the Association, but shall not be subject to removal solely by the Class "B" Member. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class "A" Members to fill the vacancy for the remainder of the term of such director.

Any director elected by the Class "A" Members who has three (3) or more consecutive unexcused absences from Board meetings, or who is more than thirty (30) Days delinquent (or is the resident of a Lot that is delinquent or is an officer, director, partner, member, employee, or trust officer of a Member who is delinquent) in the payment of any assessment or other charge due the Association, may be removed by a Majority of the directors, and the Board may appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members may elect a successor for the remainder of the term.

In the event of the death, disability, or resignation of an elected director or the adoption of a Board resolution increasing the number of directors, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class "A" Members may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by the Class "B" Member nor to any director serving as a representative of the Declarant. The Class "B" Member or the Declarant shall be entitled to

appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member or the Declarant.

B. Meetings.

3.7 Organizational Meetings. Within thirty (30) Days after the election or appointment of new directors, the Board shall hold an organizational meeting at such time and place as the Board shall set.

3.8 Regular Meetings. Regular meetings of the Board may be held at such time and place as a Majority of the directors shall determine, but at least one such meeting shall be held during each year.

3.9 Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the president or by any two (2) directors.

3.10 Notice. Notice of a regular meeting shall be communicated to directors not less than three (3) Days prior to the meeting. Notice of a special meeting shall be communicated to directors not less than seventy-two (72) hours prior to the meeting. No notice need be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. The notice shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. Notices shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; (d) telecopier transmission to the director's home or office, with confirmation of receipt by the receiving telecopier; (e) telegram, charges prepaid; (f) overnight or same day delivery, charges prepaid; or (g) electronic mail or e-mail using Internet accessible equipment and services if the director has consented in writing to such method of delivery and has provided the Board with an electronic mail or e-mail address. All such notices shall be given at the director's telephone or telecopier number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deemed communicated when deposited into a United States mailbox. Notices given by personal, overnight or courier delivery, telephone, telecopier, telegraph, electronic mail, or e-mail shall be deemed communicated when delivered, telephoned, telecopied, electronically mailed, e-mailed, or given to the telegraph company.

3.11 Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.12 Participation in Meetings. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of telephone conference, video conference or similar communications equipment, by means of which all persons participating in the meeting can converse with each other. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

3.13 Quorum of Board of Directors. At all meetings of the Board, a Majority of the directors shall constitute a quorum for the transaction of business, and the votes of a Majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. unless

otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a Majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a Majority of the directors present at such meeting may adjourn the meeting to a time not less than four (4) nor more than twenty (20) Days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.14 Compensation. Directors shall not receive any compensation from the Association for acting as such unless approved by Members holding a Majority of the Class "A" votes in the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a Majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a Majority of the Board of Directors, excluding the interested director.

3.15 Conduct of Meetings. The president shall preside over all meetings of the Board, and the secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings. In the case of a tie vote on a motion or resolution before the Board, the motion or resolution is considered lost.

3.16 Open Meetings. Subject to the provisions of Sections 3.12 and 3.17, all meetings of the Board shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation unless permission to speak is requested on an attendee's behalf by a director. In such case, the president may limit the time any individual may speak. Notwithstanding the above, the president may adjourn any meeting of the Board, reconvene in executive session, and exclude Persons other than directors, to discuss matters of a sensitive nature, including but not limited to, pending or threatened litigation and personnel matters.

3.17 Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.18 Powers. The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done all acts and things which the Governing Documents or New Mexico law do not direct to be done and exercised exclusively by the membership generally.

3.19 Duties. The duties of the Board shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget establishing the General Assessments and any Village Assessments;

(b) levying and collecting such assessments from the Members of the Association;

- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
- (d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Association in a bank depository which it shall approve and using such funds to operate the Association, provided that any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;
- (f) making and amending the Association Rules in accordance with the Declaration;
- (g) opening of bank accounts on behalf of the Association and designating the signatories required;
- (h) contracting for repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;
- (i) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Association in accordance with the Governing Documents;
- (j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying the costs of all services rendered to the Association;
- (l) keeping books with detailed accounts of the receipts and expenditures of the Association;
- (m) making available to all Members, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties, provided that such use does not unreasonably interfere with the intended use of the affected portion of the Common Area; and
- (o) indemnifying a director, officer, or committee member of the Association, the Declarant, or a DRB member, or a former director, officer, DRB member, or committee member to the extent such indemnity is required or permitted under New Mexico law or the Governing Documents.

3.20 Management. The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority. The Declarant or an affiliate of the Declarant may be employed as managing agent or manager.

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The Board may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.21 Accounts and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) cash or accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any item of value received shall benefit the Association;
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board; and
- (f) an annual financial report shall be made available to all Members within one hundred twenty (120) Days after the close of the fiscal year. Such annual report may be prepared on an audited, reviewed or compiled basis, as the Board determines.

3.22 Borrowing. The Association shall have the power to borrow money for any legal purpose; provided however, if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous twelve (12) month period, exceeds or would exceed ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year, the Board shall obtain the approval of Class "A" Members holding at least sixty-seven percent (67%) of the total votes allocated to Lots prior to borrowing such money.

3.23 Right to Contract. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Village and other owners or residents associations, within and outside the Properties.

3.24 Enforcement.

(a) Notice. Prior to imposition of any sanction requiring compliance with these procedures as set forth in the Declaration, the Board or its delegate shall serve the alleged violator with written notice including (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a statement that the alleged violator may present a written request for a hearing to the Board within fifteen (15) Days of the notice; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received within fifteen (15) Days of the notice. If a timely request is not received, the sanction stated in the notice shall be imposed; provided however, the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the fifteen (15) Day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. In the event of a continuing violation, each day the violation

continues beyond the fifteen (15) Day period shall constitute a separate offense, and fines may be imposed on a per diem basis without further notice to the violator. In the event of a violation which recurs within one (1) year from the date of any notice hereunder, the Board may impose a sanction without further notice to the violator. The Board may adopt a schedule of sanctions for violations of the Governing Documents.

(b) Hearing. If a hearing is requested within the allotted fifteen (15) Day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or delegate who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction imposed, if any.

ARTICLE 4: OFFICERS

4.1 Officers. The officers of the Association shall be a president and secretary. The president shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more vice presidents, one or more assistant secretaries, a treasurer and one or more assistant treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two (2) or more offices may be held by the same person, except the offices of president and secretary.

4.2 Election and Term of Office. The Board shall elect the officers of the Association at the first meeting of the Board following each election of new directors. Such officers shall serve until their successors are elected.

4.3 Removal and Vacancies. The Board may remove any officer at any time in its sole discretion with or without cause and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise for the unexpired portion of the term.

4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board of Directors through subsequent Board resolution or an amendment to these By-Laws. The president shall be the chief executive officer of the Association. The treasurer, or in the absence of such treasurer, the president, shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The secretary shall be responsible for preparing minutes of meetings of the Association and the Board and for authenticating records of the Association.

4.5 Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the president, or the secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6 Execution of Instruments. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by Board resolution.

4.7 Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.14.

ARTICLE 5: COMMITTEES

5.1 General. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. Unless otherwise provided by the Board, committee members shall be eligible Members or residents; provided however, no Class "A" Member may have more than one (1) representative on a committee at any time. No committee appointed by the Board shall be empowered to take any affirmative action nor to bind the Board or the Association without the consent of the Board.

5.2 Village Committees. In addition to any other committees appointed as provided above, each Village which has no formal organizational structure or association may, but is not required to, elect a Village Committee to determine the nature and extent of services, if any, to be provided to the Village by the Association in addition to those provided to all Lots in accordance with the Declaration. A Village Committee may advise the Board on any other issue, but shall not have the authority to bind the Board or the Association. Such Village Committees, if elected, shall consist of three (3) to five (5) Members, as determined by the vote of at least a Majority of the Owners of Lots within the Village.

Village Committee members shall be elected for a term of one (1) year or until their successors are elected. Any director elected to the Board of Directors from a Village shall be an ex officio member of the Village Committee. The Village Committee shall elect a chairperson who shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Village Committee shall abide by the meeting, notice and quorum requirements applicable to the Board under Article 3 of these By-Laws. Meetings of a Village Committee shall be open to all Owners of Lots in the Village and their representatives; provided, however, a Village Committee may act by unanimous written consent in lieu of a meeting.

ARTICLE 6: MISCELLANEOUS

6.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2 Parliamentary Rules. Except as may be modified by Board resolution, *Robert's Rules of Order Newly Revised* (current edition) shall govern the conduct of Association proceedings when not in conflict with New Mexico law, the Articles of Incorporation, the Declaration, or these By-Laws.

6.3 Conflicts. If there are conflicts between the provisions of New Mexico law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of New Mexico law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

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6.4 Books and Records.

(a) Inspection by Members and Mortgagees. Following five (5) business days written notice, the Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, By-Laws, and Articles of Incorporation, any amendments and supplements to the foregoing, the rules of the Association, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association, which may include the office of the Association's management agent, if any, or at such other place within the Properties as the Board shall designate during normal business hours.

(b) Rules for Inspection. The Board may establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested.

Additionally, notwithstanding anything to the contrary, the Board may limit or preclude inspection of confidential or privileged documents, including attorney/client privileged communications, executive session meeting minutes, and financial records or accounts of other Members. The Association may impose a reasonable charge, covering the cost of labor and material, for copies of an documents provided to the Member or to any other requestor permitted by these By-Laws.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

6.5 Notices. Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, and other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

If mailed, any notice shall be deemed to be delivered when deposited in the United States mail addressed with postage prepaid. To increase flexibility, any Person, including the Association, may consent to or request in writing additional methods of receiving notice, including but not limited to, facsimile, electronic mail or e-mail.

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6.6 . Amendment.

(a) By Declarant. Until termination of the Class "B" membership, the Declarant may unilaterally amend these By-Laws for any purpose. Thereafter, the Declarant may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the U.S. Department of Veterans Affairs, the U.S. Department of Housing and Urban Development, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee Mortgage loans on the Lots; or (iv) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent thereto in writing.

(b) By the Board. The Board shall be authorized to amend these By-Laws without the consent of the Members (i) for any purposes authorized by any terms of the Governing Documents, and (ii) to correct scriveners' errors and other mistakes of fact, provided that any amendments under this provision have no material adverse effect on the rights of the Members. During the Development Period, any such amendment shall require the consent of the Declarant.

(c) By Members. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members holding sixty-seven percent (67%) of the Class "A" votes in the Association, and, during the Development Period, the written consent of the Declarant.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(d) Validity and Effective Date. Any amendment to these By-Laws shall become effective upon recordation in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six (6) months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of the Declarant or the Class "B" Member without the written consent of the Declarant, the Class "B" Member, or the assignee of such right or privilege.

If a Member consents to any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Member has the authority to consent and no contrary provision in any Mortgage or contract between the Member and a third party will affect the validity of such amendment.

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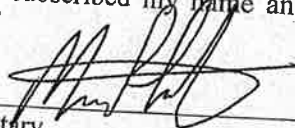
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of Canyon Ridge Homeowners' Association, a New Mexico nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of the Association, as duly adopted at a meeting of the Board of Directors thereof held on the 1st day of MARCH, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 1st day of MARCH, 2007


Secretary [SEAL]

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Upon recording, please return to:

Guy F. Clerici, Esq.
56 College St.
Suite 304
Asheville, N.C. 28801

STATE OF NEW MEXICO

COUNTY OF RIO ARRIBA

Reference: Book 531
Page 1997
Instrument #: 200801997
County Clerk of Rio Arriba
County, New Mexico

**AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR CANYON RIDGE**

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR CANYON RIDGE is made this 8th day of April, 2008, by Rare Earth New Mexico, LLC, a North Carolina limited liability company ("Declarant");

WITNESSETH

WHEREAS, Declarant recorded that certain Declaration of Covenants, Conditions and Restrictions for Canyon Ridge on March 21, 2008, in Book 531, Page 1997, et seq., Instrument Number 200801997, in the Office of the County Clerk of Rio Arriba County, New Mexico (such instrument is hereinafter referred to as the "Original Declaration"). The definitions provided in Article 1 of the Original Declaration are incorporated in this preamble by reference;

WHEREAS, Article 14, Section 14.2(a) of the Original Declaration provides that until the termination of the Class "B" membership, Declarant may unilaterally amend the Declaration so long as the Class "B" membership exists;

WHEREAS, the Class "B" membership still exists;

WHEREAS, furthermore, Declarant continues to own all property on Exhibit "A" to the Original Declaration that was made subject to the Original Declaration;

WHEREAS, Declarant desires to amend and restate the Original Declaration to make certain provisions related to the rights of Mortgagees and to revise certain other provisions thereof; and

WHEREAS, Declarant deems it appropriate to amend and restate the Original Declaration for the purposes recited above;

NOW, THEREFORE, pursuant to the provisions referenced above, the Original Declaration is stricken in its entirety and the following instrument, which shall hereafter be referred to as the "Declaration", is substituted therefor.

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