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RIO GRANDE TITLE CO., INC.
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Shawndy

**DECLARATION OF PROTECTIVE
COVENANTS AND GRANT OF EASEMENTS
FOR
DEER CANYON PRESERVE
TORRANCE COUNTY, NEW MEXICO**

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THIS DECLARATION is made this 30 day of October, 2002 by Deer Canyon Preserve, LLC, as owner of the affected property.

1. PURPOSE. The purpose of these covenants is to preserve the Deer Canyon Preserve property as a scenic residential area of the highest quality and desirability, with natural beauty and views, and to improve and preserve the ecological health of the property and natural ecosystem as near as may be, and to protect the seclusion of each home site, and to define and describe certain provisions, covenants, conditions and restrictions which shall be applicable to such property (collectively referred to as "Covenants" in this Declaration), and to bind all owners to the terms of this Declaration, and further the common interests of the owners.

2. PROPERTY COVERED BY DECLARATION. The provisions, covenants, conditions and restrictions contained in this Declaration shall affect Deer Canyon Preserve Lots 1-56, according to the plat filed in the Office of the County Clerk of Torrance County, New Mexico, recorded at 12:44 p.m. on October 1, 2002 as Record Number E1, page 136, Reception Number 2024754 of the real property records of the County Clerk of Torrance County, New Mexico, and other properties included in that plat, which lots and properties are owned by Deer Canyon Preserve, LLC, and any other lands made subject to these covenants by reference hereto in a separate deed or plat hereafter recorded in the Office of the County Clerk of Torrance County, New Mexico.

3. DEFINITIONS.

A. "Association" shall mean the Deer Canyon Preserve Homeowners' Association, a New Mexico non-profit corporation, which has been incorporated to function as the association referred to in this Declaration in order to further the common interests of the owners of property subject to this Declaration.

B. "Common Area" shall mean any lot or parcel of property covered by this Declaration which is identified in a document recorded in the Office of the County Clerk of Torrance County, New Mexico as "common area". Such areas shall be held in ownership by Deer Canyon Preserve, LLC subject to an easement for certain recreational activities to the benefit of all Homestead owners.

C. "Deer Canyon Preserve, LLC" shall mean Deer Canyon Preserve, LLC, a New Mexico limited liability company or its successors in interest in the role of the creator and manager of the Deer Canyon Preserve project.

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D. "Design Committee" shall mean the committee appointed under section 7 of this Declaration.

E. "Designated Building Envelope" shall mean an area approximately one (1) acre in size within a Homestead, the exact size and location of which is designated by Deer Canyon Preserve, LLC as the appropriate location for all residential improvements on that Homestead. The location or any relocation of Designated Building Envelope must be approved by the Design Committee prior to any construction.

F. "Homestead" shall mean any lot or parcel of property upon which a single family dwelling may be constructed and which is described in the recorded plat for the Deer Canyon Preserve project described in Paragraph 2 above, or, in the event any other lands are later made subject this Declaration by reference thereto in a separate deed or plat hereafter recorded in the Office of the County Clerk of Torrance County, New Mexico, all such residential lots or parcels identified in those separate deeds or plats.

G. "The Preserve" means the entire Deer Canyon Preserve project as it is constituted from time to time.

H. "Transition Period" means that period of time commencing on the effective date of this Declaration and ending on the date that the last Homestead in The Preserve is sold. There are, at present, three hundred sixteen (316) Homesteads planned for The Preserve.

I. "Wildlife Preserve" shall mean any area of land designated, from time to time, by Deer Canyon Preserve, LLC for the protection and enhancement of native species and their habitat.

4. RESTRICTIONS.

A. HOMESTEAD IMPROVEMENT RESTRICTIONS. Each Homestead shall be used for single-family residential purposes and purposes customarily incident thereto only. No Homestead shall be improved except with a residential structure designed to accommodate no more than a single family and its staff and occasional guests, plus one guest house, one attached or detached garage, one out-building or barn, one corral and such other improvements and structures as are customarily incident to a single-family residence. Structures or above ground improvements shall be located within a reasonably compact area adjacent to the principal residential structure and designed as a single visual element. The principal residence structure shall have a minimum living floor area of one thousand six hundred (1,600) square feet, exclusive of garages, porches, decks, patios and accessory structures. No

structure may be taller than 25 feet as measured from any point at ground level. All structures shall be constructed with non-flammable roofing material and all chimneys shall have spark arrestors, including outdoor fireplaces or similar structures. All improvements shall be contained within the Designated Building Envelope area designated by the Deer Canyon Preserve, LLC and the specific location of the improvements within the Designated Building Envelope must be reviewed and approved by the Design Committee prior to any construction. No buildings or structures shall be placed outside of the Designated Building Envelope or within the road or utility easements.

B. SWIMMING POOLS. Swimming pools are discouraged and if built are required to be covered when not in use to prevent water loss from evaporation. Only one (1) swimming pool may be constructed on a Homestead, and that swimming pool may not exceed ten thousand (10,000) gallons in capacity if the swimming pool is serviced by a well which is used by other Homesteads. Swimming pools of a larger capacity may be permitted in the sole and absolute discretion of the Association so long as conditions and restrictions relating to its construction and operation, as deemed appropriate by the Association, are strictly complied with by the Homestead owner, including, without limitation, a requirement that any swimming pool which has a capacity in excess of ten thousand (10,000) gallons must be serviced by a separate well drilled and installed by the Homestead owner, and proof satisfactory to the Association must be provided that the new, separate well will not in any way interfere with other wells within The Preserve. All swimming pools, regardless of size, shall be filled in a manner which will not interfere with the normal use and availability of water to other Homestead owners which might be serviced by the same well as the swimming pool.

C. HOMESTEAD OPEN AREA RESTRICTIONS. Areas of each Homestead outside of the Designated Building Envelope shall be kept in their natural scenic and open state, and no improvement or other changes to the natural condition of vegetation shall be allowed, except that access driveways, bridges or paths reasonably necessary to the proper use and enjoyment of the principal and accessory structures, clearing of brush or other material deemed a fire hazard, and landscaping using a native flora and appearance are allowed with approval of the Design Committee.

D. COMMON AREA. Common Areas may be developed for non-profit recreation and leisure-time activities for the benefit of owners, their guests and invitees, subject to this Declaration and the terms of any covenants or other use restrictions affecting the Common Area. The type of development allowed shall include, but not be limited to facilities used in connection with the development and sales of Homesteads, Association offices, meeting rooms, maintenance and storage facilities, clubhouses, equestrian facilities, barns, living quarters for ranch employees, other buildings and structures necessary or desirable for the operation of a working ranch, ecological and archaeological research and education facilities, and parks and picnic facilities.

E. COMBINING PARCELS. Two or more adjoining Homesteads which are under the same ownership may be combined and developed as one parcel. Setback

lines along the common boundary line of the combined parcels may be removed or modified upon approval of the Design Committee contingent upon a finding that any improvements to be constructed within these setback lines will not cause unreasonable diminution of the view from other properties or otherwise unreasonably disrupt the overall development plan for The Preserve. Easements created or established along the common boundary line of the combined parcels may be changed without the consent of any person entitled to use thereof if the written consent of the Design Committee is obtained and if alternate easements are granted or created satisfactory to the Design Committee by the owner of the combined parcels, and all additional costs of relocation of all existing or planned utilities or other improvements are paid or provided for by the person desiring such relocation. If setback lines are removed or easements changed along the common boundary line of combined parcels the combined parcels shall thereafter be deemed one parcel and may not thereafter be split and developed as two parcels. Notwithstanding the foregoing, charges and assessments shall continue to be paid as if the parcels were separate parcels.

F. **NO BUSINESS ACTIVITY.** No Homestead shall be used at any time for business or commercial activity, except home occupations. A home occupation shall consist of any occupation or profession carried on by a member of a family residing on the Homestead, in connection with which: (i) there is used no sign other than one (1) non-illuminated name plate attached to the building entrance which is not more than one (1) square foot in area; (ii) no more than 2 people are employed at that Homestead who are not members of the immediate family of the Homestead owner residing at the Homestead; (iii) no mechanical equipment is installed or used in a manner which generates noise which is audible off the Homestead on which the equipment is located, or otherwise is in violation of this Declaration, or which otherwise constitutes a nuisance; and (iv) generates ten (10) or fewer vehicle round trips per day to and from the Homestead, which total shall include the round trips made by employees who do not live at the Homestead, but shall not include round-trips made by residents of that Homestead.

G. **OCCUPANCY LIMIT.** No residence structure on any Homestead shall be used for living purposes by more persons than it was designed to accommodate comfortably. No portion of any Homestead shall be used for living purposes other than the principal residence structure, staff quarters, and the guest house. The guest house shall not be utilized as a residence by any persons other than the Homestead owner or the Homestead owner's immediate family.

H. **MAINTENANCE.** All property and all improvements on any Homestead shall be kept by the owner in a clean, safe, and attractive condition and in good repair.

I. **NO HAZARDOUS ACTIVITY.** No activities shall be conducted and no improvements constructed on any Homestead which might be unsafe or hazardous to any person or property. No firearm shall be discharged within the Deer Canyon Preserve property. No open fires shall be permitted except in a contained outdoor fireplace unit with an approved spark arrestor or barbecue, while attended, or within a safe interior fireplace or wood stove on such Homestead, or except such campfires

or picnic fires in portions of Common Areas designated for such use by the Association, or except such controlled and attended fires required for clearing or maintenance of land.

J. NO UNSIGHTLINESS. No unsightliness shall be permitted on any Homestead. All unsightly equipment, objects or conditions shall be enclosed within a structure or screened from view, including: vehicles other than automobiles; campers not on a truck; boats; garden and maintenance equipment; antenna and other facilities for the transmission or reception of audio or visual signals; and utility facilities such as gas, oil, water or other storage tanks. Refus., garbage and trash shall be kept in a container with a cover and within a closed structure or screened from view. No metals, broken material, lumber, scrap or trash shall be stored or allowed to accumulate on any Homestead.

K. NO ANNOYING LIGHTS, SOUNDS OR ODORS. No light shall be emitted from any Homestead which is unreasonably bright or causes unreasonable glare. No sounds shall be emitted from any Homestead which are unreasonably loud or annoying. No odor shall be emitted on any Homestead which is noxious or offensive to others; provided, however, that a properly contained compost pile shall be allowed.

L. TEMPORARY STRUCTURES. No tent, shack, occupied travel trailer, motor home, mobile home, or other temporary building, structure or improvement shall be placed on the Homestead, except that tents, recreational vehicles or travel trailers for temporary recreational camping for a maximum of ten (10) days within any thirty (30) day period shall be allowed, and except that under the duration of a construction plan filed with and approved by the Design Committee, temporary housing occupied by the owner or the construction crew, construction office, shed or loose storage of construction materials shall be permitted, but such housing, office, shed or loose materials shall in no event remain on any lot for more than two (2) months after completion of construction.

M. RESTRICTION ON SIGNS. No signs or advertising devices of any nature shall be erected or maintained on the Homestead except as necessary to identify the ownership of the property and its address or to show the property is for sale or rent or to give directions, warn of danger or advise of rules or regulations, or to denote any approved home occupation. Any such signs allowed shall be compatible with the scenic nature of the area and be as small in size as reasonably possible and shall have the prior written approval of the Design Committee.

N. FENCING. No more than the area of the Designated Building Site may be enclosed by fencing, and any such fenced area shall include the improved area but may not include any of the common easements. The remainder of each Homestead shall be open and unobstructed. No fence shall be placed within any of the road or utility easements. The location of fencing, the type of fencing, and the design and color of all fencing shall be submitted to and must be approved by the Design Committee prior to installation.

O. NO MINING OR DRILLING. No Homestead shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing oil, gas, minerals, rocks or stones. Gravel or earth may be removed for an owner's personal use (not resale) with approval by the Design Committee and with adequate provisions for revegetation.

P. VEHICLE RESTRICTIONS. No vehicles, including, without limitation, motorcycles, jeeps, four-wheel drive vehicles or all-terrain vehicles shall be allowed on the Common Area, on that portion of each Homestead outside of the Designated Building Envelope, or on the equestrian easements or trails without the specific designation and approval of the Association, except as necessary for maintenance and ranch operations, including activities conducted by Deer Canyon Preserve, LLC in accordance with paragraph 5(B). Nothing herein shall prohibit the operation of vehicles licensed for highway travel on improved roads or private driveways, subject to regulation by the Association.

Q. CONSTRUCTION. The dumping or deposit of fill dirt, construction refuse, trash, excess material, waste or cement anywhere within the Homestead during and after the initial construction process or during the repair or remodeling of any structure is strictly forbidden.

R. LANDSCAPING AND PLANTING. Any landscaping or planting must be of plants native to the general area and must be watered and maintained until fully established on their own. Cool season grasses such as Kentucky blue grass and tall fescue are prohibited. Total irrigated area may not exceed 900 square feet. The use of drip irrigation and gray water systems is encouraged. Landscaping will be of such plants, material and design as to provide a fire break of at least 100 feet between any structures and the intact native vegetation. Landscaping shall be maintained in order to preserve the function of the fire break at all times.

S. RESTRICTION ON ANIMALS. A maximum of three (3) horses or other large animals may be kept within a Homestead owner's Designated Building Envelope. All animals must be restrained so as not to be allowed to roam outside the Designated Building Envelope, or onto any neighboring lots, or the Common Areas. All animals outside of the Designated Building Envelope must at all times be under the direct control of their owner, and not constitute a threat to persons, property, livestock, wildlife, or other animals. No animals shall be kept or maintained on any Homestead in any manner or number which is a nuisance or is unreasonably offensive to occupants of neighboring Homesteads, whether by reason of noise, habits, odor, flies or otherwise, anything to the contrary hereinabove notwithstanding. The Association may order the removal of any offending animals. Notwithstanding the foregoing, Deer Canyon Preserve, LLC, may, but shall not be required to, designate a common pasture for the use of all owners for the pasturing of horses thereon, in accordance with the fee structure, rules and regulations governing such pasturing set forth from time to time by Deer Canyon Preserve, LLC.

T. NO SUBDIVISION OF HOMESTEADS. No part of any Homestead may be divided, subdivided, or a fractional portion thereof sold or conveyed or subjected to apportionment by exclusive use agreement so as to be held in divided use or ownership.

U. WATER CONSERVATION. Water-saving fixtures shall be installed in all new residential and non-residential buildings, including, but not limited to, low-flush toilets, low-flow shower heads, low-flow faucets, and insulation of hot water pipes. Evaporative cooler air conditioners are prohibited.

V. WELL RESTRICTIONS. In the event that a Homestead owner participates in a shared well association, that Homestead owner's use of the water from the shared well shall be on an equitable basis with other users of the shared well. In the event that a Homestead owner drills a well separate and apart from a shared well, then the proposed well, as well as all plans for the proposed well, must be submitted and approved by the Design Committee as provided elsewhere in this Declaration. All wells shall be used for household purposes only, and for the purposes of livestock watering and the irrigation of landscaping, to the extent that both of said uses are permitted in this Declaration. Any separate well shall not pump more than ten (10) gallons per minute at any time, nor shall it in any way interfere with the operation of any shared wells within The Preserve. Water produced by a separate well may not be utilized off of the Homestead on which it is produced, nor may it be used for any commercial or agricultural purpose, except as expressly permitted by this paragraph.

5. EASEMENTS DEDICATED AND RESERVATIONS.

A. UTILITY EASEMENTS DEDICATED. Deer Canyon Preserve, LLC hereby grants to the Association for the benefit of all owners perpetual primary utility easements twenty (20) feet in width along the inside of all Homestead lines which abut road easements or Common Area, and ten (10) feet in width on each side of the Homestead lines which abut another Homestead, following the entire perimeter of each Homestead and along either side of the dedicated county or private roads, for the purpose of accessing, constructing, maintaining, operating, replacing, enlarging and repairing underground electric, telephone, water, and other communication facilities and related equipment. In the event that it shall be impractical or infeasible to locate any utility facilities within the primary utility easements described above, such facilities may be located within a twenty (20) foot wide secondary utility easement hereby dedicated which may be located anywhere necessary upon the Homestead, provided such secondary utility easements shall not be located within the Designated Building Envelope on any of Homestead. Deer Canyon Preserve, LLC reserves the perpetual right to utilize said easements for construction, maintenance, operation, replacement, enlargement or repair of roads and utility systems, including but not limited to electric, telephone, and water conducted by Deer Canyon Preserve, LLC or its agents, contractors, utility providers, or assigns.

B. WILDLIFE MANAGEMENT, RESEARCH AND GRAZING RESERVATIONS. Deer Canyon Preserve, LLC reserves the right to manage all organisms, either plant or animal, living above, upon or below the soil surface, make wildlife habitat improvements, re-introduce native species, conduct ecological and archaeological research and to graze livestock upon all Homesteads, parcels, Wildlife Preserves and Common Area, excluding the Designated Building Envelopes. The open space, ranching and wildlife features of The Preserve contribute greatly to its unique and special character. Disturbances typically associated with the presence of ranching operations and wildlife are an unavoidable consequence of this type of operation, and necessary to the creation and preservation of the substantial open space areas associated with The Preserve. Deer Canyon Preserve, LLC, and its members, officers, managers, employees, agents, successors and assigns shall not be liable for damage from wildlife, livestock or other disturbances commonly found on ranches, ecological or archaeological research facilities, on wildlife refuges, and the owners of any Homesteads within The Preserve, and by the act of accepting title to a Homestead, hereby waive and release Deer Canyon Preserve, LLC, and its affiliated companies, employees, agents, successors and assigns, from any such liability or damages.

C. HIKING AND EQUESTRIAN EASEMENTS. Deer Canyon Preserve, LLC hereby grants to the Association for the benefit of all owners and their guests a general easement to cross the undeveloped open areas of all Homesteads for the purposes of establishing, maintaining and using equestrian and pedestrian trails, and for other recreational purposes specifically approved by the Association. This easement shall include the right to cross private driveways and walkways. The extent of such easement on each Homestead shall be the area outside the Designated Building Envelope on each Homestead and shall be further limited to the area outside of a line located 250 feet from any residence, guest house or out-building constructed on such Homestead. No persons using such easements shall leave trash on such easement or use the easement in any manner that is a nuisance or hazardous or which unreasonably violates the privacy of any other person, nor shall they in any way disrupt or interfere with the normal use and enjoyment of the Homesteads by their owners. Areas may be declared off-limits to hiking, equestrian activities and other uses by Deer Canyon Preserve, LLC or the Association from time to time if those areas are deemed critical for ecological and archaeological research and restoration. The Association shall develop and shall be entitled to enforce appropriate rules, regulations and sanctions to ensure the adherence to these provisions.

D. ESTABLISHMENT OF WILDLIFE PRESERVE. Deer Canyon Preserve, LLC may from time to time designate portions of the Common Area to be managed by the Association as a Wildlife Preserve, subject to such rules and regulations governing use which the Association may adopt from time to time.

6. REQUIRED APPROVAL OF ALL CHANGES TO PROPERTY.

A. APPROVAL OF CHANGE IN EXISTING STATE REQUIRED. A change in the existing state of a Homestead shall mean construction of any building, residence,

fence, structure or other improvement, or the excavation, filling or other disturbance of the surface of land, including change of grade, stream bed, ground level or drainage pattern, clearing, marring or defacing trees, the landscaping of trees, shrubs or plants or the change of color, texture or exterior appearance of any previously approved change in the existing state of the Homestead or improvements thereon. No such change shall be permitted except with the prior written approval of the Design Committee, except for activities conducted by Deer Canyon Preserve, LLC in furtherance of the development, construction and operation of The Preserve.

B. CRITERIA FOR APPROVAL. The Design Committee reviewing any application for a change to the existing state of the Homestead must act reasonably to carry out the general purposes expressed in this Declaration, to minimize obstruction or diminution of the view of other owners, to preserve the visual continuity of the areas, and prevent a marked transition, including imposition of the requirement of earth-tone natural colors on all buildings, structures, residences, fences and improvements in order to assure that any change will be of attractive design and in harmony with the natural setting of the area. The Design Committee shall also assure the material and workmanship for the improvements are of high quality and comparable with the existing installed improvements. Any change deemed unsafe or hazardous by the Design Committee may be prohibited.

C. CONDITIONS PRECEDENT TO APPROVAL.

(1) Prior to expending of any substantial time or funds in the planning of any proposed change in the existing state of a Homestead, the owner of a Homestead shall advise the Design Committee in writing of the general nature of the proposed change, shall, if requested by the Design Committee, meet with a member or members of the Design Committee to discuss the proposed change, shall read or become familiar with any guides or guidelines which may have been prepared or formulated by the Design Committee and shall, if requested by the Design Committee, furnish the Design Committee with preliminary plans and specifications for comment and review.

(2) Thereafter, the Design Committee shall be furnished in duplicate, by the owner of the Homestead, with a complete description of the proposed change in writing, including building and landscaping plans and with a plot plan covering the particular Homestead drawn to such scale as may be reasonably required by the Design Committee. Said plans shall show all relevant boundaries, existing and proposed contour lines and elevations at reasonably detailed intervals, all existing and proposed improvements, the existing and proposed drainage pattern, the existing and proposed utility and sanitation facilities, the existing and proposed substantial trees or shrubs, and all further information with respect to the existing state of the Homestead or the proposed change in the existing state of the Homestead which the Design Committee may reasonably require to permit it to make an informed decision. If the drainage pattern of any Homestead or other property will be substantially affected by any change, the Design Committee may require submission of a report on the effect by a qualified engineer or geologist. With respect to all buildings and other structures, the

Design Committee may require submission, in duplicate, at a reasonable scale, of floor plans, elevation drawings and final working drawings and descriptions or exterior materials and colors and samples of the same. The Design Committee may require that the plans and specifications be prepared by a practicing licensed architect. All required plans, engineering studies and other materials shall be provided at the sole cost of the owner making the application.

(3) Prior to giving approval to a proposed change in the existing state of a Homestead, at least one member of the Design Committee shall physically inspect the Homestead. Approvals shall be in writing provided that approval shall be deemed given if the Design Committee fails to approve or disapprove a proposed change or to make additional requirements or request additional information within forty-five (45) days after all required plans, descriptions, applications and other supporting documentation for the proposed change have been furnished in writing to the Design Committee with a written specific request for approval.

(4) The Homestead owner shall file a construction plan with the Design Committee indicating the primary contractor, general construction schedule, and anticipated completion date of the project. If construction cannot be completed by the anticipated date, the owner shall be required to petition the Design Committee for an extension of the completion date. The granting of this extension shall not be unduly denied by the Design Committee.

D. PROSECUTION OF WORK AFTER APPROVAL. After approval by the Design Committee of any proposed change in the existing state of a Homestead, the change shall be accomplished promptly and diligently, with no period of time in excess of thirty (30) consecutive days during which no substantial construction activity is occurring. Any approved change shall be made in strict conformity with the description of the change and plans and specifications approved by the Design Committee. Failure to accomplish the change within one (1) year after approval, or any substantial deviation from the plans or other aspects of the approval, shall operate to automatically revoke the approval. Upon such revocation and on demand of the Design Committee, the Homestead shall be restored as nearly as possible to the state existing prior to the beginning of any work in connection with the proposed change. In the event that a Homestead is not restored as required by the Design Committee within the time period designated by the Design Committee, but in no event less than thirty (30) days, the Design Committee may, acting through the Association, undertake to restore the Homestead as required, and the owner of the Homestead shall be obligated to reimburse the Association for the costs thereof. The Design Committee and its duly appointed agents may enter upon any Homestead at any reasonable time or times to inspect the progress or status of any change in the existing state of Homestead being made or which may have been made. The Design Committee shall have the authority to record a notice to show that any particular change in the existing state of the Homestead has not been approved or that any approval given has been revoked.

7. DESIGN COMMITTEE.

A. COMMITTEE STRUCTURE/APPOINTMENT. During the Transition Period, the Design Committee shall consist of three (3) individuals, two (2) of whom shall be appointed by Deer Canyon Preserve, LLC. The third Design Committee member shall be appointed by the Board of Directors of the Association. After the Transition Period, the Board of Directors of the Association shall set the number of the Design Committee members and shall thereafter appoint all Design Committee members for a term not to exceed three (3) years. Persons eligible for appointment to the Design Committee shall include directors of the Association, officers of the Association, other employees of the Association, Homestead owners, and other individuals who may have unique abilities and talents in the areas of architectural or environmental design, construction, real estate development, or engineering. Said Design Committee members shall serve at the pleasure of the Board of Directors of the Association.

B. DUTIES. The Design Committee shall exercise its best judgment to see that all improvements, construction, landscaping and alterations on lands within the Homestead conform to the provisions of this Declaration, and endeavor to aid Homestead owners in the design, construction and habitation of their homes in order to minimize expense and personal stress. A Homestead owner shall pay the reasonable expenses to the Design Committee for the examination, and approval or disapproval of plans and specifications submitted for structures or improvements to be erected or changed or alterations in existing structures or improvements. The Design Committee may employ consultants in a particular field of construction or an architect to advise it on plans and specifications submitted by a Homestead owner. The Homestead owner shall be required to pay the charge of any such consultant, not to exceed Three Hundred Dollars (\$300.00) per submission, which amount may be adjusted by the Association from time to time.

C. MAJORITY VOTE. A majority vote of the Design Committee is required for all matters acted upon by the Design Committee. The Design Committee shall maintain written records of all applications submitted to it and on all action taken by the Design Committee. Absolutely no verbal actions of the Design Committee or any individual committee member shall be valid or effective or constitute a waiver or estoppel against the Design Committee or the Association.

D. VARIANCES BY DESIGN COMMITTEE. The Design Committee may, in its sole and absolute discretion, authorize variances from compliance with any of the provisions, covenants, conditions and restrictions contained in this Declaration, or from any adopted rules, standards and regulations, when circumstances such as topography, natural obstructions or hardship may require. Such variances must be evidenced in writing. The granting of such a variance shall not waive any provisions of this Declaration except as to the particular Homestead and provisions covered by the variance. The Design Committee shall not approve any requested variance if the variance would: (i) unreasonably interfere with drainage patterns; (ii) violate setback requirements; (iii) result in excessive cutting and filling; (iv) require excessive removal

of native vegetation; (v) adversely impact another Homestead within The Preserve; or (vi) adversely impact views for adjacent Homestead owners. In the event a variance is requested, all Homestead owners must be advised of the same in writing by the person requesting the variance by certified mail, return receipt requested, and proof of such notice must be given to the Design Committee. Any Homestead owner may object to a requested variance by so notifying the Design Committee. The Design Committee shall give all Homestead owners at least two (2) weeks written notice of the date, time and place of the Design Committee's meeting for final action upon a requested variance, at which meeting any Homestead owner shall be allowed express his or her views on the requested variance.

E. RULES AND REGULATIONS. The Design Committee may from time to time adopt rules and regulations governing the procedures to be utilized with regard to applications, meetings, hearings, and the granting of approvals by the Design Committee, as well as the implementation of any Design Committee functions. This shall include, without limitation, the creation of and setting fees for various Design Committee functions. The Design Committee shall also, from time to time, be entitled to adopt design and building standards. All such rules and regulations, fees, and standards adopted by the Design Committee must be approved by the Board of Directors of the Association in order to become effective.

F. NO LIABILITY. None of the Design Committee, its members, the Association, Deer Canyon Preserve, LLC, or their officers, directors, members, managers agents, employees or successors in interest shall be responsible or have any liability for any defects in plans or specifications, or in any building or structure, or for any non-compliance of any building or other structure with the requirements imposed by the Design Committee, nor shall any of them be liable to any Homestead owner by reason of mistake in judgment, negligence or non-feasance arising out of or in connection with the giving of advice on Design Committee issues, or the approval or disapproval, or failure to act, on any submittals. Notwithstanding the fact that the Design Committee may review engineering proposals for improvements to a Homestead, the Homestead owner retains sole responsibility for ensuring that all such engineering is adequate to prevent any damage or injury to property and persons.

G. DEER CANYON PRESERVE, LLC EXEMPT. The Deer Canyon Preserve, LLC shall not be required to obtain the Design Committee's approval for any construction or improvements proposed or undertaken by it, but shall comply with all design and building standards as to all residences constructed by Deer Canyon Preserve, LLC for sale to others.

8. HOMEOWNER'S ASSOCIATION.

A. FORMATION AND POWERS. Deer Canyon Preserve, LLC shall form a non-profit corporation to be called the "Deer Canyon Preserve Homeowners Association," which shall carry out all duties and responsibilities with which the Association is charged under the terms of this Declaration, and which shall maintain and

manage those common roadways, easements, common use areas, and equipment and facilities associated with The Preserve, to the extent required by this Declaration, the governmental approvals affecting The Preserve, and as required by law. Deer Canyon Preserve, LLC shall be entitled to appoint a majority of the directors of the Board of Directors of the Association during the Transition Period. The remaining directors shall be elected by vote of the Association membership as provided in the By-Laws of the Association in effect from time to time. Upon the expiration of the Transition Period, Deer Canyon Preserve, LLC shall no longer be entitled to appoint members to the Board of Directors of the Association, and the Association shall hold an election to appoint such directors in accordance with its By-Laws. The powers of the Association shall be prescribed in the Articles of Incorporation and By-Laws of the Association, and rules and regulations adopted from time to time, including, but not limited to, the power to assess each Homestead owner for the purposes of : (i) purchasing liability and casualty insurance; (ii) purchasing errors and omissions insurance for all directors, officers and employees; (iii) the maintenance and repair of facilities, roads, runways, entry ways, signs, barns, corrals, perimeter fences, gates and other improvements within The Preserve which the Association has or may acquire for the benefit of all Homestead owners from time to time; (iv) employee expenses including salaries and benefits for Association employees, including maintenance staff; (v) the acquisition and maintenance of fire tanks and other emergency facilities; and (vi) maintaining appropriate capital reserves. The Association may provide for the enforcement of any such By-Laws, and rules or regulations or standards through reasonable and uniformly applied penalties, through exclusion of violators from property and facilities controlled by the Association or otherwise. The Association may establish reasonable and uniformly applied charges for use of property and facilities under the direction and control of the Association to assist the Association in offsetting the costs and expenses attributable thereto.

B. ASSESSMENTS. The Association shall commence collection of an annual assessment six (6) months after the closing of the sale of the first Homestead. This initial annual assessment shall not exceed One Thousand Dollars (\$1,000.00). The Association, in its discretion, may bill the Homestead owners for said assessments on a semi-annual basis. The Board of Directors shall fix the annual assessment and may raise or lower the annual assessment, as it deems necessary at its discretion. From and after January 1, 2003 the maximum annual assessment may be increased or decreased by the vote of the Board of Directors. No annual assessment may exceed the amount of the previous annual assessment by more than fifteen percent (15%). The amount assessed shall be paid not later than sixty (60) days following the delivery of written notice thereof to the owner of each Homestead.

C. SPECIAL ASSESSMENTS. Special assessments, over and above the annual assessment, may be collected by the Association from time to time to fund major maintenance, common facility building projects, or to address other major obligations of the Association only with the consent of the majority of the Homestead owners.

D. TRANSFER FEES. In addition to assessments, there shall be a fee payable to the Association by each Homestead purchaser upon the initial purchase of a

Homestead equal to one percent (1%) of the total purchase price, and upon resale of the Homestead, a fee of Five Hundred Dollars (\$500.00) shall be paid by the new buyer. These amounts may be changed from time to time by the Board of Directors.

E. NOTICE/COLLECTION OF ASSESSMENTS. Each Homestead owner shall, on an annual basis, provide the Association with that owner's principal mailing address. All notices given by the Association, or other communications from the Association, shall be sent to the most recent mailing address indicated by the owner and shall be deemed delivered on earlier of the date actually received by the owner or three (3) business days after mailing. In the event that communications sent by first class mail, postage pre-paid, to the address indicated by the owner are returned to the Association, the Association shall post said communications on the most public portion of said Homestead and upon said posting, all such notices or other communications shall be deemed delivered. Any amount assessed and not paid within said sixty (60) days shall thereafter bear a delinquent or late charge in such amount or percentage as from time to time set by the Board of Directors of the Association. The Association is hereby granted a lien against the Homestead of any owner to secure the payment of said assessment. Said lien shall have a priority and be enforceable by the same procedure as provided for enforcement of a materialman's lien. Upon the sale of any Homestead, the Association is hereby granted the right to make a written demand in any sale escrow or through any other agent for the closing of the sale for payment directly to the Association of all such transfer fees, assessments, penalties, interest and fines, out of the sale proceeds. The remedies set forth in this Paragraph 8 (C) are not exclusive and the Association may exercise any and all legal rights that the Association may have in order to collect said amounts owing to the Association. A purchaser of any Homestead subject to this Declaration shall be jointly and severally liable with the seller for all unpaid assessments, charges, fines or penalties with respect to the owner of the Homestead which had accrued and were payable at the time of the grant or conveyance of the Homestead to such purchaser without prejudice to such purchaser's right to recover any of the amounts paid by the purchaser from the seller.

F. MEMBERSHIP. The ownership of each Homestead, notwithstanding multiple ownership interests therein, shall give rise to one Homeowner's membership and one vote, subject to the special voting and other rights of Deer Canyon Preserve, LLC during the Transition Period. Each owner of any interest in a Homestead is liable for assessments as provided as a member of the Association and for such reasonable and uniformly applied charges for use of facilities under the direction or control of the Association, and for such reasonable and uniformly applied penalties imposed for violation of this Declaration, the By-Laws or rules and regulations of the Association.

G. PROTECTION OF MORTGAGEES AND PURCHASERS. Any prospective mortgagee or purchaser of a Homestead shall, after the payment of Fifty Dollars (\$50.00), be entitled to a statement from the Association regarding the amount of unpaid assessments and fines and penalties relative to the affected Homestead. Inquiry to the Association shall be by certified mail, return receipt requested, at the Association's then current registered address. If the Association does not respond within

twenty (20) days of receipt of the inquiry, and notwithstanding any other provision of this Declaration, said mortgagee or purchaser shall have no liability for any such unpaid assessment, fine or penalty.

H. UNSOLD HOMESTEADS. The unsold Homesteads and Homesteads which have been sold but have later been re-acquired by Deer Canyon Preserve, LLC shall not be liable for the payment of any assessments, fees or other charges to the Association.

I. MANAGEMENT OF CLUB FACILITIES. Deer Canyon Preserve, LLC may establish and make property and facilities within The Preserve available for use by private clubs comprised of Homestead owners and other permitted users of the Common Area on such terms and conditions as Deer Canyon Preserve, LLC deems appropriate from time to time. Said clubs may include, without limitation, clubs engaging in horseback riding activities, archeological activities, and nature study activities. All such clubs shall be self-supporting and shall not receive any monetary support from the Association, except the Association may contribute funds, property or labor for the construction, maintenance, and repair of improvements and facilities utilized by such club members which are also generally available to all Homestead owners.

J. ENFORCEMENT OF OTHER RESTRICTIONS. The Association shall also have the power and authority to enforce any restrictions contained in individual Grant Deeds for Homesteads, as well as to enforce the terms of any easements which may affect The Preserve.

9. GENERAL PROVISIONS.

A. COVENANT ENFORCEMENT PROCEDURE BY HOMESTEAD OWNER. In the event a Homestead owner desires to enforce this Declaration against a party whom it believes is violating these Covenants, the complaining party shall first submit in writing to the Board of Directors of the Association a description of the provision at issue and the reason for the contention that it is being violated. A copy of this letter, at the complaining party's expense, shall simultaneously be mailed to every Homestead owner. The alleged offending party, at the same time, shall be provided a copy of the complaining party's letter, and at his or her expense, shall have thirty (30) days within which to submit to the Board of Directors and every Homestead owner a written response thereto. Within ten (10) days of receipt of said response, any Homestead owner may advise the Board of Directors of his or her views, but should he or she elect to do so, all Homestead owners must be provided written notice thereof at the time said views are made known to the Board of Directors of the Association. Within twenty (20) days after receipt of the written complaint, a meeting will be arranged between the complaining party, the alleged offending party, and the Board of Directors of the Association for the purpose of finding a mutually agreeable solution to the dispute. In the event that a mutually agreeable solution is found, it shall be legally binding on the complaining party and the alleged offending party. However, should a mutually agreeable solution not be achieved, the Board of Directors of the Association shall send to the

parties a written final resolution of the matter within twenty (20) days after the initial meeting. Each Homestead owner shall similarly receive a copy of the final resolution.

All disputes, claims and controversies arising from this process shall be subject to binding arbitration pursuant to the commercial arbitration rules of the American Arbitration Association; provided, however, that unless a written demand for arbitration be made by one of the parties to a dispute within twenty (20) days after the issuance of the Board of Directors' final resolution of the dispute, the resolution shall be deemed final, and any right to seek arbitration, judicial relief, or an appeal of any kind shall be deemed waived. The arbitration provided for hereunder shall be deemed binding arbitration in that the determination of the arbiters shall be final and not subject to appeal to any court of law or other forum. The final resolution of the Board of Directors shall be entitled to great weight in any arbitration proceeding as an interpretive ruling of what the provision at issue means and what is required thereunder.

The Board of Directors, in the form of a final resolution, may direct the offending party to cease and desist or to rectify any violative act or conduct at his or her expense, and any Homestead owner receiving such a final resolution from the Board of Directors must thereupon comply immediately with all directives in the final resolution. In the event said conduct is not promptly made to conform to the Board of Directors' final resolution, any Homestead owner or the Association may seek to judicially enforce the final resolution and covenant at issue in the courts of the State of New Mexico. In such judicial proceeding, should a judgment be entered adopting an interpretation of this Declaration consistent with and in reference to the final resolution of the Board of Directors, the party against whom said final resolution was addressed and who failed to voluntarily abide by the final resolution, shall and must pay all the prevailing party's costs and attorney's fees.

B. COVENANT ENFORCEMENT BY ASSOCIATION OR DEER CANYON PRESERVE, LLC. Deer Canyon Preserve, LLC during the Transition Period, or the Association at any time, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, rules, regulations, standards, liens, or charges now or hereafter imposed under the provisions of this Declaration. Such actions shall include the right to damages and injunction, without the posting of bond or other security. Failure of the Association or Deer Canyon Preserve, LLC to enforce any violations shall in no event be deemed a waiver of the right to do so thereafter, except as expressly provided herein, and in no event shall such failure create a cause of action against the Association or Deer Canyon Preserve, LLC. In the event the Association or Deer Canyon Preserve, LLC successfully enforces any provision of this Declaration, any rules, regulations or standards of the Association or the Design Committee, or By-Law provisions of the Association, by way of legal action or otherwise, the Association or Deer Canyon Preserve, LLC shall be entitled to an award of costs, expenses and reasonable attorney's fees incurred relative to such enforcement action. No party may compel the Association or Deer Canyon Preserve, LLC to bring an action against an owner of any Homestead.

C. **LIMITATION OF ACTIONS.** No party shall have the right to bring any action related to any claimed non-compliance of any structure with any restrictions, conditions, covenants, reservations contained in this Declaration, or the rules, standards or regulations of the Association or the Design Committee, or By-Law provisions of the Association more than one (1) year after the completion of the structure; provided however, that this one (1) year period shall not commence to run until the completion of any repairs or modifications which have been agreed to be undertaken by a Homestead owner in order to remedy any such violation. This period of limitations shall not apply to the location of any structure in any easement area granted or reserved for the use of the Homestead owners and/or the Association. Further, nothing in this section shall be read or construed to limit the right of an aggrieved party to bring an action or other proceeding in order to remedy other continuing conduct or conditions which are in violation of this Declaration or the rules, regulations or By-Laws of the Association or the Design Committee.

D. **DURATION AND AMENDMENT.**

(1) **DURATION OF RESTRICTIONS.** The covenants, conditions, and restrictions contained in this Declaration are to run with the land and shall inure to the benefit of and be binding upon all persons claiming under them for a period of ninety-nine (99) years from the date of recording of this Declaration; provided, however, that upon the twenty-fifth (25th) year anniversary, the fifty (50) year anniversary and seventy-fifth (75th) year anniversary of the recording of this Declaration, the Association shall establish a procedure for seeking the input of the Homestead owners as to any suggested changes or modifications to this Declaration, and shall submit all changes or modifications which the Association deems appropriate to a vote of the full membership. Any changes or modifications submitted to the vote of the full membership at these intervals as set forth in this Paragraph 9(D)(1) shall require the consent of at least fifty-five percent (55%) of the then Homestead owners.

(2) **AMENDMENT OR MODIFICATION.** During the Transition Period, this Declaration may be changed by Deer Canyon Preserve, LLC upon prior written notification to all Homestead owners. Thereafter, except as provided in Paragraph 9(D)(1) above, this Declaration may be amended or modified only with the consent of seventy-five percent (75%) of the then Homestead owners.

E. **PARTIAL INVALIDATION.** In the event any one or more of the provisions of this Declaration are declared for any reason, by a court of competent jurisdiction, to be null and void, the judgment or decree shall not in any manner whatsoever affect, modify, change, abrogate, or nullify any of the provisions not declared to be void or unenforceable, but all of the remaining provisions not expressly held to be void or unenforceable shall continue unimpaired and in full force and effect.

F. TITLES. The titles to the articles, sections and paragraphs of this Declaration are for convenience only and shall not be deemed to control or assist interpretation or enforcement of this Declaration.

WITNESS MY HAND this 30th day of October, 2002.

Deer Canyon Preserve, LLC, a New Mexico Limited Liability Company

By: Jim Winder
Jim Winder, Its Manager

THE STATE OF NEW MEXICO)

COUNTY OF Dona Ana)

This instrument was acknowledged before me on this 30th day of October, 2002, by James R. Winder, Manager of Deer Canyon Preserve, LLC, a New Mexico limited liability company, for and on behalf of said limited liability company.

Connie L. Serrano
Notary Public in and for the State of New Mexico

My commission expires: October 29, 2003

State of New Mexico
County of Torrance

I hereby certify that this instrument was filed for record on the 1 day of November, A.D., 2002 at 3:31 o'clock P. M and duly recorded in book 296 at page 213-230

Witness my hand and Seal of Office
[Signature]
County Clerk, Torrance Co., N.M.

