

**AMENDED DECLARATION OF RESIDENTIAL COVENANTS, CONDITIONS,
RESTRICTIONS, EASEMENTS, CHARGES AND LIENS
ON AND FOR SCOTT FARM**

This **AMENDED DECLARATION OF RESTRICTIVE COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, CHARGES AND LIENS** is made and effective as of the ____ day of _____, 2005, by **THE SFDC LIMITED PARTNERSHIP** (the "Developer"), an Arkansas limited partnership.

PREAMBLE

The Developer is the owner of certain real property to be hereafter commonly known and described as "Scott Farm" which is a master planned community located in Crawford County, Arkansas and described in **Appendix A** of this Declaration, together with the improvements thereon.

The Developer desires to take advantage of the unique features of Scott Farm, including property located within the Residential Development Tract and the Residential Common Properties, as hereinafter defined, and proposes to establish and implement plans for residential living, recreation, aesthetic and quality-of-life considerations. The purposes of this Declaration are to (a) protect the Developer and the Owners, as hereinafter defined, against the improper development and use of Residential Lots, as hereinafter defined, within Scott Farm; (b) assure compatibility of design of improvements within the Residential Development Tract and Residential Common Properties and the balance of Scott Farm; (c) secure and preserve sufficient setbacks and space between buildings so as to create an aesthetically pleasing environment; (d) provide for landscaping and the maintenance thereof and of the Residential Common Properties; and (e) in general to encourage construction of attractive, high quality, permanent improvements that will promote the general welfare of the Developer and the Owners. In view of the Developer's long-range plans, the Developer desires to impose these restrictions on the Residential Development Tract and Residential Common Properties now and yet retain reasonable flexibility to respond to changing or unforeseen circumstances so as to guide, control and maintain the first-class quality and distinction of Scott Farm. The Covenants herein below are designed to also preserve the best interests of the Developer and of the Owners of Residential Lots, as hereinafter defined, located within Scott Farm after completion of all development and construction therein.

The Scott Farm Residential Property Owners Association shall be chartered as non-profit Arkansas corporation to assist in the ownership, management, use and care of the residential properties located within Scott Farm, including the Residential Common Properties, and to assist in the administration and enforcement of the Covenants, conditions, restrictions, easements, Charges and liens set forth within this Declaration.

DECLARATION

The Developer hereby declares that the Residential Development Tract and Residential Common Properties and such additions thereto as may hereafter be made pursuant to Article II hereof, are and shall be owned, held, mortgaged, transferred, sold, conveyed, used and occupied subject to the following Covenants, conditions, restrictions, easements, Charges and liens, which shall run within the real property subjected to this Declaration. This Declaration shall be binding on all parties having any right, title, or interest in Scott Farm or any part thereof, their heirs, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I: CONCEPTS AND DEFINITIONS

The following words, when used in this Declaration or in any amended or supplementary Declaration (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts and meanings:

“Additional Land” shall mean and refer to real property which may be added to Scott Farm and subject to this Declaration by Developer and the owner of such property, as described in Section 2.2 of this Declaration.

“Accessory Structures” shall mean and refer to any Structure described, contemplated, or governed by Section 9.4 of this Declaration.

“Amended Declaration” shall mean and refer to each and every instrument recorded in the Records which amends, supplements, modifies, clarifies or restates some or all of the terms and provisions of this Declaration.

“Annual Assessment” shall mean and refer to the yearly assessments imposed upon the Owners in accordance with the provisions of Article IV hereof.

“Applicable Law” shall mean and refer to statutes and public laws and ordinances in effect at the time a provision of the Documents is applied, and pertaining to the subject matter of the Document provision. Statutes and ordinances specifically referenced in the Documents are “Applicable Law” on the date of the Document and are not intended to apply in the future if they cease to be applicable by operation of law, or if they are replaced or superceded by one or more other statutes or ordinances.

“Articles” shall mean and refer to the Articles of Incorporation of the Scott Farm Residential Property Owners Association, as filed with the Secretary of State of the State of Arkansas, as the same may be from time to time duly amended or modified.

“ARC” or **“ARCS”** shall mean and refer to one or more of the Architectural Review Committees which may be from time to time appointed or selected pursuant to Article VIII hereof.

“Assessment” or **“Assessments”** shall mean and refer individually or collectively to the Annual Assessments, the Special Group Assessments, the Individual Assessments, as set forth herein in Article IV, where the context requires.

“Bylaws” shall mean and refer to the Bylaws of the Residential Property Owners Association, as shall be adopted and amended from time to time in accordance with the provisions of this Declaration and the Arkansas Non-Profit Corporation Act or other applicable laws promulgated by the State of Arkansas.

“Charges” shall mean and refer to charges imposed against an Owner delinquent in the payment of his/her/its Assessments, including, but not limited to the "fines" as described in Section 6.2(d) hereof, together with the Charges and fees contemplated by Section 5.7 hereof.

“Common Expenses” shall mean and refer to the actual and estimated expenses incurred, or anticipated to be incurred, by the Residential Association for the general benefit of the Owners, including any reasonable reserve, as the Residential Board may find necessary and appropriate pursuant to this Declaration, the Bylaws, and the Articles of Incorporation. Common Expenses shall not include any expenses incurred during the Development Control Period for initial development, original construction, installation of infrastructure, original capital improvements, or other original construction costs unless approved by the Residential Association.

“Common Properties” shall mean and refer to all areas of land within Scott Farm designated as either a

Residential Common Property or a common area located within the commercial portions of Scott Farm.

Covenants shall mean and refer to all covenants, conditions, restrictions, easements, Charges and liens set forth within this Declaration or any Amended Declaration.

Declaration shall mean and refer to this particular instrument entitled "**DECLARATION OF RESIDENTIAL COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, CHARGES AND LIENS ON AND FOR SCOTT FARM**", together with any and all amendments or supplements hereto.

Deed shall mean and refer to any deed, assignment, testamentary bequest, muniment of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Residential Lot.

Developer shall mean and refer to **THE SFDC LIMITED PARTNERSHIP**, an Arkansas corporation and any or all successor(s) and assign(s) of **THE SFDC LIMITED PARTNERSHIP** with respect to the voluntary disposition of all (or substantially all) of the right, title and interest of **THE SFDC LIMITED PARTNERSHIP** in and to Scott Farm; provided however, no Person merely purchasing one or more Residential Lots from **THE SFDC LIMITED PARTNERSHIP**, or its successor or assigns, in the ordinary course of business shall be considered a "**Developer**".

Development Control Period means that period of time during which the Developer controls the operation and management of Scott Farm, pursuant to **Appendix B** of this Declaration. The Development Control Period begins on the date this Declaration is recorded in the Records, from which time the Developer has certain rights pursuant to **Appendix B** hereto, including rights relating to the development, construction, expansion, and marketing of Scott Farm. The Development Control Period is for a term of years and does not require the Developer own land described in **Appendix A**. During the Development Control Period, **Appendix B** shall have priority over the main body of this Declaration. Developer may terminate the Development Control Period at any time by recording a notice of termination in the Records.

Director(s) shall mean and refer to any duly elected member of the Residential Board.

Documents shall mean and refer to, singly or collectively as the case may be, this Declaration, the Plat, any Bylaws, rules, restrictions, or regulations of any group or entity that may be created herein, such as the Architectural Review Committee(s), as well as any appendix, exhibit, schedule, or certification that may accompany a Document as a part of that Document.

Dwelling Unit shall mean and refer to any building or portion of a building situated upon any Residential Lot which is designed and intended for Residential Use.

Easement Areas shall mean and refer to those areas which may be covered by an easement specified in Article X below.

Eligible Insurers The insurers, guarantors, participants and subsidizers of Eligible Mortgages.

Eligible Mortgagees shall mean and refer to the owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FHLMC and other similar governmental, quasi-governmental and nationally recognized public and or private sources of end financing.

Eligible Mortgages shall mean and refer to the mortgages of Eligible Mortgagees.

Exempt Property shall mean and refer to the portions of Scott Farm which are exempt from payment of Assessments and Charges and which shall include the following: (a) all land and Improvements owned by the United States of America, the State of Arkansas, or any instrumentality, political subdivision or agency of any

such governmental entity acting in a governmental (rather than a proprietary) capacity; (b) all land and Improvements owned (including legal and beneficial ownership, whether now or in the future) by the Residential Association or constituting a portion of the Residential Common Properties; (c) any property dedicated to and accepted by a public utility; (d) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by Taxing Authorities, but also are exempt from the payment of any Assessments hereunder as expressly determined by written resolution of the Developer and/or the Residential Board; and (e) such other land(s) and/or Improvement(s) and/or Residential Lot(s) which are specifically exempted from the payment of Annual Assessments in accordance with a special resolution of the Residential Board.

"Fiscal Year" shall mean and refer to each twelve (12) month period commencing on January 1 and ending on the following December 31, unless the Residential Board shall otherwise select an alternative twelve month period.

"Improvement" shall mean and refer to any physical change to raw land or to an existing Structure which alters the physical appearance, characteristics or properties of the land or Structure, including, but not limited to, the new construction of a Structure or Structures and related amenities, adding or removing square footage area or space to or from a Structure, painting a Structure, or in any way altering the size, shape or physical appearance of any Structure or any building or other improvement, temporary or permanent, located on any Residential Lot.

"Individual Assessments" shall mean and refer to the assessments that may be from time to time imposed upon an individual Owner in accordance with the provisions of Section 4.1 hereof.

"Institutional Mortgage" shall mean and refer to any bona-fide mortgage, lien or security interest held by a bank, trust company, insurance company, savings and loan association or other recognized lending institution, or by an institutional or governmental purchaser of mortgage loans in the secondary market, such as Federal National Mortgage Association ("**FNMA**"), Federal Home Loan Mortgage Corporation ("**FHLMC**"), The Federal Housing Administration ("**FHA**"), The Veterans Administration ("**VA**"), or their successors, or guaranteed or subsidized by the FHA and/or VA.

"Majority" shall mean and refer to more than one-half.

"Managing Agent" shall mean and refer to any Person who has been designated or engaged by the Residential Board to manage the affairs of the Residential Association to the extent the Residential Board elects to make such designation.

"Maximum Rate" shall mean and refer to the lesser of (a) the maximum rate of interest permitted to be charged from time to time for the use or forbearance of money by applicable law, or (b) ten percent (10%) per annum.

"Nature Trail" shall mean and refer to the 20' Nature Trail Easement as depicted and set forth on the Plat.

"Notice of Assessment" shall mean and refer to the written notification required to be furnished by the Residential Board to each Owner of a Residential Lot informing the Owner of the amount of and the payment date of any Assessment charged to the Owner's Residential Lot pursuant to Article IV hereof. Said notice shall be furnished in a timely manner and in accordance with Section 13.9 hereof.

"Owner" shall mean and refer to the holder(s) of record title to the fee simple interest of any Residential Lot whether or not such holder(s) actually reside(s) on any part of the Residential Lot. The Developer is the initial owner of all Residential Lots. Contract sellers and mortgagees who acquire title to a Residential Lot through a deed in lieu of foreclosure or through judicial or non-judicial foreclosure are Owners. Persons or entities having ownership interests merely as security for the performance of an obligation are not Owners.

“Payment and Performance Lien” shall mean and refer to the lien described within Sections 4.1 and 4.7 below.

“Person” shall mean an individual, partnership, joint venture, corporation, limited liability company, joint stock company, trust (including a business trust), unincorporated association or other entity, or a government or any political subdivision or agency thereof.

“Plat or Plats” shall mean and refer to all plats, singly and collectively, including any replat or corrective plat, recorded in the Records and pertaining to the real property described in **Appendix A** of this Declaration, including all dedications, limitations, restrictions, easements, notes, and reservations shown on the Plat, as it may be amended from time to time.

“Records” shall mean and refer to those documents collectively filed and recorded in the Real Property Records of Crawford County, Arkansas.

“Resident” shall mean and refer to:

- (a) each Owner of the fee simple title to any Residential Lot within the Residential Development Tract; and
- (b) each Person residing within any part of the Residential Development Tract who is a bona-fide lessee or contract purchaser pursuant to a legally cognizable lease agreement or contract for deed with an Owner; and
- (c) each individual lawfully domiciled in a Dwelling Unit other than an Owner or bona-fide lessee.

“Residential Association” shall mean and refer to **THE SCOTT FARM RESIDENTIAL PROPERTY OWNERS ASSOCIATION**, a non-profit Arkansas corporation which shall have the power, duty and responsibility of maintaining and administering the residential portions of Scott Farm, including all of the Residential Common Properties, administering and enforcing the Covenants and terms of this Declaration, and otherwise maintaining and enhancing the quality of life within the Residential Development Tract, Residential Common Properties and/or the Subdivision.

“Residential Board” shall mean and refer to the Board of Directors of The Scott Farm Residential Property Owners Association.

“Residential Common Properties” shall mean and refer to any and all areas of land within the residential portions of Scott Farm which are known, described or designated as green areas, common areas, any controlled access areas and monitoring devices, flood gates, street lighting and signs (and all elements thereof), parks, entryways, monuments, gates and gate houses, recreational easements, lakes, ponds, dams, perimeter fences and columns, off-site monuments and directional signs, landscape easements, greenbelt, swimming pool(s), tennis courts(s), basketball courts, aquatic centers, sports/recreation fields, open spaces, Nature Trails, and the like, including, without limitation, those shown on any Plat, as well as those not shown on a Plat but which are intended for or devoted to the common use and enjoyment of the Residential Members, together with any and all Improvements that are now or that may hereafter be constructed thereon. The **“Residential Common Properties”** shall also include the Street Lot, as shown on the Plat, as well as any Improvement thereon or associated therewith, that are now constructed or that may be constructed in the future which are intended for or devoted to the common use and enjoyment of the Residential Members.

“Residential Design Guidelines” shall mean and refer to those particular standards, restrictions, guidelines, recommendations and specifications, described herein or from time to time promulgated by the ARC, applicable to most of the aspects of construction, placement, location, alteration, maintenance and design of any improvements to any Residential Lot within Scott Farm, and all amendments, bulletins, modifications, supplements and interpretations thereof.

“Residential Development Tract” shall mean and refer to those portions of Scott Farm plus any additional

real property added to the scheme of this Declaration pursuant to Section 2.2(a) hereof which are or hereafter will be (i) platted into Residential Lots and become a part of a Subdivision pursuant to a Plat filed and recorded in the Records, and (ii) assessed by any one or more of the Taxing Authorities, and (c) are not intended to constitute any portion of the Common Properties nor the commercial portions of Scott Farm.

“Residential Lot” shall mean and refer to each separately identifiable portion of Scott Farm which is (a) platted into individual Lots and becomes a part of a Subdivision pursuant to a Plat filed and recorded in the Records, (b) assessed by anyone or more of the Taxing Authorities, (c) to be used solely for a Residential Use and (d) not intended to constitute any portion of the Common Properties.

“Residential Member” shall mean and refer to each Resident entitled to membership in the Residential Association by way of the fact that he, she or it is in good standing with the Residential Association and has filed a proper Statement of Residency with the Residential Association and has complied with all directives and requirements of the Residential Association. Each and every Owner shall and must take such affirmative steps as are necessary to become and remain a Member of, and in good standing in, the Residential Association. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a non-voting Member of the Residential Association.

“Residential Use” shall mean and refer to any use and/or occupancy of any Residential Lot as a residence by a single person, a couple, or a family.

“Scott Farm” shall mean and refer to the tracts or parcels of real property more particularly described in **Appendix A**, attached hereto and made a part hereof for all purposes, together with any and all easements in or upon or benefiting Scott Farm and all other rights and appurtenances belonging or in anyway pertaining thereto.

“Special Group Assessments” shall mean and refer to assessments imposed upon the Owners for capital improvements or unusual or emergency matters, in accordance with the provisions of Article IV hereof.

“Statement of Residency” shall mean and refer to a written statement provided to the Residential Association by a Person purporting to be a Resident and attesting that he or she is qualified to be a member of the Residential Association and setting forth the basis for such qualification and other requirements as set forth in Section 11.1(b) of this Declaration.

“Street Lot” shall mean and refer to all of the Streets, sidewalks and any other rights-of-way situated within Scott Farm and collectively designated on the Plat as a separate lot.

“Streets” shall mean the right-of-way of all streets, sidewalks and other rights-of-way situated within, and shown on the Plat(s) as a designated “Street Lot”, together with all pavement, curbs, street lights, signs and related facilities thereon.

“Structure” shall mean and refer to: (a) any thing or device, other than trees, shrubbery (less than two (2) feet high if in the form of a hedge in respect to a Residential Lot) and landscaping (the placement of which upon any Residential Lot shall not adversely affect the appearance of such Residential Lot), including but not limited, to any building, Improvement, parking facility or area, garage, porch, shed, greenhouse, pool house, bathhouse, cabana, coop or cage, covered or uncovered patio, swimming pool, play apparatus, fence, curbing, paving, wall or hedge (more than two (2) feet high if in the form of a hedge in respect to a Residential Lot), signboard or other temporary or permanent living quarters or any temporary or permanent Improvement to any Residential Lot; (b) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across any Residential Lot; (c) with respect to Residential Lots, any enclosure or receptacle for the concealment, collection and/or disposition of refuse; and (d) any change in the grade of any Residential Lot which involves a change of more than three (3) inches from the existing grade initially approved by the ARC.

“Subdivision” or **“Subdivisions”** shall mean and refer to the subdivision or subdivisions of all or a portion of Scott Farm plus any additional real property added to the scheme of this Declaration pursuant to Section 2.2 hereof, in accordance with the Plats now or hereafter filed of record in the Records, as well as any and all revisions, modifications, corrections or clarifications thereto.

“System” shall mean and refer to a mechanical system that limits public vehicular access to the Streets located within Scott Farm.

“Taxing Authorities” shall mean and refer to Crawford County, Arkansas, the City of Van Buren, Arkansas, and the State of Arkansas and any and all other governmental entities or agencies which have, or may in the future have, the power and authority to impose and collect ad valorem taxes on real property estates, in accordance with the Arkansas Constitution and applicable statutes and codes.

ARTICLE II: PROPERTY SUBJECT TO THIS DECLARATION

SECTION 2.1 RESIDENTIAL DEVELOPMENT TRACT AND RESIDENTIAL COMMON PROPERTIES.

The real property which is, and shall be, held, transferred, sold, conveyed, used and occupied subject to this Declaration shall be the real property located within the Residential Development Tract and the Residential Common Properties.

SECTION 2.2 ADDITIONAL LAND. The Residential Development Tract and the Residential Common Properties are within the perimeters of Scott Farm. Additional land(s) within or outside Scott Farm may become subject to this Declaration, or the general scheme envisioned by this Declaration, as follows:

- (a) During the Development Control Period, the Developer may (without the joinder and consent of any Person) add or annex additional real property to the scheme of this Declaration by filing of record an appropriate amendment to this Declaration, or enabling declaration, generally similar to this Declaration, which may extend the scheme of the Covenants and other terms hereof to such property; provided further however, such other declaration(s) may contain such complementary additions and modifications of these Covenants as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the concept and purpose of this Declaration.
- (b) After the expiration or termination of the Development Control Period, the Residential Association may add or annex additional real property to the scheme of this Declaration only after the approval by vote of fifty-one percent (51%) of the Owners of all Residential Lots and the written approval of the Developer, who shall have the full and final authority to disapprove and reject any such additions or annexations to Scott Farm.
- (c) Any additions made pursuant to this Section 2.2, when made, shall automatically extend the jurisdiction, functions, duties and membership of the Residential Association to the properties added and correspondingly subject the properties added to the covenants of the enabling declaration.

SECTION 2.3 WATER DETENTION AREAS. Scott Farm may include one or more water detention areas required by the City of Van Buren, Arkansas, or Crawford County, Arkansas for the management of surface water runoff. A water detention area is designed to detain surface water for short periods during heavy rainfalls and to be a “dry pond” the rest of the time. It is not engineered to be a lake or to hold water on a regular basis. It can be challenging to permanently landscape a terrain that purposefully rotates between being a water pond and a dry pond. Any water detention area located and lying within a residential portion of Scott Farm shall be maintained by the Residential Association. The Water Detention Areas may

require periodic de-silting to remove silt that accumulates during wet periods. Without the regulating entity's (i.e. the City of Van Buren, Arkansas or Crawford County, Arkansas) approval, a water detention area may not be used for any purpose that interferes with its role in surface water management. This Section 2.3 is an explanation as to why those areas are not more extensively improved, landscaped, or used.

SECTION 2.4 MINERAL RIGHTS. All of the Residential Development Tract may be subject to a previous Owner's reservation of oil, gas, or mineral rights pursuant to one or more Deeds recorded in the Records including but not limited to rights to all oil, gas, or other minerals lying on, in, or under the Residential Development Tract. Because the Deed reserving the mineral interest was recorded prior to this Declaration, it is a superior interest in the Residential Development Tract and is not affected by any provision to the contrary in this Declaration. By accepting title to or interest in a Residential Lot, every Owner acknowledges the existence of the mineral right or reservation referenced in this Section and its attendant rights in favor of the owner of the mineral interest.

SECTION 2.5 ARKANSAS-OKLAHOMA GAS CORPORATION RIGHT-OF-WAY. With respect to the thirty (30) foot wide Arkansas-Oklahoma Gas Corporation right-of-way along the eastern side of the Residential Development Tract, the Owners of Lot numbers 1, 2, 3, 4, 6, 33R, 34, 35, 47, 48, 49, 126, and 127 hereby agree not to erect, construct, or place fences, buildings, Improvements, Structures, or obstructions of any kind on, above, or below the surface of the ground or change the grade or elevation thereof, impound water over the easement, or cause or permit these things to be done on the above-described right-of-way without the express written permission of the Arkansas-Oklahoma Gas Corporation, its successors or assigns. The crossing of Arkansas-Oklahoma Gas facilities with other utilities is permitted so long as a minimum of twelve (12) inches of vertical clearance is maintained between new installations and Arkansas-Oklahoma Gas pipeline.

ARTICLE III: SCOTT FARM RESIDENTIAL PROPERTY OWNERS ASSOCIATION

SECTION 3.1 RESIDENTIAL ASSOCIATION FUNCTIONS. The Scott Farm Residential Property Owners Association (the "Residential Association") shall be the entity responsible for the management, maintenance, operation, and control of the Residential Common Properties. The Residential Association shall be the primary entity responsible for enforcement of the Declaration and reasonable rules regarding the use of the property within the Residential Development Tract. The Residential Association shall represent the collective interests of the Residential Members in any and all such matters where such representation is necessary and/or desirable as determined by the Residential Board. The Residential Association shall perform its functions in accordance with this Declaration, the Residential Bylaws, the Residential Articles, and Applicable Law.

SECTION 3.2 RESIDENTIAL MEMBERSHIP. Each and every Owner of each and every Residential Lot within the Residential Development Tract or a Subdivision shall automatically be, and must at all times remain, a Residential Member of the Residential Association in good standing. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a non-voting Residential Member of the Residential Association. Membership of an Owner in the Residential Association shall be appurtenant to and may not be separated from the interest of such Owner in and to any portion of a Residential Lot. Ownership of any Residential Lot shall be the sole qualification for being a Residential Member; however, a Residential Member's privileges to use the Residential Common Properties may be regulated or suspended as provided in this Declaration, the Bylaws or the rules and regulations promulgated by the Residential Board. Each and every Owner shall complete a Statement of

Residency as defined herein, and provide such to the Residential Association upon acquiring an ownership interest in a Residential Lot. Failure to do so may result in the suspension of the Resident's voting rights by the Residential Board and other sanctions as provided herein.

Each and every Resident (who is not otherwise an Owner) who desires to be a non-voting Residential Member shall also file a Statement of Residency with the Residential Association in order to become a Residential Member. Any Person who holds an interest in and to all or any part of a Residential Lot merely as security for the performance of an obligation shall not be a Residential Member.

SECTION 3.3 TRANSFERS. The residential membership of an Owner may not be severed from or in any way transferred, pledged, mortgaged or alienated except upon the sale or assignment of such Owner's interest in all or any part of such Owner's Residential Lot and then only to the purchaser or assignee as the new Owner of the Residential Lot in question. Each Owner shall notify the Residential Association of any transfer or assignment of the fee title to his/her/its Residential Lot pursuant to the terms and conditions of Section 11.1 of this Declaration. Such transfer shall automatically operate to transfer the membership to the new Owner thereof, subject to the requirements set forth in Section 11.1 of this Declaration, including the filing of a Statement of Residency with the Residential Association.

SECTION 3.4 RIGHTS AND OBLIGATIONS OF THE RESIDENTIAL ASSOCIATION.

- (a) **Residential Common Properties.** The Residential Association, subject to the rights of the Owners set forth in this Declaration, shall manage and control the Residential Common Properties, including the Street Lot as set forth in Section 3.4(b) below, and all Improvements thereon (including, without limitation, furnishings, equipment, and other personal property of the Residential Association used in connection with the Residential Common Properties), and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, pursuant to this Declaration and the Bylaws. Except as otherwise provided herein, all costs associated with the maintenance, repair and replacement of the Residential Common Properties shall be a Common Expense, as defined herein, to be allocated among the Owners of each Residential Lot as part of the Annual Assessments, without prejudice to the right of the Residential Association to seek reimbursement from the Owner(s) of, or any other Person responsible for, certain portions of the Residential Common Properties pursuant to this Declaration or agreements with the Owner(s) thereof.
- (b) **Maintenance of Street Lot and Associated Drainage Systems.** The Streets within Scott Farm are private streets designated on the Plat as a "Street Lot" and are owned by the Residential Association. The Residential Association shall manage and control all aspects of the Street Lot and any associated drainage systems. In addition to the duty to keep the Street Lot in a good, clean, attractive and sanitary condition, order and repair, the Residential Association shall at all times maintain the Street Lot within the standards of that of a public street within the City of Van Buren, Arkansas, and shall ensure that the Street Lot meets or exceeds any and all ordinances governing streets or roadways that may be promulgated from time to time by the City of Van Buren, Arkansas, and the County of Crawford, Arkansas.
- (c) **Personal Property and Real Property for Common Use.** Subject to any contrary provisions contained in this Declaration and the written approval of the Developer, the Residential Association, through action of the Residential Board, may acquire, hold, and dispose of real property. The Residential Association, through action of the Residential Board, may acquire, hold, and dispose of tangible and intangible personal property. The Developer or its designees may convey to the Residential Association improved or unimproved real estate located within the properties described in **Appendix A**, or personal property and leasehold and other property interests. Such property shall be accepted by the Residential Association and

thereafter shall be maintained by the Residential Association at its expense for the benefit of the Residential Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Residential Association.

- (d) **Enforcement.** The Residential Association may impose sanctions for violations of this Declaration, the Bylaws, or its rules and regulations in accordance with procedures set forth in this Declaration or the Bylaws, including reasonable monetary fines and suspension of the right to vote and to use the Residential Common Properties; provided that any such sanctions are subject to disapproval by the Developer for as long as Developer owns any property on or within **Appendix A**. In addition, the Residential Association may exercise self-help to cure violations, and may suspend any services it provides to the Owner(s) of any Residential Lot(s) who is more than 30 days delinquent in paying any Assessment or other Charge due to the Residential Association. All remedies set forth in this Declaration or the Bylaws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of this Declaration or Residential Association rules and regulations, if the Residential Association prevails it shall be entitled to recover all costs, including without limitation attorneys fees and court costs, reasonably incurred in such action from the violating Owner.
The Residential Association, by contract or other agreement, may enforce county and/or city ordinances, if applicable, and permit the appropriate governmental entity to enforce ordinances on Scott Farm for the benefit of the Residential Association and the Residential Members.
- (e) **Implied Rights, Residential Board Authority.** The Residential Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the Bylaws, or by law, all rights and powers of the Residential Association may be exercised by the Residential Board without a vote of the membership.
- (f) **Representation of Owners.** Subject to the approval of the Residential Board as set forth herein in Section 6.2, the Residential Association may represent the collective interests of the Owners in certain legal matters, including the initiation of a lawsuit, the defense of a lawsuit, the negotiation and execution of an agreement or contract with providers of various services including, but not limited to, utility providers, financial services institutions, and insurance companies.
- (g) **Governmental Interests.** For so long as the Developer owns any property described on **Appendix A**, the Developer may designate sites within Scott Farm for fire, police, water, and other utility facilities, parks, and other public or quasi-public facilities. The sites may include Residential Common Properties, in which case the Residential Association shall take whatever action is required with respect to such site to permit such use, including conveyance of the site, if so directed by the Developer. The sites may include other property not owned by Developer provided the Owner consents.
- (h) **Indemnification.** The Residential Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Residential Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member. The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Residential Association (except to the extent that such officers or directors may also

be Residential Members). The Residential Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Residential Association may, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available and subject to the provisions of Article VII herein.

- (i) **Dedication of Common Areas.** The Residential Association may dedicate portions of the Residential Common Properties to Crawford County, Arkansas, or to any other local, state, or federal governmental entity, subject to the written approval of the Developer.
- (j) **Limited Access System.** The Developer may install a mechanical system that limits the general public's vehicular access to the Street Lot within Scott Farm (the "System"). By accepting a Deed to a Residential Lot, each Owner shall be deemed to have acknowledged and agreed to the following:
 - (1) The Residential Board will have the sole authority, in the Board's sole and exclusive discretion, to determine when the System will be operational.
 - (2) Neither the Developer nor the Residential Association shall be responsible for providing security to the Owners of Residential Lots or their family members, guests, invitees or their property. The purpose of the System shall be to provide some degree of restriction of vehicular access onto the Streets located within the Development Tract. NEITHER THE DEVELOPER, THE RESIDENTIAL ASSOCIATION NOR ANY OWNER GUARANTEES OR ASSURES TO ANY OTHER OWNER, NOR TO ANY OTHER PERSON WHOMSOEVER THAT THE SYSTEM WILL IN ANY MANNER WHATSOEVER PROVIDE PERSONAL PROTECTION OR SECURITY FROM LOSS, DAMAGE OR HARM TO ANY OWNER, RESIDENTIAL MEMBER, RESIDENT, GUEST, OR INVITEE, OR TO ANY OTHER PERSON OR THEIR PROPERTY. EACH OWNER, BY THE ACCEPTANCE OF ITS DEED, SHALL BE DEEMED TO HAVE ASSUMED THE ENTIRE RISK AS BETWEEN SUCH OWNER AND DEVELOPER OR THE RESIDENTIAL ASSOCIATION FOR ANY LOSS OR DAMAGE TO PERSON OR PROPERTY WITHIN SCOTT FARM ARISING FROM ANY DEFICIENCY, FAILURE OR DEFECT IN THE SYSTEM OR OTHERWISE.
 - (3) The City of Van Buren, Arkansas, and Crawford County, Arkansas, along with any applicable and existing rural fire district, shall have access to the Residential Development Tract and Residential Common Properties for law enforcement and fire protection purposes. However, each Owner is hereby notified and accepts that certain City and County services shall not be provided on the private Streets of Scott Farm, such as street maintenance, routine police patrols, enforcement of traffic and parking ordinances, and preparation of accident reports.
 - (4) The System is not intended to replace or to serve in lieu of individual alarm systems or other measures to provide security at a Dwelling Unit or within any Residential Lot. Each Owner is encouraged to install personal security devices upon and within such Owner's Dwelling Unit to the same extent that would be prudent if the System did not exist.
 - (5) The System will be installed based upon the representations of vendors regarding the operation and performance capabilities of the components of the Systems. THE DEVELOPER DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, AND THE DEVELOPER MAKES NO REPRESENTATIONS OR WARRANTIES

OF ANY NATURE WHATSOEVER REGARDING THE SYSTEM, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR THE PURPOSE FOR WHICH IT WAS DESIGNED. The Developer does not expressly or impliedly guarantee that the System will avert or prevent occurrences or consequences which the System is designed to avert or prevent.

- (6) The System shall be owned, operated, and maintained by the Residential Association at its sole cost and expense. The Developer shall not be required to operate or maintain the System.
- (7) Each residence constructed on a Residential Lot must be connected into the System, and each Owner shall be responsible for using the System in the proper manner and within the rules and regulations relating thereto as may be adopted from time to time by the Residential Board.

SECTION 3.5 VOTING RIGHTS.

- (a) Residential Association membership rights and privileges may be exercised by the Residential Owner. Each Residential Member in good standing shall have one (1) vote for each Residential Lot owned. If a Residential Lot is owned by more than one (1) person, all co-owners shall share the privileges of membership assigned to such Residential Lot, subject to the reasonable regulations of the Residential Board, this Declaration, the Bylaws, and the Articles. Each co-owner shall be jointly and severally obligated to perform the responsibilities of a Residential Owner. If the Residential Owner is a corporation, partnership, or other legal entity, the rights and privileges of the Residential Owner may be exercised by any officer, director, partner, trustee, or by any other individual designated by the Residential Owner from time to time in a written instrument provided to the Secretary of the Residential Association.
- (b) Any Owner or Residential Member shall not be in "good standing" if such Person is: (1) in violation of any portion of this Declaration, the Residential Design Guidelines applicable to his/her/its Residential Lot, or any rule or regulation promulgated by the Residential Board; or (2) delinquent in the full, complete and timely payment of any Residential Assessments or Charges which are levied, payable or collectible pursuant to the provisions of this Declaration, the Residential Bylaws or any rule or regulation promulgated by the Residential Board. The voting rights of any Residential Member who is not in good standing may be suspended by the Residential Board for any period during which such Residential Member is not in good standing.
- (c) The Residential Board may make such rules and regulations, consistent with the terms of this Declaration and the Bylaws, as it deems advisable, for (1) any meeting of Residential Members; (2) proof of membership in the Residential Association; (3) the status of good standing; (4) evidence of right to vote; (5) the appointment and duties of examiners and inspectors of votes; (6) the procedures for actual voting in person or by proxy; (7) registration of Residential Members for voting purposes; and (8) such other matters concerning the conduct of meetings and voting as the Residential Board shall deem fit.

SECTION 3.6 NOTICE; VOTING PROCEDURES; MEETINGS. Quorum, notice and voting requirements of and pertaining to the Residential Association may be set forth within the Articles and Bylaws, as either or both may be amended from time to time, and shall be in accordance with permitted Arkansas law. During the Development Control Period, from time to time, as and when determined necessary by the Residential Board, the Residential Board may call and schedule a meeting of the Residential Members. From and after the expiration of the Development Control Period, the Residential Members shall meet annually to deal with and vote on matters relating to the business of the Residential Association, as directed by the

Residential Board, including the election of the Directors.

SECTION 3.7 MATTERS GENERALLY SUBJECT TO THE VOTE OF RESIDENTIAL MEMBERS.

Residential Members shall, at annual or special meetings called by the Residential Board, deal with and make decisions with respect to (a) from and after the expiration of the Development Control Period, the election of the Residential Board, (b) the approval of an amendment to this Declaration of a "material nature", as hereinafter defined, as contemplated by Section 13.4 hereof, (c) following the expiration or termination of the Development Control Period, an increase in the Annual Assessments beyond the thresholds established in Sections 4.3 and 4.5 hereof or the imposition of Special Group Assessments, as contemplated by Section 4.4 hereof, and (d) such other matters as may be designated by the Residential Board which are the subject matter of a vote of the Residential Members. Additionally, to the extent that the Residential Board desires to encumber any portion of the Residential Common Properties as security for payment of indebtedness incurred in respect to Improvements to the Residential Common Properties, the Residential Board shall obtain the prior approval of the Residential Members in the same manner as approval of a Special Group Assessment as provided in Section 4.5 hereof.

ARTICLE IV:
COVENANTS FOR ASSESSMENTS OF RESIDENTIAL LOTS

SECTION 4.1 CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS. The

Developer, for each Residential Lot owned by it within Scott Farm hereby covenants and agrees, and each subsequent Owner of any Residential Lot, by acceptance of a Deed therefore, whether or not reference to the Covenants or this Declaration shall be so expressed in any such Deed or other conveyance, shall be deemed to have covenanted and agreed (and such covenant and agreement shall be deemed to constitute a portion of the purchase money and consideration for acquisition of the Residential Lot so as to have affected the purchase price) to pay to the Residential Association (or to an independent entity or agency which may be designated by the Residential Association to receive such monies):

- (a) Annual Assessments, to fund Common Expenses for the general benefit of all Residential Members;
- (b) Special Group Assessments, to be fixed, established and collected from time to time as hereinafter provided; and
- (c) Individual Assessments and Charges levied against individual Owners, Residential Members or Residents to reimburse the Residential Association for (1) extra or unusual costs incurred for items such as, but not limited to, maintenance and repairs to portions of Scott Farm required to be made as a result of the willful or negligent acts of the individual Owner, Residential Member or Resident; or the remedy, cure or minimizing of problems caused by, or as a result of, violations of these Covenants by an Owner, Residential Member or Resident; and (2) costs incurred relating to or resulting from violations by individual Owners, Residential Members or Residents of rules and regulations pertaining to the Residential Association and or the Residential Common Properties.

The Annual, Special Group, and Individual Assessments, together with such late charges, interest and costs of collection thereof as are hereinafter provided, shall be a Charge running with the land and shall be a continuing lien upon each Residential Lot against which each such Assessment is made and shall also be the continuing personal obligation of the then-existing Owner, Residential Member and Resident of such Residential Lot at the time when the Assessment fell due. Each Owner of each Residential Lot shall be directly liable and responsible to the Residential Association

for the acts, conduct and omission of each and every Residential Member and Resident and their respective guests, invitees and employees, associated with the Dwelling Units or Structures located on such Owner's Residential Lot.

SECTION 4.2 PURPOSES OF ASSESSMENTS; MAINTENANCE OF THE RESIDENTIAL COMMON PROPERTIES. The Assessments levied by the Residential Association shall be used for the purposes of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the Residential Members of the Residential Association and otherwise for the improvement and maintenance of the Residential Common Properties, including the Street Lot, any and all associated drainage systems, walkways, the Nature Trail, landscaping, ponds, lakes, recreational areas, and other properties, services and facilities devoted and related to the use and enjoyment of the Residential Common Properties and operation of the Residential Association, including, but not limited to or for, (a) the payment of taxes on the Residential Common Properties and insurance in connection with the Residential Common Properties; (b) the payment for utilities and the repair, replacement and additions of various items within the Residential Common Properties; (c) paying the cost of labor, equipment (including the expense of leasing any equipment) and materials required for, and management and supervision of, the Residential Common Properties; (d) carrying out the duties of the Residential Board as set forth in Article VI of this Declaration, (e) carrying out the other various matters set forth or envisioned herein or in any Amended Declaration related hereto; and (f) for any matter or thing designated by Crawford County, Arkansas or the City of Van Buren, Arkansas in connection with any zoning, subdivision, platting, building, development or occupancy requirements. The items and areas described above are not intended to be exhaustive but merely illustrative.

SECTION 4.3 COMPUTATION OF ANNUAL ASSESSMENTS.

- (a) The initial Annual Assessment, for the Fiscal Year beginning January 1, 2005, shall be set by the Developer. For the period beginning January 1, 2006, and continuing until the expiration or termination of the Development Control Period, the Residential Board shall set the Annual Assessment, as provided herein, subject to the approval of the Developer, who shall have the absolute authority to override the Residential Board and set the Annual Assessment during the Development Control Period, subject to the limitations of Section 4.3(d). After the expiration of the Development Control Period, the Residential Board shall determine and set the Annual Assessment, subject to the terms and limitations of Section 4.3(d).
- (b) The Residential Board, or the Developer during the Development Control period, shall have the right to establish different classifications of Residential Lots within Scott Farm for the purposes of Annual Assessments and the right to set different initial Annual Assessments for different Subdivisions within Scott Farm.
- (c) At least thirty (30) days before the beginning of each Fiscal Year, the Residential Board shall prepare an operating budget covering the estimated Common Expenses for the coming Fiscal Year. The Annual Assessment shall be set at a level which is reasonably expected to produce total income for the Residential Association equal to the total budgeted Common Expenses, including any reserve funds of capital contributions as provided in Section 6.6.
- (d) The Residential Board shall be permitted to increase the Annual Assessment for each Residential Lot from year to year but no such increase shall exceed ten percent (10%) of the previous Fiscal Year's Annual Assessment assessed against the Residential Lot(s) in question.
- (e) The maximum Annual Assessment may not be otherwise increased beyond the restrictions set forth in subparagraph (d) above without the written assent of: (1) the Developer, during the Development Control Period, and (2) thereafter, at least fifty-one percent (51%) of the Members of the Residential Association in attendance at a meeting or meetings called for that purpose with at least fifty percent (50%) of the

Residential Members (or their proxies) after adequate notice. If fifty percent (50%) of the Residential Members (or their proxies) are not in attendance, a second meeting may be called with the same notice and the quorum may be reduced to thirty percent (30%) of the Residential Members. The Residential Board shall not take formal action on the Annual Assessment more than once in any Fiscal Year. Each and every meeting of the Residential Board in which final action on an Annual Assessment or Special Group Assessment is taken shall be open to the Owners.

- (f) The Residential Board shall send a copy of the operating budget and a Notice of Assessment, as defined herein, for the coming Fiscal Year to each Owner prior to the beginning of the Fiscal Year for which it is to be effective. After the expiration of the Development Control Period, such budget and Assessment shall become effective unless disapproved by at least fifty-one percent (51%) at a meeting in which at least seventy-five percent (75%) of the Residential Members, or their proxies, are present, after adequate notice. There shall be no obligation to call a meeting of the Residential Members for the purpose of considering the operating budget except on petition of the Residential Members as provided for special meetings in the Bylaws; which petition must be presented to the Residential Board within ten (10) days after delivery of the operating budget and notice of Assessments. If the proposed operating budget is disapproved or the Residential Board fails for any reason to determine an operating budget for any Fiscal Year, then until such time as an operating budget is approved, the operating budget in effect for the immediately preceding Fiscal Year shall continue and be effective for the current Fiscal Year.
- (g) In determining each Annual Assessment, the Residential Board shall separately assess each Residential Lot in the manner herein provided and each Residential Lot shall be charged with and subjected to a lien for the amount of such separate Assessment which shall be deemed the "Annual Assessment" with respect to such Residential Lot.

SECTION 4.4 SPECIAL GROUP ASSESSMENTS. In addition to the Annual Assessment, the Residential Association may levy in any Fiscal Year a Special Group Assessment, applicable to that Fiscal Year only, for the purpose of defraying, in whole or in part, the cost of any unbudgeted construction, reconstruction, unexpected repair or replacement of a capital improvement upon the Residential Common Properties, including any necessary fixtures and personal property related to or for any unusual or emergency purpose(s) (including without limitation those matters arising out of litigation and/or judgments). Prior to the expiration of the Development Control Period, any Special Group Assessment must have the affirmative vote of the Developer. From and after the expiration of the Development Control Period, any Special Group Assessment must have the affirmative approval of at least fifty-one percent (51%) of the Residential Members in attendance at a duly convened meeting. The Residential Board shall furnish a timely Notice of Assessment to each and every Owner of a Residential Lot subject to any Special Assessment notifying said Owner of the amount due and the payment date thereof, however, the failure to provide such Notice of Assessment shall not relieve any Owner of the obligation to pay the Special Group Assessment as required hereby.

SECTION 4.5 RATE OF ASSESSMENTS. Prior to the expiration of the Development Control Period, both Annual Assessments and Special Group Assessments in respect to Residential Lots within a classification of Lots established by Developer pursuant to Section 4.4(b) hereof must be fixed at a uniform rate for all such Residential Lots within such classification, unless otherwise approved by the Developer. From and after the expiration of the Development Control Period, both Annual Assessments and Special Group Assessments in respect to Residential Lots within a classification of Lots must be fixed at a uniform rate for all Residential Lots within such classification, unless otherwise approved by at least three-fourths (3/4ths) of the individuals comprising the Residential Board.

SECTION 4.6 DATE OF COMMENCEMENT OF ASSESSMENTS; DUE DATES. The Annual Assessment shall be paid, at the option of the Developer, (a) in full on the first day of each Fiscal Year, or (b) in four (4) equal installments on the first day of each quarter during each Fiscal Year, and each such applicable payment shall, if not paid within fifteen (15) days after the applicable payment date, automatically become delinquent. The Residential Board shall use reasonable efforts to provide each Owner with a Notice of Assessment in regards to every annual Assessment due, but any failure to provide such notice shall not relieve any Owner of the obligation established by the preceding sentence. The Residential Board may prescribe procedures for collecting advance regular Annual Assessments from new Owners, Residential Members or Residents out of "closing transactions"; and different procedures for collecting Assessments from Owners who have had a recent history of being untimely in the payment of Assessments. The written Notice of Assessment shall be furnished in a timely manner by the Residential Board to every Owner in accordance with the provisions of Section 13.9.

SECTION 4.7 EFFECT OF NON-PAYMENT OF ASSESSMENT; THE PERSONAL OBLIGATION OF THE OWNER; THE LIEN IN RESPECT TO A RESIDENTIAL LOT; AND REMEDIES OF THE RESIDENTIAL ASSOCIATION.

- (a) Effective as of, and from and after the filing and recordation of this Declaration, there shall exist a self-executing and continuing contract Payment and Performance Lien and equitable Charge on each Residential Lot to secure the full and timely payment of each and all Assessments and all other Charges and monetary amounts and performance obligations due hereunder in respect of the Residential Lots, including the obligations of the Developer under Section 4.3 hereof. Such lien shall be at all times superior to any claim of homestead by or in any Owner of a Residential Lot. If any Assessment or Charge or other monetary amount or any part thereof is not paid by the Owner or a Resident of a Residential Lot on the date(s) when due, then the unpaid amount of the Assessment or Charge or other monetary amount shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the Maximum Rate and costs of collection thereof, including any reasonable attorney fees, become a continuing debt secured by the self-executing Payment and Performance Lien on the Residential Lot of the non-paying Owner, Residential Member, or Resident which shall bind such Residential Lot in the hands of the Owner and the Owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Developer hereby assigns such lien to the Residential Association without recourse. The lien shall be self operative and shall continue in inchoate form without being reserved or referenced in any Deed or other document and without any other action required. The Residential Association shall have the right to reject partial payments of an unpaid Assessment or other monetary obligation and demand the full payment thereof. The lien for unpaid Assessments or other monetary obligation shall be unaffected by any sale, conveyance or transfer of a Residential Lot and shall continue in full force and effect.
- (b) No Owner may waive or otherwise escape liability for any Assessment or other monetary obligation provided herein by non-use of the Residential Common Properties or abandonment of his/her/its Residential Lot. No diminution or abatement of Assessments or other monetary obligation shall be claimed or allowed by reason of any alleged failure of the Residential Association to take some action or to perform some function required to be taken or performed by the Residential Association, or for inconvenience or discomfort arising from the making of Improvements or repairs which are the responsibility of the Residential Association, or from any action taken by the Residential Association to comply with any law,

ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such Assessments or other monetary obligation being a separate and independent covenant on the part of each Owner.

- (c) The Residential Association may also give written notification to the holder(s) of any mortgage on the Residential Lot of the non-paying Owner of such Owner's default in paying any Assessment or Charge or other monetary obligation, particularly where the Residential Association has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, and a written request to receive such notification.
- (d) If any Assessment or Charge or other monetary obligation or part thereof is not paid when due, the Residential Association shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment schedule adopted by the Residential Association. The unpaid amount of any such delinquent Assessment or Charge or other monetary obligation shall bear interest from and after the date when due at the Maximum Rate until fully paid. The Residential Association may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid Assessments or Charges and delinquent accounts, and there shall also be added to the amount of any unpaid Assessment or Charge or any delinquent account any and all reasonable attorneys' fees and other costs of collection incurred by the Residential Association.
- (e) Although no further action is required to create or perfect the Payment and Performance Lien, the Residential Association may, with respect to any Residential Lot and at its discretion but subject to all applicable debt collection statutes, (1) prepare and file a lien affidavit in the Records which specifically identifies the unpaid Assessments or Charges or other monetary obligation as to any Residential Lot; and (2) publish and post, within one or more locations within Scott Farm, a list of those individuals or entities who are delinquent and, if applicable, suspend their use and enjoyment of the Residential Common Properties until and unless the delinquency has been cured to the reasonable satisfaction of the Residential Association. Each Owner consents to these procedures and authorizes the Residential Board to undertake such measures for the general benefit of the Residential Association. However, the failure of the Residential Association to execute and record any such document shall not, to any extent, affect the validity, enforceability, or priority of the Payment and Performance Lien.
- (f) All agreements between any Owner and the Residential Association and/or the Developer, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Residential Association and/or the Developer or for the payment or performance of any Covenant or obligation contained herein or in any other document exceed the maximum amount permissible under Applicable Law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Residential Association and/or the Developer should ever receive an amount deemed interest by Applicable Law which shall exceed the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Residential Association and/or the Developer and not to the payment of interest, and if such excessive interest exceeds the unpaid balance of the actual Annual Assessment due and such other indebtedness, the

excess shall be refunded to the Owner in question. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Residential Association and or the Developer shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by Applicable Law. The terms and provisions of this subparagraph (f) shall control and supersede every other provision of all agreements between any Owner and the Residential Association and/or the Developer.

- (g) The Payment and Performance Lien, when any obligation secured thereby is delinquent, may be enforced by suit, judgment, and judicial or nonjudicial foreclosure in accordance with Arkansas law.
- (h) The sale or transfer of any Residential Lot shall not affect the Payment and Performance Lien or relieve such Residential Lot from any lien for any subsequent Assessments. However, the sale or transfer of any Residential Lot pursuant to foreclosure of the first Mortgage shall extinguish the Payment and Performance Lien as to any installments of such Assessments due prior to the sale or transfer. A mortgagee or other purchaser of a Residential Lot who obtains title pursuant to foreclosure of the mortgage shall not be personally liable for Assessments on such Residential Lot due prior to such acquisition of title. Such unpaid Assessment shall be deemed to be a Common Expense collectible from Owners of all Residential Lots subject to Assessment, including such acquirer, its successors and assigns.

SECTION 4.8 POWER OF SALE IN RESPECT TO RESIDENTIAL LOTS.

- (a) Each Owner of a Residential Lot, for the purpose of better securing each and all monetary obligations described within this Declaration and in consideration of the benefits received and to be received by virtue of the ownership of its Residential Lot within Scott Farm, by acceptance of its Deed, is deemed to have granted, sold and conveyed unto the Trustee, such Owner's Residential Lot, to have and to hold such Lot, together with the rights, privileges and appurtenances thereto belonging unto the Trustee, and to its substitutes or successors, forever. Each Owner, by its acceptance of the Deed is deemed to have bound himself and/or herself and/or itself, and his or her or its heirs, executors, administrators, devisees, personal representatives, successors and assigns to warrant and forever defend such Owner's Residential Lot unto the Trustee, its substitutes or successors and assigns, forever, against the claim, or claims of all Persons claiming or to claim the same or any part thereof.
- (b) This conveyance by the Owners of the Residential Lots is made in trust to secure payment by the Owners of all Residential Lots of each and all Assessments, Charges and other obligations prescribed by these Covenants to and for the benefit of the Residential Association, as the beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, the Residential Association may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable subject, however, to the notice and cure provisions set forth herein. In the event of default in the payment of such indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of the Residential Association (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Residential Lot(s) then subject to the lien hereof, and mailing and filing notices as required herein or by Arkansas law, as then amended, the Trustee shall sell the Residential Lot(s) of the non-paying Owner, then subject to the lien hereof, at public

auction in accordance with such notices on the first Tuesday in any month between the hours of 9:00 AM. and 4:00 P.M., to the highest bidder for cash, selling all of the Residential Lot(s) then subject to the lien hereof as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the purchaser or purchasers (the "Purchaser" or "Purchasers" herein), with general warranty binding upon the Owner, his or her or its heirs, executors, administrators, devisee, personal representatives, successors and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees herein provided for, and then to the Residential Association the full amount of principal, interest, attorney's fees and other Charges due and unpaid on such indebtedness secured hereby, rendering the balance of the sales price, if any, to the Owner, his or her or its heirs, executors, administrators, devisees, personal representatives, successors and assigns and/or to any other lienholders (if so required by Applicable Law); and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of the matters therein stated, and all prerequisites to such sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his or her or its heirs, executors, administrators, devisees, personal representatives, successors and assigns.

- (c) It is agreed that in the event a foreclosure of the contract Performance and Payment Lien hereunder should be commenced by the Trustee, or its substitute or successor, the Residential Association may at any time before the sale of the Residential Lot of the non-paying Owner direct the Trustee to abandon the sale, and may then institute suit for the collection of such indebtedness and for the foreclosure of the contract Payment and Performance Lien created hereby. It is further agreed that if the Residential Association should institute a suit for the collection thereof and/or for a foreclosure of the contract Payment and Performance Lien created hereby, that the Residential Association may at any time before the entry of a final judgment in such suit dismiss the same, and require the Trustee, its substitute or successor, to sell the Residential Lot of the non-paying Owner in accordance with the provisions of this Section 4.9. The Residential Association, if it is the highest bidder, shall have the right to purchase at any sale of the Residential Lot in question and to have the amount for which such Residential Lot is sold credited on the debt then owing. Trustee may resign at any time as trustee upon prior written notice of resignation to the Residential Association. The Residential Association in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without any other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of another successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until the Residential Lot of the non-paying Owner is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original Trustee named herein. In the event any sale is made of the Residential Lot of the non-paying Owner, or any portion thereof, under the terms of this Section 4.9, the Owner, his or her or its heirs, executors, administrators, devisees, personal representatives, successors and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the Residential Lot so sold to the Purchaser or Purchasers at such sale, and in the event of the Owner's failure to do so, the Owner shall thereupon from and after the making of such sale be and continue as a tenant at will of such Purchaser or Purchasers, and in the event of the Owner's failure to surrender possession of the Residential Lot in question upon demand, the Purchaser or Purchasers, his or her or its or their heirs, executors, administrators, devisees,

personal representatives, successors and assigns, shall be entitled to institute and maintain an action for forcible detainer of the Residential Lot of the non-paying Owner in the Circuit Court of Crawford County, Arkansas. The foreclosure of the continuing contract Payment and Performance Lien on anyone or more occasions shall not remove, replace, impair or extinguish the same continuing Payment and Performance Lien from securing all obligations arising from and after the date of foreclosure. Trustee shall not be liable for any act or omission or error of judgment. Trustee may rely on any document believed by it in good faith to be genuine. All money received by Trustee shall, until used or applied as herein provided, be held in trust, but need not be segregated (except to the extent required by law), and Trustee shall not be liable for interest thereon. The non-paying Owner shall indemnify Trustee against all liability and expenses which he may incur in the performance of its duties hereunder.

SECTION 4.9 SUBORDINATION OF THE LIEN TO MORTGAGES. The lien on the Residential Lots securing the payment of the Assessments, Charges and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Residential Lot whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument, except for:

- (a) Bona-fide first mortgage or deed of trust liens for purchase money and/or improvement purposes placed against a Residential Lot, including without limitation Institutional Mortgages and Eligible Mortgages, in which event the Residential Association's lien shall automatically become subordinate and inferior to such first lien;
- (b) Liens for taxes or other public charges as are by applicable law made superior to the Residential Association's lien; and
- (c) Such other liens about which the Residential Board may, in the exercise of its reasonable discretion, elect to voluntarily subordinate the Residential Association's lien; provided however, such subordination shall apply only to (1) the Assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Residential Lot pursuant to the terms and conditions of any such first mortgage or deed of trust or tax lien; and (2) the permitted Payment and Performance Lien on the Residential Lot alone and not on or to any easement appurtenant for use and enjoyment of the Residential Common Properties. Such sale shall not relieve such Residential Lot from liability for the amount of any Assessment thereafter becoming due nor from the lien of any such subsequent Assessment. Such subordination shall not apply where the first mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay Assessments and/or to hinder the Residential Association in performing its functions hereunder.

SECTION 4.10 EXEMPT PROPERTY. The Exempt Property shall be exempted from any Assessments or Charges created herein and shall include the following portions of Scott Farm:

- (a) Any property dedicated to and accepted by any governmental authority;
- (b) Any property dedicated to and accepted by any public utility;
- (c) Any property and Improvements constituting a portion of the Residential Common Properties;
- (d) Any property and Improvements which are not only exempt from the payment of ad valorem real property taxes by Taxing Authorities, but also are exempt from the payment of any Assessments hereunder as expressly determined by written resolution of the Developer and/or the Residential Board; and
- (e) Such other land(s) and/or Improvement(s) and/or Residential Lot(s) which are

specifically exempted from the payment of Annual Assessments in accordance with a special resolution of the Residential Board.

ARTICLE V:
RIGHTS OF USE AND ENJOYMENT IN THE
RESIDENTIAL COMMON PROPERTIES

SECTION 5.1 EASEMENTS

- (a) Subject to the provisions of Sections 5.2 through 5.7 below, each and every Owner of a Residential Lot in good standing with the Residential Association shall have a non-exclusive right and easement of use, access and enjoyment in and to the Residential Common Properties, and such easement shall be appurtenant to and shall run with every Residential Lot, provided the conveyance and transfer is accomplished in accordance with this Declaration.
- (b) All Residents in good standing with the Residential Association shall have a nontransferable, non-exclusive privilege to use and enjoy all Residential Common Properties for so long as they are Residential Members in good standing with the Residential Association.
- (c) The Developer reserves the right to use, during the Development Control Period, portions of the Residential Common Properties for business matters directly and indirectly related to Scott Farm (e.g. a sales information center).
- (d) One or more portions of the Residential Common Properties may from time to time be reasonably limited to private functions for use of Residential Members and their guests and invitees (subject to the written consent of the Residential Association), and conversely, one or more portions of otherwise private property (subject to the consent of the Owner thereof) may be utilized for Residential Association functions and activities.
- (e) The Developer shall convey record title to some or all of the Residential Common Properties to the Residential Association if, as and when deemed appropriate by the Developer or as may be required by governmental officials, and the Developer shall at all times have and retain the right to effect minor redesigns or minor reconfiguration of the Residential Common Properties and to execute any open space declarations applicable to the Residential Common Properties which may be permitted in order to reduce property taxes, and to take whatever steps may be appropriate to lawfully avoid or minimize the imposition of ad valorem taxes by the Taxing Authorities.
- (f) The Residential Common Properties shall be used exclusively by the Residential Members and their guests and invitees and access thereto shall be prohibited to any other Person. Access to the Residential Common Properties may be restricted by gating and fencing to all other Persons. The Owners of the Residential Lots shall be responsible for all Assessments associated with the costs of the maintenance (including landscaping where applicable) of (1) manned and unmanned gated areas serving the Residential Development Tract accessible by the Residents only, and (2) the balance of the Residential Common Properties, including amenities constructed or installed in the Residential Common Properties accessible only by Residential Members in good standing with the Residential Association, such as aquatic facilities, the Nature Trail, fountains, athletic/recreation fields, tennis courts, basketball courts, pavilions and other amenities located within the Residential Common Properties.
- (g) The Residential Board shall have the right to restrict the usage of the Residential Common Properties by the Residents; however any restriction shall be imposed on a uniform basis.

SECTION 5.2 EXTENT OF RESIDENTIAL MEMBERS' EASEMENTS. The rights and easements of use, recreation and enjoyment created hereby shall be subject to the following:

- (a) The right of the Developer and/or the Residential Association to prescribe reasonable regulations and policies governing, and to charge fees and/or deposits (e.g., key and access card deposits) related to, the use, operation and maintenance of the Residential Common Properties;
- (b) Liens or mortgages placed against all or any portion of the Residential Common Properties with respect to monies borrowed by the Residential Association to improve or maintain the Residential Common Properties;
- (c) The right of the Developer and/or the Residential Association to enter into and execute contracts with any party (including, without limitation, the Developer or its corporate affiliates) for the purpose of providing management, maintenance or such other materials or services consistent with the purposes of the Residential Association and/or this Declaration;
- (d) The right of the Developer and/or the Residential Association to take such steps as are reasonably necessary to protect the Residential Common Properties against foreclosure;
- (e) The right of the Developer and/or the Residential Association to suspend the voting rights of any Residential Member, and to suspend the right of any Residential Member to use or enjoy any of the Residential Common Properties for any period during which any Assessment or Charge against a Residential Lot owned and/or occupied by such Residential Member remains unpaid, or during which non-compliance with this Declaration or the Residential Design Guidelines applicable to the Residential Lot in question exists, and otherwise for any period deemed reasonable by the Residential Association for an infraction of the then-existing rules and regulations;
- (f) The right of the Developer and/or the Residential Association (subject to any restrictions contained in this Declaration) to dedicate or transfer all or any part of the Residential Common Properties to Crawford County, Arkansas, or any municipal corporation, public agency, governmental authority, or utility for such purposes and upon such conditions as may be agreed to by the Developer or the Residential Board, including the right of the Developer or the Residential Association to enter into and execute contracts with the owner-operators of any utility system or other similar operations for the purpose of extending utility service on, over or under the Residential Common Properties to ultimately provide service to one or more of the Residential Lots or to adjacent properties which are not owned by the Developer; and
- (g) The right of the Developer and/or the Residential Association to grant permits, licenses and easements over the Residential Common Properties for utilities and other purposes necessary for the proper development of Scott Farm or for any other reason deemed prudent by the Residential Board.

SECTION 5.3 RESTRICTED ACTIONS BY RESIDENTIAL MEMBERS. No Residential Member shall permit anything to be done on or in the Residential Common Properties which would violate any Applicable Law or which would result in the cancellation of or the increase of premiums for any insurance carried by the Residential Association, or which would be in violation of any law, this Declaration or any rule or regulation promulgated by the Residential Board.

SECTION 5.4 DAMAGE TO THE RESIDENTIAL COMMON PROPERTIES. Each Residential Member shall be liable to the Residential Association for any damage to any portion of the Residential Common Properties caused by the negligence or willful misconduct of the Residential Member or his/her family and/or guests and/or invitees and/or employees.

SECTION 5.5 RULES OF THE BOARD. All Residential Members shall abide by any rules and regulations adopted by the Residential Board. The Residential Board shall have the power to enforce compliance with the rules and regulations established from time to time by the Residential

Board by all appropriate legal and equitable remedies, and a Residential Member determined to have violated the Residential Board's rules and regulations shall be liable to the Residential Association for all damages and costs incurred by the Residential Association as a result of such violation or in regard to the enforcement thereof, including reasonable attorneys' fees.

SECTION 5.6 USE OF RESIDENTIAL COMMON PROPERTIES. Subject to any restrictions set forth in this Declaration, the Residential Board shall have the power and authority to prescribe rules and regulations which extend to and cover matters such as (but not limited to) smoking, the possession and consumption of alcoholic beverages, loud and obnoxious noises and behavior, dress and attire and the supervision by attending adults of children. No Person (excluding the Developer) shall use any portion of the Residential Common Properties to:

- (a) solicit, promote or conduct business, religious, political or propaganda matters; or
- (b) distribute handbills, newsletters, flyers, circulars or other printed materials; without the prior written consent of the Residential Board (which consent may be withheld in its sole and absolute discretion).

SECTION 5.7 USE OF THE NATURE TRAIL. The Developer and/or the Residential Board shall have the power and authority to prescribe rules and regulations concerning the function and use of the Nature Trail as it presently exists within Scott Farm and as it may exist at anytime in the future. Although the primary purpose of the Nature Trail is to provide Scott Farm members and their families a serene, attractive and safe area to walk and jog for pleasure and exercise, the use of non-motorized bicycles will be allowed upon the Nature Trail under the condition that all bicycles shall yield right of way to pedestrians. The Developer and/or the Residential Board specifically reserve the right to amend and adopt rules and regulations concerning the Nature Trail at anytime pursuant to the terms of this Declaration.

SECTION 5.8 USER FEES AND CHARGES. The Residential Board may levy and collect Charges, user fees and other fees for the use, operation and maintenance of the Residential Common Properties and services which the Residential Board determines to be necessary for the advancement, benefit and welfare of the Residential Members. In establishing user fees, the Residential Board may formulate reasonable classifications of users. Such fees must be uniform within such classifications but need not be uniform throughout the classifications. If a Residential Member shall fail to pay a Charge when due and payable, the unpaid Charge shall be delinquent and upon written notice to the Residential Member shall become a personal debt of the Residential Member in question. Failure of any Residential Member to pay the Charge when due and payable, in addition, shall be a breach of these Covenants and shall result in suspension of the Residential Member's rights or privileges with respect to the use of the Residential Common Properties. User fees and other similar Charges pursuant to this Section 5.7 shall not be considered rent or a lease under the terms of Section 5.8 below.

SECTION 5.9 REVERSION TO DEVELOPER. In the event the Residential Association should ever attempt to convey, sell, transfer, abandon, partition, subdivide, lease, or rent any portion of the Residential Common Properties, the title and ownership of all of the Residential Common Properties, including any and all Improvements thereto, shall revert back to the Developer in fee simple. Excepted from the terms and conditions set forth in this Section 5.9 shall be any dedication, transfer or conveyance of the Street Lot, or any portion thereof, by the Residential Association to the County of Crawford, Arkansas, or any other municipality or government entity as authorized in Section 3.4(h) of this Declaration.

SECTION 5.10 CONDEMNATION. If any part of the Residential Common Properties shall be taken (or conveyed by the Residential Board acting on the written direction of at least seventy percent (70%) of the Residential Members and of the Developer, in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, each

Owner shall be entitled to written notice. The award made for such taking shall be payable to the Residential Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Residential Common Properties on which Improvements have been constructed, the Residential Association shall restore or replace such Improvements on the remaining land included in the Residential Common Properties to the extent available, unless within sixty (60) days after such taking the Developer, so long as the Developer owns any property described in **Appendix A**, and at least seventy-five percent (75%) of the Residential Members shall otherwise agree. Any such construction shall be in accordance with plans approved by the Residential Board. The provisions of Section 7.1(c) regarding funds for the repair of damage or destruction shall apply.

If the taking does not involve any Improvements on the Residential Common Properties, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award for net funds shall be disbursed to the Residential Association and used for such purposes as the Residential Board shall determine.

SECTION 5.11 NO PARTITION. There shall be no partition of the Residential Common Properties.

**ARTICLE VI:
GENERAL POWERS AND DUTIES OF THE
BOARD OF DIRECTORS OF THE RESIDENTIAL ASSOCIATION**

SECTION 6.1 CONSTITUTION OF THE BOARD OF DIRECTORS.

- (a) Prior to the expiration or the termination of the Development Control Period, the affairs of the Residential Association shall be managed by a Residential Board consisting of three (3) individuals elected by the Developer.
- (b) From and after the expiration or termination of the Development Control Period, the affairs of the Residential Association shall be managed by a Residential Board consisting of no fewer than three (3) and no more than five (5) individuals elected by the Residential Members.
- (c) The Directors need not be members of the Residential Association. Other than the constitution of the initial Residential Board to be elected immediately following the expiration of the Development Control Period, Directors shall be elected for two (2) year terms of office and shall serve until their respective successors are elected and qualified. The terms of office for the Directors constituting the initial Residential Board elected immediately following the expiration of the Development Control Period shall be one (1) year for one-half of the Directors (or if there is an odd number of Directors, one-half plus 0.5) and two (2) years for the remaining Directors. Any vacancy which occurs in the Residential Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Residential Board by the affirmative vote of a majority of the remaining Directors. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.

SECTION 6.2 POWERS AND DUTIES.

- (a) The affairs of the Residential Association shall be conducted by its Residential Board. The Residential Board, for the benefit of the Residential Association, the Owners, the Residential Members and the Residents, may provide and may pay for, out of the Assessment fund(s) provided for in Article IV above, costs and expenses incurred in connection the affairs of the Residential Association. If for any reason during the Development Control Period, the Residential Board is not deemed

authorized to act for and on behalf of the Residential Association, and the Owners, Residential Members and Residents, then the Developer may exercise the powers and authority granted under this Section 6.2, to act for and on behalf of the Residential Association, the Owners, the Residential Members and the Residents, and the Residential Association shall reimburse the Developer for any and all reasonable expenses incurred in so acting.

- (b) The Board may provide and may pay for, as a Common Expense, one or more of the following:
- (1) Care, preservation and maintenance of the Residential Common Properties (including without limitation the proper maintenance of the Street Lot, lake water quality and lake shorelines), the furnishing and upkeep of any desired personal property for use in or on the Residential Common Properties;
 - (2) Recreational and social programs and activities for the general benefit of the Residents and programs which are designed only for separately identifiable sub-groups of Residents, such as (but not limited to) infants, adolescents, teenagers, students, mothers and senior citizens;
 - (3) Supplementing (to the extent, if any, deemed necessary, appropriate and affordable by the Residential Board) the police, fire, ambulance, garbage and trash collection and similar services within Scott Farm traditionally provided by local governmental agencies;
 - (4) Taxes, insurance and utilities (including, without limitation, electricity, gas, water, sewer and telephone charges) which pertain to the Residential Common Properties;
 - (5) The services of any Person (including the Developer and any affiliates of the Developer) to manage the Residential Association or any separate portion thereof, to the extent deemed advisable by the Residential Board, and the services of such other personnel as the Residential Board shall determine to be necessary or proper for the operation of the Residential Association, whether such personnel are employed directly by the Residential Board or by the manager of the Residential Association, including the hiring and employment of one or more managers, secretarial, clerical, staff and support employees;
 - (6) Such fidelity bonds as the Residential Board may determine to be advisable;
 - (7) Legal and accounting services (including audit fees) and all costs and expenses reasonably incurred by the Residential Board;
 - (8) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, taxes or Assessments which the Residential Board is required to obtain or pay for pursuant to the terms of this Declaration or which in its opinion shall be necessary or proper for the operation or protection of the Residential Association or for the enforcement of this Declaration; and,
 - (9) The cost of services provided to Scott Farm by Cox Communications, or any other approved provider, including, without limitation, cable television, security and internet services.
- (c) The Residential Board shall have the following additional rights, powers and duties:
- (1) To execute all declarations of ownership for tax assessment purposes with regard to any of the Residential Common Properties owned by the Residential Association;
 - (2) To enter into agreements or contracts with insurance companies, Taxing Authorities, the holders of first mortgage liens on individual Residential Lots and utility companies with respect to (i) any taxes on the Residential Common Properties, (ii) monthly escrow and impound payments by a mortgagee regarding the Assessment, collection and disbursement process envisioned by Article IV herein above, (iii) utility installation, utility franchise agreements, consumption and service matters, and (iv) the escrow or

- impounding of monies sufficient to timely pay the Annual Assessment applicable to any Residential Lot;
- (3) To borrow funds (including, without limitation, the borrowing of funds from the Developer and/or its affiliates) to pay costs of operation, secured by such assets of the Residential Association as deemed appropriate by the lender and the Residential Association;
 - (4) To enter into contracts, maintain one or more bank accounts and, generally, to have all the powers necessary or incidental to the operation and management of the Residential Association;
 - (5) To protect or defend the Residential Common Properties from loss or damage by suit or otherwise, to sue or defend in any court on behalf of the Residential Association and to provide adequate reserves for repairs and replacements;
 - (6) To make reasonable rules and regulations for the operation of the Residential Common Properties and to amend them from time to time and to enter into concession agreements regarding food, beverage, vending and other products and services within the Residential Common Properties;
 - (7) To prepare an annual operating budget and to make such available for review by each Owner, within a reasonable time prior to the Fiscal Year for which it shall be effective;
 - (8) Pursuant to Article VII herein, to adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property; and if proceeds are insufficient to repair damage or replace lost property; to assess the Owners in proportionate amounts to cover the deficiency;
 - (9) To provide adequate reserves, pursuant to Section 6.6, for maintenance, repairs, operations, taxes and assessments for the Residential Common Properties;
 - (10) To engage the services of attorneys and accountants (including an annual audit) in connection with the business of the Residential Association; and
 - (11) To enforce the provisions of this Declaration and any rules made hereunder or by the Residential Board and to enjoin and seek damages from any Owner, Residential Member or Resident for violation of such provisions or rules.
- (d) The Residential Board is specifically authorized and empowered to establish (and to revise and amend from time to time) a monetary "fines" system which may include component steps such as warning citations, ticketing, due process hearings and appeals and a flat rate or discretionary range or geometric progression of fine amounts, which, when pronounced, shall constitute a permitted Individual Assessment secured by the continuing contract Payment and Performance Lien herein established.
- (e) The Residential Association may (1) borrow monies from the Developer; (2) lease equipment from the Developer; (3) contract with the Developer concerning the provision of any personnel, labor, supplies, materials and services, provided such contract terms and conditions are (i) generally comparable (in terms of price, quality and timeliness) with those that might be otherwise obtained from unrelated third parties, and (ii) as to professional management contracts, terminable by the Residential Association at any time for any reason whatsoever and without penalty upon furnishing at least ninety (90) days advance notice thereof to the Developer. The Residential Board shall not be required to solicit bids from unrelated third parties before entering into any contract with the Developer and the reasonable judgment and resolution of the Residential Board to enter into any such contract with the Developer (absent fraud, gross negligence or willful misconduct) shall be final and conclusive and binding upon the Residential Association and all of its Residential Members.

SECTION 6.3 DUTIES OF THE RESIDENTIAL BOARD WITH RESPECT TO ASSESSMENTS.

- (a) The Residential Board shall furnish a timely Notice of Assessment, as defined herein, to each and every Owner of a Residential Lot subject to Assessment pursuant to the terms of Article IV.
- (b) In the event of a revision to the amount or rate of the Annual Assessment for the prior Fiscal Year or the establishment of a Special Group Assessment, the Residential Board shall fix the amount of the Assessment in question against each Residential Lot and the applicable due date(s) for each Assessment, at least thirty (30) days in advance of such date or period, and shall, at that time, prepare a roster of the Residential Lots and Assessments applicable thereto which shall be kept in the office of the Residential Association.
- (c) The Residential Board shall, upon reasonable demand, furnish to any Owner originally liable for any Assessment, a certificate in writing signed by an officer of the Residential Association or the Managing Agent, setting forth whether the Assessment in question has been paid. Such certificate shall be conclusive evidence of payment of any Assessment therein stated to have been paid. A reasonable charge may be made by the Residential Board for the issuance of such certificate.

SECTION 6.4 MAINTENANCE CONTRACTS. The Residential Board, on behalf of the Residential Association, shall have full power and authority to contract with anyone (including, without limitation, an Owner, Residential Member, Resident, or the Developer) for performance, on behalf of the Residential Association, of services which the Residential Association is otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Residential Board may deem proper, advisable and in the best interests of the Residential Association.

SECTION 6.5 LIABILITY LIMITATIONS. No Owner, Residential Member, Resident, Director, nor the officers and managers of the Residential Association, including the Managing Agent, shall be personally liable for debts contracted for or otherwise incurred by the Residential Association nor for any torts committed by or on behalf of the Residential Association or for a tort of another Owner, Residential Member or Resident, whether such other Owner, Residential Member or Resident was acting on behalf of the Residential Association or otherwise. Neither the Developer, the Residential Association, its Directors, officers, managers, agents or employees shall be liable for any actual, incidental or consequential damages for failure to inspect any Residential Lot or the Improvements located thereon or portion thereof nor for failure to repair or maintain the same. The Developer, the Residential Association or any other Person liable to make such repairs or maintenance shall not be liable for any personal injury or other actual, incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any Residential Lot or any Improvement located thereon or portion thereof.

SECTION 6.6 RESERVE FUNDS. The Residential Board may establish reserve funds which may be maintained and accounted for separately from other funds maintained for annual operating expenses and may establish separate, irrevocable trust accounts or any other recognized bookkeeping or tax procedures in order to better demonstrate that the amounts deposited therein are capital contributions and not net or taxable income to the Residential Association.

ARTICLE VII:
INSURANCE AND CASUALTY LOSSES

SECTION 7.1 ASSOCIATION INSURANCE.

- (a) Coverage. The Residential Association, acting through the Residential Board or its duly authorized agent, shall obtain and continue in effect, if reasonably available and

to the extent the Residential Board deems reasonably necessary, blanket property insurance on any portions of the Residential Common Properties for which the Residential Association has maintenance, repair and/or replacement responsibilities (including the Street Lot and Nature Trail as defined herein) and commercial general liability insurance on the Residential Common Properties, insuring the Residential Association and the Residential Members. The Residential Association may purchase, carry, and maintain directors and officers liability coverage; fidelity insurance covering Persons handling Association funds; and such additional insurance as the Residential Board, in its best business judgment, determines advisable or is required by law. The Residential Board shall annually review the types and amounts of insurance coverage and shall establish the requirements for such coverages. All Residential Association policies shall be written with the Residential Association as the named insured and provide for a certificate of insurance to be furnished to each Residential Member and to the Residential Association. Residential Association insurance premiums shall be a Common Expense. In the event of an insured loss, the deductible, in such amount as established by the Residential Board, shall be treated as Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Residential Board reasonably determines, after providing notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Residential Board may individually assess the full amount of such deductible against such Owner(s) and their Residential Lot(s) pursuant to Section 4.1(c).

- (b) Policy Requirements. Residential Association insurance shall not be brought into contribution with nor in any way be commingled with insurance purchased by Owners, Residents, or their Mortgagees individually, and the Residential Association's policies shall:
- (1) Be written with a company authorized to do business in the State of Arkansas which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Residential Board deems appropriate;
 - (2) Contain an inflation guard endorsement; and
 - (3) Include an agreed amount endorsement, if the policy contains a co-insurance clause. In addition, the Residential Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:
 - (1) A waiver of subrogation as to any claims against the Residential Board, its agents, the Residential Members, and guests;
 - (2) A waiver of the insurer's rights to repair and reconstruct instead of paying cash;
 - (3) An endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Residential Association to cure the defect or violation and allowance of a reasonable time to cure;
 - (4) An endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;
 - (5) An endorsement requiring at least 30 days prior written notice to the Residential Association of any cancellation, substantial modification, or non-renewal;
 - (6) A cross liability provision; and
 - (7) A provision vesting the Residential Board with the authority to adjust losses.
- (c) Damage and Destruction. In the event of a loss covered by Residential Association insurance, the Residential Board or its duly authorized agent shall file and adjust all insurance claims. Any damage to or destruction of the Residential Common Properties shall be repaired or reconstructed unless seventy-five percent (75%) of the Residential Members and the Developer decide within sixty (60) days after the loss, or such additional time deemed necessary by the Residential Board and/or the

Developer, not to repair or reconstruct. No Mortgagee shall have the right to participation in the determination of whether the damage or destruction to the Residential Common Properties shall be repaired or reconstructed.

If the damage or destruction to the Residential Common Properties shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared and shall be maintained by the Residential Association consistent with this Declaration. Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Residential Association and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Residential Lot.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Residential Board may, without a vote of the Residential Members, levy Special Group Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.1(a).

SECTION 7.2 OWNERS' INSURANCE. Each Owner shall be fully responsible for obtaining and maintaining any and all desired property insurance for the full replacement cost of all insurable Improvements on his/her/its Residential Lot. Each Owner further covenants and agrees that in the event of damage to or destruction of Structures on or comprising his/her/its Residential Lot, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IX. Alternatively, the Owner shall clear the Residential Lot and maintain the Residential Lot in a neat and attractive, landscaped condition consistent with this Declaration. The Owner shall pay any costs which are not covered by insurance proceeds.

SECTION 7.3 LIABILITY INSURANCE ARRANGEMENTS. The Residential Association will seek to carry public liability insurance generally covering bodily injury and property damage arising out of negligent acts by employees, Residential Members, or authorized representatives of the Residential Association. The Developer and Residential Association will not carry any insurance pertaining to, nor does either assume any liabilities or responsibility for, the real or personal property of the Owners, Residential Members and Residents (and their respective family members and guests). Each Owner, Residential Member or Resident expressly understands, covenants and agrees with the Developer and the Residential Association that: (a) neither the Developer nor the Residential Association has any responsibility or liability of any kind or character whatsoever regarding or pertaining to the real and personal property of any Owner, Residential Member and Resident; and (b) each Owner, Residential Member and Resident shall, from time to time and at various times, consult with reputable insurance industry representatives of each Owner's, Residential Member's and Resident's own selection to select, purchase, obtain and maintain appropriate insurance providing the amount, type and kind of insurance deemed satisfactory to each Owner, Residential Member and Resident covering his or her real and personal property.

ARTICLE VIII: **ARCHITECTURAL STANDARDS**

SECTION 8.1 RESIDENTIAL ARCHITECTURAL REVIEW COMMITTEE. The Architectural Review Committee ("ARC") shall have the authority to maintain the architectural conformity of Scott Farm, and in consideration thereof, shall determine that any proposed construction shall not detract from the development and shall enhance the purpose of the development to provide a beautiful and pleasing setting in a first class, well-designed community. The ARC is

authorized and empowered to consider and review any and all aspects of construction, location and landscaping, which may, in the reasonable opinion of the ARC, adversely affect the living enjoyment of one or more Owner(s) or Residents or the general value of the Subdivision. The ARC shall be composed of at least three (3) individuals initially selected and appointed by the Developer, each generally familiar with residential and community development design matters and knowledgeable about the Developer's concern for a consistent first class approach to and construction of Improvements within the Residential Development Tract. In the event of the death, incapacity, removal or resignation of any member of the ARC, the Developer, during the Development Control Period, shall have full authority to designate and appoint a successor. From and after expiration or termination of the Development Control Period, the ARC members shall be selected, appointed and replaced, in the event of death, incapacity, removal or resignation, by the Residential Board.

SECTION 8.2 ARC JURISDICTION.

- (a) No building, Structure, fence, wall or Improvement of any kind or nature shall be erected, placed or altered on any Residential Lot until all plans and specifications have been submitted to and approved in writing by the ARC, or a majority of its members, as to:
 - (1) Quality of workmanship and materials, adequacy of site dimensions, and proper facing of main elevation with respect to nearby Streets, in accordance with this Declaration, the Residential Design Guidelines, or any rules and regulations, architectural standards bulletins and lot information sheets promulgated by the ARC;
 - (2) Minimum finished floor elevation and proposed footprint of the Dwelling Unit;
 - (3) Conformity and harmony of the external design, color, type and appearance of exterior surfaces and landscaping;
 - (4) Drainage solutions;
 - (5) The observance of and compliance with applicable setback lines and Easement Areas and the enhancement of aesthetic views and visual corridors to and from the Residential Common Properties; and
 - (6) The other standards set forth within this Declaration (and any amendments hereto) or as may be set forth within the Residential Design Guidelines, rules, regulations, architectural standards bulletins and lot information sheets promulgated by the ARC, or matters in which the ARC has been vested with the authority to render a final interpretation and decision.
- (b) All construction within Scott Farm shall comply with the standards and requirements set forth in the most current edition of the International Residential Building Code, Arkansas State Plumbing Code, Arkansas State Mechanical Code, and the National Electric Code.
- (c) Although the ARC shall adopt Bylaws explaining the mechanics of its operation, the following is a general outline of the steps likely to be involved in the review of plans and specifications:
 - (1) Submission of a Design Review Application, as set forth in Section 2.5 of the Residential Design Guidelines, including preliminary plans and specifications to the ARC; and
 - (2) Submission of final plans and specifications to the ARC.

SECTION 8.3 RESIDENTIAL DESIGN GUIDELINES. The ARC may, from time to time, publish and promulgate Residential Design Guidelines and additions or revisions thereto, and such guidelines shall be explanatory and illustrative of the general intent of the proposed development of Residential Lots to be developed within Scott Farm and are intended as a guide to assist the ARC in reviewing plans and specifications for Improvements to be located

and constructed on each Residential Lot. The ARC shall have the right, power and authority to establish and prescribe architectural restrictions and guidelines, along with any other rules and regulations, pertaining to items and topics such as (but not necessarily limited to):

- (a) A site plan showing the "footprint" of the Structure, and proposed Improvements, including but not limited to, Structures, patios, driveways, parking areas, fences and walls;
- (b) Exterior elevations of all proposed Structures;
- (c) A description and samples of exterior materials, colors, textures and shapes of all Structures;
- (d) Landscape plans, which shall include walkways, fences, walls, details, elevation changes, irrigation and watering systems, vegetation and ground cover (indicating size, spacing and quantity), and the protection and preservation of trees and other existing and introduced vegetation;
- (e) The location of air conditioning compressors and pool equipment;
- (f) Location of any exterior illumination;
- (g) Dimensional floor plan of all enclosed spaces and any garages or parking facilities;
- (h) Drainage solutions; and
- (i) The items described within Section 8.2 above and any other data or information requested or deemed reasonably necessary by the ARC.

SECTION 8.4 PRELIMINARY AND FINAL PLAN SUBMISSIONS.

- (a) The ARC is authorized and empowered to and shall consider, review and comment on preliminary plans and specifications submitted in duplicate on an informal basis to assist Owners, developers, home builders and prospective purchasers of the Residential Lots in complying with the Covenants and requirements set forth in this Declaration and the Residential Design Guidelines and to assist in the completion of any feasibility studies undertaken by such persons or entities. The ARC shall have the right, however, to prescribe reasonable limitations concerning the time, effort and expense likely to be involved in handling such matters on an informal basis.
- (b) However, regardless of whether the ARC has informally reviewed and/or commented on any proposed plans, all exterior alterations, decorations, or construction on any Residential Lot must be reviewed and approved, in writing, by the ARC prior to the commencement of construction. The ARC shall review all proposed alteration, decoration, or construction upon the Residential Lot Owner's submittal of a preliminary Design Review Application and then a final Design Review Application according to the requirements set forth in Section 2.5 of the Residential Design Guidelines.
- (c) The ARC shall approve or disapprove the preliminary Design Review Application within thirty (30) days after receipt of all materials required by the ARC (unless the time is extended by mutual agreement). A written response of the decision of the ARC will be sent by mail within five (5) days of the ARC decision. The ARC may extend this time frame up to an additional twenty (20) days upon notification of the applicant. If the preliminary Design Review Application is approved by the ARC, the Owner or the Owner's designated representative will be so advised by letter. If found not to be in compliance with these Covenant, any part of this Declaration, or the Residential Design Guidelines, the Owner or the Owner's designated representative will be so advised by letter containing a reasonably detailed statement and explanation of items found not to be in compliance. If the ARC fails to approve or disapprove a preliminary Design Review Application within thirty (30) days after the actual date on which the submission is received, approval of the matters submitted shall be presumed to have been approved; provided however, that in no event shall the failure to formally approve such plans and specifications be deemed to have approved any plans and specifications that violate in any manner this Declaration or the Residential Design Guidelines. Comments on and approvals of preliminary plans

and specifications shall be binding upon the ARC provided that conforming final plans and specifications are submitted within ninety (90) days of such preliminary comments or approvals.

- (d) The final Design Review Application, including final plans, specifications and surveys, shall be submitted in duplicate to the ARC for approval or disapproval. The ARC is authorized to request the submission of samples of proposed construction materials. At such time as the plans, specifications and surveys meet the approval of the ARC, one complete set of plans, specifications and surveys will be retained by the ARC and the other complete set will be marked "Approved" and returned to the Owner of the Residential Lot in question or the designated representative of such Owner. If found not to be in compliance with these Covenants, the terms of this Declaration, or the Residential Design Guidelines, the ARC shall return one set of such plans, specifications and surveys marked "Disapproved," accompanied by a reasonably detailed statement and explanation of items found not to comply with this Declaration and/or the Residential Design Guidelines. Any modification or change to the approved set of plans, specifications and surveys shall be resubmitted to the ARC for its inspection and approval under the "Appeal" provisions of Section 2.4(f) of the Residential Design Guidelines. The ARC's approval or disapproval, as required herein, shall be in writing. If the ARC fails to approve or disapprove such plans, specifications and surveys within thirty (30) days after the actual date on which the submission is received, then the ARC approval shall be presumed.
- (e) The ARC may from time to time publish and promulgate architectural standards bulletins and/or lot information sheets which shall be fair and reasonable and shall carry forward the spirit and intention of this Declaration. Such bulletins and lot information sheets shall supplement this Declaration and are incorporated herein by reference.

PRIOR TO THE ACQUISITION OF ANY INTEREST IN, AND CONSTRUCTION ON, A RESIDENTIAL LOT, EACH PROSPECTIVE PURCHASER, TRANSFEREE, MORTGAGEE AND OWNER OF ANY RESIDENTIAL LOT IN THE SUBDIVISION IS STRONGLY ENCOURAGED TO CONTACT THE DEVELOPER OR THE RESIDENTIAL ASSOCIATION OR THE ARC TO OBTAIN AND REVIEW AND BECOME THOROUGHLY FAMILIAR WITH ANY AND ALL ARCHITECTURAL STANDARDS, BULLETINS AND LOT INFORMATION SHEETS AND THE MOST RECENT RESIDENTIAL DESIGN GUIDELINES WHICH WILL CONTROL THE DEVELOPMENT, CONSTRUCTION AND USE OF THE RESIDENTIAL LOT IN QUESTION.

SECTION 8.5 GENERAL.

- (a) The ARC shall be entitled, at any time and from time to time, to associate or employ a staff and to seek and obtain professional advice and counsel (including but not limited to architects, attorneys, designers, engineers and landscape technicians) in connection with the performance of its duties with all reasonable costs and expenses related thereto paid for or reimbursed by the Residential Association. The Residential Association may, in turn, reasonably recoup some or all of these expenses from the applicants seeking review and approval of plans and specifications.
- (b) The Developer and/or the Residential Association and/or the ARC may require any Owner to restore such Owner's Improvements or alteration to the condition existing prior to the construction thereof (including, without limitation, the demolition and removal of any unapproved Improvement) if such Improvements or alterations were commenced or constructed in violation of this Article VIII. In addition, the Developer and/or the Residential Association and/or the ARC may, but has no obligation to do so, cause such restoration, demolition and removal and levy the amount of the cost thereof as an Individual Assessment against the Residential Lot upon which such

Improvements or alterations were commenced or constructed. A material violation of these Covenants or other terms and conditions of this Declaration shall be deemed to have occurred if no prior express written approval of the ARC has been obtained where it was originally required, even if hindsight reveals that the actual plans and specifications would have been approved by the ARC had they been properly and timely submitted.

- (c) Neither the Developer, the Residential Association, the ARC, the Residential Board nor the officers, directors, managers, members, employees and agents of any of them, shall be liable in damages to anyone submitting plans and specifications to any of them for approval, or to any Owner affected by these restrictions by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications. No approval of plans and specifications and no publication of any Residential Design Guidelines, architectural standards bulletins or lot information sheets shall be construed as representing or implying that such plans, specifications, guidelines, bulletins or sheets will, if followed, result in properly designed Improvements and/or Improvements built in a good and workmanlike manner. Every Person who submits plans or specifications, and every Owner of each and every Residential Lot, agrees that he/she/it will not bring any action or suit against the Developer, the Residential Association, the ARC, the Residential Board, or the officers, managers, members, employees and agents of any of them, to recover any such damages and each and every Owner hereby releases, remises and quitclaims all claims, demands and causes of action arising out of or in connection with any judgment, negligence or nonfeasance and hereby waives the provisions of any law which provides that a general release does not extend to claims, demands and causes of action not known at the time the release is given.
- (d) After reasonable notice to the Owner (and any applicable Resident), any Residential Member or agent of the ARC may from time to time at any reasonable hour or hours enter and inspect any Residential Lot or the Improvements located thereon subject to the jurisdiction of the ARC to confirm improvement or maintenance or alteration in compliance with the provisions hereof. No Improvements or addition or change or alteration thereof shall be constructed, erected, placed, altered or maintained on any Residential Lot which is in violation of any of the other laws, rules, regulations or ordinances of the Crawford County, Arkansas or any other applicable governmental laws, rules or regulations. However, the Developer, the Residential Association, the ARC and their respective officers, directors, managers, agents and employees shall have no obligation to enforce or to report the violation of any such law, ordinance, rule or regulation.
- (e) The ARC, along with the Developer, shall have the power to grant variances, waivers, tolerances or modifications of the standards set forth within this Declaration under circumstances and conditions deemed reasonable, appropriate and prudent by the ARC or the Developer and on a case by case basis. To be effective, any variance, waiver, tolerance or modification must be in writing. The grant of a variance, waiver, tolerance or modification does not effect a waiver or estoppel of the ARC's or the Developer's right to deny a variance, waiver, tolerance or modification in other circumstances.
- (f) Matters of "quality", "adequacy" and "propriety" are to be considered by the ARC generally from an aesthetic standpoint, rather than from an engineering standpoint. Plans and specifications are not to be reviewed or approved for engineering or structural design or technical quality of materials, and by approving such plans and specifications neither the ARC, nor the members thereof, nor the Residential Association assumes liability or responsibility therefore, nor for any defect in any Structure constructed from such plans and specifications.

ARTICLE IX.
USE OF RESIDENTIAL LOTS IN SCOTT FARM;
PROTECTIVE COVENANTS

Each Residential Lot situated in Scott Farm shall be constructed, developed, reconstructed, repaired, occupied and used as follows:

- SECTION 9.1 RESIDENTIAL USE.** All Lots within the Residential Development Tract shall be used, known and described as Residential Lots and therefore limited exclusively to residential purposes or any other use permitted by this Declaration. Residential Lots shall not be further subdivided and, except for the powers and privileges herein reserved by the Developer, the boundaries between Residential Lots shall not be relocated without the prior express written consent of the ARC. No Structure shall be erected, altered, placed or permitted to remain on any Residential Lot other than one (1) single-family dwelling and, if any, its customary and usual Accessory Structures (unless otherwise prohibited herein). No building or Structure intended for or adapted to business or commercial purposes or commercial use shall be erected, placed, permitted or maintained on any Residential Lot, or any part hereof, save and except those related to development, construction and sales purposes of a bona-fide homebuilder or the Developer. No Owner, Residential Member or Resident shall conduct, transmit, permit or allow any type or kind of home business or home profession or hobby on any Residential Lot or within any Dwelling Unit which would (a) attract automobile, vehicular or pedestrian traffic to the Residential Lot, or (b) involve lights, sounds, smells, visual effects, pollution and the like which would adversely affect the peace and tranquility of anyone or more of the Residents within the Residential Development Tract.
- SECTION 9.2 APPLICABLE GOVERNMENTAL AUTHORITY.** The restrictions on use herein contained shall be cumulative of, and in addition to, such restrictions on usage as may from time to time be applicable under and pursuant to any statutes, rules, regulations and ordinances of Crawford County, Arkansas or any other governmental authority having jurisdiction over Scott Farm.
- SECTION 9.3 SITE BUILT STRUCTURES ONLY.** No Structure shall be allowed to be erected or placed on any Residential Lot which is not built on site. The intent is to prohibit any mobile home, manufactured home, pre-built home, pre-assembled home, or any similar Structure.
- SECTION 9.4 ACCESSORY STRUCTURES.** Accessory Structures, such as detached garages, servants quarters, mother-in-law quarters, guest houses, dog houses, gazebos, brick storage structures, playhouses, and pool houses, are permitted, subject to prior approval of the ARC, as long as they are consistent with the architectural scheme of the Subdivision in terms of type, number, size, location, color, material, and height. Accessory structures may not be located in front yards or in unfenced portions of side yards facing Streets.
- SECTION 9.5 DRIVEWAYS.** All driveways servicing respective Dwelling Units, garages and outbuildings on any Residential Lot shall be pre-approved by the ARC and all driveways and service entrances are to be completed no later than the time in which the Certificate of Occupancy is granted by the Residential Association or other applicable governmental authority or entity. The driveway portion of a Residential Lot may not be used for any purpose that interferes with its ongoing use as a route of vehicular access to the garage. A driveway may not be used: (a) for storage purposes, including storage of boats, trailers, and inoperable vehicles; or (b) for repair or restoration of vehicles or other personal property.
- SECTION 9.6 EXTERIOR LIGHTS.** No exterior lighting shall be installed which will or may interfere with the use and enjoyment of any other Residential Lot, the Residential Common Properties, or

Street within Scott Farm.

SECTION 9.7 COLORS. The colors of buildings, fences, exterior decorative items, and all other Improvements on a Residential Lot are subject to regulation by the ARC. Because the relative merits of any color are subjective matters of taste and preference, the ARC determines the colors that are acceptable. Do not change or add colors that are visible from the Streets, the Residential Common Properties, or another Residential Lot without the prior written approval of the ARC.

SECTION 9.8 ALCOHOLIC BEVERAGES. No alcoholic beverages shall be consumed on or within the Residential Common Properties or the Streets of Scott Farm.

SECTION 9.9 FIRES. Except for barbecue grills, outdoor fireplaces, and ARC approved fire pits, no exterior fires are permitted within Scott Farm. This provision shall in no way limit or apply to any aspects of development construction as carried on by or overseen by the Developer or Dwelling Unit construction as carried on or overseen by any approved homebuilder. Burn restrictions on the Developer and homebuilders are set forth in the Residential Design Guidelines.

SECTION 9.10 GUNS. Hunting and shooting of any type of firearm or hunting apparatus are not permitted anywhere on, within or from Scott Farm.

SECTION 9.11 ANTENNAS AND TELEVISIONS. Each Resident of Scott Farm will avoid doing or permitting anything to be done that may unreasonably interfere with the television, radio, telephonic, electronic, microwave, cable, or satellite reception within Scott Farm. Antennas, satellite or microwave dishes, and receiving or transmitting towers are prohibited within Scott Farm, the Residential Development Tract and the Residential Common Properties, except (a) reception-only antennas or satellite dishes designed to receive television broadcast signals, (b) antennas or satellite dishes that are 36 inches or less in diameter and designed to receive direct broadcast satellite service (DBS), or (c) antennas or satellite dishes that are 36 inches or less in diameter or diagonal measurement and designed to receive video programming services via multipoint distribution services (MDS) are permitted if located (1) inside the structure (such as in an attic or garage) so as not to be visible from outside the Structure, (2) within an enclosed yard meeting the requirements set forth in the Residential Design Guidelines, or (3) attached to or mounted on the rear wall of a Structure below the eaves. Under no circumstances shall any antenna or satellite dish or other similar structure be allowed if such structure would be visible from a Street in front of the home. The ARC may adopt reasonable rules for the location, appearance, camouflaging, installation, maintenance, and use of any such antennas or related equipment to the extent permitted by Applicable Law.

SECTION 9.12 MINIMUM FLOOR SPACE. Each Dwelling Unit shall contain such minimum square feet of air-conditioned floor area (exclusive of all porches, garages or breezeways attached to the main dwelling) as may now or hereafter be specified or provided by the Residential Design Guidelines applicable to the Residential Lot on which such Dwelling Unit is to be constructed.

SECTION 9.13 GARAGES. Each single-family residential Dwelling Unit erected on any Residential Lot shall provide garage space for a minimum of three (3) conventional automobiles, unless otherwise specifically approved by the ARC. All garages in Scott Farm shall be side or rear entry garages. Each Owner, Residential Member and Resident shall use their respective best efforts to park and store their automobiles within the garage. All garage doors shall (a) be equipped with an automatic and remote controlled door opener, and (b) be closed at all times when not in use. Detached garages, porte cochères, and porticos will be permitted under

limited rigid circumstances if, as and when, in the absolute opinion of the ARC, the exterior surface and appearance will substantially compare with a garage and if absolutely no storage of items, which would otherwise be visible, will occur there under. Carports (non-fully enclosed automobile shelters) are prohibited. Any and all proposed garage plans and specifications must be submitted to the ARC for review and approval. Additionally, no garage shall ever be changed, altered, reconstructed or otherwise converted for any purpose inconsistent with the garaging of automobiles unless approved in writing by the ARC.

SECTION 9.14 PARKING. Each Owner, Residential Member and Resident shall use their respective best efforts to refrain from (a) habitually parking any automobile or vehicle on any Residential Lot outside of an approved garage area between any Dwelling Unit and the abutting front Street or between any Dwelling Unit and an abutting side Street; and (b) performing, permitting or allowing repair or maintenance work to any automobile or other vehicle outside the garage and visible to the abutting street(s). On-site parking shall be subject to such reasonable rules and regulations as may be from time to time adopted by the Residential Board. Under no circumstances or conditions shall any automobile or other vehicle be parked on a non-paved portion of any Residential Lot.

SECTION 9.15 SETBACK REQUIREMENTS. Setback requirements shall be described within the Residential Design Guidelines. The ARC may establish additional setback lines (for fences, walls and for buildings) from the front property line of each Residential Lot at varying distances. In order to allow flexibility for (a) implementation of state-of-the-art construction designs, and (b) any consolidation of two (2) or more Residential Lots to accommodate the construction of a lesser number of Dwelling Units thereon, the ARC shall also have the authority to develop and refine rear and side yard setback requirements. Within the setback areas for each Residential Lot and subject to the construction or installation of any other items otherwise permitted, a non-exclusive surface easement and right -of-way is reserved for the Residential Association in order to properly facilitate and carry out its duties and responsibilities under this Declaration.

SECTION 9.16 HEIGHT LIMITATIONS. Unless expressly permitted by the Residential Design Guidelines applicable to a Residential Lot or pre-approved by the ARC, no Structure on any Residential Lot shall contain more than two (2) stories, excluding a basement.

SECTION 9.17 FENCES. Unless otherwise approved by the ARC, no fence, wall or hedge (which serves as a barrier) shall be erected, placed or altered on any Residential Lot nearer to any Street than the minimum front building setback line indicated on the Plats or established in the Residential Design Guidelines or the forward most portion of the Dwelling Unit, whichever is greater in distance from the Street. All exterior mechanical or service equipment must be enclosed within fences, walls or landscaping so as not to be visible from the immediate residential Street. The design of and the type and material of all fences or walls shall be governed by the Residential Design Guidelines. No fence, wall or hedge shall be erected, placed or altered on any Residential Lot without the approval of the ARC. Notwithstanding the foregoing, the Developer may install a metal rail fence along the boundary line between any Residential Lot and any Residential Common Properties or any Commercial Properties.

SECTION 9.18 SIGNS. No sign or signs shall be displayed to the public view on any Residential Lot without the prior written approval of the ARC, except (a) any builder, during the applicable initial construction and sales period, may utilize one (1) professional sign which stands no more than four (4) feet high and which is not more than six (6) square feet in size per Residential Lot for advertising and sales purposes, (b) thereafter, a dignified "For Sale" or "For Lease" sign of not more than six (6) square feet in size and no taller than four (4) feet high may be utilized by the Owner of the respective Residential Lot for the applicable sale or lease situation, (c) development-related signs owned or erected by the Developer shall be permitted, and (d) political signs (under the conditions that no Residential Lot shall contain more than one (1) sign per candidate/issue; no more than a maximum number of four (4) signs; that any sign should not exceed four (4) square feet; and under the condition that all

political signs shall be installed no more than forty-five (45) days prior to the election and must be removed within two (2) days after the election date. The Developer and/or the ARC shall have the right and privilege to develop and implement signage specifications and requirements applicable throughout the Residential Development Tract, which may vary with respect to each Subdivision.

SECTION 9.19 TEMPORARY STRUCTURES. No temporary Structure of any kind shall be erected or placed upon any Residential Lot. Temporary Structures shall include, but not be limited to, any garage, outbuilding or other Improvement erected more than one hundred twenty (120) days prior to the completion of the main portion of the single family Dwelling Unit. However, the Developer, or any bona-fide homebuilder, upon receiving the prior written approval of the ARC, may maintain temporary sales or construction offices, provided such sales or construction offices are removed within sixty (60) days after completion of sales or construction, as the case may be.

SECTION 9.20 VEHICLES. All vehicles on and within Scott Farm, whether owned or operated by the Residents or their families and guests, are subject to this Declaration and specifically this Section 9.20, along with any rules and regulations adopted by the ARC. The ARC may adopt, amend, and repeal rules regulating the types, sizes, numbers, conditions, uses, appearances, and locations of vehicles on and within Scott Farm. The following types of vehicles and vehicular equipment - mobile or otherwise - may not be kept, parked, or stored anywhere within Scott Farm: mobile homes, buses, aircraft, inoperable vehicles, commercial truck cabs, trucks with tonnage over one ton, vehicles which are not customary personal passenger vehicles, and any vehicle which the ARC deems to be a nuisance, unsightly, or inappropriate. The following types of vehicles and vehicular equipment - mobile or otherwise - may not be kept, parked, or stored anywhere within Scott Farm if the vehicle is visible from a Street or the Residential Common Properties: motor homes, trailers, and boats. However, a motor home, trailer, boat, or personal vehicle owned or operated by a guest of an Owner may be parked within the Owner's driveway for a period not to exceed seven (7) days. These restrictions include overnight parking on Streets and driveways. These restrictions do not apply to vehicles and equipment temporarily within Scott Farm in connection with the construction or maintenance of a Dwelling Unit. Vehicles that transport inflammatory or explosive cargo are prohibited from Scott Farm at all times. The Developer, the Residential Board or the ARC may effect the removal of any vehicle in violation of this Section or any other portion of this Declaration without liability to the owner or operator of the vehicle. No trucks with more than 2 axles are permitted within Scott Farm with the exception of temporary construction related vehicles or moving vans, provided they are not left overnight. It is the intention to strictly prohibit anyone; owner, visitor, or otherwise to use a truck of more than 2 axles, park the same or store the same anywhere within Scott Farm.

SECTION 9.21 MOTORIZED RECREATION VEHICLES. Motorized recreational vehicles including, but not limited to, motorbikes, motorcycles, trail bikes, go-carts, ATV 4-wheelers and any other similar mechanical device shall not be operated within Scott Farm except on and within a private Residential Lot, as authorized by the Owner of the Residential Lot and subject to the provisions of Section 9.23 herein. This prohibition shall not apply to golf carts, scooters, mopeds, or equipment normally used for lawn or garden maintenance such as a "mule" or similar device, so long as said equipment is operated in the ordinary and usual manner intended and provided that these vehicles or equipment are not operated on the Nature Trail or other Residential Common Properties. In addition, all such vehicles must be stored in enclosed garages or within an enclosed yard (meeting the requirements set forth in the Residential Design Guidelines) and thus not visible from any Street or from any other Residential Lot within Scott Farm.

SECTION 9.22 SITE MAINTENANCE, GARBAGE AND TRASH COLLECTION.

(a) Owners of Residential Lots shall be responsible to keep construction sites free of rubbish on a daily basis and Streets (to the crown) scraped clear of any mud accumulation. Owners will not be allowed to store any excavation of soil on Streets or adjacent sites. Soil runoff due to rain or irrigation shall be removed promptly from

- Streets and sidewalks by the Owner in question.
- (b) All garbage shall be kept in plastic bags or other appropriate containers. Each Owner, Residential Member and Resident shall observe and comply with any and all regulations or requirements promulgated by the Residential Association in connection with the storage and removal of trash and garbage, particularly where the collection point is in front of any Dwelling Unit.
 - (c) No Residential Lot nor any portion of the Residential Common Properties shall be used or maintained as a dumping ground for rubbish, trash or garbage. No Owner, Residential Member or Resident shall dump grass clippings, landscape debris, garbage or trash of any kind on another Residential Lot nor the Residential Common Properties. Each Owner shall be responsible for the appearance and condition of such Owner's Residential Lot.
 - (d) If more than seven (7) days after prior written notice an Owner shall fail to: (1) control weeds, grass and/or other unsightly growth; (2) remove trash, rubble, building and construction debris; or (3) exercise reasonable care or conduct to prevent or remedy an unclean, untidy or unsightly condition, then in such events the Developer or the Residential Association shall have the authority and right to go onto the Residential Lot in question for the purpose of mowing and cleaning such Residential Lot and shall have the authority and right to assess and collect from the Owner of the Residential Lot in question a reasonable Charge for mowing or cleaning such Residential Lot on each respective occasion of such mowing or cleaning which Charge shall constitute an Individual Assessment hereunder.
 - (e) With respect to all vacant or unimproved Residential Lots, the Residential Association shall be responsible for and have the right to mow and otherwise to maintain every such Residential Lot, including those owned by the Developer and shall also have the authority and right to assess and collect from the Owner of each such Residential Lot a reasonable Charge for each occasion of such mowing and/or maintaining the Residential Lot in question and that Charge shall constitute an Individual Assessment hereunder.

SECTION 9.23 OFFENSIVE ACTIVITIES; PETS.

- (a) No noxious or offensive activity or pollution affecting sight/sound/smell, as determined by the ARC, shall be conducted or permitted on any portion of Scott Farm. Excluding activities of the Developer and bona-fide homebuilders, no direct sales activities, garage sales, yard sales, patio sales, flea markets, bazaars, sample sales, or similar activities shall be conducted on any portion of the Residential Development Tract.
- (b) Any noise or odor emitted by, and any discharge or waste from, any animal (including without limitation dogs and cats) which can be seen, heard or smelled outside the perimeter of the subject Owner's (or Residential Member's or Resident's) Residential Lot shall be deemed noxious and offensive and is therefore prohibited. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Residential Lot, except that a reasonable number of dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained for commercial purposes and they are not noxious, offensive, vicious (e.g. pit bull terriers and rottweilers shall not be permitted within Scott Farm) or dangerous. Any outside pen, cage, shelter, concrete pot pad, run, track or other building, structure or device directly or indirectly related to animals which can be seen, heard or smelled by anyone other than the subject Residential Lot Owner must be approved by the ARC in its sole and absolute discretion. Each and every dog, cat or other household pet, if not kept and confined within an enclosed non-visible portion of the Owner's, Residential Member's, or Resident's Lot, must be leashed and accompanied by its corresponding Owner, Residential Member, or Resident, particularly when traveling beyond the perimeter of the Owner's, Residential Member's, or Resident's Lot, and such Owner, Residential Member, or Resident shall promptly clean and remove the discharge and waste of any pet.

SECTION 9.24 LANDSCAPING AND MAINTENANCE.

- (a) Construction of each and every Dwelling Unit or Structure on any Residential Lot shall include the installation and placement of appropriate landscaping as defined in the Residential Design Guidelines. Any and all plans and specifications of yards, including alterations, changes or additions thereto, shall be subject to the prior approval of the ARC. Each Residential Lot's front yard shall be planted with a minimum of five (5) trees which shall be either an oak, maple, or birch variety and each being at least 1 1/2" in diameter. Preservation of existing trees is encouraged. The grass in all front yards and side yards shall be subject to the requirements and restrictions of the ARC. Each Owner and Resident of any Residential Lot shall have the duty and responsibility, at their sole cost and expense, to keep, maintain and landscape their Residential Lot in a well maintained, clean and attractive condition at all times, including, without limitation, (1) the proper sodding, consistent watering and mowing of all lawns, (2) the pruning and cutting of all trees and shrubbery, (3) watering of all landscape, (4) keeping lawn and garden areas alive, free of weeds and attractive, all in a manner and with such frequency as is consistent with aesthetics and good property management.
- (b) Each Owner and Resident of any Residential Lot shall have the duty and responsibility, at their sole cost and expense, to keep and maintain their Residence Lot, and all improvements therein and thereon, in a well maintained, safe, clean and attractive condition at all times, including, without limitation (1) prompt removal of all litter, trash, refuse and waste, (2) keeping exterior lighting and mechanical facilities in working order, (3) keeping driveways in good repair and condition, (4) promptly repairing any exterior damage, (5) complying with all governmental health and police requirements, and (6) repainting Improvements when required, all in a manner and with such frequency as is consistent with aesthetics, safety and good property management.
- (c) The Residential Association, and its agents, during normal business hours, shall have the right (after seven (7) days written notice to the Owner of any Residential Lot involved, setting forth the specific violation or breach of this covenant and the action required to be taken, and if at the end of such time reasonable steps to accomplish such action have not been taken by the Owner), to enter on the subject premises (without any liability whatsoever for damages for wrongful entry, trespass or otherwise to any Person) and to take the action(s) specified in the notice to remedy or abate said violation(s) or breach(es). The cost of such remedy or abatement will be paid to the Residential Association upon demand and if not paid within thirty (30) days thereof, shall become a lien upon the Residential Lot affected. The Residential Association, or its agent, shall further have the right (upon like notice and conditions), to trim or prune, at the expense of the Owner, any hedge, tree or any other planting that, in the written opinion of the Residential Association, by reason of its location on the Residential Lot, or the height, or the manner in which it is permitted to grow, is detrimental to the adjoining Residential Lots, is dangerous or is unattractive in appearance. The contract Performance and Payment Lien provided under this Section 9.24 will constitute a lien retained against the Residential Lot in question with the same force and effect as the Payment and Performance Lien for Assessments set forth in these Covenants.

SECTION 9.25 SIDEWALKS. Construction of each and every Dwelling Unit or Structure on a Residential Lot shall include the installation of a sidewalk five (5) feet in width and contiguous to any and all Street curb and gutter that is adjacent to a Residential Lot. All sidewalks shall comply with the requirement promulgated by the American Disabilities Act (ADA).

SECTION 9.26 MAILBOXES. No Residential Lot Owner shall construct, erect, or maintain an individual mailbox on Scott Farm. All Owners and Residents shall receive mail at the modular mailboxes located at the main entry of Scott Farm.

ARTICLE X:
PROPERTY EASEMENTS AND STREET LOT

SECTION 10.1 UTILITY EASEMENTS. In addition to the easements and restrictions contained in this Declaration, Scott Farm is subject to the dedications, limitations, notes, easements, restrictions, and reservations shown or cited on the Plat, which is incorporated herein by reference. Each Owner, by accepting an interest in or title to a Residential Lot, whether or not it is so expressed in the instrument of conveyance, covenants and agrees to be bound by the Plat and further agrees to maintain any easement that crosses his Residential Lot. Easements for the installation and maintenance of utilities and drainage facilities shall be reserved as shown on the applicable Plat. Utility service may be installed along or near the front lot lines and/or Residential Lot lines and each Residential Lot Owner shall have the task and responsibility of determining the specific location of all such utilities. Except as may be otherwise permitted by the ARC and the owner of the easement in question, no Owner shall erect, construct or permit any obstructions or permanent improvements of any type or kind to exist within any Easement Area, nor shall anything be done or permitted within an Easement Area which would restrict or adversely affect drainage. Electrical (and possibly other utility) easements may be located at, near or along the front or lot line(s), and each Residential Lot Owner assumes full, complete and exclusive liability and responsibility for all cost and expense related to damage, repair, relocation and restoration of any Improvements or fence located within the Easement Area. Except as to special street lighting or other aerial facilities which may be required by the franchise of any utility company or which may be installed by the Developer pursuant to its development plan, no aerial utility facilities of any type (except meters, risers, service pedestals and other surface installations necessary to maintain or operate appropriate underground facilities) shall be erected or installed within Scott Farm whether upon individual Residential Lots, easements, Streets or rights-of-way of any type, either by a utility company or any other Person, including, but not limited to, any Person owning or acquiring any part of Scott Farm, and all utility service facilities (including, but not limited to, water, sewer, gas, electricity and telephone) shall be buried underground unless otherwise required by a public utility. The foregoing notwithstanding, aerial utility facilities may be required to deliver services to the property line of Scott Farm. All utility meters, equipment, air conditioning compressors, pool equipment and similar items must be visually screened and located in areas designated by the ARC. Full rights of ingress and egress shall be had by the Developer, the Residential Association, and all utility companies serving Scott Farm, and their respective successors and assigns, at all times over Scott Farm for the installation, operation, maintenance, repair or removal of any utility together with the right to remove any obstruction (excluding, however, any driveway, or other Improvement or Structure which has been theretofore specifically approved by the ARC or the utility company in question) that may be placed in such easement that would constitute interference with the use of such easement, or with the use, maintenance, operation or installation of such utility.

SECTION 10.2 STREET LOT RIGHT-OF-WAY. The Residential Association shall have the right, privilege, duty and responsibility to reasonably maintain and care for any and all signs, street lights, monuments, landscaping and the like installed or placed on or within the Street Lot depicted and described within the Plat.

SECTION 10.3 INGRESS, EGRESS AND MAINTENANCE. Full rights of ingress and egress shall be had by the Residential Association at all times over and upon the Street Lot applicable for each Residential Lot for the carrying out by the Residential Association of its functions, duties and obligations hereunder; provided, however, that any such entry by the Residential Association upon any Residential Lot shall be made with as little inconvenience to the Owner as practical, and any damage caused thereby shall be repaired by the Residential Association at the expense of the Residential Association's maintenance fund.

SECTION 10.4 STREETS. The Streets situated and to be situated within Scott Farm are and shall be private streets and are and shall be separately designated on the Plat as a "Street Lot". The

following special provisions shall be applicable to the Streets:

- (a) The Developer shall dedicate all of the Street Lot to the Residential Association to be owned and maintained by such entity as private Streets.
- (b) The Residential Association shall, and has the sole responsibility to, clean any and all Streets within the Residential Development Tract. The Developer shall have no obligation or right to provide such services.
- (c) The Residential Association shall, and has the sole responsibility to, maintain and repair the Streets, if any, located within the Residential Common Properties, unless said Streets are dedicated to Crawford County, Arkansas or other governmental entity to be owned and maintained by such entity as public streets. The Developer shall have no obligation or right to maintain said Streets or to provide any street cleaning services.
- (d) The Residential Association may elect, by a vote of the majority of its members or as otherwise provided in its Bylaws, to assume or assist in the responsibility of maintaining the Streets within the Residential Development Tract. All costs and expenses incurred by the Residential Association in cleaning and maintaining any Streets shall be paid from funds generated by the Annual Assessment process herein provided for.
- (e) If the Residential Association maintains mechanism(s) to control access to the Streets, such as the System, the Residential Association shall maintain such mechanism(s) in good operating condition so as to allow twenty-four (24) hour access to the Streets by the providers of utility services, police, fire, EMS, and all other emergency vehicles and personnel to Scott Farm.

SECTION 10.5 LIMITED ACCESS SYSTEM. The Developer may install a mechanical system that limits vehicular access to the Streets located within the Residential Development Tract from the general public, as described in Article III, Section 3.4(h).

SECTION 10.6 RIGHT OF ENTRY. The Residential Association shall have the right, but not the obligation, to enter upon any Residential Lot for emergency and safety reasons, to perform maintenance pursuant to the terms of this Declaration, and to inspect for the purpose of ensuring compliance with this Declaration, any Amended Declaration, Bylaws, and rules and regulations, which right may be exercised by any member of the Residential Board, the Residential Association, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after written notice to the Owner. This right of entry shall include the right of the Residential Association to enter upon any Residential Lot to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Residential Board, but shall not authorize entry into any single family detached Dwelling Unit without permission of the Owner, except by emergency personnel acting in their official capacities.

ARTICLE XI: REGISTRATION

SECTION 11.1 REGISTRATION WITH THE RESIDENTIAL ASSOCIATION.

- (a) In order that the Developer and the Residential Association can properly acquaint every Residential Lot purchaser and every Owner, Residential Member and Resident with this Declaration and these Covenants herein and the day-to-day matters within the Residential Association's jurisdiction, no acquisition of any Residential Lot within

Scott Farm shall become effective until and unless all directives by, and all obligations to, the Residential Association and the Developer have been properly and timely satisfied.

- (b) Each and every Owner, Residential Member and Resident shall have an affirmative duty and obligation to originally provide, and thereafter revise and update, within fifteen (15) days after a material change has occurred, a Statement of Residency, as defined herein, to the Residential Association which shall include: (1) the full name and address of each Owner, Residential Member and Resident; (2) the full name of each individual family member who resides within the Dwelling Unit of the Residential Lot Owner in question; (3) the business address, occupation and telephone numbers of each Resident; (4) the description and license plate number of each automobile owned or used by a Resident and brought within the Residential Development Tract; (5) the name, address and telephone numbers of other local individuals who can be contacted (in the event the Resident cannot be located) in case of an emergency; and (6) such other information as may be reasonably requested from time to time by the Residential Association. In the event any Owner, Residential Member or Resident fails, neglects or refuses to so provide, revise and update such information, then the Residential Association may, but is not required to, use whatever means it deems reasonable and appropriate to obtain such information and the offending Owner, Residential Member and Resident shall become automatically jointly and severally liable to promptly reimburse the Residential Association for all reasonable costs and expenses incurred in so doing.

ARTICLE XII
RIGHTS OF CERTAIN MORTGAGEES
AND MORTGAGE INSURERS

SECTION 12.1 APPLICABILITY. The provisions within this Article XII are for the primary benefit of:

- (a) The owners and holders of Institutional Mortgages which are required to satisfy the applicable requirements of FHA, VA, FNMA, FHLMC and other similar governmental, quasi-governmental and nationally recognized public and or private sources of end financing (such mortgagees sometimes collectively referred to herein as "Eligible Mortgagees" and their mortgages referred to as "Eligible Mortgages"); and
- (b) The insurers, guarantors, participants and subsidizers of the Eligible Mortgages, sometimes collectively referred to herein as the "Eligible Insurers."

To the extent applicable, necessary or proper, the provisions of this Article XII apply not only to this Declaration but also to the Articles and Bylaws of the Residential Association. This Article XII is supplemental to, and not in substitution of, any other provisions of this Declaration, the Articles and Bylaws, but in the event of ambiguity or conflict, this Article XII shall control.

SECTION 12.2 NOTICES OF ACTION. An Eligible Mortgagee or Eligible Insurer who provides written request to the Residential Association (such request to state the name and address of such holder, insurer or guarantor and a reasonable description of the Dwelling Unit covered by the Eligible Mortgage) will be entitled to receive timely written notice of:

- (a) Any proposed termination of the Residential Association;
- (b) Any condemnation loss or any casualty loss which affects a material portion of the Subdivision or which materially affects any Dwelling Unit on which there is an Eligible Mortgage held, insured or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;

- (c) Any delinquency in the payment of Assessments or Charges owed by an Owner of a Dwelling Unit subject to the Eligible Mortgage of such Eligible Mortgagee or Eligible Insurer, where such delinquency has continued for a period of sixty (60) days;
- (d) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Residential Association; or
- (e) Any proposed action which would require the consent of the Eligible Mortgagees as required herein below.

SECTION 12.3 JOINDER TO DOCUMENTS.

- (a) In addition to the provisions set forth within Article XII, Eligible Mortgagees who have requested the Residential Association to notify them concerning any proposed action that requires the consent of a specified percentage of Eligible Mortgagees also have the right to join in the decision making about certain amendments to this Declaration. In such regard amendments of a "material nature," as hereinafter defined, must be approved by (i) the Owners as specified in Section 13.4 hereof, and (ii) Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages. Additionally the following matters must be approved by Eligible Mortgagees representing at least fifty-one percent (51%) of the Dwelling Units that are subject to Eligible Mortgages:
 - (1) The redefinition of the boundaries of any Residential Lot covered by an Eligible Mortgage;
 - (2) A decision by the Residential Association to establish self-management when professional management had been required previously by an Eligible Mortgagee; or
 - (3) Any provisions that expressly benefit Eligible Mortgagees or Eligible Insurers.
- (b) If and when the Owners are considering termination of the coverage of this Declaration over the Subdivision for reasons other than substantial destruction or condemnation, the Eligible Mortgagees representing at least sixty-seven percent (67%) of the mortgaged Dwelling Units in the Subdivision must approve such termination.

SECTION 12.4 SPECIAL FHLMC PROVISION.

- (a) So long as required by the FHLMC, the following provisions apply in addition to and not in lieu of the other provisions of Article XII. Unless two-thirds (2/3) of the Eligible Mortgagees or Owners of Residential Lots give their consent (together with the approval of the Owners, as herein provided), and subject to the condition that any proposed action of the Residential Association purportedly covered by the following requirements must be material and adverse, the Residential Association shall not:
 - (1) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Residential Common Properties which the Residential Association owns, directly or indirectly (exclusive of the grant of easements for public utilities or for other public purposes consistent with the intended use of Scott Farm);
 - (2) Change the method of determining the obligations in respect to Assessments, Charges or other monetary obligations which may be levied against an Owner;
 - (3) By act or omission charge, waive or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance as contemplated by this Declaration and maintenance of Dwelling Units and of the Residential Common Properties, except as permitted under Section 8.5(e) hereof;
 - (4) Assign any future income of the Residential Association, including its right to

- receive Assessments;
- (5) Fail to maintain fire and extended coverage insurance on assets owned by the Residential Association, as required by this Declaration; or
 - (6) Use hazard insurance proceeds for any losses to the Residential Common Properties for any purpose other than the repair, replacement or reconstruction of such properties.
- (b) The provisions of this Section 12.4 shall not be construed to reduce the percentage vote that must be obtained from Eligible Mortgagees when a larger percentage vote is otherwise required for any of the actions described in this Section 12.4.
 - (c) Eligible Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a Charge against the Residential Common Properties (if any) and may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Residential Common Properties owned by the Residential Association, and Eligible Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.
 - (d) No provision of this Declaration or the Residential Bylaws shall give or shall be construed as giving any Owner or other party priority over any right of the first mortgage of any Residential Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of all or portions of the Residential Common Properties (if any).
 - (e) Upon request, each Owner shall be obligated to furnish the Residential Association the name and address of the holder of any Mortgage encumbering such Owner's Residential Lot.
 - (f) Should FNMA or FHLMC subsequently delete any of their respective requirements which necessitate the provisions of this Section 12.4 or make any such requirements less stringent, the Residential Board, without the approval of the Owners, may cause an amendment to this Section 12. 4 to be recorded to reflect such change or changes.

SECTION 12.5 APPROVAL OF AMENDMENTS. The failure of an Eligible Mortgagee or Eligible Insurer to respond within thirty (30) days to any written request of the Residential Association or the Residential Board for approval of an addition or amendment shall constitute an implied written approval of the addition or amendment.

SECTION 12.6 INSPECTION OF BOOKS. The Residential Association shall have current copies of the Declaration, Articles, Bylaws, rules and regulations, books, records and financial statements available for inspection by the Owners and by Eligible Mortgagees and Eligible Insurers during normal business hours or under other reasonable circumstances.

SECTION 12.7 FINANCIAL STATEMENTS. The Residential Association shall provide any Eligible Mortgagee or Eligible Insurer which submits a written request with a copy of an annual financial statement within ninety (90) days following the end of each Fiscal Year. Each such Eligible Mortgagee and Eligible Insurer shall have the right to have such statements audited by an independent certified public accountant at its sole cost and expense, which audited report shall be made available to the Residential Association within thirty (30) days following completion. The Residential Association shall not be obligated to cause its financial statements to be audited by more than one (1) Eligible Mortgagee or Eligible Insurer more than once in any Fiscal Year.

SECTION 12.8 ENFORCEMENT. The provisions of this Article XII are and shall be for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law, or in equity.

SECTION 12.9 ATTENDANCE AT MEETINGS. Any authorized representative(s) of an Eligible Insurer may attend and address any meeting of the Residential Association which an Owner may attend.

SECTION 12.10 ANNEXATION. With respect to any annexation of Additional Lands within the scheme of this Declaration, the following additional provisions shall apply:

- (a) The legal method of expansion shall be generally in accordance with Section 2.2 herein above;
- (b) Prescribing Assessments and/or granting voting rights to the annexed properties shall be generally in accordance with Articles III and IV herein;
- (c) All Improvements intended for future phases will be substantially completed prior to annexation and will be consistent with the initial Improvements in terms of quality of construction; and
- (d) The annexation document(s) that will be recorded will likely be a Declaration similar to this document or an Amended Declaration.

ARTICLE XIII:
GENERAL PROVISIONS

SECTION 13.1 POWER OF ATTORNEY.

- (a) Each and every Owner, Residential Member and Resident hereby makes, constitutes and appoints the Developer as his/her/its true and lawful attorney-in-fact, coupled with an interest and irrevocable, for him/her/its and in his/her/its name, place and stead and for his/her/its use and benefit, to do the following:
 - (1) To exercise, do or perform any act, right, power, duty or obligation whatsoever in connection with, arising out of, or relating to any matter whatsoever involving this Declaration and Scott Farm;
 - (2) To sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the terms within this Declaration, or any part hereof, with such clause(s), recital(s), covenant(s), agreement(s) and restriction(s) as the Developer shall deem necessary, proper and expedient under the circumstances and conditions as may be then existing; and
 - (3) To sign, execute, acknowledge, deliver and record any and all instruments which modify, amend, change, enlarge, contract or abandon the Plat, or any part thereof, with any easements and rights-of-way to be therein contained as the Developer shall deem necessary, proper and expedient under the conditions as may then be existing.
- (b) The rights, powers and authority of said attorney-in-fact to exercise any and all of the rights and powers herein granted shall commence and be in full force upon recordation of this Declaration in the Records and shall remain in full force and effect thereafter until conclusion of the Development Control Period.

SECTION 13.2 FURTHER DEVELOPMENT. During the Development Control Period, each and every Owner, Residential Member and Resident waives, relinquishes and shall not directly or indirectly exercise any and all rights, powers or abilities, and the Residential Association shall not devote or expend any monies or personnel, regarding the contest, objection to, challenge, dispute, obstruction, hindrance or any manner of disagreement with the proposed or actual development (including, without limitation, zoning or rezoning efforts or processes pertaining to residential uses) of any real property owned by the Developer or by the affiliates, assignees or successors of the Developer within Scott Farm which is generally consistent with the scheme contemplated by this Declaration.

SECTION 13.3 DURATION. The Covenants of this Declaration shall run with and bind the land subject to this Declaration, and shall inure to the benefit of and be enforceable by the Residential Association and/or the Owners and Residents of any Residential Lot subject to this Declaration, their respective legal representatives, heirs, devisees, personal representatives, successors and assigns, for an original fifty (50) year term expiring on the fiftieth (50th) anniversary of the date of recordation of this Declaration, after which time these Covenants shall be automatically extended for successive periods of ten (10) years unless an instrument is signed by the Owners of at least fifty-one percent (51%) of all Residential Lots within Scott Farm and recorded in the Records, which contains and sets out an agreement to abolish these Covenants; provided, however, no such agreement where approved by less than seventy-five percent (75%) of the Owners of all Residential Lots within Scott Farm to abolish shall be effective unless made and recorded one (1) year in advance of the effective date of such abolishment.

SECTION 13.4 AMENDMENTS. The Covenants set forth herein are expressly subject to change, modification and/or deletion by means of amendment, at any time and from time to time, on the following basis:

- (a) During the Development Control Period, the Developer shall have the complete and unfettered right and privilege to amend, change, revise, modify or delete portions of this Declaration, and each and every Owner, Residential Member and Resident specifically and affirmatively authorizes and empowers the Developer, utilizing the attorney-in-fact status set forth in Section 13.1 above, to undertake, complete and consummate any and all such amendments, changes, revisions, modifications or deletions as the Developer (in its sole and absolute discretion) shall deem reasonable and appropriate.
- (b) From and after conclusion of the Development Control Period this Declaration, other than amendments of a "material nature", may be amended or changed upon the express written consent of the Residential Board, without the approval of any Owner, Residential Member or Resident.
- (c) Amendments of a "material nature" to the Declaration must be agreed to and approved by Residential Lot Owners owning at least fifty-one percent (51%) of the Residential Lots from and after the Development Control Period.
- (d) A substantive change to any provision dealing with or governing any of the following items will be considered an amendment of a "material nature":
 - (1) Voting rights of any Residential Member;
 - (2) Increases in Annual Assessments that raise the previous Annual Assessment amount by more than ten percent (10%), liens securing the payment of Assessments, or subordination of liens securing the payment of Assessments, or materially and adversely changing the method of determining the obligations in respect to Assessments, Charges or other monetary obligations which may be levied against an Owner;
 - (3) Material reduction of reserves for maintenance, repair, and replacement of Residential Common Properties;
 - (4) Responsibility for maintenance and repairs;
 - (5) Hazard or fidelity insurance requirements;
 - (6) Imposition of any restrictions on an Owner's right to sell or transfer his/her/its Residential Lot;
 - (7) Restoration or repair (after a hazard damage or partial condemnation) of the Residential Common Properties in a manner other than that specified herein;
 - (8) Any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs or any action which materially and adversely alters the use of hazard insurance proceeds in respect to any

losses to the Residential Common Properties for any purpose other than the repair, replacement or reconstruction of the Residential Common Properties;
or

- (9) Modification to the express provisions of Section 2.2 hereof.
- (e) A substantive change to any provision dealing with or governing any of the following items will be considered as "material", subject to the condition that any proposed action of the Residential Association purportedly covered by the following must be material and adverse:
 - (1) Except as expressly permitted hereby, any act or omission to act seeking to encumber the Residential Common Properties which the Residential Association owns, directly or indirectly (exclusive of the granting of easements for public utilities or for other public purposes consistent with the intended use of Scott Farm);
 - (2) Any act or omission to act changing, waiving or abandoning any scheme of regulations or enforcement thereof pertaining to the design or the exterior appearance as contemplated by this Declaration and maintenance of Structures and of the Residential Common Properties;
 - (3) Any act assigning any future income of the Residential Association, including its right to receive Assessments; or
 - (4) Failing to maintain fire and extended coverage insurance on assets owned by the Residential Association, as required by this Declaration.
- (f) Additions or amendments to the Declaration such as the correction of a technical error or the clarification of a statement shall not be considered or construed as being of a "material nature," which amendment or amendments may be made by the Developer or the Residential Board. Any and all amendments shall be duly recorded in the Records.

SECTION 13.5 ENFORCEMENT. Each Owner of each Residential Lot shall be deemed, and held responsible and liable for the acts, conduct and omissions of each and every Residential Member, Resident, guest and invitee affiliated with such Residential Lot, and such liability and responsibility of each Owner shall be joint and several with their Residential Member(s), Resident(s), guests and invitees. The contract Performance and Payment Lien covering Residential Lots shall extend to, cover and secure the proper payment and performance by each and every Residential Member, Resident, guest and invitee affiliated with each Owner. Each Owner may, upon appropriate application to and approval by the Residential Association, impose greater or additional restraints and restrictions on the "good standing" qualifications of any Person who occupies such Owner's Residential Lot. Unless otherwise prohibited or modified by law, all parents shall be liable for any and all personal injuries and property damage proximately caused by the conduct of their children (under the age of 18 years) within Scott Farm. Enforcement of this Declaration and the Covenants herein contained may be initiated by any proceeding at law or in equity against any Person or Persons violating or attempting to violate them, whether the relief sought is an injunction or recovery of damages, or both, or enforcement of any lien created by this Declaration; but failure by the Residential Association or any Owner to enforce any Covenant herein or any portion of this Declaration shall in no event be deemed a waiver of the right to do so thereafter. With respect to any litigation hereunder, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, from the non-prevailing party.

SECTION 13.6 VALIDITY. Violation of or failure to comply with the terms and conditions of this Declaration and the Covenants herein contained shall not affect the validity of any mortgage, bona fide lien or other similar security instrument which may then be existing on any Residential Lot. Invalidation of any one or more of the provisions of this Declaration, by a judgment or court

order shall not affect any of the other provisions or covenants herein contained, which shall remain in full force and effect. In the event any portion of this Declaration conflicts with mandatory provisions of any ordinance or regulation promulgated by the Crawford County, Arkansas or any other governmental entity having jurisdiction and authority over the matter in question, then such requirement of the that entity shall control.

SECTION 13.7 PROPOSALS OF THE DEVELOPER. The proposals of the Developer, as set forth in various provisions herein above, to develop additional parcels of property for residential or other purposes and/or develop and/or expand the Residential Common Properties and items of a related nature are mere proposals and expressions of the existing good faith intentions and plans of the Developer and shall not be deemed or construed as promises, solicitations, inducements, contractual commitments or material representations by the Developer upon which any Person can or should rely. Nothing contained in or inferable from this Declaration shall ever be deemed to impose upon any other land owned or to be owned by the Developer, or any related entity, any covenants, restrictions, easements or liens or to create any servitudes, negative reciprocal easements or other interests in any such land in favor of any Person other than the Developer.

SECTION 13.8 HEADINGS. The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration. Words of any gender used herein shall be held and construed to include any other gender, and words in the singular shall be held to include the plural and vice versa, unless the context requires otherwise. Examples, illustrations, scenarios and hypothetical situations mentioned herein shall not constitute an exclusive, exhaustive or limiting list of what can or cannot be done.

SECTION 13.9 NOTICES TO RESIDENTIAL MEMBER/OWNER/RESIDENT. Any notice required to be given to any Owner, Residential Member or Resident of a Residential Lot under the provisions of this Declaration shall be deemed to have been properly delivered when:(a) deposited in the United States Mail, postage prepaid, addressed to the last known address of the Person who appears as the Owner, Residential Member or Resident on the records of the Residential Association at the time of such mailing; or when (b) delivered by hand or by messenger to the last known address of such Person within Scott Farm; or when (c) posted on the Residential Association's bulletin board for at least thirty (30) consecutive calendar days.

SECTION 13.10 NOTICES TO MORTGAGEES. The holder(s) of a mortgage may be furnished with written notification from the Residential Association of any default by the respective mortgagor/Residential Member/Owner in the performance of such mortgagor's/Residential Member's/Owner's obligations as established by this Declaration, provided that the Residential Association has been theretofore furnished, in writing, with the correct name and address of such mortgage holder(s) and a request to receive such notification and a reasonable supply of self-addressed, stamped envelopes.

SECTION 13.11 DISPUTES. Matters of dispute or disagreement between Owners, Residential Members or Residents with respect to interpretation or application of the provisions (excluding Article VIII architectural matters and issues concerning "substantial completion") of this Declaration or the Residential Bylaws, shall be determined by the Residential Board. Matters pertaining to Article VIII architectural matters and issues concerning "substantial completion" shall be determined by the ARC. These respective determinations (absent arbitrary and capricious conduct or gross negligence) shall be final and binding upon all Owners, Residential Members and Residents.

APPENDIX B
DEVELOPER REPRESENTATIONS & RESERVATIONS

B.1. GENERAL PROVISIONS.

B.1.1. Introduction. Developer intends the Declaration to be perpetual and understands that provisions pertaining to the initial development, construction, marketing, and control of Scott Farm will become obsolete when Developer's role is complete. As a courtesy to future users of the Declaration, who may be frustrated by then-obsolete terms, Developer is compiling the Developer-related provisions in this Appendix.

B.1.2. General Reservation & Construction. Notwithstanding other provisions of the Documents to the contrary, nothing contained therein may be construed to, nor may any mortgagee, other owner, prevent or interfere with the rights contained in this Appendix which Developer hereby reserves exclusively unto itself and its successors and assigns. In case of conflict between this Appendix and any other Document, this Appendix controls. This Appendix may not be amended without the prior written consent of Developer. The terms and provisions of this Appendix must be construed liberally to give effect to Developer's intent to protect Developer's interests in Scott Farm.

B.1.3. Purpose of Development & Development Control Periods. This Appendix gives Developer certain rights during the Development Control Period to ensure a complete and orderly buildout and sellout of Scott Farm, which is ultimately for the benefit and protection of owners and mortgagees.

B.1.4. Definitions. As used in this Appendix and elsewhere in the Documents, the following words and phrases, when capitalized, have the following specified meanings:

- d. **"Builder"** means a person or entity which purchases, or contracts to purchase, a lot from Developer or from a Builder for the purpose of constructing a dwelling for resale or under contract to an owner other than Developer.
- e. **"Development Control Period"** means that period of time during which Developer controls the operation of Scott Farm. The duration of the Developer Control Period will be from the date this Declaration is recorded for a maximum period not to exceed the earliest of:
 - (1) Twenty (20) years from date this Declaration is recorded.
 - (2) Four months after title to 100 percent of the lots that may be created in Scott Farm and on any Additional Lands have been conveyed to owners other than Builders.

B.1.5. Builders. Developer, in its own name or through its affiliates, may construct dwellings on lots in connection with the sale of lots. Developer also intends to sell lots to one or more Builders to improve the lots with dwellings to be sold and occupied. From time to time, Developer may invite a Builder to share in the exercise of any, some, or all of its easements and rights, without any formality other than the consent of Developer and Builder. Notwithstanding such sharing, a Builder will not become a Successor Developer, or assume the duties and liabilities of Developer under this Declaration unless Builder and Developer join in an instrument that assigns and transfers Developer rights and duties under this Declaration, signed and acknowledged by both Developer and Builder, and recorded in the Real Property Records of Crawford County, Arkansas.

B.2. DEVELOPMENT CONTROL PERIOD RESERVATIONS. Developer reserves the following easements and rights, exercisable at Developer's sole discretion, at any time during the Development Control Period:

B.2.1. Expansion. Scott Farm is subject to expansion. During the Development Control Period, Developer may - but is not required to - annex any real property: (1) any portion of which is contiguous with, adjacent to, or within 2,640 feet of any real property that is subject to this Declaration, (2) in any addition or subdivision platted by the Crawford County, Arkansas or City of Van Buren as a phase or section of Scott Farm, or (3) located in a planned development district created by Crawford County, Arkansas or the City of Van Buren for the property subject to this Declaration. Developer annexes real property by subjecting it to the Declaration by recording a supplement or an amendment of this Declaration, executed by Developer, in the Real Property Records of Crawford County, Arkansas. The supplement or amendment of annexation must include a description

of the additional real property or a reference to the recorded plat that describes the additional real property. Developer's right to annex land is for a term of years and does not require that Developer own land described in **Appendix A** at the time or times Developer exercises its right of annexation.

B.2.2. Withdrawal. During the Development Control Period, Developer may withdraw from Scott Farm any portion of the real property that is not platted with lots, provided that no lot in the phase to be withdrawn has been conveyed to an owner other than Developer or a Builder.

B.2.3. Changes in Development Plan. Developer may modify the initial development plan to respond to perceived or actual changes and opportunities in the marketplace. Subject to approval by Crawford County, Arkansas, the City of Van Buren, Arkansas, or other governmental entity with authority over such matters, Developer may (1) change the sizes, dimensions, and configurations of lots and Streets; (2) change the minimum dwelling size; (3) change the building setback requirements; and (4) eliminate or modify any other feature of Scott Farm.

B.2.4. Adjacent Land Use. Developer makes no representations as to future uses of land that is adjacent to Scott Farm.

B.2.5. Builder Limitations. Developer may require a Builders approval (which may not be unreasonably withheld) of all documents and materials used by a Builder in connection with the development and sale of lots, including without limitation promotional materials; deed restrictions; forms for deeds, lot sales, and lot closings. Without Developer's prior written approval, a Builder may not use a sales office or model within Scott Farm to market houses, lots, or other products located outside Scott Farm or the Additional Land.

B.2.6. Amendment. During the Development Control Period, Developer may amend this Declaration and the other Documents, without consent of other owners or any mortgagee, for the following limited purposes:

- a. To add real property to Scott Farm.
- b. To withdraw real property from Scott Farm.
- c. To create lots and commons areas within Scott Farm.
- d. To subdivide, combine, or reconfigure lots.
- e. To grant easements across Scott Farm.
- f. To expand or modify the construction and use restrictions of this Declaration.
- g. To comply with requirements of an underwriting lender.
- h. To resolve conflicts, clarify ambiguities, and to correct misstatements, errors, or omissions in the Documents.
- i. To enable any reputable title insurance company to issue title insurance coverage on the lots.
- j. To enable an institutional or governmental lender to make or purchase mortgage loans on the lots.
- k. To change the name or entity of Developer.
- l. To change the name of Scott Farm.
- m. For any other purpose, provided the amendment has no material adverse effect on any right of any owner.

B.2.7. Completion. During the Development Control Period, Developer has (1) the right to complete or make improvements indicated on the plat; (2) the right to sell or lease any lot owned by Developer; and (3) an easement and right to erect, construct, and maintain on and in the common areas and lots owned or leased by Developer whatever Developer determines to be necessary or advisable in connection with the construction, completion, management, maintenance, leasing, and marketing of Scott Farm.

B.2.8. Easement to Inspect & Right to Correct. During the Development Control Period, Developer reserves the right for itself the right, but not the duty, to inspect, monitor, test, redesign, correct, and relocate any structure, improvement, or condition that may exist on any portion of Scott Farm, including the lots, and a perpetual nonexclusive easement of access throughout Scott Farm to the extent reasonably necessary to exercise this right. Developer will promptly repair, at its sole expense, any damage resulting from the exercise of this right. By way of illustration but not limitation, relocation of a screening wall located on a lot may be warranted by a change of circumstance, imprecise sitting of the original wall, or desire to comply more fully with public codes and ordinances. This Section may not be construed to create a duty for Developer.

B.2.9. Promotion. During the Development Control Period, Developer reserves for itself an easement and right to place or install signs, banners, flags, display lighting, blimps, balloons, potted plants, exterior decorative items, seasonal decorations, temporary window treatments, and seasonal landscaping on Scott Farm, including items and locations that are prohibited to other owners and residents, for purposes of promoting, identifying, and marketing Scott Farm and/or Developer's houses, lots, developments, or other products located outside Scott Farm. Developer reserves an easement and right to maintain, relocate, replace, or remove the same from time to time within Scott Farm. Developer also reserves the right to sponsor marketing events - such as open houses, MLS tours, and brokers parties - at Scott Farm to promote the sale of lots. During the Development Control Period, Developer also reserves (1) the right to permit Builders to place signs and promotional materials within Scott Farm and (2) the right to exempt Builders from the sign restriction in this Declaration.

B.2.10. Offices. During the Development Control Period, Developer reserves for itself the right to use dwellings owned or leased by Developer as models, storage areas, and offices for the marketing, management, maintenance, customer service, construction, and leasing of Scott Farm and/or Developer's developments or other products located outside Scott Farm. Also, Developer reserves for itself the easement and right to make structural changes and alterations on and to lots and dwellings used by Developer as models, storage areas, and offices, as may be necessary to adapt them to the uses permitted herein.

B.2.11. Access. During the Development Control Period, Developer has an easement and right of ingress and egress in and through Scott Farm for purposes of constructing, maintaining, managing, and marketing Scott Farm and the Additional Land, and for discharging Developer's obligations under this Declaration. Developer also has the right to provide a reasonable means of access for the home buying public through any existing or future gate that restricts vehicular access to Scott Farm or to the Additional Land in connection with the active marketing of lots and homes by Developer or Builders, including the right to require that the gate be kept open during certain hours and/or on certain days. This provision may not be construed as an obligation or intent to gate Scott Farm.

B.2.12. Utility Easements. During the Development Control Period, Developer may grant permits, licenses, and easements over, in, on, under, and through Scott Farm for utilities, roads, and other purposes necessary for the proper development and operation of Scott Farm. Developer reserves the right to make changes in and additions to the easements on any lot, as shown on the plat, to more efficiently or economically install utilities or other improvements. Utilities may include, but are not limited to, water, sewer, trash removal, electricity, gas, telephone, television, and security.

B.3. SUCCESSOR DEVELOPER. Developer may designate one or more Successor Developers for specified designated purposes and/or for specified portions of Scott Farm, or for all purposes and all of Scott Farm. To be effective, the designation must be in writing, signed and acknowledged by Developer and Successor Developer, and recorded in the Real Property Records of Crawford County, Arkansas. Developer (or Successor Developer) may subject the designation of Successor Developer to limitations and reservations. Unless the designation of Successor Developer provides otherwise, a Successor Developer has the rights of Developer under this Section and may designate further Successor Developers.