

**DECLARATION
of
COVENANTS, CONDITIONS, RESTRICTIONS,
RESERVATIONS AND EASEMENTS
FOR
SPRING CREEK MEADOWS
Montrose County, Colorado**

DECLARATION OF SPRING CREEK MEADOWS (the "Declaration") made this 3rd day of MAY, 2007 by KANSAS ROAD PARTNERS, LLC, a Colorado limited liability company, P.O. Box 679, Ridgway, CO 81432, hereinafter referred to as the "Declarant," pursuant to the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101, *et seq.*, as it may be amended from time to time (the "Act").

RECITALS

a) Declarant is the owner of the following described property located in the Montrose County, State of Colorado: See Exhibit "A" attached hereto and incorporated herein by this reference (hereinafter referred to as the "Property").

b) Declarant intends to delineate the Property into Lots and to create a Common Interest Community pursuant to the Colorado Common Interest Ownership Act of the State of Colorado (C.R.S. Sections §§38-33.3-101 *et seq.*, "the Act"). To define and establish the rights, powers, duties, conditions and restrictions of Lot ownership in Spring Creek Meadows, Declarant hereby publishes and records this Declaration.

c) Declarant has caused "Spring Creek Meadows Homeowners Association, Inc." to be incorporated under the laws of the State of Colorado, for the purpose of exercising the functions as herein set forth.

d) The initial number of Lots shall be Twenty (20).

NOW THEREFORE, in consideration of the above Recitals, the Declarant states as follows for this Declaration:

**ARTICLE I
SUBMISSION/DEFINED TERMS**

Section 1.01 Submission of Real Estate. The Declarant hereby submits the Property above and such additional real estate as may be subsequently added, pursuant to the expansion rights, development rights and special Declarant rights reserved in this Declaration, together with all easements, rights,

and appurtenances thereto and the buildings and improvements erected or to be erected thereon (collectively, the "Real Estate") to the provisions of the Act as it may be amended from time to time and to the terms and conditions of this Declaration. In the event the Act is repealed, the Act on the effective date of this Declaration shall remain applicable. Further, Declarant hereby declares that all of the Real Estate described above, and as added by expansion, shall be held or sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of, and which shall run with, the Real Estate and be binding on all parties having any right, title or interest in the Real Estate or any part thereof, their heirs, legal representatives, successors, and assigns and shall inure to the benefit of each Lot Owner thereof. For purposes of the Act, the Common Interest Community shall be a "Planned Community" as defined in the Act.

Section 1.02 Defined Terms. Unless defined herein, each capitalized term in this Declaration or in the Plat shall have the meaning specified or used in the Act.

(a) "Agency" means any agency or corporation such as Housing and Urban Development, Veteran's Administration ("VA"), Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC") that purchases or insures residential mortgages.

(b) "Allocated Interest" means the undivided interest in the Assessments, percentage ownership of the Common Elements, and votes in the Association allocated to each Lot as set forth in Section 5.02 hereof.

(c) "Articles" means the Articles of Incorporation for Spring Creek Meadows Homeowners Association, Inc., a Colorado non-profit corporation, currently on file with the Colorado Secretary of State and any amendments that may be made to those Articles from time to time.

(d) "Annual Assessment" means the Assessment levied pursuant to an annual budget.

(e) "Assessments" means the Annual, Special and Default Assessments levied pursuant to Article VI below. Assessments are also referred to as Common Expense Liability as defined under the Act.

(f) "Association" means the Spring Creek Meadows Homeowners Association, Inc., a Colorado non-profit corporation, and its successors and assigns.

(g) "Association Documents" or "Governing Documents" means this Declaration, the Articles, the Bylaws, the Plat, and any procedures, rules, regulations or policies adopted under such documents by the Association. All

provisions of the Association Documents or Governing Documents shall be given the same force and effect as if set forth in the Declaration.

(h) "Bylaws" means the Bylaws adopted by the Association, as amended from time to time.

(i) "Clerk and Recorder" means the office of the Clerk and Recorder in the County of Montrose, State of Colorado

(j) "Common Element" means all portions of the Project except the Lots. The Common Elements are owned by the Association and may consist of General Common Elements and Limited Common Elements.

(1) "General Common Elements" means all tangible physical property of the Project except Limited Common Elements and the Lots except those dedicated and conveyed to Montrose County, Colorado.

(2) "Limited Common Elements" means those parts of the Common Elements which are either limited to or reserved in this Declaration, on a Plat, or by action of the Association, for the exclusive use of an Owner of a Lot or are limited to and reserved for the common use of more than one, but fewer than all Owners.

(k) "Common Expenses" means (i) all expenses expressly declared to be common expenses by the Declaration or the Bylaws of the Association; (ii) all other expenses of administering, servicing, conserving, managing, maintaining, repairing or replacing the Common Elements; (iii) insurance premiums for the insurance carried under Article IX hereof; and (iv) all expenses lawfully determined to be common expenses by the Executive Board.

(l) "Declaration" means this Declaration and the Plat, and any amendments and supplements to the foregoing.

(m) "Design Guidelines" means a collective reference to all written design and development guidelines, policies and procedures, building standards and material specifications, application and review procedures and fee schedules, and all architectural controls that apply to all construction and the placement, installation or removal of Improvements within Spring Creek Meadows and which are enacted by the Executive Board, its authorized delegates, and the DRB pursuant to their rule-making authority.

(n) "Design Review Board/DRB" The committee created by Declarant for the purpose of administering and establishing controls over the Project to ensure the desired development, design, use and improvement of Spring Creek Meadows.

(o) "Eligible Mortgagee" means a First Mortgagee (as hereinafter

defined) who (i) is also a bank, savings and loan association, insurance company, real estate mortgage investment trust, pension fund, an agency of the United States Government, mortgage banker, the Federal National Mortgage Associations ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or any other lender generally recognized as an institutional lender, and (ii) has notified the Association, in writing, of its name and address, and that it holds the First Mortgage on one or more Lots. The notice must include the Lot number and street address of the Lot on which it has such security interest. This notice shall be deemed to include a request that the Eligible Mortgagee be given the information and afforded the rights described in Articles X and XII below.

(p) "Executive Board" means the governing body of the Association.

(q) "First Mortgage" means any Mortgage the priority of which is not subject to any monetary lien or encumbrance except liens for taxes or other liens that are given priority by statute.

(r) "First Mortgagee" means any person named as a Mortgagee in any First Mortgage.

(s) "Manager" means a person or entity engaged by the Association to perform certain duties, powers or functions of the Association, as the Executive Board may authorize from time to time.

(t) "Plat" means the land survey plat of the Project recorded with the Clerk and Recorder of Montrose County, Colorado, depicting a plan of all or a part of the Property subject to this Declaration and any supplements and amendments thereto.

(u) "Member" means every person or entity that holds membership in the Association.

(v) "Mortgage" means any mortgage, deed of trust or other document pledging any Lot or interest therein as security for payment of a debt or obligation.

(w) "Mortgagee" means any person or entity named as a mortgagee or beneficiary in any Mortgage, or any successor to the interest of any such person under such Mortgage.

(x) "Owner" means the owner of record, whether one or more persons or entities, of fee simple title to any Lot and "Owner" also includes the purchaser under a contract for deed covering a Lot with a current right of possession and interest in the Lot.

(y) "Owner's Agent" means members of the Lot Owner's family, or the Lot

Owner's agent, employee, invitee, licensee or tenant.

(z) "Project" means the common interest community created by this Declaration and as shown on the Plat consisting of the Property, the Lots and the Common Elements.

(aa) "Successor Declarant" means any person or entity to whom Declarant assigns any or all of its rights, obligations or interest as Declarant, as evidenced by an assignment or deed of record executed by both Declarant and the transferee or assignee and recorded with the Clerk and Recorder.

(bb) "Supplemental Declaration" means an instrument which amends this Declaration.

(aa) "Supplemental Plat" means a supplemental Plat of the Project which depicts any change in the Project through a Supplemental Declaration.

(bb) "Lot" means the residential dwelling Lot as depicted on the Plat and as defined in Section 4.03 hereof. Lot is also a general term to describe any unit, parcel, tract or other physical portion of property within the Project designated for separate ownership or use as shown on the Plat with separate boundaries, including any Improvements erected or to be erected thereon. Lot shall also be deemed to include a separate unit that is part of a duplex, triplex or other shared-lot structure. Lot shall also mean any property or units that are added to the Project pursuant to Declarant rights or otherwise. For the purposes of this Declaration, a Lot is the same as a "Unit" as said term is defined in Section 103(30) of the Act.

Each capitalized term not otherwise defined in this Declaration or in the Plat shall have the same meanings specified or used in the Act.

ARTICLE II NAMES/DESCRIPTION OF REAL ESTATE

Section 2.01 Name and Type.

(a) Common Interest Community. The type of Common Interest Community created hereunder is a Planned Community. The name of the Planned Community is SPRING CREEK MEADOWS.

(b) Association. The name of the Association is the Spring Creek Meadows Homeowners Association, Inc.

Section 2.02 Real Estate. The Project is located in Montrose County, State of Colorado. The initial real estate of the Project is described on the

attached Exhibit A.

Section 2.03 Utility Easements. Easements for utilities over and across the Common Elements or Lots shall be those shown upon the recorded Plat and such other easements as may be established pursuant to the provisions of this Declaration, or granted by authority reserved in any recorded document.

Section 2.04 Easements for the Executive Board. Each Lot shall be subject to an easement in favor of the Executive Board (including its agents, employees and contractors) to perform its obligations pursuant to this Declaration. The Association is granted the right to establish from time to time, by declaration or otherwise, utility and other easements, permits or licenses over the General Common Elements for the best interest of all the Owners and the Association.

Section 2.05 Emergency Easements. A non-exclusive easement for ingress and egress is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons, now or hereafter servicing the Project to enter upon any part of the Project in the performance of their duties.

Section 2.06 Easement for Surface Water Drainage and Ditches. Declarant hereby declares, reserves and creates a perpetual easement over, under and across the setback area of each and every Lot, all common elements, limited common elements in the Project for the maintenance of ditches, utility infrastructure, waterways, irrigation systems, headgates and water pipelines for the benefit of Declarant (the "Water Easement"). The Water Easement shall include the right to enter upon any Lot within the Project with men and equipment upon reasonable notice and times for the purpose of repairing, maintaining, improving, or otherwise modifying the said ditches, utility infrastructure, waterways, irrigation systems, headgates and water pipelines. Any entry upon a Lot for the purposes as set out in this Section 2.06 shall not constitute a trespass or breach of the covenant of quiet enjoyment.

ARTICLE III THE ASSOCIATION

Section 3.01 General Purposes and Powers. The Association, through its Executive Board, shall perform functions and manage the Project as provided in this Declaration so as to further the interest of the residents, occupants, tenants and guests of the Project and Members of the Association. Any purchaser of a Lot shall be deemed to have assented to, ratified and approved such designation and management. The Association shall have all power necessary or desirable to effectuate such purposes.

Section 3.02 Authority of the Association. The business affairs of the Project shall be managed by the Association. The Association shall be governed by its Articles of Incorporation and Bylaws, as amended from time to time. The Executive Board may, by written resolution, delegate authority to a Manager or managing agent for the Association, provided no such delegation shall relieve the Executive Board of final responsibility.

Section 3.03 Specific Powers.

a) The Association shall have the powers, authority and duties as follows, and as necessary and proper, to manage the business and affairs of the Project.

b) The Association shall have all of the powers, authority and duties permitted or set forth in the Act.

c) The Association shall have the power to assign its right to future income, including the right to assign its right to receive Common Expense Assessments, but only upon the affirmative vote of the Lot Owners of Lots to which at least fifty-one percent (51%) of the votes in the Association are allocated at a meeting called for that purpose.

d) The Association shall have the power and the obligation to hire and discharge employees, independent contractors and agents other than managing agents.

e) The Association shall have the power to regulate the use, maintenance, repair, replacement and modification of the Common Elements, including but not limited to, installation, maintenance and promulgation of rules and regulations for a common irrigation system for use by the Owners in the Project.

f) The Association shall also have the authority and full power to negotiate with Montrose County to require its participation in the cost of maintaining areas within the Project.

g) The Association may arrange for comprehensive trash collection services to be paid by the Owners as an assessment as provided herein.

h) The Association shall maintain the trees and landscaping within the Open Space Tracts, and strips located within the public right of ways depicted on the Plat that do not border a platted Lot. Each individual Lot Owner is responsible for maintaining any trees and/or landscaping that is within the width of the deeded Lot that borders any public right of way. The Association shall not, however, be responsible for any other maintenance, improvement or repair within such areas if the same is the accepted responsibility and cost of Montrose County.

Section 3.04 Membership. Every person or entity who is a record Lot Owner of a fee interest in any Lot which is subject to this Declaration shall be a Member of the Association, including contract sellers. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Ownership of such Lot shall be the sole qualification for such membership. The owner(s) of each Unit shall automatically be entitled to the benefits and be subject to the burdens relating to Membership as set forth in this Declaration, the Articles of Incorporation, Bylaws, and any Rules and Regulations promulgated by the Association. In the case of joint ownership of any Unit, the owners thereof shall be entitled to only one membership. Each membership shall be entitled to one vote in the affairs of the Association.

Section 3.05 Directors. The affairs of the Project and the Association shall be governed by an Executive Board of the Association which, until the first Lot is sold, shall consist of one (1) person, and following such date shall consist of five (5) persons. All non-Declarant appointed members of the Executive Board shall be Lot Owners. Members of the Executive Board who are appointed by the Declarant need not be Lot Owners.

Section 3.06 Declarant Control.

a) The Declarant shall have the reserved powers, pursuant to Section 303(5) of the Act, to appoint and remove officers and members of the Executive Board during the term of Declarant Control. "Declarant Control" begins with the appointment of the initial Executive Board and continues until the earlier of (i) sixty (60) days after conveyance of seventy-five percent (75%) of all Lots in the ordinary course of business to Lot Owners other than the Declarant; (ii) two (2) years after the last conveyance of a Lot by the Declarant in the ordinary course of business to a Lot Owner other than Declarant; or (iii) two (2) years after the right to add new Lots was last exercised. Declarant Control is further extinguished under the Act, to the extent stated, sixty (60) days after the following events: (1) Declarant conveys twenty-five percent (25%) of the Lots that may be created to Owners other than Declarant, to the extent of twenty-five percent (25%) of the members of the Executive Board (minimum of one), and (2) Declarant conveys fifty percent (50%) of the Lots that may be created to Owners other than Declarant, to the extent of thirty-three and one-third percent (33 1/3%) of the members of the Executive Board.

b) The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of the period of Declarant Control, but, in that event, the Declarant may require, for the duration of the period of Declarant Control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

c) Within sixty (60) days after the Lot Owners other than Declarant elect a majority of the members of the Executive Board, Declarant shall deliver to the Association all Lot Owner and Association property held or controlled by Declarant as specified by the Act, C.R.S. § 38-33.3-303(9).

Section 3.07 Indemnification. To the full extent permitted by law, each officer and director of the Association shall be and is hereby indemnified by the Lot Owners and the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him/her in any proceeding to which he/she may be a party, or in which he/she may become involved, by reason of being or having been an officer or director of the Association, or any settlements thereof, whether or not he/she is an officer or director of the Association at the time such expenses are incurred; except in such cases wherein such officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his/her duties; provided that in the event of a settlement the indemnification shall apply only when the Executive Board approves such settlement and reimbursement as being for the best interest of the Association.

ARTICLE IV LOTS, COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

Section 4.01 Number of Lots

a) The initial number of Lots in the Project is twenty (20). The total number of Lots contemplated in the Project is eighty-three (83).

b) The Declarant reserves the right to create and add up to the maximum number of Lots allowed by any governmental entity having jurisdiction, pursuant to any development plan for the Property.

Section 4.02 Identification of Lots/Lot Descriptions. The identification number or letter of each Lot is shown on the Plat. Every contract for sale, deed, lease, security interest, will or other legal instrument may legally describe a Lot as follows:

"Lot _____ of Spring Creek Meadows Subdivision, Filing ____, County of Montrose, State of Colorado, as depicted on and in accordance with the Plat thereof recorded on _____, 200_, at Reception No. _____ and the Declaration recorded on _____, 200_, at Reception No. _____, in the records of the County Clerk and Recorder of Montrose County, Colorado as amended from time to time."

The reference to the Declaration and Plat in any instrument shall be deemed to include any supplement(s) or amendment(s) to the Declaration or Plat, without

specific references thereto.

Section 4.03 Boundaries of Lots. Lot Owners are responsible for the maintenance, repair and replacement of the properties located within their Lot boundaries, except as provided in this Declaration. The boundaries of each Lot are as depicted on the Plat of the Project.

a) **Inclusions.** Each Lot includes the spaces and improvements lying within the boundaries described above, as depicted on the Plat. Each Lot also includes the spaces and improvements within spaces containing, all electrical switches, wiring, pipes, ducts, conduits, communications, television, telephone and electrical receptacles and boxes, and any irrigation facilities serving that Lot exclusively, the surface of these items being within the boundaries of that Lot, whether or not the spaces are contiguous.

b) **Exclusions.** Except when specifically included by other portions or this Declaration or by the Plat, the following are excluded from each Lot: The spaces and improvements lying outside the boundaries described above.

c) **Noncontiguous Portions.** Certain Lots may include special portions or pieces of equipment, such as air conditioning compressors, meter boxes, utility connection structures, air, irrigation water or gas pumps and storage facilities and storage portions, which are situated in buildings or structures that are detached from the Lot but exclusively serve such Lot. Such special equipment or storage portions are a part of the Lot, notwithstanding their non-contiguity with the principal portions.

Section 4.04 Limited Common Elements.

a) The areas depicted on the Plat as Limited Common Elements, if any, are Limited Common Elements for the exclusive use of those Lots as denoted on the Plat. The expenses for these Limited Common Elements shall be the sole responsibility of the Lots as denoted on the Plat.

Section 4.05 General Common Elements.

a) All portions of the Real Estate described in Article II, Section 2.02 not designated on the Plat as a Limited Common Element, all portions of structures and the Real Estate which are not designated as being within the Lot boundaries in Section 4.03 above, or are not listed as Limited Common Elements in Section 4.04 above, are General Common Elements. Said General Common Elements may be designated on the Plat as "G.C.E." or as an "Open Space" or "Outlot."

b) The Association shall be responsible for the maintenance, repair, improvement and replacement of any General Common Element.

c) The Declarant reserves, through ten (10) years after the recording of this Declaration, the right to allocate areas as Common Elements. The Declarant may allocate or assign Common Elements (i) by making such an allocation in a recorded instrument, (ii) by recording an appropriate amendment or supplement to this Declaration, (iii) by recording a supplement to the Plat, or (iv) by recording the allocation or assignment in the minutes or records of the Association. Such allocations by the Declarant may be made as a matter of reserved right by the Declarant.

Section 4.06 Lot Owners' Easements of Enjoyment. Every Lot Owner shall have a right and easement of enjoyment in and to any Common Elements and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

a) The right of the Association to promulgate and publish rules and regulations which each Lot Owner and their guests shall strictly comply with.

b) The right of the Association to suspend the voting rights and rights to use the Common Element by a Lot Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty days for any infraction of its published rules and regulations.

c) The right, power and authority of the Association to grant any easement, right-of-way, license, lease, dedication, transfer or conveyance or grant of any similar interest affecting the Common Elements, to the extent permitted by the Act, if the grant is approved by the affirmative vote of a majority of all Lot Owners having votes appurtenant to all Lots, and consented to, in writing, by the holders of first lien Security Interests in the Lots whose Lot Owners vote affirmatively; provided, that the granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Elements shall not be deemed a transfer within the meaning of this clause. Any easement, right-of-way, license or similar interest granted by the Association pursuant to this Section shall state that the grant was approved by a majority all Lot Owners, and by the corresponding holders of first lien Security Interests.

d) The right of the Association to close or limit the use of the Common Elements while maintaining, repairing and making replacements in the Common Elements.

e) The Development and Special Declarant Rights of the Declarant reserved in this Declaration.

ARTICLE V ALLOCATED INTERESTS

Section 5.01 Allocated Interest. The Common Expense liability and votes in the Association allocated to each Lot are calculated as set forth in Article V, Section 5.02 hereof.

Section 5.02 Determination of Allocated Interest. The interest allocated to each Lot has been calculated as follows:

(a) For each Lot, the percentage of liability for Common Expenses shall be equally allocated among all Lots as reflected on the Plat.

(b) The number of votes in the Association, on the basis of one vote for each Lot.

Section 5.03 Reallocation. If Lots are added to or withdrawn from the Project or use rights are re-designated, pursuant to the provisions of this Declaration and the Act, the formulas set forth above shall be used to reallocate the Allocated Interest.

ARTICLE VI COVENANT FOR COMMON EXPENSE ASSESSMENTS

Section 6.01 Creation of Association Lien and personal obligation to Pay Common Expense Assessments. Declarant, for each Lot, shall be deemed to covenant and agree, and each Owner, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association annual Common Expense Assessments, annual or special Limited Common Element Expense Assessments, insurance assessments (assessed in proportion to risk), utility assessments, irrigation water assessments (assessed in accordance with policies, rules and regulations adopted by the Association) and such other assessments as may be imposed by the Association. Such assessments, including fees, charges, late charges, attorney fees, fines and interest charged by the Association shall also be the personal obligation of the Owner of such Lot at the time when the assessment or other charges became or fell due. The personal obligation to pay any past due sums due the Association shall not pass to a successor in title unless expressly assumed by them. No Owner may become exempt from liability for payment of the Common Expense Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Lot against which the Common Expense Assessments are made. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Association or the Executive Board is not properly exercising its duties and powers under this Declaration.

The Association's annual or special Common Expense Assessments, annual or special Limited Common Element Expense Assessments, insurance

assessments (assessed in proportion to risk), utility assessments (assessed in proportion to usage), irrigation water assessments (assessed in accordance with policies, rules and regulations adopted by the Association) and such other assessments as imposed by the Association, including fees, charges, late charges, attorney fees, fines and interest charged by the Association, shall be a charge on each Lot and shall be a continuing lien upon the Lot against which each such assessment or charge is made. If any Assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment becomes due.

Section 6.02 Apportionment of Common Expenses and Limited Common Element Expenses. Except as provided in this Declaration, all Common Expense Assessments shall be assessed against all Lots in accordance with formula for liability for the Common Expenses as set forth in this Declaration.

Section 6.03 Purpose of Assessments. The assessments levied by the Association through its Executive Board shall be used exclusively for the purposes of promoting the health, safety, and welfare of the residents and guests of the Project and the Members of the Association. Such purposes shall include, but shall not be limited to the following: the improvement, maintenance, repair, upkeep and reconstruction of the Common Elements and for the painting, landscape care, irrigation water delivery, snow removal, and any other maintenance obligations which may be deemed desirable for the common benefit of the Lot Owners, including the maintenance of property values, or for the payment of expenses which may be incurred by virtue of agreement with or requirement of the County of Montrose or other government authorities. The assessments may also be used to provide insurance of various types, and in such amounts deemed appropriate by the Executive Board. Also, a portion of the assessments may be used to provide a reserve fund for the replacement, repair, and maintenance of Common Elements of the real estate which must be replaced on a periodic basis.

Section 6.04 Annual Assessment/Commencement of Common Expense. The Common Expense Assessment may be made on an annual basis against all Lots and shall be based upon the Association's advance budget of the cash requirements needed by it to provide for the administration and performance of its duties during such assessment year. Common Expense Assessments shall be due and payable in monthly, quarterly, or annual installments, or in any other manner, as determined by the Executive Board. Failure to make payment within thirty (30) days of the due date thereof shall cause the total amount of such Lot Owner's Common Expense Assessment for the remainder of that fiscal year to become immediately due and payable at the option of the Board. Any assessment not timely paid shall bear interest at the rate of 1.5% per month or portion thereof. Further, the Association may bring an action at law or in equity, or both, against any Lot Owner personally obligated to pay such overdue assessments, charges or fees, or monthly or other installments thereof, and may

also proceed to foreclose its lien against such Lot Owner's Lot. An action at law or in equity by the Association against a Lot Owner to recover a money judgment for unpaid assessments, charges or fees, or monthly or other installments thereof, may be commenced and pursued by the Association without foreclosing, or in any way waiving, the Association's lien therefor. Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to estop or otherwise preclude the Association from thereafter again foreclosing or attempting to foreclose its lien for any subsequent assessment, charges or fees, or monthly or other installments thereof, which are not fully paid when due. The Association shall have the power and right to bid on or purchase the Association votes appurtenant to ownership thereof, convey or otherwise deal with the same. If a foreclosure action is filed to foreclose any Assessment Lien, and a Lot Owner abandons or leaves vacant his or her Lot, the Board may take possession of and rent said Lot or apply for the appointment of a receiver for the Lot without prior notice to the Lot Owner. The rights of the Association shall be expressly subordinate to the rights of any holder of a first lien Security Interest as set forth in its deed of trust or mortgage (including any assignment of rents), except to the extent permitted under the Act.

Section 6.05 Lien Priority. The lien of the Association under this Section is prior to all other liens and encumbrances on a Lot except: 1) liens and encumbrances recorded before the recordation of the Declaration; 2) a first lien Security Interest on the Lot (except as allowed by the Act with regard to the limited lien priority allowed to the Association); and 3) liens for real estate taxes and other governmental assessments or charges against the Lot. This Section does not affect the priority of mechanics' or materialmen's liens. The lien of the Association under this Article is not subject to the provision of any homestead exemption as allowed under State or Federal law. Sale or transfer of any Lot shall not affect the lien for said assessments or charges except that sale or transfer of any Lot pursuant to foreclosure of any first lien Security Interest, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture shall only extinguish the lien of assessment charges as provided by applicable State law. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, nor cancellation or forfeiture shall relieve any Lot from continuing liability for any assessment charges thereafter becoming due, nor from the lien thereof.

Section 6.06 Working Fund. The Declarant shall establish an initial working capital fund equal to one-twelfth (1/12) of the estimated Annual Assessments for Common Expenses for each Lot subject to the terms of this Declaration, which amount shall be reimbursed to the Declarant upon the transfer of title to a Lot when that Lot's Owner makes the required working capital contribution set forth in this section. The working capital fund may be used by the Association for emergencies, insurance deductibles in the event of casualty or other loss, capital expenditures for repair or replacement of Common Elements, and such other expenses which do not occur on a regular and on-

going basis, as may be determined by a majority of the Executive Board. This initial working fund shall be established and Annual Assessments shall commence for the first phase submitted to the terms of this Declaration upon the conveyance of the first Lot in the first phase of the Project by Declarant to a third-party purchaser. Thereafter, upon the submission of each new phase of the Project to the regime created by this Declaration, Annual Assessments shall begin and the working capital account shall be established for all Lots added by the new phase. Upon acquisition of record title to a Lot from Declarant or any seller after Declarant, each Owner shall contribute to the working fund and reserves of the Association an amount equal to one-twelfth (1/12) of the Annual Assessment determined by the Executive Board for that Lot for the year in which the Owner acquired title. Such payments shall not be considered advance payments of Annual Assessments and such payments shall not relieve an Owner from making regular payments of assessments as the same become due. The working fund deposit made by an Owner shall be returned to each Owner including Declarant upon the sale of his Lot, provided that the new purchaser of the Lot has deposited the required working fund deposit with the Association. The working capital fund must be maintained by the Association in a segregated account, and may not be used by the Declarant to defray any of its expenses, reserve contributions, or construction costs, nor to make up any budget deficits during the period of Declarant control. This working fund account may be updated annually as of December 31st of each calendar year, and notice shall be given to all Owners whose individual account does not equal one-twelfth (1/12th) of the current Annual Assessment. Payment of any shortage shall be due with the next regular assessment payment, following written notice.

Section 6.07 Budget. The budget shall be submitted to the Owners, pursuant to Section 303(4) of the Act. Common Expense Assessments shall be due and payable annually or in periodic installments, or in any other manner as determined by the Executive Board. Common Expense Assessments may begin on the first day of the month in which conveyance of the first Lot to an Owner other than Declarant occurs. The omission or failure of the Executive Board to levy the Assessment for any period shall not be deemed a waiver, modification or a release of the Owners from their obligation to pay.

Section 6.08 Special Assessments. In addition to the Annual Assessments, the Association may levy in any fiscal year one or more Special Assessments, payable over such a period as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of improvements within the Common Elements or for any other expense incurred or to be incurred as provided in this Declaration. This Section 6.08 shall not be construed as an independent source of authority for the Association to incur expense, but shall be construed to prescribe the manner of assessing expenses authorized by other sections of this Declaration. Any amounts assessed pursuant to this Section shall be assessed to Owners according to their Allocated Interests for Common

Expenses, subject to the right of the Association to assess only against the Owners of affected Lots any extraordinary maintenance, repair or restoration work on fewer than all of the Lots shall be borne by the Owners of those affected Lots only, and any extraordinary insurance costs incurred as a result of the value of a particular Owner's Lot or the actions of a particular Owner or Owner's Agents shall be borne by that Owner. Notice in writing of the amount of such Special Assessments and the time for payment of the Special Assessments shall be given promptly to the Owners, and no payment shall be due less than ten (10) days after such notice shall have been given.

Section 6.09 Default Assessments. All monetary fines assessed against an Owner pursuant to the Association Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Association Documents, shall be a Default Assessment and shall become a lien against such Owner's Lot which may be foreclosed or otherwise collected as provided in this Declaration. Notice of the amount and due date of such Default Assessment shall be sent to the Owner subject to such Assessment at least ten (10) days prior to the due date.

Section 6.10 Payment by Mortgagee. Any Mortgagee holding a lien on a Lot may pay any unpaid Assessment payable with respect to such Lot, together with any and all costs and expenses incurred with respect to the lien, and upon such payment that Mortgagee shall have a lien on the Lot for the amounts paid with the same priority as the lien of the Mortgage.

Section 6.11 Statement of Status of Assessment Payment. Upon payment of a reasonable fee set from time to time by the Executive Board and upon fourteen (14) days' written request to the Association's registered agent by personal delivery or certified mail, first-class postage prepaid, return receipt, any Owner, designee of Owner, Agency, Mortgagee, prospective Mortgagee or prospective purchaser of a Lot shall be furnished with a written statement setting forth the amount of the unpaid Assessments, if any, with respect to such Lot. Unless such statement shall be issued by personal delivery or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party (in which event the date of posting shall be deemed the date of delivery) within fourteen (14) days after receipt of the request, the Association shall have no right to assert a lien upon the Lot over the inquiring party's interest for unpaid Assessments which were due as of the date of the request.

ARTICLE VII RESTRICTIONS ON USE, ALIENATION AND OCCUPANCY

Subject to the Development Rights and Special Declarant Rights reserved by the Declarant, the following use restrictions apply to all Lots and to the

Common Elements:

Section 7.01 Use/Occupancy.

(a) No Lot within the Project shall be used for any purpose other than single-family residential purposes, provided that "home occupation" activities as permitted under governmental regulation may be permitted only upon express written permission of the Association, following application by a Lot Owner, and upon express findings by the Association that such activity will not interfere with the peace and quiet of the Project, increase vehicular traffic or create any safety hazard. Under no circumstances may any Lot be utilized for any business that involves the outside storage of equipment, inventory, supplies and/or goods. No Improvements located upon a Lot shall be occupied in any manner at any time prior to being fully completed in accordance with approved plans nor shall any Improvements when completed, be in any manner occupied until there is compliance with all requirements, conditions, covenants, and restrictions herein set forth;

(b) No activity shall be conducted which will increase the rate charged for or cause the cancellation of any insurance maintained by the Declarant or the Association, or which would violate any law;

(c) No animals shall be kept which bother or constitute a nuisance to any other Owner, Declarant or adjoining landowner, with such additional restrictions as may be imposed by Association-promulgated rules and regulations. Under no circumstances shall any livestock or poultry of any be kept, bred or raised on any Lot for business or commercial purpose;

(d) No activities shall be conducted within the Project and no improvements may be constructed within the Project which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged within the Project; and no open fires shall be lighted or permitted within the Project except (i) in a contained barbecue unit while attended and in use for cooking purposes, (ii) within a safe and well-designed interior stove or fireplace, or an exterior patio fireplace or stove;

(e) No activity shall be conducted which generates noises which are excessively loud, odors which are offensive, nor any activity be conducted which is or may become a nuisance or cause significant disturbance or annoyance to others;

(f) There shall be no storage of waste and garbage except in covered sanitary animal-proof containers. Refuse piles shall not be permitted;

(g) No above ground utilities or radio, television or cable receivers, antennas, satellite dishes or transmitters shall be permitted, except for antennas or satellite dishes, as are customary for receipt of television signals or high speed internet;

(h) No junk vehicle, inoperative vehicle, or vehicle under repair shall be parked, stored or maintained in the Project;

(i) No structures or other improvement of any type shall be constructed within any Common Element without the consent of the Association;

(j) No fence, wall, hedge or other dividing instrumentality may be installed within any Lot or along the boundary of any Lot without written permission of the Association, subject to restrictions as may be imposed by Association-promulgated rules and regulations;

(k) All use, maintenance, repair, replacement and modification of the General Common Elements shall be subject to regulation by the Association;

(l) No Lot or any interest therein may be offered or sold under any "timesharing" or "interval ownership" plan, or any similar plan;

(m) The Association may adopt rules and regulations with respect to long or short-term rental of Lots to non-Owners. In any event, any rental or lease of a Lot to a non-Owner shall be in writing and shall provide that the lease is subject to the terms of, this Declaration, the Articles, Bylaws and any rules and regulations promulgated by the Association. Any failure of a lessee of a Lot to comply with the terms of this Declaration or any other Association Documents shall be a default under the lease enforceable by the Association as a third party beneficiary, whether or not the lease contains such a provision;

(o) The Association may promulgate rules and regulations requiring the removal or treatment of diseased or insect infested trees or other vegetation.

Section 7.02 Lots to be Maintained. Each Lot at all times shall be kept in a clean, sightly, and wholesome condition. No trash, litter, junk boxes, containers, bottles, cans implements, machinery, lumber or other building materials shall be permitted to remain exposed upon any Lot so that the same are visible from any neighboring Lot, or any street, except as necessary during a period of construction. Declarant, its agents and assigns and the Association, and its agents, shall have the authority to enter and clean up Lots which do not conform to the provisions of this Section, and to charge and collect from the Owners of such Lot(s) all reasonable costs related thereto. The exterior of each primary residential structure shall be maintained by the Lot Owner. Should any Owner fail to properly maintain the exterior of the residential structure located on their Lot, Declarant, its agents and assigns and/or the Association, and its agents, shall have the authority to enter the Lot boundaries and effect such maintenance, and to charge and collect from the Owners of such Lot(s) all reasonable costs related thereto.

Section 7.03 Nuisances. No Nuisance shall be permitted within the Project, nor any use, activity or practice which is the source of unreasonable annoyance or embarrassment to, or which unreasonably offends or disturbs any Lot Owner, or which may unreasonably interfere with the peaceful enjoyment or possession or the proper use of a Lot or Common Element, or any portion of the Project by Lot Owners. Further, no unlawful use shall be permitted within the Project or any portion thereof. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction over the Project or a portion thereof shall be observed. As used herein, the term nuisance shall not include any activities of Declarant which are reasonably necessary to the Project and construction of improvements within the Project provided, however, that such activities of the

Declarant shall not unreasonably interfere with any Lot Owner's use and enjoyment of his Lot, or any Lot Owner's ingress and egress to or from their Lot and a public way.

Section 7.04 No Restrictions on Mortgaging of a Lot. There are no restrictions on the right of the Lot Owners to mortgage or otherwise encumber a Lot. There is no requirement for the use of a specific lending institution or particular type of lender.

Section 7.05 Rules and Regulations. In furtherance of the provisions of this Declaration, and the general plan, rules and regulations concerning and governing the Project any portion thereof may be adopted, amended, or repealed, from time to time, by the Executive Board, or its successors and assigns. The Executive Board may establish and enforce penalties for the infraction thereof.

Section 7.06 Design Review.

(a) No alteration or additions to the Common Elements or the exterior of any structure of any kind (including, without limitation, change in color, texture, street number signage, doors or windows) shall be made unless first approved in writing by the Executive Board after review by the Design Review Board as hereinafter provided for. The Executive Board shall exercise reasonable judgment to the end that all modifications to the Common Elements or structure exteriors conform to and harmonize with existing surroundings and structures. The Executive Board has the absolute right to deny any requested changes which the Executive Board reasonably determines do not conform to and harmonize with said existing surroundings and structures. All construction activities shall be planned and carried out with a minimum of disruption, unsightliness and noise;

(b) There is hereby established an Design Review Board (the "DRB"), which shall be responsible for the establishment and administration of Design Guidelines (the "Design Guidelines") to carry out the purposes and intent of this Declaration and shall provide advice to the Executive Board on such matters as the Executive Board may request. To the extent that there is not a DRB appointed and functioning, the Executive Board shall serve as the DRB;

(c) The DRB shall consist of individuals appointed by and responsible to the Executive Board. During the period of Declarant Control set forth in this Declaration, the number of members shall be determined by the Executive Board and such members need not be Owners. After the period of Declarant Control has passed or otherwise ended, the DRB shall consist of three (3) members at least one (1) of whom shall be an Owner; provided, however the Declarant shall retain control of the DRB until the expiration of its rights reserved in Article VIII. Members of the DRB shall be appointed to serve for a period of time established by the Executive Board, but in no event for a period of less than one year. The DRB is authorized, upon approval of the Executive Board, to seek the advice of design professionals or other professionals if the need should arise. Should a DRB member resign, die, retire, become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed by the Executive Board;

(d) The DRB shall adopt, establish, and publish from time to time the Design Guidelines for the Project and such Design Guidelines shall be an Association Document, the terms of which shall be complied with by all Owners. The Design Guidelines shall be consistent with this Declaration, but shall more specifically define and describe the design standards for the Project including, but not limited to, items such as color, texture, structure, size, design, appearance, landscaping and site improvement standards. The Design Guidelines may be modified or amended from time to time by unanimous approval of the Executive Board and shall be made available to all Owners and their representatives for review. Further, the DRB may recommend, and the Executive Board, in its sole discretion, may excuse compliance with such requirements as are not necessary or appropriate in specific situations and may permit compliance with different or alternative requirements. Compliance with the Project's design review process and design standards is not a substitute for compliance with City or County building, zoning, and subdivision regulations and each Owner is responsible for obtaining all approvals, licenses, and permits as may be required prior to commencing construction. In the event of a conflict between the terms of this Declaration and the Design Guidelines, the terms of this Declaration shall control.

(e) No improvements shall be constructed, erected, placed, altered, maintained or permitted on any part of the Project, nor shall any construction or excavation whatsoever be commenced or materials, equipment or construction vehicles be placed on any part of the Project until plans and specifications with respect thereto satisfactory to the DRB showing the proposed improvements, site location of such improvements, complete building plans and material specifications, and all exterior elevations, materials and colors, landscaping, grading, drainage, erosion control, easements and utilities, and such other information as may be requested by the DRB or Executive Board have been submitted to and approved in writing by the Executive Board. All improvements shall be constructed only in accordance with approved plans. If the Executive

Board has not responded to an Owner's request for approval within sixty (60) days of the submission by Owner of all information requested by the DRB and the Executive Board, then such Owner's request shall be deemed approved by the Executive Board. Improvements and alterations, which are completely within an existing building or structure located on a Lot, may be undertaken without such approval. The Association, upon the unanimous approval by the Executive Board and after reasonable notice to the offender and to the Owner, may remove any improvements constructed, reconstructed, refinished, altered, or maintained in violation of this Declaration, and the Owner of the improvements shall immediately reimburse the Association for all expenses incurred in connection with such removal. Real estate owned by the Declarant (including both Lots and Common Elements) and Real Estate owned by the Declarant (including both Lots and Common Elements) and Real Estate owned by successors or assignees of Declarant assigned Declarant's exemptions hereunder shall be exempt from any control of the DRB.

(f) The DRB shall recommend approval and the Executive Board shall approve any proposed improvement only if it deems in its reasonable discretion that the improvements in the location indicated will not be detrimental to the appearance of the surrounding areas of the Project as a whole; that the appearance of the proposed improvement will be in harmony with the surrounding areas of the Project; and that the upkeep and maintenance of the proposed improvement will not become a burden on the Association. Specific factors considered in approving plans include, among other things, compliance with the Design Guidelines, conformity and harmony of exterior design, colors and materials with neighboring structures, relation of the proposed improvements to the natural topography, adequacy of drainage, erosion control, grade and finished ground elevation of the structure to that of neighboring structures and natural features of the property, and conformity of the plans and specifications to the purpose and general plan and intent of this Declaration. The Executive Board may condition its approval of any proposed improvement upon the making of such reasonable changes therein as the DRB or Executive Board may deem appropriate.

(g) A review fee of fifty dollars (\$50.00) is payable by Lot owners on all plans submitted for DRB review. Declarant shall be exempt from this fee in perpetuity.

(h) Upon final plan approval by DRB, Lot owners shall deposit two-thousand five hundred dollars (\$2500.00) in an escrow account with the DRB which shall be held until the construction project and landscaping requirements are complete. This deposit insures that the construction and landscaping are completed according to the plans and specifications as submitted and approved by the DRB. The DRB reserves the right to use escrow funds for costs to remedy any violations including clean up or trash removal. In the event that escrow funds are used any remaining amounts will be refunded with an accounting of how said funds were spent.

(i) The DRB may grant reasonable variances or adjustments from any conditions and restrictions imposed by this Declaration in order to overcome practical difficulties and unnecessary hardships arising by reason of the application of the conditions and restrictions contained in these covenants or in a development guide. Such variances or adjustments shall be granted only when the granting thereof shall not be materially detrimental or injurious to the other Lots or Common Elements nor deviate substantially from the general intent and purpose of this Declaration. In the event that the request for a variance is disapproved by the DRB, the applicant shall have the right of appeal to the Executive Board of the Association.

(j) The approval or consent of the DRB, or appointed representative thereof, to any application for design approval shall not be deemed to constitute a waiver of any right to hold or deny approval or consent by the committee as to any application or their matters subsequently or additionally submitted for approval or consent.

(k) The DRB and the members thereof, as well as any representative of the committee designated to act on its behalf, shall not be liable in damages to any person submitting requests for approval or failure to approve or disapprove in regard to any matter within its jurisdiction under these covenants. Every Lot Owner or other person who submits plans for approval agrees, by submission of such plans and specifications, that he will not bring any action or suit against the approving body or Declarant to recover any such damages.

(l) The DRB shall have the right and authority to inspect construction in progress to assure its conformance with plans approved by the Committee.

ARTICLE VIII RESERVED DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS

Section 8.01 Reserved Development Rights and Special Declarant Rights. The Declarant reserves, through ten (10) years after the recording of this Declaration, the following Development Rights and Special Declarant Rights:

a) the right to relocate boundaries between unsold adjoining Lots, enlarge Lots, enlarge the Common Elements, reduce or diminish the size of unsold Lots, subdivide Lots or complete or make improvements, as the same may be indicated on Plats filed of record or filed with the Declaration;

b) the right to create or construct Common Elements and Limited common Elements (the "Additional Improvements") and to Convert Lots into Common Elements;

c) the right to withdraw all or any portion of the property; provided,

however, that no portion of the Property may be withdrawn after a Lot in that portion of the Property has been conveyed to a purchaser;

d) the right to exercise any development rights reserved or allowed in the Act;

e) the right to use, and to permit others to use, easements through the Common Elements as may be reasonably necessary;

f) the right to make the Project subject to a master association and master declaration;

g) the right to merge or consolidate the Project with another Common Interest Community;

h) the right to appoint or remove any officer of the Association or any Director during the Declarant Control period;

i) the right to amend the Declaration in connection with the exercise of any development right;

j) the right to amend the Declaration or Plat in connection with the exercise of any development right or to correct typographical or other errors to bring the Declaration or Plat into conformance with applicable law;

i) the right to add Lots and to subject all or any part of the unspecified real estate (the "Development Property") to the provisions of this Declaration upon the substantial completion of improvements on the Development Property;

Section 8.02 Additional Reserved Rights. In addition to the rights set forth above, Declarant also reserves the following additional rights (the "Additional Reserved Rights"):

a) Dedications. The right to establish, from time to time, by dedication or otherwise, public ways, utility and other easements for purposes including but not limited to public access, access, paths, walkways, skyways, drainage, recreation areas, parking areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions.

b) Use Agreements. The right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulations of parking and/or recreational facilities and/or Common Elements, and/or the maintenance of the exterior of Lots and appurtenant landscaping, which may or may not be a part of the Project.

c) Construction Easement. Declarant expressly reserves the right to

perform warranty work, and repairs and construction work and to store materials in secure areas, in Lots and in Common Elements, and the future right to control such work and repairs, and the right of access thereto, until completion. All work may be performed by Declarant without the consent or approval of any Lot Owner or holder of a Mortgage. Declarant has such an easement through the Common Elements as may be reasonably necessary for exercising Declarant's reserved rights in this Declaration. Such easement includes the right to construct underground utility lines, pipes, wires, ducts, conduits, and other facilities across the Property.

d) Other Rights. The right to exercise any additional reserved right created by any other provision of this Declaration or the Act.

Section 8.03 Rights Transferable/Right Transferred.

(a) Any rights created or reserved under this Article or the Act for the benefit of Declarant may be transferred to any person by an instrument describing the rights transferred recorded in the real property records of Ouray County. Such instrument shall be executed by the transferor Declarant and the transferee.

(b) Notwithstanding the foregoing, the Development Rights and Special Declarant Rights of Declarant to relocate the boundaries of Lots, to create new Lots or Common Elements, and/or to further subdivide Lots and the right of the Declarant to designate the type of use allowed in Lots, shall be transferred and assigned to the title Owner of those Lots within those levels for the maximum period of time reserved to the Declarant. The foregoing rights are subject to the following additional terms and conditions: (i) the Lot Owners of the Lots affected must comply with the requirements of C.R.S. §38-33.3-210 and C.R.S. §38-33.3-209(6); (ii) the authority of the Owners of the specified Lots to make these changes is not limited by or subject to the consent of the Association or any other person; and (iii) the express written consent may be required of the Declarant, or, alternatively, the Declarant may veto and reject the proposed changes as it determines in its sole discretion, which powers of the Declarant to require approval by it or to veto the change shall exist as long as the above rights exist.

Section 8.04 No Further Authorizations Needed. The consent of Lot Owners or holders of Mortgages shall not be required for the Declarant to exercise any reserved rights, and Declarant may proceed without limitation at its sole option. Declarant may exercise any reserved rights on all or any portion of the property in whatever order Declarant, in its sole discretion, determines. Declarant shall not be obligated to exercise any reserved rights or to expand the Project beyond the number of Lots initially submitted.

Section 8.05 Amendment of the Declaration or Plat. If Declarant elects to exercise any reserved rights, Declarant shall comply with the Act.

Section 8.06 Interpretation. Recording of amendments by the Declarant to the Declaration and the Plat or plat in the office of the Clerk and Recorder of Montrose County, Colorado shall automatically effectuate the terms and provisions of that amendment. Further, such amendment shall automatically:

- i) vest in each existing Lot Owner the reallocated Allocated Interests appurtenant to their Lot; and
- ii) vest in each existing Security Interest a perfected security interest in the reallocated Allocated Interests appurtenant to the encumbered Lot.

Further, upon the recording of an Amendment to the Declaration, the definitions used in this Declaration shall automatically be extended to encompass and to refer to the property, as expanded and, the Development Property, or any part thereof, or the Additional Improvements, shall be added to and become a part of the Property for all purposes. All conveyances of Lots after such amendment is recorded shall be effective to transfer rights in all Common Elements, whether or not reference is made to any Amendment of the Declaration or plat or Plat. Reference to the Declaration and plat or Plat in any instrument shall be deemed to include all Amendments to the Declaration, and the plat and/or Plat without specific reference thereto.

Section 8.07 Maximum Number of Lots. The maximum number of Lots shall not exceed the maximum number of Lots allowed by any governmental entity having jurisdiction, for the Property and the Development Property.

Section 8.08 Reciprocal Easements. If all or part of any property is withdrawn ("Withdrawn Property"):

- i) the Lot Owner(s) of the property and/or Withdrawn Property shall have whatever easements are necessary or desirable, if any, for access, utility service, repair, maintenance and emergencies over and across the Project; and
- ii) The Lot Owner(s) shall have whatever easements are necessary or desirable, if any, for access, utility service, repair, maintenance and emergencies over and across the Property and Withdrawn Property.

Section 8.10 Termination of Reserved Rights. The rights reserved to Declarant, for itself, its successors and assigns, shall expire as set forth above or in the Act, unless (i) reinstated or extended by the Association, subject to whatever terms, conditions, and limitations the Executive Board may impose on the subsequent exercise of the expansion rights by Declarant, or (ii) extended as allowed by law.

ARTICLE IX

INSURANCE/CONDEMNATION

Section 9.01 Insurance Carried. Out of the assessments levied under this Declaration, the Association shall obtain and maintain in full force and effect to the extent reasonably available, and at all times, the insurance coverage set forth herein and as set forth in the Act, which insurance coverage shall be provided by financially responsible and able companies duly authorized to do business in the State of Colorado. Commencing not later than the time of the first conveyance of a Lot to a person other than a Declarant, the Association shall maintain, to the extent reasonably available, policies with the following terms or provisions:

a) All policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Lot Owner and shall provide that such policies may not be canceled or modified without at least twenty (20) days prior written notice to all of the Lot Owners, holders of first lien Security Interests and the Association.

b) If requested, duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all holders of first lien Security Interests at least ten (10) days prior to expiration of the then current policies.

c) All liability insurance shall be carried in blanket form naming the Association, the Board, the manager or managing agent, if any, the officers of the Association, the Declarant, holders of first lien Security Interests, their successors and assigns and Lot Owners as insured.

d) Prior to obtaining any policy of casualty insurance or renewal thereof, pursuant to the provisions hereof, the Board may obtain an appraisal from a duly qualified real estate or insurance appraiser, which appraiser shall reasonably estimate the full replacement value of the Common Elements, without deduction for depreciation, review any increases in the cost of living, and/or consider other factors, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions hereof. In no event shall any casualty insurance policy contain a co-insurance clause for less than one hundred percent (100%) of the full insurable replacement cost.

e) Lot Owners may carry and are advised to carry other insurance for their benefit and at their expense, provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished by reason of any such additional insurance carried by Lot Owners and provided, further, that the policies of insurance carried by the Association shall be primary, even if a Lot Owner has other insurance that covers the same loss or losses as covered by policies of the Association. In this regard, Declarant discloses that the Association's insurance coverage, as specified hereunder and under the Act,

does not obviate the need for Lot Owners to obtain insurance for their own benefit.

f) All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Lot Owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to the Lot Owner's interest, or who permits or fails to prevent the happening of any events, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy, as to the interests of all other insured Lot Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

Section 9.02 Hazard Insurance on the Common Elements. Insurance of fire, with extended coverage, vandalism, malicious mischief, all-risk, replacement cost, agreed amount (if the policy includes co-insurance), special condominium, building ordinance and inflation guard endorsements attached, in amounts determined by the Executive Board to represent not less than the full, then current, insurable replacement cost of the Common Elements, including all improvements thereon. Maximum deductible amounts for such policy shall be determined by the Executive Board, provided, however, that if an Agency requires specific deductibles, the Executive Board shall follow such Agency's requirements. Each Lot Owner shall be responsible for obtaining insurance covering any additions, alterations, or improvements to his Lot.

All policies shall contain a standard non-contributory mortgage clause in favor of each holder of first lien Security Interests, and their successors and assigns, which shall provide that the loss, if any thereunder, shall be payable to the Association for the use and benefit of such holders of first lien Security Interests, and their successors and assigns, as their interests may appear of record in the records of the office of the Clerk and Recorder of the County of Montrose, Colorado. If obtainable, the Association shall also obtain the following and any additional endorsements deemed advisable by the Executive Board: (a) an Inflation guard endorsement by a Construction Code endorsement, (c) a demolition cost endorsement, (d) a contingent liability from operation of building laws endorsement, and (e) an increased cost of construction endorsement.

Section 9.03 Comprehensive Liability Insurance. Comprehensive general public liability and property damage insurance for the Project in such amounts as the Executive Board deems desirable, provided that such coverage shall be for at least \$1,000,000 for bodily injury, including deaths and property damage arising out of a single occurrence insuring the Association, the Executive Board, the Manager or managing agent, or both, if any, and their respective agents and employees, and the Lot Owners from liability in connection with the operation, maintenance and use of Common Elements and must include a

"severability of interest" clause or specific endorsement. Such coverage shall also include legal liability arising out of contracts of the Association and such other risks as are customarily covered with respect to common interest communities similar to the Project in the Montrose County, Colorado including automobile liability insurance if appropriate. The Executive Board shall not enter into employment contracts or independent contractor contracts of any kind unless the contracting party provides evidence (such as a Certificate of Insurance) to the Executive Board that such party has current and satisfactory insurance, including workers compensation insurance, commercial general liability insurance and automobile insurance on all of which the Association is named as an additional insured.

The insurance policies may be carried in blanket policy form naming the Association as the insured, for the use and benefit of and as attorney-in-fact for the Lot Owners. Each Lot Owner shall be an insured person under the policy with respect to liability arising out of such Lot Owner's interest in the Common Elements or membership in the Association. Each Mortgagee and its successors or assigns shall be a beneficiary of the policy in the percentages of Common Expenses for the Lot, which the Mortgage encumbers. The insurance company shall waive its rights of subrogation under the insurance policy against any Lot Owner or member of the Lot Owner's household. No act or omission by any Lot Owner, unless acting within the scope of such Lot Owner's authority on behalf of the Association, shall void the insurance policy or be a condition to recovery under the insurance policy. If, at the time of a loss under an insurance policy described above there is other insurance in the name of the Lot Owner covering the same risk covered by the policy, the Association's policy shall provide primary insurance.

Insurance coverage on the furnishings and other items of personal property belonging to an Owner and any additions and alterations to a Lot (unless financed by a Mortgage to be purchased by FNMA or FHLMC), casualty and public liability insurance coverage for each Lot and the Limited Common Elements associated therewith and workman's compensation insurance covering work within each Lot or on the Limited Common Elements associated therewith shall be the responsibility of the Owner of the Lot.

Section 9.04 Fidelity Insurance. The Association may obtain adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the parts of its officers, directors, trustees and employees and on the part of all others who handle or are responsible for handling the funds of the Association, including persons who serve the Association with or without compensation. The clause "officers, directors, trustees and employees" shall not include any officer, director, agent or employee of Declarant or any officer, director, agent or employee of any independent, professional manager or managing agent theretofore or hereafter employed by the Association. The fidelity coverage or bonds should be in an amount sufficient to cover the maximum funds that will be

in the control of the Association, its officers, directors, trustees and employees.

Section 9.05 Worker's Compensation and Employer's Liability Insurance. If applicable, the Association shall obtain worker's compensation and employer's liability insurance and all other similar insurance with respect to its employees in the amounts and forms as may now or hereafter be required by law.

Section 9.06 Officers' and Directors' Personal Liability Insurance. The Association may obtain officers' and directors' personal liability insurance to protect the officers and directors from personal liability relation to their duties and responsibilities in acting as officers and directors on behalf of the Association.

Section 9.07 Flood Insurance. The Association, if required by holders of the first lien Security Interests, or by a governmental agency, shall purchase and maintain flood insurance.

Section 9.08 Other Insurance. The Association may obtain insurance against such other risks, of similar or dissimilar nature, including flood insurance, as it shall deem appropriate with respect to the Association responsibilities and duties.

Section 9.09 Insurance Premium. Except as assessed in proportion to risk, if permitted under the terms of this Declaration, insurance premiums for the above provided insurance shall be a Common Expense to be included a part of the annual assessments levied by the Association.

Section 9.10 Managing Agent Insurance. The manager or managing agent, if any, shall be insured to the same extent as the Association, as herein provided, and as provided in the Act, for the benefit of the Association, and shall maintain and submit evidence of such coverage to the Association.

Section 9.11 Waiver of Claims Against Association. As to all policies of insurance maintained by or for the benefit of the Association and Lot Owners, the Association and the Lot Owners hereby waive and release all claims against one another, the Board and Declarant, to the extent of the insurance proceeds available, whether or not the insurance damage or injury is caused by the negligence of or breach of any agreement by and of said persons.

Section 9.12 Annual Insurance Review. The Board shall review the insurance carried by and on behalf of the Association at least annually, for the purpose of determining the amount of insurance required.

Section 9.13 Adjustments by the Association. Any loss covered by an insurance policy described above shall be adjusted by the Association, and the insurance proceeds for that loss shall be payable to the Association, and not to any holder of a first lien Security Interest. The Association shall hold any

insurance proceeds in trust for the Association, Lot Owners and holders of first lien Security Interests as their interests may appear. The proceeds must be distributed first for the repair or restoration of the damaged property and the Association Lot Owner and holders of first lien Security Interests are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored.

Section 9.14 Duty to Repair. Any portion of the Project for which insurance proceeds are available under this Article which damaged or destroyed must be repaired or replaced promptly by the Association, except as provided in the Act.

Section 9.15 Condemnation and Hazard Insurance Allocations and Distributions. In the event of a distribution of condemnation proceeds or hazard insurance proceeds to the Lot Owners, the distribution shall be as the parties with interests and rights are determined or allocated by record, and pursuant to the Act.

ARTICLE X SPECIAL RIGHTS OF HOLDERS OF FIRST LIEN SECURITY INTERESTS

Section 10.01 General Provisions. The provisions of this article are for the benefit of holders, insurers, or guarantors of holders of first lien Security Interests recorded within the Common Interest Community. To the extent applicable, necessary or proper, the provisions of this Article apply to both this Declaration and to the Articles and Bylaws of the Association. A holder, insurer or guarantor of a first lien Security Interest who has delivered a written request to the Association containing its name, address, the legal description and the address of the Lot upon which it holds a Security Interest, shall be considered an "Eligible Holder". Eligible insurers and guarantors of a first lien Security Interest shall have the same rights as Eligible Holder.

Section 10.02 Special Rights. Eligible Holders shall be entitled to: (a) timely written notice from the Association of any default by a mortgagor of a Lot in the performance of the mortgagor's obligations under this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations, which default is not cured within sixty (60) days after the Association learns of such default; b) examine the books and records of the Association during normal business hours; c) receive a copy of financial statements of the Association, including any annual audited financial statement; (d) receive written notice of all meetings of the Executive Board or Members of the Association; (e) designate a representative to attend any such meetings; (f) written notice of any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; g) written notice of abandonment or termination of the Association of the plan contemplated under this Declaration; (h) thirty (30) days written notice

prior to the effective date of any proposed, material amendment to this Declaration, the Articles of Incorporation, or the Bylaws; (i) thirty (30) days written notice prior to the effective date of termination of any agreement for professional management of the Association or the Common Elements, when professional management had been required previously under the terms of any Lien or Insurance Agreement for the Project or by an Eligible Holder; and (ii) immediate written notice as soon as the Association receives notice or otherwise learns of any damage to the Common Elements or a Lot if the cost of reconstruction exceeds Twenty Thousand Dollars (\$20,000) and as soon as the Association receives notice or otherwise learns of any condemnation or eminent domain proceedings or other proposed acquisition with respect to any portion of the Common Elements or any Lots.

Section 10.03 Special Approvals. Unless at least all of the Eligible Holders of first lien Security Interests (based on one vote for each mortgage owned) of Lots in the Association and requisite Lot Owners have given their written approval, neither the Association nor any Member shall (a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements or any improvements thereon which are owned, directly or indirectly, by the Association (except that the granting of access easements, utility easements, drainage easements and water facilities easements or easements for other public purposes consistent with the intended use of such real estate by the Association shall not be deemed within the meaning of this provision); (b) change the method of determining the obligations, Assessments or other charges which may be levied against Members or the method of allocating distributions of hazard insurance policy proceeds or condemnation awards; (c) by act or omission change, waive or abandon any scheme or regulation, or enforcement thereof, pertaining to architectural approval of improvement of Lots, including the architectural design of the exterior appearance of Lots, or the upkeep of the Common Elements; (d) fail to maintain the casualty, fire and extended coverage insurance as elsewhere provided in this Declaration; (e) use hazard insurance proceeds for losses other than the repair, replacement or reconstruction of the improvements which were damaged or destroyed; (f) take action to terminate the legal status of the Project after substantial destruction or condemnation occurs; (g) amend any material provision of this Declaration; and (h) establish self management by the Association when professional management has previously been required by the legal documents for the Project or by an Eligible Holder. An amendment shall not be deemed material if it is for the purpose of correcting technical errors, or for clarification only. If an Eligible Holder of a first lien Security Interest receives written request for approval of the proposed act, omission, change or amendment by certified or registered mail, with a return receipt requested, and does not deliver or post to the requesting party a negative response within 30 days, it shall be deemed to have approved such request.

Section 10.04 Payment of Insurance Premiums. Any holder of a first lien

Security Interest shall be entitled to pay any taxes or other charges which are in default and which may or have become a lien against a Lot or any of the Common Elements and may pay any overdue premiums on hazard insurance policies or secure new hazard insurance coverage for the Common Elements or Lots, and the holder of a first lien Security Interest making such payments shall be entitled to immediate reimbursement therefor from the Association.

ARTICLE XI EASEMENTS

Section 11.01 Recorded Easements. The Property shall be subject to all easements as shown on any Plat, those of record, those provided in the Act (including easements for encroachment set forth in Section 214 of the Act and an easement for maintenance of any such encroachment), and otherwise as set forth in this Declaration.

Section 11.02 Declarant's Rights Incident to Construction. Declarant, for itself and its successors and assigns, the Association and/or for Owners, hereby reserves an easement for construction, utilities, drainage, ingress and egress over, in, upon, under and across the Common Elements, together with the right to store materials on the Common Elements, to build and maintain temporary walls, and to make such other use of the Common Elements as may be reasonably necessary or incident to any construction of improvements on the Property or Expansion or Development Property or other real property owned by Declarant, or other properties abutting and contiguous to the Property or Expansion or Development Property; provided, however, that no such rights shall be exercised by Declarant in (a way which unreasonably interferes with the occupancy, use, enjoyment or access to the Project by the Owners.

Section 11.03 Utility Easements. There is hereby created a blanket easement upon, across, over, in and under the Property for the benefit of the Common Elements and the Lots and the structures and improvements situated on the Property for ingress and egress, installation, replacing, repairing and maintaining all utilities, including, but not limited to, water, sewer, gas, telephone, cable TV and electricity. Said blanket easement includes future utility services not presently available to the Lots which may reasonably be required in the future. By virtue of this easement, it shall be expressly permissible for the companies providing utilities to erect and maintain the necessary equipment on any of the Lots and to affix and maintain electrical and/or telephone wires, circuits, conduits and pipes on, above, across and under the roofs and exterior walls of the improvements, all in a manner customary for such companies in the area surrounding the Property, subject to approval by the Association as to locations.

Section 11.04 Reservation of Easements, Exceptions and Exclusions. The Association is hereby granted the right to establish from time to time, by

declaration or otherwise, utility and other easements, permits or licenses over the Common Elements for the best interest of all the Owners and the Association. Each Owner is hereby granted a perpetual non-exclusive right of ingress to and egress from the Owner's Lot over and across the General Common Elements and Limited Common Elements appurtenant to that Owner's Lot, which right shall be appurtenant to the Owner's Lot, and which right shall be subject to limited and reasonable restriction on the use of Common Elements set forth in writing by the Association, such as for closure for repairs and maintenance.

Section 11.05 Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance and other similar emergency agencies or persons to enter upon the Property in the proper performance of their duties.

Section 11.06 Support Easement. Each Lot is subject to a blanket easement for support and a blanket easement for the maintenance of structures or improvements presently situated or to be built in the future on the Property or any Expansion Property.

ARTICLE XII GENERAL PROVISIONS

Section 12.01 Enforcement; Arbitration. In the event of a violation of any of the terms of this Declaration, the Association or a Lot Owner or Lot Owners of any of the Lots may enforce the restrictions, conditions, covenants and reservations imposed by the provisions of this Declaration. The Association may promulgate rules and regulations for notice and other procedures for dealing with any alleged violation of the terms of this Declaration or of any of the Association Documents. Such procedures or remedies as established by the Association shall be cumulative and in addition to the enforcement provisions as contained in this Declaration. Declarant, for each Lot, shall be deemed to covenant and agree, and each Lot Owner, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and voluntarily agree, on their own behalf and on behalf of their heirs, successors and assigns, to submit any such enforcement action to arbitration under the provisions of the Uniform Arbitration Act, C.R.S. § 13-22-201 *et. seq.*, either to recover damages for such violation, including reasonable attorneys fees incurred in enforcing these covenants, or to restrain such violation or attempted violation. The process for designating an arbitrator shall be as follows: A party demanding arbitration of a dispute under this provision shall, in writing, submit a name of an arbitrator to the other parties to the dispute. The other parties shall have ten days from the date of the receipt of notice of designation of the arbitrator to object and name an alternate Arbitrator. Failure to object and designate an alternate arbitrator in writing within ten days shall be deemed to be an acceptance of the arbitrator so designated. If an alternate arbitrator is designated within the ten days, the initial party who designated the original

arbitrator shall have ten days to object to the alternate arbitrator. If no such objection is received, the alternate arbitrator shall be the arbitrator of the dispute. If there is a timely written objection to the alternate arbitrator, the original and the alternate arbitrator shall jointly select a third arbitrator who shall be the sole arbitrator of the dispute. In the event the original and alternate arbitrators are not able to agree upon a third arbitrator, one shall be appointed by any court of competent jurisdiction. The parties agree that any arbitration held pursuant to this section shall be binding upon the parties and shall not be appealable to the courts except for the reasons listed in the Uniform Arbitration Act as cited above. The arbitrator shall award to the prevailing party, if any, as determined by the arbitrator, all of its costs and expenses including reasonable attorney's fees, arbitrator's fees and reasonable out-of-pocket expenses. "Prevailing party" shall mean the party whose position is most nearly upheld in arbitration. If a dispute involves the Declarant or the Association, no Person shall file a memorandum of *lis pendens* or similar instrument that would encumber, create a lien upon or otherwise cloud the title to land owned by either the Declarant or the Association. Failure of the Association, the Declarant or of any Lot Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Executive Board may post on a bulletin board at a conspicuous place on the Common Area notices of any covenant violations by members and copies of any recorded statements. Failure to post shall not affect the validity of any lien or action to redress any covenant violation.

Section 12.02 Severability. Each of the provisions of this Declaration shall be deemed independent and severable. If any provision of this Declaration or the application thereof to any person or circumstances is held invalid, the invalidity shall not affect other provisions or applications of this Declaration which can be given effect without the invalid provisions or applications.

Section 12.03 Term of Declaration. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity.

Section 12.04 Amendment of Declaration by Declarant. Until the first Lot has been conveyed by Declarant by deed recorded in the office of the County Clerk and Recorder of the County of Montrose, Colorado, any of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration may be amended or terminated by Declarant by the recordation of a written instrument, executed by Declarant, setting forth such amendment or termination. Thereafter if Declarant shall determine that any amendments to this Declaration shall be necessary in order to make non-material changes, such as the correction of a technical, clerical or typographical error or clarification of a statement, then, subject to the following sentence of this Section, Declarant shall have the right and power to make and execute any such amendments without obtaining the approval of any Lot Owners. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to make or consent to an amendment under this section on behalf of each Lot

Owner and holder of a Security Interest. Each deed, Security Interest, other evidence of obligation or other instrument affecting a Lot and the acceptance thereof shall be deemed to be a grant and acknowledgment of, and a consent to the reservation of, the power of Declarant to make, execute and record an amendment under this Section.

Section 12.05 Amendment By Lot Owners. Except as otherwise provided in this Declaration, and subject to provisions elsewhere contained in this Declaration requiring the consent of Declarant or others, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration may be amended or repealed at any time and from time to time upon approval of sixty-seven percent (67%) of all of the votes in the Association and with the written consent of the Association. The amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of Montrose County, State of Colorado, of a certificate, setting forth the amendment in full and certifying that the amendment has been approved as set forth above, and containing the written consent and approval of the Association. Further, the approval shall first be obtained of fifty-one percent (51%) of Eligible Mortgagees (which percentage is measured by votes allocated to such Lots) if the amendment to the Association Documents add or delete any material provisions, which establish, provide for, govern or regulate any of the following:

- (a) Voting;
- (b) Assessments, Assessment liens or subordination of such liens;
- (c) Reserves for maintenance or repair and replacement of the Common Elements;
- (d) Insurance or fidelity bonds;
- (e) Reallocation of interests in the Common Elements, or rights to use of the Common Elements other than as set forth herein;
- (f) Responsibility for maintenance and repair of the Project;
- (g) Expansion or contraction of the common interest community, or the addition, annexation or withdrawal of property to or from the common interest community;
- (h) Boundaries of any Lot;
- (i) The interests in the Common Elements;
- (j) Convertibility of Lots into Common Elements or of Common Elements into Lots;

(k) Imposition of any restrictions on the leasing of Lots;

(l) Imposition of any right of first refusal or similar restriction on the right of a Lot Owner to sell, transfer, or otherwise convey his Lot;

(m) Establishment of self-management by the Association where professional management has been required by any Agency;

(n) Any provision, which is for the express benefit of an Agency or First Mortgagees, regardless of whether the amendment is material;

(o) Hazard or fidelity insurance requirements; and

(p) Restoration or repair of the common interest community (after damage or partial condemnation) other than as specified herein.

Section 12.06 Amendment for Certain Actions. Notwithstanding anything else contained in this Declaration, except as provided by the Act, and except in case of condemnation or substantial loss to the Lots and/or Common Elements, unless at least two-thirds (2/3rds) of Eligible Mortgagees (which percentage is measured by votes allocated to such Lots) two-thirds (2/3rds) of all Owners (other than Declarant) of the Lots have given their prior written approval, the Association may not:

(a) Reallocate the Allocated Interest or obligation of any Lot in order to levy assessments or charges, allocate distribution of hazard insurance proceeds or condemnation awards, or determine the Percentage Share of Ownership of Common Elements other than as set forth herein;

(b) Partition or subdivide any Lot;

(c) Seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements by act or omission other than the grant of easements for public utilities or other public purposes consistent with the intended use of the Common Elements and other than as set forth herein;

(d) Use hazard insurance proceeds for losses to any part of the Property (whether Lots or Common Elements) for other than the repair, replacement or reconstruction of the Project.

Section 12.07 Termination. Notwithstanding anything else contained in this Declaration except as provided by the Act, and except in case of condemnation or substantial loss to the Lots and/or Common Elements, unless at least two-thirds (2/3rds) of Eligible Mortgagees (which percentage is measured by votes allocated to such Lots) and ninety percent (90%) of all Owners (other

than Declarant) of the Lots have given their prior written approval, the Association may not by act or omission seek to abandon or terminate the common interest community condominium regime created hereby.

Section 12.08 Amendment Required by Government Mortgage Agencies. Prior to ten (10) years after recording of this Declaration, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration which FHA, VA, FHLMC, GNMA, FNMA or any similar entity authorized to insure, guarantee, make or purchase mortgage loans requires to be amended or repealed may be amended or repealed by Declarant or the Association. Any such amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of Montrose County, State of Colorado, of a certificate, setting forth the amendment or repeal in full.

Section 12.09 Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration shall not be effective unless Declarant has given its written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant of any certificate of amendment or repeal. The foregoing requirement for consent of Declarant to any amendment or repeal shall terminate ten (10) years after the recording of this Declaration, or upon conveyance of 100% of the Lots to an Owner other than Declarant, whichever occurs first. Notwithstanding the foregoing, Declarant, acting alone, reserves to itself the right and power to modify and amend this Declaration and the Plat to the fullest extent permitted under the Act.

Section 12.10 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development of the Lots and of promoting and effectuating the fundamental concepts as set forth in the recitals of this Declaration. This Declaration shall be construed and governed under the laws of the State of Colorado.

Section 12.11 Singular Includes the Plural. Unless the context otherwise requires, the singular shall include the plural, and the plural shall include the singular, and each gender referral shall be deemed to include the masculine, feminine and neuter.

Section 12.12 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any paragraph, section of article hereof.

**EXHIBIT A TO
DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
RESERVATIONS AND EASEMENTS FOR
SPRING CREEK MEADOWS**

LEGAL DESCRIPTION OF THE PROPERTY

Exhibit A

A tract of Land situated in the Northwest $\frac{1}{4}$ Southwest $\frac{1}{4}$ and the South $\frac{1}{2}$ Southwest $\frac{1}{4}$ Section 11, Township 49 North, Range 10 West, N.M.P.M., and in the North $\frac{1}{2}$ Northwest $\frac{1}{4}$ and the East $\frac{1}{2}$ Southeast $\frac{1}{4}$ Northwest $\frac{1}{4}$ Section 14, Township 49 North, Range 10 West, N.M.P.M., Being more particularly described as beginning at a No. 4 rebar and cap marker LS 7160 on the West boundary line of said Section 11 and the beginning point of a boundary agreement line as shown on the Plat recorded at Reception No. 722672, Montrose County records, from Whence the West Quarter corner of said Section 11 bears North $00^{\circ}06'27''$ East, 301.51 feet; Thence along said boundary agreement line the following courses; South $00^{\circ}06'27''$ West, 1336.62 feet; South $22^{\circ}47'09''$ East, 129.54 feet; South $02^{\circ}47'17''$ West, 1124.26 feet; South $02^{\circ}54'14''$ East, 317.77 feet; South $27^{\circ}16'59''$ East, 47.25 feet; South $07^{\circ}46'08''$ East, 186.52 feet; South $39^{\circ}48'18''$ East, 266.01 feet; South $89^{\circ}09'32''$ East, 367.43 feet; South $00^{\circ}17'09''$ West, 330.81 feet to the end point of said boundary agreement line and to a point on the South boundary line of said North $\frac{1}{2}$ Northwest $\frac{1}{4}$ Section 14; Thence leaving said boundary agreement line South $89^{\circ}29'48''$ East, 1380.39 feet to the Northwest corner of said East $\frac{1}{2}$ Southeast $\frac{1}{4}$ Northwest $\frac{1}{4}$; Thence South $00^{\circ}16'59''$ West, 145.18 feet along the West boundary line of said East $\frac{1}{2}$ Southeast $\frac{1}{4}$ Northwest $\frac{1}{4}$ to the projection of an existing fence running Easterly; Thence North $89^{\circ}55'40''$ East, 145.95 feet along said projection and fence to the projection of an existing fence running Northerly; Thence North $01^{\circ}15'38''$ West, 287.06 feet along said projection and fence; Thence along an existing fence line the following ten courses; North $83^{\circ}50'34''$ East, 38.28 feet; North $13^{\circ}35'58''$ West, 460.16 feet; North $15^{\circ}56'08''$ West, 572.82 feet; North $34^{\circ}41'53''$ West, 318.08 feet; North $44^{\circ}17'12''$ West, 326.51 feet; North $22^{\circ}30'14''$ West, 241.90 feet; South $78^{\circ}21'42''$ West, 15.29 feet; North $15^{\circ}28'59''$ West, 594.26 feet; North $36^{\circ}03'34''$ West, 1049.78 feet; North $56^{\circ}14'58''$ West, 710.37 feet to the point of beginning as shown on Plat of Improvement Survey by Mesa Surveying, Recorded July 14, 2004 at reception No. 829,

Except any portion in Kansas Road as set forth in Kansas Road Dedication recorded March 7, 2006 at Reception No. 751853,

County of Montrose,
State of Colorado

Exhibit A

LEGAL DESCRIPTION.

A tract of land situated in the S $\frac{1}{2}$, Section 11 and the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 14, Township 49 North, Range 10 West, N.M.P.M., Montrose County, Colorado being more particularly described as follows:

Beginning at the West $\frac{1}{4}$ corner of said Section 11; Thence N89°53'34"E along the North line of said S $\frac{1}{2}$, Section 11, a distance of 3055.75 Ft.; Thence leaving said North line S $\frac{1}{2}$, Section 11 S15°54'23"W 1397.67 Ft.; Thence S27°56'43"E 534.68 Ft.; Thence S24°51'12"W 720.41 Ft.; Thence S06°00'54"W, 562.89 Ft.; Thence S00°17'30"E, 934.93 Ft. to a Point on the South line of said NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 14; Thence S89°57'08"W along the South line of said NE $\frac{1}{4}$ NW $\frac{1}{4}$, a distance of 416.56 Ft.; Thence N01°51'27"W 143.63 Ft.; Thence N83°26'45"E, 38.28 Ft.; Thence N14°04'13"W, 460.16 Ft.; Thence N16°26'54"W 572.82 Ft.; Thence N35°14'09"W, 318.17 Ft.; Thence N44°49'00"W 326.56 Ft.; Thence N23°01'16"W 241.93 Ft.; Thence S78°07'18"W 15.22 Ft.; Thence N16°01'50"W, 594.27 Ft.; Thence N36°34'57"W, 1049.50 Ft.; Thence N56°46'11"W, 710.43 Ft.; Thence N00°21'51"W, 301.60 Ft. to the Point of Beginning.

FIRST AMENDMENT TO
DECLARATION
of
COVENANTS, CONDITIONS, RESTRICTIONS,
RESERVATIONS AND EASEMENTS
FOR
SPRING CREEK MEADOWS
Montrose County, Colorado

The undersigned Declarant, pursuant to the authority granted it in Section 12.04 of the Declarations of Conditions, Covenants and Restrictions for Spring Creek Meadows, Montrose County, Colorado, recorded at Reception No. 772626, in the records of the Montrose County Clerk and Recorder (the "Declaration") hereby submits the following amendment of said Declaration.

Wherever in the Declaration there is a reference to the "Spring Creek Meadows Homeowners Association, Inc.", it shall be corrected to refer to the "Spring Creek Meadows Owners Association, Inc."

Except as amended herein the Declaration shall remain unchanged.

Executed this 10th day of May, 2007.

BY: Jack T. Petruccelli
Jack T. Petruccelli, Manager
of Alpine Creek Development, LLC the
Manager of Kansas Road Partners, LLC

BY: John R. Jennings
John R. Jennings, Manager
of Alpine Creek Development, LLC the
Manager of Kansas Road Partners, LLC

STATE OF COLORADO)
) ss.
COUNTY OF Durango)

The foregoing document was acknowledged before me this 10 day of May, 2007 by Jack T. Petruccelli as Manager of Alpine Creek Development, LLC, the Manager of Kansas Road Partners, LLC and John R. Jennings as Manager of Alpine Creek Development, LLC, the Manager of Kansas Road Partners, Declarant.

Witness my hand and official seal.

My commission expires: 12/4/10

(SEAL)
VICTORIA D. SPENCER
NOTARY PUBLIC
STATE OF COLORADO

My Commission Expires 12/04/2010

Victoria D. Spencer
Notary Public