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OF
VALLEY PARK

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

OF

VALLEY PARK

THIS DECLARATION, made and entered as of this 27th day of March, 1984, by North American Homes, Inc., a Colorado corporation, hereinafter called "Declarant" for itself, its successors and assigns.

W I T N E S S E T H:

WHEREAS, the Declarant is the owner of the real property described on Exhibit "A" attached hereto (hereinafter called the "Property"), and

WHEREAS, the Declarant desires to submit the Property to the covenants, terms and provisions hereof.

NOW, THEREFORE, the Declarant hereby declares that all of the Property, as hereinafter described, with all appurtenances, facilities and improvements thereon, shall be held, sold, used, improved, occupied, owned, resided upon, hypothecated, encumbered, liened, and conveyed subject to the following easements, reservations, uses, limitations, obligations, restrictions, covenants, provisions and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and all of which shall run with the land and be binding on and inure to the benefit of all parties having any right, title or interest in the Property or any part thereof, their heirs, successors, and assigns.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to the Valley Park Owners Association, Inc., a Colorado Non-Profit Corporation, organized under the laws of the State of Colorado, its successors and assigns.

Section 2. "Owner" means any person, corporation, partnership, association, contract seller or other legal entity or any combination hereof, including Declarant, who owns the record fee simple interest in one or more Lots and shall include the purchaser under any executory land sales contract wherein the Administrator of Veteran's Affairs is seller, whether recorded or not, and whether owned by said Administrator or his assigns. The term "Owner" shall include any grantee, transferee, heir, successor, personal representative, executor, administrator, devisee, and assign of any Owner but shall not refer to any Mortgagee as herein defined, or other person or entity having an ownership interest in any Lot merely as security for the performance of an obligation, unless such Mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

Section 3. "Property" shall mean and refer to that certain real property described on Exhibit "A" hereto, together with all appurtenances thereto and all improvements now or hereafter thereon.

Section 4. "Common Area" shall mean and refer to all of the Property, together with all improvements located thereon and all common property owned by the Association, but excluding the Lots, together with all improvements and property thereon.

Section 5. "Lot" shall mean and refer to any of the lots shown on any recorded plat of the Property, together with all appurtenances thereto and improvements now or hereafter thereon.

Section 6. "Declarant" shall mean and refer to North American Homes, Inc., a Colorado corporation, its agents, employees, contractors, successors and assigns to whom it expressly transfers in writing all or any part of its rights as Declarant hereunder, and its authorized representatives.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Mortgage" means and refers to any mortgage, deed of trust or other assignment or comparable security instrument recorded in the real property records of the office of the Clerk and Recorder of the County in which the Property is located, and by which a Lot or any part thereof is encumbered. The term shall also include any executory land sales contract wherein the Administrator of Veteran's Affairs, an Officer of the United States of America, is the original seller, whether such contract is recorded or not (but if not recorded, then written notice thereof shall be delivered to the Board) and whether such contract is owned by the said Administrator or has been assigned by the said Administrator and is owned by the Administrator's assignee, or a subsequent assignee who has notified the Board in writing of such assignment.

Section 9. "First Mortgage" shall mean a Mortgage upon a Lot having priority of record over all other recorded encumbrances and liens thereon, except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments). "First Mortgagee" means a mortgagee whose encumbrance is a First Mortgage.

Section 10. "Mortgagee" means any person or entity, or any successor or assign thereof, which holds or owns a Mortgage. The term shall also include the Administrator of Veteran's Affairs, an Officer of the United States of America, and his assigns under any executory land sales contract wherein the said Administrator is identified as the seller, whether such contract is recorded or not but if not recorded, then written notice thereof shall be delivered to the Board.

Section 11. "Architectural Control Committee" shall mean the committee of three or more persons appointed by the Declarant or the Association to review and approve the plans for all improvements constructed on the Property.

Section 12. "House" shall mean the residential dwelling improvement including its attached garage, if any, constructed and located upon a Lot.

Section 13. "Expansion Property" shall mean and refer to any part of that certain real property described on Exhibit "B" hereto, which may be annexed to the project pursuant to Article X hereof, together with all appurtenances thereto and all improvements now or hereafter thereon.

ARTICLE II

PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Title to the Common Area. Subject to the limitations and restrictions of this Declaration, title to the Common Area shall be conveyed in fee simple, free and clear of all encumbrances, by the Declarant to the Association, prior to the conveyance of the first Lot.

Section 2. Non-Division of Common Area. The Common Area shall remain undivided and shall not be subject to partition. By the acceptance of his deed or other instrument of conveyance or assignment, each Owner specifically waives his right to institute and/or maintain a partition action or any other action designed to cause a division of the Common Area. Each Owner specifically agrees not to institute any action therefor. Further, each Owner agrees that this Section may be pleaded as a bar to the maintenance of such an action. A violation of this provision shall entitle the Association to collect, jointly and severally, from the parties violating the same, the actual attorney fees, costs and other damages the Association incurs in connection therewith. It is agreed by all Owners that the foregoing restrictions are necessary to preserve the rights of all Owners regarding the operation and management of the Common Area. Nothing contained herein shall be construed as a limitation of the right of legal partition of a Lot between the Owners thereof, but such legal partition shall not affect any other Lot, nor shall any such partition sever any part thereof from such Lot as a whole.

Section 3. Owners' Common Area Easement of Enjoyment. Subject to the limitations and restrictions of this Declaration, every Owner shall have an equal, nonexclusive right and easement of enjoyment in and to the Common Area, including without limitation the right of ingress and egress to and from the Owner's Lot, his parking area, any public street, or any facilities completed upon the Common Area, and such easement shall be appurtenant to and shall pass with the title to every Lot without the necessity of additional reference.

Section 4. Extent of Owners' Common Area Easement. Any and all rights and easements of enjoyment created hereby in the Common Area shall be subject to the following:

(a) The right of the Association to enforce the restrictions contained in Article VII of this Declaration and to promulgate and publish rules and regulations which each Owner, his family members, guests, tenants and contractors shall strictly comply with, including, but not limited to, the right of the Association to establish reasonable charges for the use of all or a portion of the Common Area if deemed necessary;

(b) The right of the Association, as provided in its Articles or By-Laws, to suspend an Owner's voting rights and the right to the use of any facilities within the Common Area for any period during which such Owner is in default under this Declaration, including without limitation the non-payment of any assessment levied by the Association, and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations;

(c) The right of the Association to close or limit the use of the Common Area while maintaining, repairing and making replacements in the Common Area;

(d) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes, subject to the provisions of Article XII hereof and subject to such conditions as may be imposed by the public entity, for example, if any interior streets are private and have not been built to City or County specifications and so might not be accepted by them;

(e) The right of the Association to borrow money for the purpose of improving the Common Area and, subject to the provisions of Article XII, to mortgage said property as security for any such loan; and

(f) The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure.

Section 5. Other Easements.

(a) Utility Easements. Notwithstanding any provision of this Declaration to the contrary, Declarant reserves the right to create, grant and transfer non-exclusive easements in, under, over, across, through, and upon the Property for the purpose of installing, maintaining, repairing and replacing any utilities or related services, including but not limited to any gas, electric, water or sewer line, mains or laterals, any telephone and cable television lines, any heating or cooling installations, any master television antenna system, or for other public purposes consistent with the intended use of the Property under this Declaration. The foregoing easements shall include, without limitation, the right of ingress and egress, the right to erect and maintain the necessary pipes, wires, poles and other equipment and the right to enter into agreements relating to such utility service and easements; all of which shall be binding upon the Association and the Owners. Should any person or party furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, Declarant shall have the right to grant such easement on the Property without conflicting with the terms hereof. The foregoing easements shall be in addition to any other recorded easements on the Property, including but not limited to any easements granted in the recorded subdivision plat. The rights reserved herein for Declarant shall pass to the Association upon the termination of the Declarant's Class B membership, and any and all of the covenants, terms, provisions, rights and duties arising from such easements granted by the Declarant and any related agreements shall thereupon pass to the Association and be assumed by it in place of the Declarant. Any monetary consideration for any such easement shall be delivered to and become the property of the Association, whether the grant of easement was made by the Declarant or by the Association.

(b) Association Easement. A non-exclusive easement is hereby granted to the Association, its officers, agents, employees and assigns upon, across, over, in and under the Common Area and any Lot as may be necessary or appropriate to perform the duties and functions which it is obligated or permitted to perform pursuant to this Declaration or otherwise, including without limitation any maintenance required or permitted hereunder, and inspection, maintenance, repair, replacement, construction or reconstruction of any facilities on the Common Areas; provided, however, that entry into any House in non-emergency situations shall only be made after service of reasonable written notice and during regular business hours, and, under emergency circumstances, shall only be made after such notice, if any, as is reasonable under the circumstances.

(c) Emergency Easement. A non-exclusive easement is further granted to all police, fire protection, ambulance and all similar persons to enter upon the streets and Common Area in the performance of their duties.

(d) Exterior Wall Easement. Each Owner, his agents and contractors are granted a non-exclusive easement in, over, under and upon the adjacent Common Area for the purpose of maintenance, construction, reconstruction and repair of any exterior wall on such Owner's Lot, provided, however, that such Owner shall be liable for any damage to the Common Area, which shall be restored to its condition prior to such work.

(e) Easement for Encroachments. If any part of the Common Area or any Common Area improvement or structure encroaches upon a Lot or Lots, a valid easement for such encroachment and for the maintenance of the same, so long as it stands, shall and does

exist. If any portion of a Lot or any House or other structure related thereto encroaches upon the Common Area, or upon any adjoining Lot or Lots, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall and does exist. In the event that a House or structure related thereto is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachments upon the Common Area and/or Lot(s) of parts of the House due to such construction shall be permitted and that a valid easement for said encroachments and the maintenance thereof shall exist. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of any House or related structure constructed on the Property, by error in the plat, by settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of the project or any part thereof. Such encroachments and easements shall not be considered or construed to be title defects or encumbrances either on the Common Area or on the Lots. In interpreting any and all provisions of this Declaration, subsequent deeds, Mortgages, or other security instruments relating to Lots and Houses, the actual location of a House, and related structures, shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered, notwithstanding any minor deviations, either horizontally, vertically or laterally, from the location of such Lot, House, and related structure, as indicated on the plat.

(f) Easement for Foundations. Owners of adjoining Lots shall have mutual easements of horizontal and vertical support for the foundations on which adjacent walls of their improvements rest, and similar easements for support from the Common Area, and for the benefit of the Common Area shall also exist.

(g) Easement for Ingress and Egress. Subject to the limitations and restrictions of this Declaration, each Owner, his agents and guests are hereby granted a perpetual non-exclusive easement over any streets, roadways, driveways, and sidewalks, which are located upon the Common Area, for the purpose of vehicular and pedestrian ingress to and egress from such Owner's Lot. If any of the driveways, streets or roadways upon the Property are private streets, Declarant shall have the right to relocate any portion of them, but only if it provides all Owners with reasonable access to their Lots, and Declarant may also dedicate any portion of any private street or roadway upon the Property as a public right-of-way, in which case, if accepted by a public entity, the Association's obligations for repair and maintenance of the road shall cease. Furthermore, Declarant hereby reserves a non-exclusive easement across, over and under any such private streets or roadways for ingress, egress and the installation of utilities to any part of the Property and/or Expansion Property. No Owner shall interfere with or block access to another Owner's Lot.

Section 6. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, his guests, or contract purchasers who reside on his Lot. Each Owner shall, to the extent permitted by law, be liable for any damage done to the Common Area by his family, tenants, guests, or contract purchasers and for any breach of this Declaration and/or the Association's rules and regulations by such persons.

Section 7. Non-Dedication of Common Area. Declarant, in recording this Declaration has designated certain areas of land as Common Area intended for the common use and enjoyment of Owners for recreation and other related activities. The Common Area is not dedicated hereby for use by the general public but is dedicated to the common use and enjoyment of the Owners, as more fully provided in this Declaration.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. The following shall be members of the Association: The Declarant (so long as the Declarant owns a Lot) and every Owner of a Lot which is subject to assessment hereunder. 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 membership. Notwithstanding anything herein to the contrary, the Declarant shall have the right to appoint the Board of Directors and to operate the Association until Declarant's Class B membership is terminated, and the Association shall not begin to function through its other Members until such time, unless the Declarant otherwise consents in writing.

Section 2. Classes of Membership. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners, with the exception of the Declarant, and there shall be one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any such Lot.

Class B. Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Lot which it owns. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) three (3) years following conveyance of the first Lot by the Declarant; or

(b) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership.

ARTICLE IV

COVENANT FOR ASSESSMENTS

Section 1. Creation of the Obligation for Assessments. Each Owner, for each Lot owned within the Property, by acceptance of a deed therefor or interest therein, whether or not it shall be so expressed in such deed, shall be deemed to covenant and agree to pay to the Association, in the manner, amounts and times prescribed herein, all assessments, charges, fees, fines, and other sums which are described in this Declaration and which shall be both a personal obligation of the Owner and a lien against his Lot as provided herein. Each Owner shall be jointly and severally liable to the Association for the payment of all assessments, charges, fees and other sums attributable to them and/or their Lot. The personal obligation for delinquent assessments and sums shall not pass to an Owner's successors in title or interest unless expressly assumed by them. No Owner may waive or otherwise escape personal liability for the payment of the assessments, charges, fees and other sums provided for herein by non-use of the Common Area or the facilities contained therein, by abandonment or leasing of his Lot, or by asserting any claims against the Association, the Declarant or any other person or entity. In addition to the foregoing assessments, charges, fees and other sums, each Owner shall have the obligation to pay real property ad valorem taxes and special assessments imposed by Colorado governmental subdivisions against his Lot, as well as all charges for separately metered utilities servicing his Lot. The charges for any utilities which are master metered, if any, shall be included in the annual common expense assessments levied by the Association.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and for the improvement and maintenance of the Common Area and the Lots as more specifically provided herein.

Section 3. Annual Assessments. The annual assessment shall specifically include, but shall not be limited to the following common expenses:

- (a) expenses of management;
- (b) taxes and special assessments;
- (c) premiums for all insurance which the Association is required or permitted to maintain;
- (d) common lighting, water and other common utility and sewer service charges;
- (e) landscaping and care of the grounds and recreation facilities;
- (f) such repairs and maintenance which are the responsibility of the Association;
- (g) wages for Association employees;
- (h) legal and accounting fees;
- (i) any deficit remaining from a previous assessment year;
- (j) a working capital fund;
- (k) the creation of reasonable contingency reserves, surpluses, and sinking funds, and adequate reserve funds for maintenance, repairs and replacement of those elements of common property or maintenance that must be done or replaced on a periodic basis and are payable in regular installments, rather than by special assessments, and
- (l) any other costs, expenses, and fees which may be incurred or may reasonably be expected to be incurred by the Association for the benefit of the Owners under or by reason of this Declaration.

The Association shall also have authority, to the extent it deems proper, to provide any other services requested by particular Owners, but only on a contract basis under which those Owners pay the cost thereof. The Association may enter into cooperative arrangements for provision of services with other homeowner associations in the surrounding area and may assume responsibility for that part of the cost fairly attributable to this project.

Section 4. Limit on Annual Assessments. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Fifty-Five Dollars (\$55.00) per Lot per month.

- (a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year, without a vote of the membership, not more than the rise, if any; of the most recent annual Consumer Price Index (published by the Department of Labor, Washington, D. C. or any comparable successor index) for the Denver metropolitan area, All Urban Consumers, All Items.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the limitation, which is set forth in subparagraph (a) above, by a vote of the Members pursuant to the procedure set forth in Section 6 of this Article.

(c) The Association's Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5. Special Assessments. In addition to the annual assessment authorized above, the Association may levy, in any assessment year, special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of an emergency situation or of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, and/or any common property of the Association even if located upon a Lot.

Section 6. Procedure for Assessment Under Sections 4 and 5. Any assessment under Section 5 or requiring a vote of the Members under Section 4 of this Article shall require the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for that purpose. Written notice of any meeting called for the purpose of taking such action shall be sent to all Members not less than thirty (30) days or more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7. Rate of Assessment. Except as provided herein, both annual and special assessments must be fixed at a uniform, equal rate for all Lots sufficient to meet the expected needs of the Association, provided however, notwithstanding any provision herein to the contrary, the Declarant and all Lots owned by Declarant shall be subject to assessment or other charge under this Declaration only as provided as follows: (a) Any Lots which are owned by Declarant and which are leased, rented, or otherwise occupied as a residence shall, commencing on the date of first occupancy thereof and thereafter, be assessed at the same rate as other Lots, or (b) All other Lots owned by the Declarant shall be assessed or charged at a rate equal to twenty-five percent (25%) of the annual and special assessment or other charge rate for other Lots. In the event the annual assessment and charges due to the Association fail to meet its operating needs (apart from reserves and capital improvements) because of such partial Declarant assessment, then the Declarant shall, upon written notice from the Association, pay a subsidy of sufficient amount, up to the amount of full parity on such assessment, to the Association to meet any such shortfall so long as such notice must be given within one (1) year after the end of each annual assessment period and is waived if not made in such timely manner (such final one-year period to terminate one [1] year after the date of closing of the last Lot owned by Declarant within the Property).

Section 8. Assessment Procedure.

(a) Annual Assessments. No later than thirty (30) days before the beginning of each annual assessment period, the Board of Directors of the Association shall set the total annual assessment based upon advance budget of the cash requirements needed by it to provide for the administration and performance of its duties during the following assessment year. That annual assessment shall be payable in monthly installments on the first day of each

successive month, unless the Board otherwise directs. The Association shall cause to be prepared, delivered or mailed to each Owner, at least thirty (30) days in advance of each annual assessment period, a payment statement setting forth the annual assessment. The first annual assessment upon the Lots hereunder shall commence upon the first day of the first month following conveyance of the Common Area from the Declarant to the Association, and it shall be adjusted according to the number of months remaining in the calendar year.

(b) Special Assessments and Other Sums. Special assessments and other sums imposed hereunder shall be due and payable on the date specified by the Board in written notice to each Owner, but such date shall not be less than ten (10) days after such notice is sent. In the event that the Association incurs any expense or liability as a result of the wilful, negligent or wrongful act of an Owner, his family, tenants or guests, or any breach by any of such parties of any of the provisions of this Declaration, the Association's By-Laws or the Association's rules and regulations, and the same is not paid for by insurance, the cost thereof shall be deemed to be a special assessment against such Owner and his Lot and shall be enforceable as provided herein, except that such assessment shall not require any vote of the Members. Any other sum imposed by the Board as provided hereunder shall also be deemed a special assessment but shall not require a vote of the Members.

(c) Notice. Failure of the Board to give timely notice of any assessment as provided herein shall not affect the liability of the Owner or his Lot for such assessment, but if notice is not given, the date when payments shall be due shall be deferred to a date after such notice given.

Section 9. Certificate of Payment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 10. Effect of Nonpayment of Assessments-Remedies of the Association.

(a) General. Any assessments which are not paid when due shall be delinquent. If any assessment is not paid when due, the Association may impose a late charge/administrative fee not to exceed Fifteen Dollars (\$15.00) per delinquent monthly assessment. Any assessment not paid within thirty (30) days after the due date thereof shall bear interest from the due date at the rate of eighteen percent (18%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien against such Owner's Lot, and/or may suspend the delinquent Owner's right to vote and the right to use any facilities within the Common Area for any period during which any assessment against his Lot remains unpaid. In the event a judgment is obtained, such judgment shall include interest on the assessment as above provided, and a reasonable attorney's fee to be fixed by the court, together with the expenses, late charges and costs of the action.

(b) Lien. Any unpaid assessment, charge, fee or other sums assessed against an Owner or his Lot, including without limitation with interest thereon at the rate of eighteen percent (18%) per annum, an administrative charge of Fifteen Dollars (\$15.00) per unpaid monthly assessment or other sum, court costs and all other collection costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien, from and after the levy or assessment thereof, in favor of the Association, upon the Lot against which each such assessment, charge, fee or other sum is made. All payments on account shall be first applied to interest,

the late charge, any costs or fees, and then to the assessment payment first due. The Board may enforce such lien by filing with the Clerk and Recorder of the County in which the Property is located a statement of lien with respect to the Lot, setting forth the name of the Owner, the legal description of the Lot, the name of the Association and the amount of delinquent assessments then owing. The lien statement shall be duly signed and acknowledged by an officer or authorized agent of the Association, and notice thereof shall be mailed to the Owner of the Lot, at the address of the Lot or at such other address as the Association may have in its records for the Owner of the Lot. Such a claim of lien shall also secure all assessments, charges, fees and sums which come due thereafter until the lien, together with all costs, attorney's fees, administrative charges and interest have been fully paid or otherwise satisfied. Thirty (30) days following the mailing of such notice, the Board may proceed to foreclose the statement of lien in the same manner as provided for the foreclosure of mortgages under the statutes of the State of Colorado. Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to estop or otherwise preclude the Association from suing the Owner personally liable therefor or from thereafter again foreclosing or attempting to foreclose its lien for any subsequent assessments, charges, fees or other sums, which are not fully paid when due. Any recorded lien may be released by recording a Release of Lien executed by an officer or authorized agent of the Association.

(c) Authority. Each such Owner, by his acceptance of a deed to a Lot, hereby expressly vests in the Association or its agents, the right and power to bring all actions against such Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage lien on real property, and such Owner hereby expressly grants to the Association a power of sale in connection with said lien. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Lot Owners. The Association, acting on behalf of the Lot Owners shall have the power to bid at foreclosure sale and to acquire and hold, lease, mortgage and convey the same, if acquired by the Association at the foreclosure sale or by deed in lieu of foreclosure.

Section 11. Working Capital. The Association shall require an Owner who purchases a Lot from Declarant to pay to the Association an amount equal to two times the amount of the estimated monthly assessment, which sum shall be held by the Association as and for working capital. Such sum shall not be refundable to such Owner but shall be placed in a segregated account for use by the Board to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable by the Board. Furthermore, payment of such sum shall not relieve an Owner from making the regular payment of assessments as the same become due.

Section 12. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any purchase money loan evidenced by a First Mortgage of record. Sale or transfer of any Lot shall not affect the lien for said assessment charges except that sale or transfer of any Lot pursuant to foreclosure of any such Mortgage or any such executory land sales contract, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture of any such executory land sales contract shall extinguish the lien of assessment charges which became due prior to any such sale or transfer, or foreclosure, or any proceeding in lieu thereof, including without limitation any deed in lieu of foreclosure, or cancellation or forfeiture of any such executory land sales contract. No such sale, transfer, foreclosure, or any above described proceeding in lieu or in cancellation thereof, shall relieve any Lot from liability for any assessment charges thereafter

becoming due, nor from the lien thereof, nor the personal liability of the Owner of such Lot for assessments due during the period of his ownership.

Section 13. Notice to Mortgagee and Inspection of Books. Upon written request, a First Mortgagee shall be entitled to written notification from the Association of any default in the performance by the Owner of any obligation under this Declaration and/or the By-laws of the Association, which is not cured within sixty (60) days, after the Board of Directors has actual knowledge thereof, and the First Mortgagee may, at its option but without any obligation, cure such default. The Association shall make available to Owners and Mortgagees, current copies of the Declaration, By-Laws, other rules concerning the Project, and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances. If the Project contains fifty (50) or more Lots, the Association shall provide an audited, annual financial statement to any First Mortgagee making a written request for it and without expense to such First Mortgagee. If the Project contains less than fifty (50) Lots, the holders of fifty-one percent (51%) or more of First Mortgagees shall be entitled to have an audited financial statement prepared at their expense if one is not otherwise available; said financial statement shall be furnished within a reasonable time following such request.

Section 14. Homestead. The lien of the Association assessments shall be superior to any homestead or other exemption as is now or may hereafter be provided by Colorado or Federal law. The acceptance of a deed to a Lot subject to this Declaration shall constitute a waiver of the homestead exemption as against said assessment lien.

Section 15. Exempt Property. The following Property subject to this Declaration shall be exempt from the assessments created herein: (a) all Property dedicated to and accepted by local public authority; and (b) the Common Area.

ARTICLE V

MAINTENANCE

Section 1. Association Maintenance. The Association shall provide maintenance and repair as follows:

(a) If built by the Declarant or the Association, paint, repair, replace, maintain and care for common fences separating front yards from back yards and fences separating yards of Lots on one cul de sac from yards of Lots on another cul de sac or from areas outside the Property.

(b) All repair, replacement, improvement and maintenance of the Common Area and all improvements located thereon including without limitation any landscaping, sprinkler system, any driveways, roadways, sidewalks, utility lines (to the extent not maintained by utility companies), any signage, any light fixtures, sidewalks and pathways, except that each Owner shall be responsible for cleaning any sidewalk or pathway leading directly to his House, but the Association shall be responsible for reasonable snow removal on roadways and on driveways located on Lots.

(c) If installed by the Declarant or the Association, repair and replacement of any fences or landscaping upon the Lots insofar as the Association receives insurance proceeds, establishes reserves, or makes a special assessment to accomplish such repair or replacement.

(d) Maintenance (including fertilizing, mowing, sprinkling and maintenance of the sprinkler system originally installed by the Declarant or the Association) of the lawns on Lots

between the Common Area and the Houses and between the Common Area and the line of the front of the House.

(e) The Association shall maintain such landscaping, drainage, and sprinkler systems in such a fashion that the soil surrounding the foundations of the buildings and other improvements shall not become so impregnated with water that they cause expansion of or shifting of the soils supporting the improvements or other damage to the improvements and do not impede the proper functioning of the drainage, landscaping, or sprinkler systems as originally installed. Such maintenance shall include where necessary the removal or replacement of improperly functioning landscaping, drainage, or sprinkler system elements and shall also include preventing ponding and regrading and resurfacing where necessary to provide for adequate drainage and preventing owners from installing landscaping or using water on the Lots in such a way as to endanger the structural integrity or the stability of any of the landscaping, drainage or sprinkler systems, the House or the other improvements upon the Lots or Common Area. The Association shall indemnify the Declarant as to any breach of this provision.

The Association may also undertake, but shall have absolutely no obligation to undertake, such emergency repairs as the Board of Directors believe necessary to prevent imminent danger to life or property.

Section 2. Wilful or Negligent Damage. In the event that the need for maintenance or repair described in Section 1 of this Article is caused, in the sole discretionary determination of the Board of Directors, through the wilful or negligent acts or omissions of any Owner, his family, guests, tenants, contractors, or invitees, or other persons or parties acting with the consent of any of the foregoing including without limitation, any pets or animals of those persons or parties, the cost of such maintenance shall be the personal obligation of such Owner, shall be added to and become part of the assessment to which the Lot of such Owner is subject and shall become a lien against such Owner's Lot as provided in Article IV of this Declaration.

Section 3. Access at Reasonable Hours. For the purpose of performing the maintenance authorized in this Article, and inspections related thereto, the Board of Directors of the Association, through their duly authorized agents, contractors or employees shall have the right, after reasonable notice to the Owner or occupants thereof and during regular business hours, to enter upon any Lot and improvements thereon, and such entry shall not be deemed a trespass. In emergency situations, the Board of Directors or its agents, contractors or employees may enter without notice at any time, but the Owner or other occupants thereof shall be notified as soon as reasonably possible thereafter. In performing repairs or maintenance authorized under this Article, the Association shall not be liable for any loss, cost or damage caused by its action, except on account of its gross negligence or wilful misconduct.

Section 4. Owner Maintenance. Except as provided in Section 1 of this Article, the Owner shall be responsible for all other maintenance and repairs on his Lot, including without limitation maintenance of his House, any fixtures, furnishings, equipment and appliances located thereon, and any patio or deck and rear yard. All utilities, fixtures and equipment installed within a Lot, commencing at a point where the utility lines, pipes, wires, conduits or systems enter the Lot shall be maintained and kept in repair by the Owner thereof. An Owner shall do no act nor any work that will impair any easement or utility service, nor do any act nor allow any condition to exist which will adversely affect the use and enjoyment of the other Lots or the provision of utility services to such Lots. No Owner shall, in whole or in part, change the landscaping upon or adjacent to his Lot by the addition or removal

of any items thereon including fences nor add or remove any fences on his Lot without the prior written approval of the Architectural Control Committee. If Owner fails to fulfill his responsibilities under this Section, the Board may, at its option, take such action as it deems appropriate, including without limitation performing the Owner's obligations, after ten (10) days' notice to such Owner, except in emergencies, and any costs resulting therefrom shall be an assessment against such Owner and his Lot and shall be due and payable by the Owner thereof.

Section 5. Management Agreements. The Association may enter into agreements for professional management of the Association's business. Each Owner shall be bound by the terms and conditions of any management agreement entered into by the Association. Any agreement for professional management of the Association's business shall provide for termination by either party with or without cause and without payment of a termination fee upon thirty (30) days prior written notice, and shall have a maximum term of one (1) year. Further, each and every management contract made between the Association and a manager or managing agent during the period when the Declarant or other developer controls the Association, shall be subject to review and approval by the Veterans Administration or the Federal Housing Administration and shall terminate absolutely, in any event, not later than thirty (30) days after termination of the Class B membership of the Declarant. If professional management has been previously in effect after being required by any holder, insurer or guarantor of a First Mortgage, whether such entity became a holder, insurer or guarantor at that time or later, any decision to terminate professional management and to establish self management by the Association shall require the prior consent of two-thirds (2/3) of the First Mortgagees (based upon one (1) vote for each First Mortgage held) and two-thirds (2/3) of each class of Members.

ARTICLE VI

ARCHITECTURAL CONTROL COMMITTEE AND REVIEW

Section 1. Composition of Committee. The Architectural Control Committee shall consist of three (3) persons appointed by the Board of Directors of the Association, provided, however, that until all of the Lots upon the Property have been sold by the Declarant, Declarant shall have the right to appoint all members of the Architectural Control Committee, to terminate any member and to fill any vacancies. A majority of the Committee may designate a representative to act for it. It shall be the duty of the Architectural Control Committee, and it shall have the power, by the exercise of its best judgment, to determine that all structures, improvements, construction, decoration and landscaping on the Property conform to and harmonize with the existing surroundings and structures. For convenience, the Architectural Control Committee shall herein sometimes be referred to in this Article as the "Committee".

Section 2. Review by Committee. After the purchase of a Lot from the Declarant, no structure, storage shed, accessory building, tennis court, swimming pool, antennae, flag pole, fence, wall, house number, mail box, exterior lighting, screen door, iron grills, planter, window covering, or other improvement shall be constructed or maintained upon the Property; no alterations, restaining, or repainting to the exterior of a House shall be made; no landscaping or common property of the Association shall be changed, added or removed by any Owner, and no Owner shall enclose, by means of screens or otherwise any balcony, porch or patio, unless complete plans, specifications, and lot plans therefor, showing the exterior design, height, square footage, building materials and color scheme and sample thereof, the location of the structure plotted horizontally and vertically, the location and size of driveways, the general plan of landscaping, fencing, walls and

windbreaks, and the grading plan shall have been submitted to and approved in writing by the Committee, and a copy of such plans and specifications as finally approved, shall be deposited with the Committee. The provisions of Sections 1, 2 and 3 of this Article shall not apply in any way or manner whatsoever to the Declarant for any Lot owned by Declarant.

Section 3. Procedures.

(a) The Committee shall approve or disapprove all plans and requests within thirty (30) days after requests have been submitted. In the event the Committee fails to take action within thirty (30) days after plans have been received by the Committee, the plans shall be deemed approved. A majority vote of the members of the Committee is required for approval or disapproval of proposed improvements. The Committee shall maintain written records of all applications submitted to it and of all action taken. In approving or disapproving the plans submitted to it, the Committee shall, in its sole discretion, take into consideration the design, style and construction of the proposed building or alteration, its location upon the Property, the harmony of its design, architecture and location with the terrain and surrounding neighborhood, and shall determine, in its sole discretion, whether such proposed building is consistent with the general terrain, the architecture of other buildings located upon the property subject to this Declaration and whether or not the construction or alteration of said building will adversely affect or decrease the value of other Lots and/or dwellings because of its design, location, height or type of material used in construction. If approved, the Committee may make reasonable requirements of the Lot Owner, including the submission of additional plans, to insure conformance of such building or alteration when erected with these restrictions and covenants and with the plans submitted and approved. All construction or alterations performed on any Lot or the Common Area will conform to the approved plans and specifications. The Committee may require such changes as may be necessary to conform to the general purposes as herein expressed.

(b) The Committee shall have authority to grant variances from the provisions of this Declaration in cases of conditions wherein the strict enforcement of these restrictions would result in unusual hardship. They shall be the sole and exclusive judge of whether or not said hardship exists and both must agree that it does exist before a variance may be granted.

(c) Whenever the Committee disapproves of any proposed plans or specifications, it shall state in writing its reason for such disapproval.

(d) All plans submitted to the Committee shall be left on file with the Committee.

(e) It is the intent of this Declaration that the Committee shall exercise broad discretionary powers hereunder and its decisions shall be final and conclusive except for an arbitrary abuse of its discretion or an excess of its authority.

(f) The Committee shall resolve all questions of interpretation under this Article. They shall be interpreted in accordance with their general purpose and intent as herein expressed.

ARTICLE VII

RESTRICTIONS

Section 1. General Plan. It is the intention of the Declarant to establish and impose a general plan for the improvement, development, use and occupancy of the Property, all thereof in order to enhance the value, desirability, and attractiveness of the Property and serve and promote the sale thereof.

Section 2. Leases. Any lease agreements between an Owner and a tenant shall provide that the term of such lease shall be subject in all respects to the provisions of this Declaration and the Articles of Incorporation and By-Laws of the Association, and that any failure by the tenant to comply with the terms and provisions of such documents shall be a default under the lease. Further, all leases shall be in writing, and a copy thereof shall be provided upon request to the Board of Directors, which may require the use of its approved lease form or the insertion of particular provisions. After notice and an opportunity for hearing, the Board may require an Owner to evict any tenant who has repeatedly violated any provision of this Declaration, the Articles of Incorporation or the By-Laws. No short-term leases (i.e. for terms less than month to month) shall be permitted and no time-sharing or such other forms of interval ownership shall be permitted.

Section 3. Residential Use. Each Lot shall be occupied and used as a private dwelling for the Owner, the members of his family, guests and tenants for residential purposes only, and the Board of Directors may make rules which limit the maximum occupancy permitted upon Lots in the Project. No Lot shall be used for any business, manufacturing or commercial purpose whatsoever; provided, however, if the appropriate zoning so allows and if prior written approval of the Board is obtained, an Owner may use a specifically designated portion of his Lot as a home business office, which approval may thereafter be withdrawn or terminated by the Board at any time.

Section 4. Animals. No horses, snakes, fish, insects, birds, reptiles, cattle, sheep, goats, pigs, rabbits, poultry or other animals of any description shall be kept or maintained on any Lot except that an Owner may keep not more than two (2) dogs, or two (2) cats, or one (1) dog and one (1) cat, or not more than two (2) other bonafide household pets so long as such animals are not kept for commercial purposes, do not make objectionable noises or otherwise constitute a nuisance or inconvenience to any of the residents of adjacent property, and are kept in compliance with all existing applicable local ordinances and any rules and regulations of the Association. An Owner, family member, tenant or guest is responsible for any damage caused by his pet and shall be obligated to clean up after his pet while it is on the Property. All dogs and cats shall be kept on leash and attended by their owners when present in the Common Area. The Board may institute such rules as it deems advisable for the control of pets, including without limitation, prohibitions and restrictions, and may impose such fines as are necessary, in its sole discretion, to enforce such rules and this Declaration.

Section 5. Structures. All buildings or structures erected upon the Property shall be of new construction and no buildings or structures shall be moved from other locations onto the Property, and no subsequent buildings or structures other than single family houses and attached garages shall be constructed. No temporary house, trailer, tent, garage or outbuilding shall be placed or erected upon any Lot, and no residence placed or erected upon any Lot shall be occupied in any manner at any time prior to its being fully completed in accordance with approved plans, nor shall any residence when completed be in any manner occupied until made to comply with all requirements, conditions, and restrictions herein set forth; provided, however, that the foregoing shall not apply to the Declarant. The work of constructing, altering, or remodeling any structure on any part of any Lot shall be prosecuted diligently from the commencement thereof until the completion thereof.

Section 6. Miscellaneous Structures. Except as permitted in writing by the Committee or pursuant to its rules, no advertising or signs of any character shall be erected, placed, permitted or maintained on any Lot other than a name plate of the occupant and a street number and "For Sale" or "For Rent" signs which do not exceed

eight (8) square feet in total size; except that the Declarant shall be permitted to use signs such as will not unreasonably interfere with Owners' use of the Common Area until all Lots are sold by the Declarant.

Section 7. 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 same are visible from any neighboring Lot or street, except as necessary during the period of construction by Declarant. No condition shall be permitted within any House, balcony, porch, patio or deck which is visible from other Houses or the Common Area and which is inconsistent with the design integrity of the Project as determined by the Architectural Control Committee in its sole discretion; such conditions include, but are not limited to, window treatments, draperies, shades and hangings, and articles on balconies, porches, patios, decks or Common Area or visible through a window. All drapes, shades, blinds and other window coverings shall be white when viewed from the outside, unless prior written approval of the Committee is obtained.

Section 8. Lots Not to be Subdivided. No Lot or Lots shall be subdivided, except for the purpose of combining portions with an adjoining Lot, provided that no additional building site is created thereby. No less than one entire Lot, as conveyed, shall be used as a building site.

Section 9. No Noxious or Offensive Activity. No noxious or offensive activity shall be carried on upon the Property nor shall anything be done or placed on the Property which is or may become a nuisance or cause embarrassment, disturbance, or annoyance to others. No electronic or radio transmitter of any kind shall be operated upon the Property. No aerials or antennae shall be installed upon the exterior of any Lot or for the transmission of electronic signals, except for garage door openers.

Section 10. No Hazardous Activities. No activities shall be conducted on the Property and on improvements constructed on the Property which are or might be unsafe or hazardous to any person or property or might cause the cancellation or diminution of insurance or an increase in insurance premiums. Without limiting the generality of the foregoing, no firearms shall be discharged upon any of the Property and no open fires shall be lighted or permitted on the Property except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed interior fireplace or except such campfire or picnic fires in an area designated for such by the Association.

Section 11. No Annoying Light, Sounds or Odors. No light shall be emitted from any Lot which is unreasonably bright or causes unreasonable glare; no sound shall be emitted on any Lot which is unreasonably loud or annoying; and no odor shall be emitted on any Lot which is noxious or offensive to others. Any exterior lighting installed on any Lot shall either be indirect or of such controlled focus and intensity so as not to disturb the residents of the neighboring Houses. Ornamental post lights must be approved by the Architectural Control Committee.

Section 12. Restrictions on Parking and Vehicles. Except as specifically authorized by the Board of Directors, no part of the Property, including but not limited to streets, drives, or parking areas, and no part of the streets adjoining the Property shall be used as a parking, storage, display, or accommodation area for any type of house trailer, camping trailer, boat trailer, hauling trailer, running gear, boat, or accessories thereto, truck larger than 3/4 ton, bus, or self-contained motorized recreational vehicle, except as a temporary expedience for loading, delivery, or emergency. This restriction, however, shall not restrict trucks or

other commercial vehicles within the Properties which are necessary for the construction of Houses or the maintenance of the Common Area or Lots or making deliveries or performing services. No abandoned vehicles shall be stored or parked upon any part of the Property or any street adjoining the Property, but excluding any area designated for such purpose by the Board. In the event that the Board shall determine in its sole discretion that a vehicle is an abandoned vehicle, then a written notice describing the vehicle will be personally delivered to the owner thereof (if such owner can be reasonably ascertained) or will be conspicuously placed on the unused vehicle (if the owner thereof cannot be reasonably ascertained), and if the unused vehicle is not removed within seventy-two (72) hours thereafter, the Board shall have the right to remove the vehicle at the sole expense of the owner thereof. For the purpose of this Section, an "abandoned vehicle" is any automobile, truck, motorcycle, motor bike, boat, trailer, camper, motor home, housetrailer or other similar vehicle which has not been driven under its own propulsion, or has not been moved for a period of five (5) days or longer. The Board of Directors may make rules and restrictions regarding parking and vehicular traffic on the Property, and the Board may also prohibit or restrict parking or traffic in any part of the Property and may require that all vehicles be parked within designated areas or garages, rather than in driveways, streets or other parts of the Property. Neither Owners, tenants, guests, family nor other invitees shall park within or obstruct any restricted or prohibited area including without limitation any fire lane. Any vehicle or other item which is parked in violation of any rules or restrictions shall be subject to immediate removal by the Board or its agents at the expense of the owner of such vehicle.

Section 13. Clotheslines and Storage. Outside clotheslines or basketball hoops and backboards, whether on buildings or free standing, carports, patio covers or similar structures, and wood piles and storage areas shall not be allowed unless approved by the Architectural Control Committee in its sole discretion. All such approved structures shall be located out of view of the street or of any neighboring Houses. Service or storage areas shall be so located as not to be visible from a street or road.

Section 14. Garbage and Refuse Disposal. No garbage, refuse, rubbish or cuttings shall be deposited on any street, on the Common Area, or on any Lots unless placed in a suitable clean container suitably located, solely for the purpose of garbage pickup. All trash and refuse containers, except when placed as noted above for the sole purpose of garbage pickup, will be kept inside the Houses. The burning of trash in outside incinerators, barbecue pits or the like is prohibited, it being intended that all refuse, trash, garbage and the like shall be hauled from the Property. Garage doors shall be kept closed except for immediate ingress/egress.

Section 15. Repair. No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting or servicing of any kind of vehicles, trailers, boats, or vans may be performed on any Lot unless it is done within completely enclosed structures located on the Lot which screen the sight and sound of the activity from the street and from adjoining property. The foregoing restriction shall not be deemed to prevent washing and polishing of any motor vehicle, boat, trailer, or motor-driven cycle together with those activities normally incident and necessary to such washing and polishing.

Section 16. Tanks and Equipment. No tanks of any kind, either elevated or buried, shall be erected; placed or permitted upon any Lot. Any refrigeration, cooling or heating apparatus, which is permitted by the Committee, shall be concealed from view.

Section 17. Underground Electric Lines. All electric, television, radio and telephone line installations and connections shall be placed underground, except for power substations, switching stations and community antennas which shall be adequately screened from view and except for customary surface devices for access or control and except that during the construction of a residence the contractor or builder may install a temporary overhead utility line which shall be promptly removed upon completion of construction and which shall be subject to Declarant's prior written approval.

Section 18. Use of Common Area.

(a) No use shall be made of the Common Area which will in any manner violate the statutes, rules, or regulations of any governmental authority having jurisdiction over the Common Area.

(b) The use of the Common Area shall be subject to such rules and regulations as may be adopted from time to time by the Board of Directors of the Association.

(c) Except as provided herein, no use shall ever be made of the Common Area which will deny ingress and egress for a substantial period of time to those Owners having access thereupon to a public street, to their Lots, to their parking areas, or to any facilities completed upon the Common Area.

Section 19. Sales and Construction Facilities and Activities of Declarant. Notwithstanding any provision to the contrary contained herein, Declarant, its agents, employees and contractor shall be permitted to maintain during the period of any construction on and sale of the Lots, upon such portion of the Common Area as Declarant may choose, such uses and facilities as may be reasonably required, convenient or incidental to the construction, sale or rental of Lots, and to the development of the Project, including without limitation, storage of equipment and vehicles, a business office, use of the clubhouse for a sales office, storage area, construction yards, signs of any size and type, model Houses, sales offices, construction office, parking areas and lighting and temporary parking facilities for all prospective tenants or purchasers of Lots. In addition, Declarant, its agents, employees, financiers, any contractor involved in the construction or sale of said improvements and Lots, or in the development of the Property, and shall have the right to ingress and egress over the Common Area as in Declarant's discretion may be necessary to complete the project. Notwithstanding any provision of this Section, no right under this Section shall be exercised by Declarant in such manner as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner, his family members, guests, or invitees, to or of that Owner's Lot, his parking area, any public street, or any recreational facility completed upon the Common Area.

Section 20. House Costs, Quality and Size. No building shall be permitted on any Lot at a cost of less than Fifty-Five Thousand Dollars (\$55,000.00) based upon cost levels prevailing on the date these covenants are recorded, it being the intention and purpose of the covenants to assure that all Houses shall be of a quality of workmanship and material substantially the same or better than that which can be produced on the date these covenants are recorded at the minimum cost stated herein for the minimum permitted dwelling size. The ground floor area of the main structure, exclusive of one-story open porches and garages, shall be as follows: no less than eight hundred (800) square feet for a ranch-style one-story dwelling; no less than one thousand (1000) square feet for the upper two (2) floors of a two-story dwelling; no less than eight hundred (800) square feet for the upper two (2) floors of a three-level or four-level dwelling. All siding, exterior trim, roofing, shingles and other exterior surfaces shall be first approved for color and compatibility by the Architectural Control Committee before installation.

Section 21. Minimum Setbacks. No building shall be located on any Lot nearer to the front Lot line or nearer to the side street line than any minimum building setback lines which may be shown on the recorded plat. No House shall be located on any Lot nearer than ten (10) feet to the rear Lot line nor nearer than fifteen (15) feet to any public street line nor nearer than ten (10) feet to a private street line subject to Article VI, Section 5(b). Unless the City of Colorado Springs Code otherwise provides, for the purposes of this covenant, eaves, steps or open porches shall not be considered as a part of a building; provided, however, that this shall not be construed to permit any portion of a building on a Lot to encroach upon another Lot except as otherwise provided herein.

Section 22. Lot Area and Width. No building shall be erected or placed on any Lot having a width of less than thirty-five (35) feet at the minimum building setback line, nor shall any House be erected or placed on any Lot having an area of less than three thousand (3,000) square feet.

Section 23. Easements and Utility Right-Of-Way. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat and over the rear five (5) feet of each Lot. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements. The easements area of each Lot and all improvements in it shall be maintained continuously by the Owner of the Lot, except for those improvements for which the public authority, utility entity or the telephone company is responsible.

Section 24. Oil and Mineral Operations. No oil drillings, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot. Nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted on any Lot.

Section 25. Fences. No non-wood fence may be erected. The location and quality of any fences shall be subject to approval by the Architectural Control Committee and shall be consistent with the rules and regulations as established by the Committee and the applicable zoning authorities having zoning jurisdiction over any of the Property. No fencing shall be allowed in the minimum building setback areas in front of a residential structure. The Architectural Control Committee shall establish fencing criteria and locations for the placement of fencing for all Lots. No fences shall be allowed which do not conform to such fencing criteria and location.

Section 26. Sight Distance at Intersections. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street curb and gutter lines and a line connecting them at points twenty-five (25) feet from the intersection of the street lines or, in the case of rounded property corner, from the intersection of the street curb and gutter lines extended. The same sight line limitations shall apply on any Lot within ten (10) feet from the intersection of street curb and gutter line with the edge of a driveway or alley pavement. No tree, bush or shrub shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

Section 27. Solar Rights/Solar Energy Devices. Each Owner is granted an easement above the Lots and Common Area adjacent to his Lot for purposes of access to solar energy. The easement shall extend over an area defined by a line originating from the east end of the most south facing wall of the House as originally installed by the Declarant, and radiating at forty-five degrees (45°) East of South and a line originating from the west end of the most south facing wall of the House as originally installed by the Declarant, and radiating at forty-five degrees (45°) West of South. The lower edge of the easement shall be a plane which intersects the eve of the most south facing wall of the House as originally installed by the Declarant and which rises toward the South at an angle of twenty-two degrees (22°) above the horizontal. Except by the Declarant, within this easement no building, fence, wall or other structure shall be erected, modified or altered, and no trees, shrubs, hedges or other vegetation shall be planted, permitted to grow or maintained, in such a way as to obstruct, impair, prevent, reduce or restrict the flow of direct radiant solar energy to any actual solar energy device installed in accordance with the restrictions below. The Declarant, the Architectural Control Committee or any Owner injured by the violation of the foregoing restriction shall have the right to enforce the foregoing restriction against any and all persons or parties, by removal, in whole or part, of the offending object or vegetation at the expense of the Owner upon whose Lot it is located or by injunction or other remedies at law or in equity, recovering all attorneys fees, damages and other expenses against any and all persons or parties, except the Declarant.

(a) Solar energy devices are permitted only on sloping roofs facing south within thirty degrees (30°) Easterly or Westerly of due South. Flat plate solar energy devices must be installed parallel to the roof and not more than eight (8) inches above it.

(b) Ground level freestanding solar collectors or devices will be permitted so long as they are designed or screened in a manner accepted by the Architectural Control Committee so as to be visually compatible with the buildings and landscaping on the Lot involved. Plans for any such solar or other devices must be approved in accordance with Article VI of this agreement.

Section 28. Maintenance of Soils. Each Owner by purchasing a Lot thereby acknowledges and agrees that many of the soils within the State of Colorado consist of both expansive soils and low-density soils which may adversely affect the integrity of any residence constructed on the Lot if the residence and the Lot are not properly maintained, and further acknowledges and agrees that expansive soils contain clay minerals which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils, and the addition of moisture to low-density soils causes a realignment of soil grains thereby resulting in consolidation and/or collapse of the soils. As partial consideration for Declarant entering into the contract to sell and selling any Lot to any Owner, such Owner has thereby covenanted and agreed, for himself and his heirs, personal representatives, successors, and assigns, to perform certain preventative maintenance on the Lot including without limitation as follows:

(a) Each Owner shall use his best efforts to assure that the moisture content of those soils supporting the foundation and the concrete slabs forming a part of his residence remain stable and shall not introduce excessive water into the soils surrounding his residence.

(b) Each Owner shall maintain the grading and drainage patterns established by Declarant at the time of construction upon the Lot. Each Owner hereby acknowledges that the

grading and drainage patterns have been established in a manner which assures that any water falling on the Lot, whether from natural precipitation or from lawn irrigation, will flow positively away from the foundation and slabs of the residence upon the Lot.

(c) Each Owner shall not impede or hinder in any way the water falling on the Property from reaching the drainage courses established by Declarant for the Property and the subdivision in which the Property is located.

(d) Each Owner shall maintain the landscaping, drainage, and sprinkler systems on his Lot in such a fashion that the soil surrounding the foundations of the buildings and other improvements shall not become so impregnated with water that they cause expansion of or shifting of the soils supporting the improvements or other damage to the improvements and do not impede the proper functioning of the drainage, landscaping, or sprinkler systems as originally installed. Such maintenance shall include where necessary the removal or replacement of improperly functioning landscaping, drainage, or sprinkler system elements and shall also include preventing ponding and regrading and resurfacing where necessary to provide for adequate drainage. Owners shall not install landscaping or use water on the Lots or the Common Area in such a way as to endanger the structural integrity or the stability of any of the landscaping, drainage or sprinkler systems, the Houses or the other improvements upon the Lots or Common Area. Each Owner shall indemnify the Declarant as to any breach of this provision on that Owner's Lot.

(e) Within six (6) months after the completion of a House or within any extension of that period granted by the Architectural Control Committee, all yards and open spaces shall be landscaped and thereafter maintained in lawn or landscape. Unless otherwise approved by the Architectural Control Committee, and except for rear yards, at least fifty percent (50%) of the area between the pavement of any public or private street and the line of the front of the House shall be covered with blue grass lawn or its equivalent.

Section 29. Street Lighting. Each Owner shall pay, if and when billed, a portion of the cost of public street lighting in the subdivision according to the Department of Public Utilities of the City of Colorado Springs' rates, rules and regulations, including future amendments and changes on file with the Public Utilities Commission of the State of Colorado.

ARTICLE VIII

INSURANCE

Section 1. Common Insurance. The Association shall obtain and maintain at all times, to the extent reasonably obtainable, insurance policies covering the following risks:

(a) Casualty. A policy of property insurance covering all insurable improvements located upon the Common Area and insurable improvements which are the responsibility of the Association to maintain but which are located on the Lots, and except for the value of the land, foundation, excavation and other items normally excluded, with a "Replacement Cost Endorsement" providing that any claim will be settled on a full replacement cost basis without deduction for depreciation or coinsurance, and including an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement". The Association may also purchase a "Demolition Endorsement", and "Increased Cost of Construction Endorsement" and/or a "Contingent Liability from Operation of Building Laws Endorsement" or the equivalent. Such insurance as maintained by the Association pursuant to this Section shall afford protection against at least the following:

(i) loss or damage by fire and other hazards covered by the standard all risk form including without limitation endorsements for vandalism and malicious mischief, and

(ii) such other risks as shall customarily be covered with respect to projects similar in construction, location and use.

(b) Public Liability. Comprehensive general liability and property damage insurance in such limits as the Board of Directors of the Association may from time to time determine, but not in an amount less than \$500,000.00 for bodily injury, per person, per occurrence and umbrella liability limits of \$1,000,000.00 per occurrence covering claims for bodily injury and \$50,000 for property damage arising out of one occurrence. To the extent reasonably obtainable, coverage shall include, without limitation, liability for personal injuries, operation of automobiles (whether owned, non-owned or hired) on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Common Area by the Association, off-premises employee coverage, its officers, directors, agents, employees, representatives and the Owners, water damage liability, contractual liability, and liability for property of others.

(c) Workmen's Compensation. Workmen's Compensation and employer's liability insurance and all other similar insurance with respect to employees of the Association in the amounts and in the forms now or hereafter required by law.

(d) Fidelity Insurance. If the Project contains more than thirty (30) Lots, the Association shall purchase, in an amount not less than one hundred fifty percent (150%) of the Association's estimated annual operating expenses and reserves, fidelity coverage against dishonesty of employees, destruction or disappearance of money or securities and forgery. Such policy shall cover any person or entity handling funds of the Association, including, but not limited to, employees of the professional manager and name the Association as the named insured or obligee, and shall also contain endorsements thereto covering any persons who serve the Association without compensation. Such fidelity coverage or bonds shall name the Association as an obligee and shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

(e) Officers' and Directors' Personal Liability Insurance. To the extent obtainable, appropriate officers' and directors' personal liability insurance shall be obtained by the Association to protect the officers and directors from personal liability in relation to their duties and responsibilities in acting as such officers and directors on behalf of the Association.

(f) Flood. If the Property is located in an area identified by the Secretary of Housing and Urban Development as an Area having special flood hazards and the sale of Flood Insurance has been made available under the National Flood Insurance Act of 1968, a "blanket" policy of flood insurance on the Property in an amount which is the lesser of the maximum amount of insurance available under the Act or the aggregate replacement value of the Association's improvements located upon the flood plain.

(g) Other Insurance. In addition, the Board of Directors may obtain any other insurance against such other risks, of a similar or dissimilar nature, which the Board shall deem appropriate with respect to the project.

Section 2. Annual Review. At least annually and prior to obtaining any insurance policy required under Section 1 of this Article, the Board of Directors shall obtain an estimate of the full replacement value of the Common Area improvements including

landscaping and underground facilities and insurable improvements which are the responsibility of the Association to maintain but which are located on the Lots, without deduction for depreciation, for the purpose of determining the amount of insurance required under that Section. The amount of such insurance shall be shown in the Association's annual report. Upon written challenge by the Owners of three or more Lots that the Association's estimate of maximum replacement value is too low, the Association will secure a certified appraisal of replacement value prepared by a M.A.I. appraiser and will conform the hazard insurance to the value indicated by that appraisal. In any event, each Owner of a Lot is responsible for the adequacy of the insurance coverage carried for the protection of himself or his Lot, and each Owner may, at his own expense, have the amount or extent of his coverage increased.

Section 3. Form of Issuance.

(a) The Property insurance shall be carried in blanket policy form, shall name the Association (pursuant to Article IX, Section 1) as the insured, and shall provide that the proceeds shall be paid to the Association for the benefit of and in trust for the Association, the Owners and their First Mortgagees, as their interests may appear, shall additionally insure and identify the interest of each Owner and the First Mortgagee, and shall provide a standard, non-contributory mortgagee clause in favor of each First Mortgagee which has given the Association notice of its lien.

(b) To the extent possible, all insurance policies shall:

(i) be obtained from responsible companies duly authorized and licensed to do insurance business in the State of Colorado, and having a Best's Insurance Report rating of "A" or better.

(ii) provide for a waiver of subrogation by the insurer as to claims against the Association, its directors, officers, employees, agents, and Owners;

(iii) provide that the insurance cannot be cancelled, invalidated, or suspended on account of the conduct of the Association, its officers, directors, employees and agents;

(iv) provide for a waiver of any defense based on co-insurance;

(v) provide that the policy of insurance shall not be terminated, cancelled or substantially modified without at least thirty (30) days' prior written notice to the Association, the Owners, and the First Mortgagees which have given notice of their liens, and

(vi) provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of a particular Owner guilty of a breach of warranty, act, omission, negligence or noncompliance with any provision of such policy, including payment of the insurance premium applicable to that Owner's interest, or who permits or fails to prevent the happening of any event 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 interest of all other insured Owners or the Association not guilty of any such act or omission shall not be invalidated or suspended and shall remain in full force and effect.

(c) On written request the Association shall furnish, by certificate or otherwise, a copy of any insurance policy, identifying the interest of the Owner in question, to any Owner or

First Mortgagee, together with proofs of payment of premiums. Further, the Association may require the insurer to furnish each Owner and First Mortgagee with a certificate of insurance.

(d) Any insurance policy may contain such deductible provisions as the Association deems consistent with good business practice. Any loss falling within the deductible portion of the policy shall be borne by the Association.

Section 4. Owner's Real and Personal Property and Liability Insurance. Each Owner shall be solely responsible, at his expense, for all insurance covering all loss or damage to any and all real and personal property on his Lot including the House, fixtures, appliances, furniture, furnishings or other personal property supplied, maintained or installed by the Owner and covering liability for injury, death or damage occurring within his Lot. Such insurance shall contain waivers of subrogation and shall be so written that the insurance obtained by the Association shall not be affected or diminished thereby. The Association shall have no responsibility regarding the obtaining or continuation of any such insurance. If at any time of any loss under any policy which is in the name of the Association, there is other insurance in the name of any Owner and such Owner's policy covers the same property or loss, or any portion thereof, which is covered by such Association policy, such Association policy shall be primary insurance not contributing with any of such other insurance.

ARTICLE IX

DAMAGE, DESTRUCTION, CONDEMNATION AND MERGER

Section 1. Attorney-in-Fact. All of the Owners and First Mortgagees irrevocably constitute and appoint the Association as their true and lawful attorney in their name, place and stead, for the purpose of dealing with the Common Area in the event of the destruction, damage, or condemnation, including the repair, replacement and improvement of any buildings, fixtures, improvements and service equipment located on the Common Area (but excluding any buildings, furniture, furnishings or other personal property on the Lots). Title to any Lot is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a deed or other instrument of conveyance from the Declarant or from any Owner or grantor shall constitute appointment of the attorney-in-fact herein provided. As attorney-in-fact, the Association, by its President and Secretary or Assistant Secretary or its other duly authorized officers and agents, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed, or other instrument with respect to the interest of an Owner which is necessary and appropriate to exercise the powers herein granted. The proceeds of any insurance collected shall be available to the Association for the purpose of repair, restoration, reconstruction or replacement as provided in this Declaration. In the event that the Association is dissolved or becomes defunct, a meeting of the Owners shall be held within thirty (30) days after either such event. At such meeting a new attorney-in-fact, to deal with the Common Area upon its destruction, damage, or condemnation shall be appointed. Said appointment must be approved by at least two-thirds (2/3) of the Owners and at least two-thirds (2/3) of the First Mortgagees.

Section 2. Damage to Common Area. In the event of damage to or destruction of all or a portion of the Common Area due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such Common Area damage or destruction are insufficient to repair and reconstruct the damaged or destroyed Common Area, the Association shall present to the Members a notice of a special assessment for approval by the membership in accordance

with Article IV, Section 5 hereof. If such special assessment is approved, the Association shall levy and collect it as provided by Article IV and proceed to make such repairs or reconstruction. If such assessment is not approved, the insurance proceeds shall be applied fully to complete such repairs or reconstructions as can be paid for.

Section 3. Damage or Destruction of Houses. In the event of damage or destruction to a House due to fire or other disaster, the Owner shall commence repairs and restoration promptly and shall pursue them to diligent completion. Such repairs and restoration shall include removal of any debris and materials and the restoration of any landscaping or Association property which has been damaged or destroyed, except to the extent that the Association has received insurance proceeds therefor. The Owner shall restore the House or other damaged improvements to equal or better condition than existed prior to damage or destruction.

Section 4. Condemnation. In the event proceedings are initiated by any government or agency thereof, seeking to take by eminent domain the Common Area, any part thereof or any interest therein, any improvement thereon, or any interest therein, with a value (including loss of value to the balance of the Common Area and improvements thereof), as reasonably determined by the Association in excess of \$10,000.00, the Association shall give prompt notice thereof, including a description of the part of or interest in the Common Area or improvement thereon sought to be so condemned, to all First Mortgagees and to all Owners. The Association shall have full power and authority to defend in said proceedings, but the Association shall not enter into proceedings, pursuant to which the Common Area or any part thereof or any interest therein, or any improvement thereon or any part thereof or interest therein is relinquished without giving all First Mortgagees of Lots and all Owners, at least fifteen (15) days prior written notice thereof.

In the event, following such proceedings, there is such a taking in condemnation or by eminent domain of a part or all of the Common Area, the award made for such taking shall be applied towards the repair and restoration of the Common Area, the Association shall arrange for the same and shall disburse the proceeds of such award to the contractors engaged in such repair and restoration in appropriate progress payments. In the event that seventy-five percent (75%) or more of the Owners do not duly and promptly approve the repair and restoration of such Common Area, the Association shall disburse the net proceeds of such award jointly to the Owners and their respective First Mortgagees at the rate of one (1) equal share per Lot.

Section 5. Repair and Reconstruction. Unless otherwise agreed by two-thirds (2/3) of the First Mortgagees (based upon one [1] vote for each First Mortgage held) and two-thirds (2/3) of each class of Members, any restoration or repair of the Common Area or Association property, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with this Declaration and with the original plans and specifications.

Section 6. Excess Insurance Proceeds. With the prior written approval of two-thirds (2/3) of the First Mortgagees (based upon one [1] vote for each First Mortgage held) and two-thirds (2/3) of each class of Members, any insurance proceeds remaining after any repairs or reconstructions are completed shall be paid to each Owner and his First Mortgagee jointly at the rate of one equal share per Lot. Without such approval, any excess insurance proceeds shall be placed in the Association's reserves.

Section 7. Notice of Loss to First Mortgagees. Provided that a First Mortgagee has, in writing, requested the following information with respect to a Lot upon which said First Mortgagee holds the First Mortgage and has furnished the Association with the

address to which said First Mortgagee wants the information sent, then in the event that there shall be any damage to or destruction of: (a) any Association improvement on the Lot on which such First Mortgagee holds the First Mortgage, which shall be in excess of Ten Thousand Dollars (\$10,000.00) and/or (b) the Common Area which shall be in excess of Ten Thousand Dollars (\$10,000.00), then timely written notice of any such damage or destruction shall be given by the Association to such First Mortgagee. Notwithstanding any provision to the contrary, no provision of this Declaration or of any other document relating to the Property shall be deemed to give an Owner or any other party priority over the rights of a First Mortgagee in the case of a distribution to an Owner of insurance proceeds or condemnation awards for losses to or taking of Lots or Common Area, or both.

Section 8. Merger. The Association may merge with one or more homeowner's associations in the surrounding area on such terms and conditions as may be agreed to by two-thirds (2/3) of each class of Members and by two-thirds (2/3) of all First Mortgagees. The surviving entity in any such merger or affiliation shall be the Association for purposes of this Declaration.

ARTICLE X

ADDITIONAL RESTRICTIONS/PHASED DEVELOPMENT

Section 1. Restrictions Upon Association and Owners. Unless at least two-thirds (2/3) of the First Mortgagees (based upon one [1] vote for each First Mortgage owned or held) and the Owners (other than Declarant) of at least two-thirds (2/3) of the Lots have given their prior written approval, neither the Association nor the Owners shall be empowered or entitled to do any of the following:

(a) by act or omission, seek to abandon or terminate this Declaration or any scheme of architectural control, or enforcement thereof, as set forth in this Declaration, regarding the architectural design, exterior appearance, or exterior maintenance of the Lots, improvements thereon, or the Common Area, or the maintenance of the common property, party walls or common fences and roads, or the upkeep of lawns and plantings in the Project;

(b) by act or omission seek to abandon, partition, subdivide, mortgage, encumber, sell or transfer any of the Common Area, except for the granting of utility easements as provided by Section 5(a) of Article II hereof;

(c) fail to maintain full current replacement cost fire and extended insurance coverage on the Lots and Common Area, and such other insurance as is required under this Declaration;

(d) use hazard insurance proceeds for loss to the improvements for other than repair, replacement or reconstruction of such improvements as herein provided; or

(e) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

Section 2. Additional Restrictions During Declarant Control. In addition to the provisions of Section 1 of this Article, after the Declarant has obtained evidence of approval for guaranteed or insured loans by Federal Housing Administration or the Veterans Administration and continuing until such time as the Class B membership has terminated, the prior written approval of the Veterans Administration or the Federal Housing Administration of the U. S. Department of Housing and Urban Development shall be required for any of the following:

(a) Amendment of this Declaration;

(b) Amendment of the Articles of Incorporation or the By-Laws of the Association;

(c) Annexation of all or any part of any additional property to this Declaration;

(d) Encumbering or mortgaging of all or any part of the Common Area;

(e) Dedication of all or any part of the Common Area, except for the granting of utility easements as provided by Section 5(a) of Article II hereof.

(f) Merger, consolidation or dissolution of the Association.

Section 3. Right to Expand. For a period continuing until seven (7) years from the date of this Declaration, Declarant reserves the right to expand this Project, without the approval of the Owners or First Mortgagees, except as provided in Article X, Section 2, to include additional land and one or more additional buildings located upon all or any part of the Expansion Property; provided, however, that the total number of Lots in the project, as expanded, shall not exceed one hundred fifty (150) Lots, any additional buildings to be constructed shall be of comparable style, size, quality and cost in relation to those buildings existing on the Property at the time of expansion except for such alterations or modifications as may be approved by the Veterans Administration or the Federal Housing Administration. By accepting a deed to a Lot, each Owner hereby grants to Declarant a right to expand the project and to modify the Owner's rights, title and interest in the Common Area accordingly, as set forth in this Article. Any such expansion shall be subject only to this Article X and shall not make or constitute any amendment or modification in this Declaration except as provided in this Article X.

Section 4. Procedure for Expansion. Such expansion may be accomplished by the filing for record by Declarant with the Clerk and Recorder of the county in which the project is located, no later than seven (7) years from the date of this Declaration, a supplement or supplements to this Declaration containing a legal description of the land area to be added to the project, together with any supplemental plats which may be required. Any such supplement to this Declaration shall also contain a listing of the number of Lots to be contained in the expanded portion of the project. The expansion may be accomplished in "phases" by successive supplements.

Section 5. Effect of Expansion.

(a) In the event of such expansion, the definitions used in this Declaration shall automatically be expanded to encompass and refer to the project as so expanded; e.g., "Property" shall mean the real property described on Exhibit "A" hereto plus any additional real property added by any supplement to this Declaration; similarly "Common Area" and "Lots" shall include those areas located which the real property described on Exhibit "A" hereto as well as those so designated on any supplement or supplemental plat relating to any real property which is annexed pursuant to this Article X. References to this Declaration shall mean this Declaration as so supplemented. Every Owner of a Lot in the area added shall, by virtue of such ownership and upon recordation of the supplement, be a member of the Association and shall be entitled to the same rights and privileges and subject to the same duties and obligations as any other Association member. The recording with the Clerk and Recorder of the county in which the Property is located, of a supplement to this Declaration incident to any expansion shall operate automatically to grant, transfer, and convey to all of the Owners of the Lots, located within the Property, and the part of the Expansion Property added thereby,

their respective, appurtenant, undivided rights, titles, interests, privileges, duties and obligations in and to both the existing Common Area and the new Common Area, if any, added to the Property as a result of such expansion; provided however, assessments for Lots within the annexed area shall commence as set forth in Section B of Article IV hereof, but no part of the Expansion Property shall be subject to assessments or any provision of this Declaration until the annexation of that part is completed in accordance with this Article X.

(b) Upon recording of the supplement(s) to Declaration and any supplement plat with the Clerk and Recorder of the county in which the project is located, the additional Lots and Common Area shall be subject to the provisions of this Declaration.

(c) At such time, prior to seven (7) years from the date of this Declaration, that the Declarant determines that the Project is completed, the Declarant shall record with the Clerk and Recorder of the county in which the Project is located, a Certificate of Completion. Said Certificate shall contain a statement of the total number of Lots.

(d) Until the expansion of the project is accomplished by recording the supplement(s) to this Declaration and supplemental plat(s), the Expansion Property and any improvements constructed thereon shall not be subject to this Declaration in any way whatsoever, including but not limited to consideration for the purpose of apportioning assessments or determining voting rights or privileges. If such expansion does not occur, nothing contained in this Declaration or otherwise shall restrict, impair, hinder, encumber or burden, in any way whatsoever, Declarant's, or its successors or assigns, sole and complete right, title and interest to the Expansion Property and any improvements constructed thereon.

ARTICLE XI

GENERAL PROVISIONS

Section 1. Acceptance of Provisions of All Documents. The conveyance or encumbrance of a Lot or the improvements thereon shall be deemed to include the acceptance of all provisions of this Declaration, the Articles of Incorporation of the Association and the Association's By-laws and rules and regulations, all of which shall be binding upon each Owner, his heirs, personal representatives, family, guests, tenants, successors, assigns, and everyone having an interest in the Lot without the necessity of inclusion of an express provision in the instrument of conveyance or encumbrance.

Section 2. Enforcement. The Association, the Declarant, or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by the Declarant or by any Owner to enforce any covenant or restriction herein contained shall, in no event be deemed a waiver of the right to do so thereafter. In addition to all other remedies, the Board of Directors shall have the right, after notice and an opportunity of hearing, to impose upon any Owner a fine not to exceed Fifty Dollars (\$50.00), which shall be increased by increases in the cost-of-living index described herein, per occurrence for any breach by that Owner of the provisions of this Declaration, the By-Laws and/or the Association's rules and regulations. All rights and remedies provided in this Declaration are distinct and cumulative to any other right or remedy hereunder or afforded by law or equity, and may be exercised concurrently, independently or successively.

Section 3. Non-Waiver. Any forbearance or failure to enforce any provisions of this Declaration shall not operate as a waiver of any such provision or of any other provision of this Declaration or of any subsequent enforcement of any such provision. The rights and remedies of the Association are distinct and cumulative to any other right or remedy hereunder or afforded by law or in equity and may be exercised concurrently, independently or successively without effect or impairment upon one another.

Section 4. Cumulative. Each of these covenants is cumulative and independent and is to be construed without reference to any other provision dealing with the same subject matter or imposing similar or dissimilar restrictions. A provision shall be fully enforceable although it may prohibit an act or omission sanctioned or permitted by another provision.

Section 5. Severability. Invalidation of any of these covenants or restrictions by judgment or court order shall in no way affect or limit any other provisions which shall remain in full force and effect.

Section 6. Conflicts of Provisions. In case of conflict between this Declaration and the Articles of Incorporation or the By-Laws, this Declaration shall control. In case of conflict between the Articles of Incorporation and the By-Laws, the Articles of Incorporation shall control.

Section 7. Duration and Amendment. Each and every provision of this Declaration shall be binding upon each and every Owner, his heirs, successors, assigns and personal representative and shall run with and bind the land for a term of twenty (20) years from the date of recording of this Declaration, after which time this Declaration shall be automatically extended for successive periods of ten (10) years each. Except as is otherwise provided herein, this Declaration shall not be revoked or terminated unless all of the Owners and all of the First Mortgagees consent and agree to such termination or revocation by an instrument duly recorded. This Declaration may be amended or modified by an instrument signed by Owners owning not less than seventy-five percent (75%) of the Lots and not less than seventy-five percent (75%) of the First Mortgagees; provided however, (a) that any section in this Declaration which requires a particular percentage of Owners and/or Mortgagees may be amended only by written consent of that percentage of those parties, (b) that this section may be amended only by an instrument signed by Owners owning not less than ninety percent (90%) of the Lots, and one hundred percent (100%) of all First Mortgagees who have given the Association notice of their lien, and (c) that the Declarant hereby reserves the right, until the Declarant's Class B membership is terminated, without the vote of the Owners, to make such amendments to this Declaration, the Articles of Incorporation and/or the By-Laws, as may be approved in writing by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration, or Veterans Administration so as to induce any of such organizations to make, purchase, sell, insure or guarantee First Mortgages covering any portion of the Property, and each Owner and Mortgagee by accepting a deed, Mortgage or other instrument affecting a Lot appoints Declarant as his attorney-in-fact for purposes of executing in said Owner's and/or Mortgagee's name and recording any such amendments to this Declaration, and each deed, mortgage, trust deed, 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 to the Declarant to make, execute and record any such amendments. The consent of any junior Mortgagee shall not be required under the provisions of this Article. In determining whether the appropriate percentage of First Mortgagee approval is obtained, each First Mortgagee shall have one (1) vote for each First Mortgage owned. To be effective, all amendments to this Declaration must be recorded in the office of the

Clerk and Recorder of the county in which the Property is located, and must contain evidence of approval thereof showing the acknowledged and notarized signatures of all the necessary approving parties. The Association shall notify any First Mortgagee, who has requested notice in writing, of any proposed action under this Declaration, which would require the consent of a specified percentage of First Mortgagees.

Section 8. Registration by Owner of Mailing Address. Each Owner shall register his mailing address with the Association, and except for monthly statements and other routine notices, all other notices or demands intended to be served upon an Owner shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner at such registered mailing address. All notices, demands or other notices intended to be served upon the Board of Directors of the Association or the Association shall be sent by certified mail, postage prepaid, to the registered agent of the Association at his address filed with the Secretary of State of the State of Colorado, together with a copy addressed to the President of the Association at his registered address.

Section 9. Land Benefited. The covenants, conditions and restrictions contained in this Declaration shall run with the land, shall burden all of the Property and shall be binding upon all Owners and all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns. They are for the benefit of the Property, and its specific successors and specific assigns.

Section 10. Assignment of Declarant's Rights. The Declarant may assign its rights and authority hereunder, in whole or in part, by express written assignment referring to this Declaration, duly recorded.

Section 11. Number and Gender. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

Section 12. Captions. The captions to the Articles and Sections are inserted herein only as a matter of convenience and for reference, and are in no way to be construed to define, limit, or otherwise describe the scope of the Declaration nor the intent of any provisions hereof.

Section 13. Governing Law. This Declaration of Covenants, Conditions and Restrictions shall be governed by, and construed in accordance with the statutes and laws of the State of Colorado.

IN WITNESS WHEREOF, the Declarant has hereunto set its hand and seal as of the day and year first above written.

DECLARANT:

NORTH AMERICAN HOMES, INC.
a Colorado corporation

By: 
President

SEAL

Attest:


Secretary

