PINNACLE HOMEOWNER'S ASSOCIATION

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF THE PINNACLE SUBDIVISION

AMENDED AND REVISED IN 2000

THIS DECLARATION is made and entered into by the Unit Owners of The Pinnacle Subdivision.

WITNESSETH:

WHEREAS, the Unit Owners are the owners of the real property situated in Adams County, State of Colorado, which is described on Exhibit A attached hereto and incorporated herein by this reference; and

WHEREAS, the Unit Owners desire to subject and place upon the above-described property certain covenants, conditions, restrictions, easements, reservations, rights-of-way, obligations, liabilities and other charges forth herein for the purpose of protecting the value and desirability of said property and for the purpose of furthering a plan for the improvement, sale and ownership of said property, to the end that a harmonious and attractive development of said property may be accomplished and the health, comfort, safety, convenience and general welfare of owners in said property, or any portion thereof, may be promoted and safeguarded;

NOW, THEREFORE, the Unit Owners hereby declare that all of the above-described property shall be held, sold and conveyed subject to the following covenants, conditions, restrictions, easements, rights-of-way, obligations, liabilities, charges and other provisions set forth herein, which are for the purpose of protecting the value and desirability of, and which shall run with, the above-described property and be binding on all parties having any right, title or interest in the above-described property or any part thereof, their heirs, personal representatives, successors and assigns and shall inure to the benefit of each owner thereof.

ARTICLE I - DEFINITIONS

1. **"Act" means the Colorado Common Interest Ownership Act, C.R.S. 38-33.3-202, et al., as amended.**

2. **"Agencies" shall mean and collectively refer to the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Department of Housing and Urban Development (HUD), the Veterans Administration (VA) or any other governmental or quasi-governmental agency or any other public, quasi-public or private entity which performs (or may in the future perform) functions similar to those currently performed by any of such entities.**

3. **"Allocated Interests" means the Common Expense Liability and votes in the Association allocated to each Unit. The Allocated Interest for each Unit shall be as set forth on Exhibit D attached hereto and incorporated herein by this reference.**

4. **"Architectural Review Committee" means the committee appointed by the Board of Directors of the Association to review and approve or disapprove plans for Improvements, as more fully provided in this Declaration.**

5. **"Association" means The Pinnacle Homeowners Association, Inc., a unit owners' association organized under section 38-33.-301 of the Act.**

6. **"Budget" means the schedule of income and expenses for the following year, as proposed by the Board of Directors of The Association to the Annual Meeting of the Association and approved by the Unit Owners present at that meeting.**

7. **"Common Elements" means any real estate owned, leased or maintained by the Association other than a Unit. The Common Elements initially owned, leased or maintained by the Association upon recording of this Declaration, are described on Exhibit B attached hereto and incorporated herein by this reference.**

8. **"Common Expense Liability" means expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves. The Common Expenses shall expressly include, without limitation, the costs and expenses of maintenance and repair of certain drainage facilities.**

9. **"Common Expenses" means expenditures made or liabilities incurred by or on behalf of the Association, together with**

any allocations to reserves. The Common Expenses shall expressly include, without limitation, the costs and expenses of maintenance and repair of certain drainage facilities.

10. "Common Interest Community" means real estate described in this Declaration, including, without limitation, the property described on the attached Exhibit A and the property described above as this Declaration may be or have been supplemented and amended from time to time, with respect to which a Person, by virtue of such Person's ownership of a Unit, is obligated to pay for real estate taxes, insurance premiums, maintenance or improvement of other real estate described in this Declaration.

11. "Declaration" means this Declaration of Covenants, Conditions and Restrictions and any other recorded instruments, however denominated, that create this Common Interest Community, including any amendments to those instruments and also including, but not limited to, plats and maps.

12. "Executive Board" means the body, regardless of name, designated in this Declaration and the Bylaws of the Association to act on behalf of the Association.

13. "First Security Interest" means a Security Interest (as hereinafter defined) that has priority of record over all other recorder liens except those liens made superior by statute (such as general ad valorem tax liens and special assessments).

14. "Improvements" means all exterior improvements, structures and any appurtenances thereto or components thereof of every type or kind, and all landscaping features, including, but not limited to, buildings, outbuildings, swimming pools, tennis courts, patios, patio covers, awnings, solar collectors, painting or other finish materials on any visible structure, additions, walkways, garages, carports, driveways, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, plantings, trees, shrubs, flowers, vegetables, sod, gravel, bark, exterior lighting and lighting fixtures, poles, signs, exterior tanks and exterior air conditioning, cooling, heating, and water softening equipment.

15. "Member" means each Unit Owner; membership in the Association shall be appurtenant to and may not be separated from ownership of a unit.

16. "Person" means a natural person, a corporation, a partnership, an association, a trust, a limited liability company, a joint venture, or any other entity recognized under the laws of the State of Colorado or any combination thereof.

17. "Plat" means the plat of The Pinnacle Subdivision recorder in the office of the Clerk and Recorder of Adams County, Colorado, as amended.

18. "Security Interest" means an interest in real estate or personal property created by contract or conveyance which secures payment or performance of any obligation. The term includes a lien created by a mortgage, deed of trust, trust deed, security deed, contract for deed, land sales contract, lease intended as security, assignment of leases or rents intended as security, pledge of an ownership interest in the Association, and any other consensual lien or title retention contract intended as security for an obligation. For purposes of Article VI, Section 12 hereof, and with respect to notice of cancellation or substantial modification of certain insurance policies, to Article IV, Section 2 hereof, "Security Interest" shall also mean and refer to any executory land sales contract wherein the Administrator of Veterans Affairs, an Officer of the United States of America, is the seller, whether such contract is recorded or not, and whether such contract is owned by the said Administrator or has been assigned by the Administrator and is owned by the Administrator's assignee, or a remote assignee, and the land records in the Office of the Clerk and Recorder of each county in which any portion of the Common Interest Community is located, show the Administrator as having the record title to the Unit.

19. "Security Interest Holder" means any Person named as a mortgagee or beneficiary, or in a similar capacity, under any Security Interest (including, for purposes of Article IV, Section 12 hereof, and with respect to notice of cancellation or substantial modification of certain insurance policies, to Article VI, Section 2 hereof, the Administrator of Veterans Affairs, an Office 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 and the land records of the Clerk and Recorder of each county in which any portion of the Common Interest Community is located, show the said Administrator as having the record title to the Unit), or any successor to the interest of any such Person under such Security Interest.

20. "Unit" means each platted lot shown upon any recorded subdivision map of the real property in the Common Interest Community, including, without limitation, the Plat, as such property may be resubdivided or replatted from time to time, or any other real property as may hereafter be brought within the jurisdiction of the Association, with the exception of the Common Elements and any public streets.

21. "Unit Owner" means the Person or Persons who own a Unit, but does not include a Person having an interest in a Unit solely as security for an obligation.

22. "Units That May Be Created" means 28 Units, which shall be the maximum number of Units that may be subject to this Declaration.

ARTICLE II - MEMBERSHIP AND VOTING RIGHTS

1. Membership. The membership of the Association at all times shall consist exclusively of all Unit Owners or, following termination of the Common Interest Community, of all former Unit Owners entitled to distributions of proceeds under the Act of their heirs, personal representatives, successors or assigns. Membership shall be appurtenant to and may not be separated from ownership of any Unit.

2. One Class of Membership. The Association shall have one class of voting membership. Each Unit Owner shall be entitled to one (1) vote for each Unit owned in accordance with the Allocated Interest attributable to such Unit, except that no votes allocated to a Unit owned by the Association may be cast. The total number of votes which may be cast in connection with any matter shall be equal to the total number of Units then existing within the Association.

ARTICLE III - EXECUTIVE BOARD MEMBERS AND OFFICERS

1. Authority of Executive Board. Except as provided in this Declaration or the Bylaws of the Association, the Executive Board may act in all instances on behalf of the Association.

1. Delivery of Documents by the Association. Within ten (10) days after the closing of the sale of a Unit, the Association shall deliver to the new Unit Owner the following items:

(a) A copy of the current Declaration of Covenants, Conditions and Restrictions, and of the Bylaws of the Association, as amended, and any Association rules and regulations that might have been promulgated.

(b) A copy of the current approved budget of the Association.

ARTICLE IV - COVENANT FOR MAINTENANCE ASSESSMENTS

1. Creation of the Lien and Personal Obligation for Assessments. Each Unit Owner, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees and shall be personally obligated to pay to the Association: annual assessments or charges, special assessments, and other charges, fines, fees, interest, late charges, and other amounts, all as provided in this Declaration; with such assessments and other amounts to be established and collected as hereinafter provided. The annual and special assessments, together with interest, late charges, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Unit against which each such assessment is made. The obligation for such payments by each Unit Owner to the Association is an independent covenant with all amounts due, from time to time, payable in full when due without notice or demand (except as otherwise expressly provided in this Declaration), an without set-off or deduction. All Unit Owners of each Unit shall be jointly and severally liable to the Association for the payment of all assessments, fees, charges and other amounts attributable to their Unit. Each assessment together with interest, late charges, costs, and reasonable attorney's fees, shall also be the personal obligation of the Person who was the Unit Owner of such Unit at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to such Unit Owner's successors in title unless expressly assumed by them. The Association's lien on a Unit for assessment shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Colorado or any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed to land subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against said assessment lien.

2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Units, and for all of those purposes and activities which may be required of the Association or which the Association may be empowered to pursue pursuant to this Declaration or the Articles of Incorporation or Bylaws of the Association, or by law; such purposes shall include without limitation, maintenance and repair of the drainage channel, and certain drainage facilities.

3. Annual Assessment. Until the effective date of an Association budget ratified by the Unit Owners with a different amount for the Common Expense assessment, as provided above, the amount of the annual Common Expense assessment against each Unit shall be in such amount as shall be set by the Executive Board.

4. Rate of Assessment.

(a) An assessment shall be fixed annually at a uniform rate for all Units sufficient to meet the expected needs of the Association as specified in the budget. The Common Expense assessments shall include an adequate reserve fund for the maintenance, repair and replacement of those items that must be maintained, repaired or replaced on a periodic basis and for the payment of insurance deductibles. All Common Expenses shall be assessed against all the Units in accordance with the Allocated Interests set forth in his Declaration. If the Common Expense Liability is reallocated, Common Expense assessments and any installment thereof to yet due shall be recalculated in accordance with the reallocated Common Expense Liability.

(b) Expense items in the approved budget can be transferred by the Board of Directors to pay current bills. However, separate accounts for each reserve fund, such as for the fence and sprinkler systems, must be used for their designated purposes and any other use must be approved by a majority of the Homeowners.

(c) Annual budgets will be submitted to the Homeowners during the previous December. After the budget is ratified by a majority of the homeowners, annual assessment bills will be sent out during January, with the dues being payable by January 31. A grace period until February 15 will be allowed, after which a late charge of $10 a month will be assessed.

5. Dates of Annual Assessments.

(a) After any assessment has been made by the Association, assessments shall be made no less frequently than annually and shall be based on a budget adopted by the Association as provided above. The annual Common Expense assessments shall be due and payable in one annual installment, in advance, or on such other dates, and with such frequency (which may be other than annually, but not less frequently than annually), as the Executive Board determines in its discretion from time to time. Any Unit Owner purchasing a Unit between common Expense assessment due dates shall pay a pro-rata share of the last payment due.

(b) Annual budgets will be submitted to the Homeowners during the previous December. After the budget is ratified by a majority of the homeowners, annual assessment bills will be sent out during January, with the dues being payable by January 31. A grace period until February 15 will be allowed, after which a late charge of $10 a month will be assessed.

6. Special Assessments. In addition to the annual Common Expense assessments authorized in this Article, but subject to the limitation set forth in the last sentence of Section 4 of this Article IV, the Association, with the approval of the votes of two-thirds (2/3) of its Members voting in person or by proxy at a meeting duly called for this purpose, may levy, in any fiscal year, a special assessment applicable to that year only for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital improvement upon any portion of real property for which the Association has repair and/or reconstruction obligations, including fixtures and personal property related thereto, or for repair or reconstruction of any damaged or destroyed Improvements located on said real property, or for the funding of any operating deficit incurred by the Association. Any such special assessment shall be set against each Unit in accordance with the Allocated Interests set forth in this Declaration. A meeting of the Members called for the purpose of considering the establishment of a special assessment shall be held in conformance with Section 7 of this Article IV.

7. Notice and Quorum for Any Special Assessments. Written notice of any meeting called for the purpose of taking any action authorized under Section 6 of this Article shall be sent to all Members not less that 30 days nor more than 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 Membership votes 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.

8. Lien for Assessments.

(a) The Association has a statutory lien on a Unit for any assessment levied against that Unit or for fines imposed against its Unit Owner from the time the assessment or fine becomes due. Fees, charges, late charges, attorney fees, fines and interest charged pursuant to this Declaration are enforceable as assessments under this Article. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due.

(b) Recording of the Declaration constitutes record notice and perfection of the lien. No further recordation of any claim of lien for assessment under this Article is required. However, the Executive Board or managing agent of the Association may prepare,

and record in the county in which the applicable Unit is located, a written notice setting forth the amount of the unpaid indebtedness, the name of the Unit Owner of the Unit, and a description of the Unit. If a lien is filed, the costs and expenses thereof shall be added to the assessment for the Unit against which it is filed and collected as part and parcel thereof. The Association's lien may be foreclosed in like manner as a mortgage on real estate.

(c) A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within six (6) years after the full amount of assessments become due,

9. Priority of Association Lien. A lien under this Article IV is prior to all other liens and encumbrances on a Unit except:

(a) Liens and encumbrances recorded before the recordation of the Declaration;

(b) A First Security Interest on the Unit which was recorded or perfected before the date on which the assessment sought to be enforced became delinquent; and

(c) Liens for real estate taxes and other governmental assessments or charges against the Unit.

10. Receiver. In any action by an Association to collect assessments or to foreclose a lien for unpaid assessments, the court may appoint a receiver of the Unit Owner to collect all sums alleged to be due from the Unit Owner prior to or during the pending of the action. The court may order the receiver to pay any sums held by the receiver to the Association during the pending of the action to the extent of the Association's common expense assessments,

11. Certificate of Status of Assessments. The Association shall furnish to a Unit Owner or such Unit Owner's designee or to a holder of a Security Interest or its designee, upon written request delivered personally or by certified mail, first class postage prepaid, return receipt, to the Association's registered agent, a statement setting forth the amount of unpaid assessments currently levied against such Owner's Unit. The statement shall be furnished within fourteen (14) business days after receipt of the request and is binding on the Association, the Executive Board, and every Unit Owner, If no statement is furnished to the Unit Owner or holder of a Security Interest or their designee, delivered personally or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party, then the Association shall have no right to assert a priority lien upon the Unit for unpaid assessments which were due as of the date of the request.

12. Effect of Non-Payment of Assessments; Remedies. Any assessment not paid within fifteen (15) days after the due date thereof may warrant a penalty being assessed against the Unit Owner, as declared in Section 5 (b) of this Article. The Association may bring an action at law against the Unit owner personally obligated to pay the same, or foreclose the lien against such Unit Owner's Unit. If a judgment or decree is obtained, including without limitation in a foreclosure action, such judgment or decree shall include interest on the assessment and a reasonable attorney's fee to be fixed by the court, together with the costs of the action, and may include interest as above provided. No Unit Owner may be exempt from liability for payment of the common expense by waiver of the use or enjoyment of any of the Common Elements or by abandonment of the Unit against which the assessments are made. This Article does not prohibit actions or suits to recover sums for which this Declaration creates a lien or to prohibit the Association from taking a deed in lieu of foreclosure.

13. Surplus Funds.

(a) Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of or provision for reserves shall be retained by the Association as unallocated reserves and need not be credited to the Unit Owners in proportion to their Common Expense Liability or credited to them to reduce their future Common Expense Assessments.

(b) At the end of each year, any excess left in the expense budget shall be placed in reserve accounts for the fence, irrigation replacement, and a contingency fund for the following years,

14. Working Capital Fund. The Association shall require the Unit Owner of any Unit who purchases that Unit from a previous Unit Owner to make a non-refundable contribution to the Association in the amount of Fifty and no/100 Dollars ($50.00). Said contribution shall be collected and transferred to the Association at the time of closing of the sale by the previous owner of each Unit and shall, until use, be maintained with other such working capital reserve funds for the use and benefit of the Association, including, without limitation, to meet unforeseen expenditures or to purchase additional equipment, property or services. Such contribution to the working capital reserve fund shall not relieve a Unit Owner from making regular payments of assessments as the same become due. Upon the transfer of his unit, a Unit Owner shall be entitled to a credit from his transferee (but not from the association) for the aforesaid contribution to the working capital reserve fund. When all 28 units have been sold, on resale of

the home, a transfer fee of $50 will be charged the new owner for the expense of transfer on the Association records. These funds will be placed in the Dues Income category.

15. Assessments for Misconduct. If any Common Expense is caused by the misconduct of any Unit Owner, the Association may assess that Common Expense exclusively against such Unit Owner and his Unit.

ARTICLE V
ARCHITECTURAL REVIEW COMMITTEE

1. Composition of Committee. The Architectural Review Committee shall consist of three (3) or more persons appointed by the Executive Board;. The power to "appoint", as provided herein, shall include without limitation the power to: constitute the initial membership of the Architectural Review Committee; appoint member (s) to the Architectural Review Committee on the occurrence of any vacancy therein, for whatever reason; and remove any member of the Architectural Review Committee, with or without cause, at any time, and appoint the successor thereof. Each such appointment may be made for such term(s) of office, subject to the aforesaid power of removal.

2. Review by Committee. No Improvements shall be constructed, erected, placed, planted, applied or installed upon any Unit unless plans and specifications therefor (said plans and specifications to show exterior design, height, materials, color, and location of the Improvements, and type of landscaping, fencing, walls, windbreaks and grading plan, as well as such other materials and information as may be required by the Committee), shall have been first submitted to and approved in writing by the Architectural Review Committee. The Architectural Review Committee shall exercise its reasonable judgment to the end that all Improvements conform to and harmonize with the existing surroundings, residences, landscaping and structures. In its review of such plans, specifications and other materials and information, the Architectural Review Committee may require that the applicant(s) reimburse the Committee for the actual expenses incurred by the Committee in the review and approval process. Such amounts, if any, shall be levied in addition to the Common Expense assessment against the Unit for which the request for Architectural Review Committee approval was made, but shall be subject to the Association's lien for assessments and subject to all other rights of the Association for the collection of such assessments, as more fully provided in this Declaration.

3. Design Guidelines; procedures.

(a) The Architectural Review Committee, all Unit Owners, and all other Persons who submit a request(s) for architectural approval or otherwise deal with Architectural Review Committee, at any time, shall comply with the requirements and provisions of the Submittal Requirements and General Design Guidelines, attached hereto as Exhibit C and incorporated herein by this reference, as amended and supplemented from time to time ("Design Guidelines"). To the extent that any of the provisions of this Article V conflict with or vary from any of the provisions of the Design Guidelines, the terms and provisions of the Design Guidelines shall control and govern the rights and responsibilities of the Architectural Review Committee, all Unit Owners and all other Persons. Notwithstanding attachment of the Design Guidelines as Exhibit C, the Design Guidelines may at any time and from time to time be repealed, amended, supplemented or otherwise changed by the Executive Board in accordance with Article XII hereof.

(b) Except as otherwise provided in the Design Guidelines from time to time, the terms and provisions of this Article V concerning applications for architectural approval submitted to the Architectural Review Committee shall govern the rights and responsibilities of the Architectural Review Committee and any applicant or other Person having any dealings therewith.

(c) The Architectural Review Committee shall approve or disapprove all requests for approval within thirty (30) days after the complete submission of the plans, specifications and other materials and information which the Committee may require in conjunction therewith. If the Architectural Review Committee fails to approve or disapprove any request within thirty (30) days after the complete submission of the plans, specifications, materials and other information with respect thereto, approval shall not be required and this Article shall be deemed to have been fully complied with.

4. Vote and Appeal. A majority vote of the Architectural Review Committee is required to approve a request for approval pursuant to this Article, unless the Committee has appointed a representative to act for it, in which case the decision of such representative shall control. In the event a representative acting on behalf of the Architectural Review Committee approves or denies a request for architectural approval, any Unit Owner shall have the right to an appeal of such decision to the full Committee, upon a request therefor submitted to the Committee within thirty (30) days after such approval or denial by the Committee's representative.

5. Records. The Architectural Review Committee shall maintain written records of all applications submitted to it and all actions taken by it thereon, and such records shall be available to Members for inspection at reasonable hours of the business day.

6. Liability. The Architectural Review Committee and the members thereof, as well as any representative of the Committee appointed to act on its behalf, shall not be liable in damages to any person submitting requests for approval or to any Unit Owner by reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove, in regard to any matter within its jurisdiction hereunder.

7. Variance. The Architectural Review Committee may grant reasonable variances or adjustments from any conditions and restrictions imposed by this Article or Article IX hereof, in order to overcome practical difficulties or prevent unnecessary hardships arising by reason of the application of any such conditions and restrictions. Such variances or adjustments shall be granted only in case the granting thereof shall not be materially detrimental or injurious to the other property or improvements in the neighborhood and shall not militate against the general intent and purpose hereof.

8. Waivers. The approval or consent of the Architectural Review Committee, any representative thereof, or the Executive Board, to any application for architectural approval shall not be deemed to constitute a waiver of any right to withhold or deny approval or consent by the Committee, any representative thereof, or the Executive Board, as to any application or other matters whatsoever as to which approval or consent may subsequently or additionally be required.

ARTICLE VI
INSURANCE

1. Insurance. The Association may maintain insurance in connection with parcels of real property which the Association has an obligation to maintain, repair and/or reconstruct. The Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, and the cost of said coverage shall be paid by the Association as Common Expenses. Notwithstanding any of the specific insurance requirements specified in this Article, the Association may also consider, in determining the types and amount of insurance it needs to obtain, the then-existing requirements of any of the Agencies with respect to their insurance, guaranty, or purchase of Security Interests.

(a) A policy of casualty insurance covering all building improvements which the Association has the duty to repair and/or reconstruct, except for land, foundation, excavation and other matters normally excluded from coverage, in an amount not less than necessary to comply with any co-insurance percentage stipulated in the insurance policy. Further, said policy shall contain a "Replacement Cost Endorsement" providing that any claim will be settled on a full replacement cost basis without deduction for depreciation, and include an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement". Such insurance as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

i. loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and

ii. such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available.

(b) A comprehensive policy of public liability insurance covering parcels of real property which the Association has the obligation to maintain, repair and/or reconstruct, insuring the Association in an amount not less than One Million Dollars ($1,000,000.00) per occurrence and Two Million Dollars ($2,000,000) in aggregate covering bodily injury, including death to persons, personal injury and property damage liability arising out of a single occurrence. Such coverage shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of all parcels of real property for which the Association has the obligation to maintain, repair and/or reconstruct, legal liability arising out of lawsuits related to employment contracts of the Association, and protection against liability for non-owned and hired automobiles. Such coverage may also include, if applicable, comprehensive automobile liability insurance, garage keeper's liability, liability for property of others, host liquor liability, water damage liability, contractual liability, workmen's compensation insurance for employees of the Association, and such other risks as shall customarily be required by private institutional mortgage investors with respect to projects similar in construction, location and use.

(c) A policy providing comprehensive fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and/or any independent contractor employed by the Association for the purpose of managing the Common Interest Community, in an amount at least equal to the estimated maximum of funds, including

maintenance reserves, in the custody of the Association at any given time; provided, however, that such fidelity coverage or fidelity bonds shall not be in an amount less than two (2) months aggregate assessments on the Units, plus such reserve funds as calculated from the current budget of the Association. The Association may carry fidelity insurance in amounts greater than required hereinabove and may require any independent contractor employed for the purposes of managing the Common Interest Community to carry more fidelity insurance coverage than required hereinabove. Such fidelity coverage or bonds shall meet the following requirements:

i. all such fidelity coverage or bonds shall name the Association as an obligee;

ii. such fidelity coverage or bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

In the event the Association has delegated some or all of its responsibility for the handling of funds to a managing agent, the Association may require the managing agent to purchase, at its own expense, a policy of fidelity insurance or bonds which fully complies with the provisions of this subparagraph (c).

(d) In addition, the Association may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate, to the extent that such coverage is reasonably available, including, but not limited to, personal liability insurance to protect directors and officers of the Association from personal liability in relation to their duties and responsibilities in acting as directors and officers on behalf of the Association.

2. General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association as insured, or its designee as trustee and attorney-in-fact for all Unit Owners, and each Unit Owner shall be an insured person under such policies with respect to liability arising out of any Unit Owner's membership in the Association. The policy or policies shall contain a standard non-contributory Security Interest Holder's clause in favor of each holder of a First Security Interest and a provision that it cannot be canceled or materially altered by either the insured or the insurance company until thirty (30) days prior written notice thereof is given to the insured and each holder of a First Security Interest, insurer or guarantor of a First Security Interest. The Association shall furnish a certified copy or duplicate original of such policy or renewal thereof, with proof of premium payment and a certificate identifying the interest of the Unit Owner in question, to any party in interest, including holders of First Security Interests, upon request. Any such Unit Owner's policy shall also contain waivers of subrogation. All policies shall contain waivers of any defense based on invalidity arising from any acts or neglect of a Unit Owner where such Unit Owner is not under the control of the Association.

3. Deductibles. The Association may adopt and establish written non-discriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. No policy of insurance of which the Association or its designee is the beneficiary shall include a deductible clause in an amount which is greater than the lesser of One Thousand Dollars ($1,000.00) or one percent (1%) of the face amount of the policy.

(a) To the extent the Association settles claims for damages to real property, it shall have the authority to assess negligent Unit Owners causing such loss or benefitting from such repair or restoration all deductibles paid by the Association. In the event that more than any one (1) Unit is damaged by a loss, the Association, in its reasonable discretion, may assess each Unit Owner a pro rata share of any deductible paid by the Association.

(b) Any loss to any Unit or to any parcels of real property for which the Association has the duty to maintain, repair and/or reconstruct, which falls within the deductible portion of such policy, shall be borne by the person or entity who is responsible for the repair and maintenance of the property which is damaged or destroyed. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible may be apportioned among the parties sharing in such joint duty or may be partly or wholly borne by the Association, at the election of the Executive Board. Notwithstanding the foregoing, after notice and hearing, the Association may determine that a loss, either in the form of a deductible to be paid by the Association or an uninsured loss, resulted from the act or negligence of a Unit Owner. Upon said determination by the Association, any such loss or portion thereof may be assessed to the Unit Owner in question and the Association may collect the amount from said Unit Owner in the same manner as any assessment.

4. Insurance Trustee. The Association may authorize a representative to act for it, including any trustee or successor thereto, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance. Such insurance trustee shall act as attorney-in-fact for the purpose of administering, purchasing and maintaining insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. Said party may also receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Unit Owners and their Security Interest

Holders as their interests may appear.

5. Association Insurance as Primary Coverage. If at the time of any loss under any policy which is in the name of the Association, there is other insurance in the name of any Unit Owner and such Unit 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. A Unit Owner shall be liable to the Association for the amount of any diminution of insurance proceeds to the Association as a result of policies of insurance of a Unit Owner, and the Association may collect the amount from said Unit Owner in the same manner as any assessment. Any such Unit Owner's policy shall also contain waivers of subrogation.

6. Acceptable Insurance Companies. Each hazard insurance policy purchased by the Association must be written by a hazard insurance carrier which has a current rating by Best's Insurance Reports of B/VI or better, or a financial rating of Class V provided it has a general policy holder's rating of at least A, and is authorized by law to do business in the State of Colorado. The Association shall not obtain any policy where (a) under the terms of the insurance company's charter, bylaws, or policy, contributions or assessments may be made against the mortgagor or mortgagee's designee, or (b) under the terms of the carrier's charter, bylaws, or policy, loss payments are contingent upon action by the carrier's Board of Directors, policy holders or members, or (c) the policy includes any limiting clauses (other than insurance conditions) which could prevent mortgagees or any Unit Owner from collecting insurance proceeds.

7. Insurance to be Maintained by Unit Owners. An insurance policy issued to the Association does not obviate the need for Unit Owners to obtain insurance for their own benefit. Insurance coverage on the furnishings and other items of personal property belonging to a Unit Owner, and public liability insurance coverage on each Unit, including those portions of any Unit to be maintained by the Association, shall be the responsibility of the Unit Owner of such Unit. Unit Owners shall also be responsible for obtaining any policies of title insurance required in connection with any sale of a Unit

8. Annual Review of Insurance Policies. All insurance policies carried by the Association shall be reviewed at least annually by the Executive Board to ascertain that the coverage provided by such policies adequately covers those risks insured by the Association. Prior to obtaining any policy of fire insurance or renewal thereof, the Executive Board or the managing agent of the Association may obtain a written appraisal from a duly qualified real estate or insurance appraiser, or other Person knowledgeable as to replacement costs, which appraiser shall reasonably estimate the full replacement value of the Improvements to the insured for the purpose of determining the amount of insurance required pursuant to the provisions of this Article. Any Security Interest holder shall be furnished with a copy of such appraisal upon request.

9. Notice of Cancellation; Other Insurance. If the insurance described in Section 1 of this Article is not reasonably available, or if any policy of such insurance is canceled or not renewed without a replacement policy therefore having been obtained, the Association promptly shall cause notice of that fact to be hand delivered, or sent prepaid by United States mail, to all Unit Owners. The Association in any event may carry any other insurance it considers appropriate, including insurance on Units it is not obligated to insure, to protect the Association or the Unit Owners.

ARTICLE VII - DAMAGE OR DESTRUCTION

1. Damage or Destruction.

(a) Any portion of the Common Interest Community for which casualty insurance is required to be carried by the Association under this Declaration which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

i. The Common Interest Community is terminated;

ii. Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety; or

iii. Eighty percent (80%) of the Unit Owners, including every Unit Owner of a Unit that will not be rebuilt, vote not to rebuild.

(b) The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Common Interest Community is not repaired or replaced, the insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Common Interest Community, and except to the extent that other Persons will be distributees, the insurance proceeds attributable to Units that are not rebuilt must be distributed to the Unit Owners of those Units or to Lienholders, as their interests may appear, and the remainder of the proceeds must be distributed to all the Unit Owners or Lienholders, as their interest may appear, in proportion to the common Expense

Liability of all the Units. If the Unit Owners vote not to rebuild any Unit, that Unit's Allocated Interests are automatically reallocated upon the vote as if the Unit had been condemned as provided in Article XIII, Section 11 hereof, and the Association promptly shall prepare, execute and record an amendment to the Declaration reflecting such reallocations.

2. Use or Distribution of Insurance Proceeds. In the event of damage or destruction to all or a portion of the real property for which the Association has maintenance, repair and/or reconstruction obligations 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 damage or destruction are insufficient to repair and reconstruct the damaged or destroyed area, the Association shall levy a special assessment in the aggregate amount of such insufficiency pursuant to Article IV, Section 6 hereof, but without approval of the Unit Owners, and shall proceed to make such repairs or reconstruction. No distributions of insurance proceeds shall be made unless made jointly payable to the Unit Owners and any Security Interest Holders of their respective Units. The assessment provided for herein shall be a debt of each Unit Owner and a lien on his Unit and the Improvements thereon, and may be enforced and collected in the same manner as any assessment provided for in this Declaration.

3. Destruction of Residences on Units. If due to casualty, or for any other reason, a residence located on a Unit shall be destroyed or so damaged that the residence is no longer habitable, then the Unit Owner of such Unit shall, within a reasonable time not to exceed one hundred and twenty (120) days after the event resulting in such damage or destruction, either commence and diligently pursue repair or reconstruction of the residence or demolish the same. Demolition of a residence shall include removal of any foundation slab, basement walls and floors and regrading the Unit to a level condition. If the Owner of a Unit does not either commence repair, reconstruction or demolition activities within a reasonable time as provided hereinabove and diligently pursue the same in conformance with plans approved by the Architectural Review Committee, then the Association may, in its reasonable discretion, after providing the notice required in Article VIII, Section 2 hereof, enter upon the Unit for the purpose of demolishing the residence and landscape the Unit in conformance with approved plans. The costs related to such demolition and landscaping shall be the personal obligation of the Unit Owner of the Unit on which such work is performed and shall be subject to all of the terms and provisions applicable to assessments as provided in Article IV hereof, including, without limitation, interest, late charges and lien rights.

ARTICLE VIII - EXTERIOR MAINTENANCE

1. General.

(a) Maintenance, repair or replacement of Improvements located on all Common Elements shall be the responsibility of the Association unless such improvements have been dedicated to and accepted by the local governmental entity for the purpose of maintenance, repair or replacement or unless such maintenance, repair or replacement has been authorized by law to be performed by a special district or other municipal or quasi-municipal entity. Without limiting the generality of the foregoing, the Association shall maintain and repair the Common Elements described on the attached Exhibit B. The costs to be expended for such maintenance and repair shall, subject to Section 4 of this Article, be collected by the Association as Common Expenses pursuant to article IV hereof.

(b) The maintenance, repair and replacement of each Unit, including, but not limited to, the interior and exterior of the residence and the other Improvements constructed thereon, shall be the responsibility of the Unit Owner thereof. The Association and each Unit Owner, and their agents and contractors, are hereby granted an easement for the purpose of maintenance and repair of the Unit Owner's Unit on, over, across, under and through any adjacent Unit upon reasonable notice to the Unit Owner thereof. Any damage occurring to such adjacent Unit or the Improvements thereon in performing such repairs or maintenance shall be the responsibility of the party performing or authorizing such repairs or maintenance. The interior of any residence located on a unit shall not be subject to such easements as provided for in this Section 1.

2. Association's Right to Repair, Maintain, Restore and Demolish. In the event any Unit Owner shall fail to perform his maintenance, repair and/or reconstruction obligations in a manner satisfactory to the Executive Board, the Association may, if said failure continues for a thirty (30) day period after written notice to said Unit Owners by the Executive Board enter upon said Unit subsequent to the expiration of said thirty (30) day time period to perform any or all of such maintenance, repair or restoration or, pursuant to Article VII, Section 3 hereof, to demolish a residence. The cost of such maintenance, repair, reconstruction and/or demolition shall be the personal obligation of the Unit Owner of the Unit on which such work is performed, and shall be subject to all of the terms and provisions applicable to "assessments" as provided in Article IV hereof, including, without limitation, interest, late charges and lien rights.

3. Easement for Repairs. Each Unit Owner shall afford to the Association, and to its agents or employees, access through such

Unit Owner's Unit reasonably necessary for maintenance, repair and replacement of any Common Elements and any other property or Improvements maintained, repaired or replaced by the Association. If damage is inflicted, or a strong likelihood exists that it will be inflicted, on the Common Elements, any other property, or any Unit through which access is taken, the Association, if it is responsible for the damage or expense to avoid damage, is liable for the cost of prompt repair. Further, each Unit shall be subject to an easement in favor of the Association (including its agents, employees and contractors) for performing maintenance, repair and/or reconstruction as provided in this Article during reasonable hours after reasonable notice to the unit Owners or occupants of any affected Unit, except that in emergency situations entry upon a Unit may be made at any time provided that the Unit Owner or occupants of each affected Unit shall be warned of impending emergency entry as early as is reasonably possible. The interior of any residence located on a Unit shall not be subject to such easements as provided for in this Section 3.

4. Unit Owner's Negligence. Notwithstanding anything to the contrary contained in this Declaration, in the event that the need for maintenance, repair or reconstruction of any Common elements or other property maintained by the Association, a Unit, or any Improvements located thereon, is caused by the willful or negligent act or omission of any member of such Unit Owner's family or by a guest or invitee of such Unit Owner, the cost of such repair, maintenance, reconstruction or expense to avoid such damage shall be the personal obligation of such Unit Owner to the extent that said Unit Owner would be liable for the acts of such Persons under the laws of the State of Colorado; and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction shall be added to the assessment to which such Unit Owner's Unit is subject and shall be subject to all of the terms and provisions of Article IV of this Declaration. A determination of the negligence or willful act or omission of any Unit Owner, or any member of a Unit Owner's family or guest or invitee of any Unit Owner, and the amount of the Unit Owner's liability therefor, shall be determined by the Association at a hearing after notice to the Unit Owner, provided that any such determination which assigns liability to any Unit Owner pursuant to the terms of this Section may be appealed by said Unit Owner to a court of law.

ARTICLE IX - RESTRICTIONS

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 Units, all in order to enhance the value, desirability and attractiveness of the Units and subserve and promote the sale thereof.

2. Restrictions Imposed. This Common Interest Community is subject to the recorded easements, licenses and other matters listed on Exhibit D, attached hereto and incorporated herein by this reference. In addition, the Declarant declares that all of the Units shall be held and shall henceforth be sold, conveyed, used, improved, occupied, owned, resided upon and hypothecated, subject to the following provisions, conditions, limitations, restrictions, agreements and covenants, as well as those contained elsewhere in this Declaration.

3. Design Guidelines. The Common Interest Community, and all Units therein, shall be subject to, used and improved only in accordance with, the Design Guidelines attached hereto as Exhibit C. However, the Design Guidelines may be amended, modified, supplemented, repealed or otherwise changed, from time to time, as provided in Article V, Section 3 hereof. To the extent that any of the provisions of the Design Guidelines conflict with or vary from any of the provisions of this Article IX, the provisions of this Article IX shall control and govern the rights and responsibilities of the Association, the Unit Owners and all other persons.

4. Residential Use. Subject to Section 5 of this Article IX, Units shall be used for Residential Use Only, including uses which are customarily incident thereto, and shall not be used at any time for business, commercial or professional purposes; provided, however, that a Unit Owner may use his Unit for professional or home occupation (s) so long as the applicable zoning permits such use, there is no external evidence thereof, and no unreasonable inconvenience to other residents of the units is created thereby.

5. Contractor's Use. Notwithstanding anything to the contrary contained in this Declaration, it shall be expressly permissible and proper for to perform such reasonable activities, and to maintain upon portions of the Units such facilities as a Unit Owner deems reasonably necessary or incidental to the maintenance of the Units..

6. Household Pets. No animals, livestock, birds, poultry, reptiles or insects of any kind shall be raised, bred, kept or boarded in or on the Units; provided, however, that the Unit Owners of each Unit may keep a reasonable number of dogs, cats or other domestic animals which are bona fide household pets, so long as such pets are not kept for any commercial purpose and are not kept in such number or in such manner as to create a nuisance to any resident of the Units. A Unit Owner's right to keep household pets shall be coupled with the responsibility to pay for any damage caused by such pets, as well as any costs incurred by the Association as a result of such pets, and any such costs and damages shall be subject to all of the Association's rights with respect to the collection and enforcement of assessments as provided in Article IV hereof.

7. Temporary Structures; Unsightly Conditions. Except as hereinafter provided, no structure of a temporary character, including, but not limited to, a house trailer, tent, shack, storage shed, or outbuilding shall be placed or erected upon any Unit; provided, however, that during the actual construction, alteration, repair or remodeling of a structure or other Improvements, necessary temporary structures for storage of materials may be erected and maintained by the Person doing such work. The work of constructing, altering or remodeling any structure or other Improvements shall be prosecuted diligently from the commencement thereof until the completion thereof.

8. Miscellaneous Improvements.

(a) No advertising or signs of any character shall be erected, placed, permitted, or maintained on any Unit other than a name plate of the occupant and a street number, and except for a "For Sale", "Open House" or "For Rent" sign of not more than five (5) square feet.
(b) No clotheslines, drying yards, service yards, wood piles, storage areas or other Improvements shall be so located on any Unit as to be visible from a street.

(c) No types of refrigerating, cooling or heating apparatus shall be permitted, except when appropriately screened and approved by the Architectural Review Committee.

(d) Except as may otherwise be permitted by the Architectural Review Committee, no exterior radio antenna, television antenna, or other antenna, satellite dish, or audio or visual reception device of any type shall be placed, erected or maintained on any Unit, except inside a residence or otherwise concealed from view.

(e) No wind generators of any kind shall be constructed, installed, erected or maintained on the Units

(f) No fences or other exterior Improvements shall be constructed, installed, erected or maintained on any Unit unless approved by the Architectural Review Committee and except such fences, in such locations, as were installed or permitted to be installed in the construction of Improvements on the Units.

9. Vehicular Parking, Storage and Repairs.

(a) No house trailer, camping trailer, boat trailer, hauling trailer, boat, or accessories thereto, truck (larger than 3/4 ton), self-contained motorized recreational vehicle, or other type of recreational vehicle or equipment, may be parked or stored on the Units unless such parking or storage is within the garage area of any Unit or suitable screened from view (including the view from an adjacent Unit) in accordance with the requirements of the Architectural Review Committee, except that any such vehicle may be otherwise parked as a temporary expedient for loading, delivery, or emergency. This restriction, however, shall not restrict trucks or other commercial vehicles which are necessary for construction or for the maintenance of the Units or any Improvements located thereon.

(b) Except as hereinabove provided, no abandoned or inoperable automobiles or vehicles of any kind shall be stored or parked on any Unit. An "abandoned or inoperable vehicle" shall be defined as any automobile, truck, motorcycle, or other similar vehicle, which has not been driven under its own propulsion for a period of one (1) week or longer, or which does not have an operable propulsion system installed therein; provided, however, that otherwise permitted vehicles parked by Unit Owners while on vacation (for a maximum of two (2) weeks) or during a period of illness shall not be deemed to be abandoned.

(c) In the event the Association shall determine that a vehicle is parked or stored on any Unit in violation of subsections (a) or (b) of this Section, then a written notice describing said vehicle shall be personally delivered to the owner thereof (if such owner can be reasonable ascertained) or shall be conspicuously placed upon the vehicle (if the owner thereof cannot be reasonably ascertained), and if the vehicle is not removed within a reasonable time thereafter, as determined by the Association in its discretion from time to time, the Association shall have the right to remove the vehicle at the sole expense of the owner thereof.

(d) No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting or servicing of any kind of vehicles, trailers or boats, may be performed or conducted on any Unit unless it is done within completely enclosed structure(s) 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, motor-driven cycle, or other vehicle, together with those activities normally incident and necessary to such washing and polishing.

10. Nuisances. No nuisance shall be permitted on any Unit nor any use, activity or practice which interferes with the peaceful enjoyment or possession and proper use of any Unit, or any portion thereof, by its residents. No noxious or offensive activity shall

be carried on upon any Unit nor shall anything be done or placed on any Unit which is or may become a nuisance or cause embarrassment, disturbance or annoyance to others. Further, no unlawful use shall be permitted or made of any Unit or any portion thereof. All laws, ordinances and regulations of all governmental bodies having jurisdiction over the Units, or any portion thereof, shall be observed.

11. No Hazardous Activities. No activities shall be conducted on any Unit or within Improvements constructed on any Unit which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any Unit and no open fires shall be lighted or permitted on any Unit except in a contained barbecue unit while attended and in use for cooking purposes within an interior fireplace.

12. No Annoying Sounds or Odors. No sound shall be emitted from any Unit which is unreasonably loud or annoying; and no odor shall be permitted from any Unit which is noxious or offensive to others.

13. Restrictions on Trash and Materials. No refuse, garbage, trash, lumber, grass, shrubs or tree clippings, plant waste, metal, bulk materials, scrap or debris of any kind shall be kept, stored, or allowed to accumulate on any Unit unless placed in a suitable container suitably located solely for the purpose of garbage pickup. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. No garbage or trash cans or receptacles shall be maintained in an exposed or unsightly manner.

14. Minor Violations of Setback Restrictions. If upon the erection of any structure, it is disclosed by survey that a minor violation or infringement of setback lines has occurred, such violation or infringement shall be deemed waived by the Unit Owners of each unit immediately adjoining the structure which is in violation of the setback, and such waiver shall be binding upon all other Unit Owners. However, nothing contained in this Section shall prevent the prosecution of a suit for any other violation of the restrictions, covenants, or other provisions contained in this Declaration. A "minor violation", for the purpose of this Section, is a violation of not more than four (4) feet beyond the required setback lines or Unit lines. This provision shall apply only to the original structures and shall not be applicable to any alterations or repairs to, or replacements of, any of such structures.

15. Rules and Regulations. Rules and regulations concerning and governing the units and/or this Common Interest Community may be adopted, amended or repealed from time to time by the Executive Board; and the Executive Board may establish and enforce penalties for the infraction thereof, including, without limitation, the levying and collecting of fines for the violation of any of such rules and regulations.

16. Units to be Maintained. Each Unit shall at all times be kept in a clean and sightly condition by the Unit Owner of the Unit. No trash, litter, junk, boxes, containers, bottles, cans, implements or machinery shall be permitted to remain upon any Unit except provided in Section 13 of this Article.

17. Leases. The term "lease", as used herein, shall include any agreement for the leasing or rental of a Unit, or any portion thereof, and shall specifically include, without limitation, month-to-month rentals and subleases. Any Unit Owner shall have the right to lease his Unit, or any portion thereof, under the following conditions:

(a) All leases shall be in writing, and a copy of the lease delivered to the Executive Board or the Association's managing agent, if any; and

(b) All leases shall provide that the terms of the lease and lessee's occupancy of the leased premises shall be subject in all respects to the provisions of this Declaration, and the Articles of Incorporation, Bylaws and rules and regulations of the Association; and that any failure by the lessee to comply with any of the aforesaid documents, in any respect, shall be a default under the lease; and

(c) No lease shall be for less than six (6) months.

18. Management Agreements and Other Contracts. Any agreement for professional management of the Association's business or other contract providing for the services of the Declarant shall have a maximum term of three (3) years and any such agreement shall provide for termination by either party thereto, with or without cause and without payment of a termination fee, upon not more than ninety (90) days' prior written notice.

19. Maintenance of Grade and Drainage. Each Unit Owner shall maintain the grading upon his Unit, and the Association shall maintain the grading upon such real property which the Association has a duty to maintain, at the slope and pitch fixed by the final grading thereof, including landscaping and maintenance of the slopes. Each Unit Owner and the Association agree, for themselves and their successors and assigns, that they will not in any way interfere with the established drainage pattern over any real

property which they have a duty to maintain, from adjoining or other real property. In the event that it is necessary or desirable to change the established drainage over any Unit or other real property which a Unit Owner or the Association has a duty to maintain, then the party responsible for the maintenance of such real property shall submit a plan to the Architectural Review Committee for its review and approval, in accordance with the provisions of Article V of this Declaration. For purposes of this Section, "established drainage" is defined as the drainage which exists at the time final grading of a Unit is completed.

20. Use of Common Elements. An easement is hereby granted to contractors through the Common Elements as may be reasonably necessary for the purpose of discharging any of a Unit Owner's obligations. Subject to the immediately preceding sentence:

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

(b) No Unit Owner shall engage in any activity which will temporarily or permanently deny free access to any part of the Common Elements to all Members, nor shall any Unit Owner place any structure whatsoever upon the Common Elements.

(c) The use of the Common Elements shall be subject to such rules and regulations as may be adopted from time to time by the Executive Board.

(d) No use shall ever be made of the Common Elements which will deny ingress and egress to those Unit Owners having access to their Units only over Common Elements, and the right of ingress and egress to said Units is hereby expressly granted.

ARTICLE X - OTHER EASEMENTS

1. Easement For Encroachments. To the extent that any Unit or Common Element encroaches on any other Unit or common Element, a valid easement for the encroachment exists, if such encroachment exists before January 1, 1997. The easement does not relieve a Unit Owner of liability in case of willful misconduct nor relieve a Declarant or any other Person of liability for failure to adhere to the plans and maps.

2. Easements Deemed Created. All conveyances of any Unit hereafter made shall be construed to grant and reserve the easements contained in this Article even though no specific reference to such easements or to this Article appears in the instrument of such conveyance.

ARTICLE XI - PROPERTY RIGHTS IN THE COMMON ELEMENTS

1. Unit Owners' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article XI, every Unit Owner shall have a non-exclusive right and easement for the purpose of access to their Units and for all other purposes, in and to the Common Elements, and such easement shall be appurtenant to and shall pass with the title to every Unit.

2. Extent of Unit Owners' Easements. This rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Elements and to mortgage said property as security for any such loan; provided, however, that the Association may not subject any portion of the Common Elements to a Security Interest unless such is approved by Members casting at least eighty percent (80%) of the votes in the Association, including eighty percent (80%) of the votes allocated to Units not owned by the Declarant; or

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Elements against foreclosure; and

(c) The right of the Association to promulgate and publish rules and regulations with which each Member shall strictly comply, including, but not limited to, the right of the Association to regulate and/or restrict vehicular parking and Improvements; and

(d) The right of the Association, as provided in its Articles and Bylaws, to suspend the voting rights of a Member for any period during which any assessment against his Unit remains unpaid and, for a period not to exceed sixty (60) days, for any infraction of the Association Bylaws or its rules and regulations; and

(e) The right of the Association to dedicate or transfer all or any part of the Common Elements owned by the Association to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such dedication or transfer shall be effective unless first approved by the Members entitled to cast at least eighty percent (80%) of the votes in the Association, and unless written notice of the proposed agreement and the proposed dedication or transfer is sent to every Member at least thirty (30) days in advance of any action taken. Notwithstanding the foregoing, the granting of permits, licenses and easements for public utilities, roads or for other purposes reasonably necessary or useful for the proper maintenance or operation of the Property shall not be deemed a transfer within the meaning of this subsection (e); and

(f) The right of the Association, through its Executive Board, to enter into, make, perform or enforce any contracts, leases, agreements, licenses, easements and rights-of-way, for the use of real property or Improvements by Unit Owners, other persons, their family members, guests and invitees, for any purpose (s) the Board may deem to be useful, beneficial or otherwise appropriate; and

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

3. Delegation of Use. Any Unit Owner may delegate his right of enjoyment to the Common Elements and facilities to the members of his family, his tenants or contract purchasers who reside on his Unit.

4. Payment of Taxes or Insurance by Holders of First Security Interest. Holders of First Security Interests shall have the right, jointly or singly, to pay taxes or other charges or assessments which are in default and which may or have become a lien against the Common Elements and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Elements, and any holders of First Security Interests making any such payments shall be owed immediate reimbursement therefor from the association.

ARTICLE XII - POWERS OF THE ASSOCIATION

1. Approval by Members. Notwithstanding any other provision of this Declaration to the contrary, except and subject to Article XIII, Section 4 hereof, the Association shall not:

(a) unless it has obtained the prior written consent of the Members casting at least sixty-seven percent (67%) of the votes in the Association:

i. by act or omission, change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of residences, exterior maintenance of Units or residences, the maintenance of Common Elements and the upkeep of lawns and plantings in the Property;

ii. fail to maintain fire and extended coverage insurance on insurable Common Elements on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost);

iii. use hazard insurance proceeds for property losses in the Common Elements for purposes other than to repair, replace or reconstruct such property;

iv. by act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer any Common Elements owned, directly or indirectly, by the Association for the benefit of the Unit Owners (excluding the granting of permits, licenses and easements for public utilities, roads or other purposes reasonably necessary or useful for the proper maintenance or operation of the Common Interest Community or the Association); or

v. change the method of determining the obligations, assessments, dues or other charges which may be levied against a Unit Owner.

(b) Unless it has obtained the prior written consent of at least sixty-seven percent (67%) of the total allocated votes in the Association, amend any material provision of this Declaration, the Articles of Incorporation or Bylaws of the Association. A change in any of the following shall be considered to be material:

i. voting rights;

ii. assessments, assessment liens or subordination of such liens;

iii. reserves for maintenance, repair and replacement of those Common Elements which must be maintained, repaired or replaced on a periodic basis;

iv. responsibility for maintenance and repair of any portion of the Common Interest Community;

v. rights to use of the Common Elements;

vi. boundaries of any Unit;

vii. convertibility of Units into Common Elements or of Common Elements into Units;

viii. expansion or contraction of the Common Interest Community or the addition, annexation or withdrawal of property to or from the Common Interest Community;

ix. insurance, including, but not limited to, fidelity bonds;

x. leasing of Units or dwellings constructed thereon;

xi. imposition of any restriction on the right of any Unit Owner to sell or transfer his Unit;

xii. any decision by the Association to assume self-management of the Association, when professional management has previously been required by any holder of a First Security Interest or any insurer or guarantor of a First Security Interest;

xiii. any restoration or repair of the Common Interest Community after a partial condemnation or damage due to an insurable hazard, other than substantially in accordance with this Declaration, the Articles of Incorporation and Bylaws of the Association;

xiv. any action to terminate the legal status of the Common Interest Community after substantial destruction or condemnation; or

xv. any provisions which are for the express benefit of holders of First Security Interests, or insurers or guarantors of First Security Interests.

2. Notice of Action. Upon written request to the Association, identifying the name and address of the holder of a First Security Interest or insurer or guarantor of the First Security Interest and the residence address of the property which is subject to such First Security Interest, each holder of a First Security Interest, or insurer or guarantor of a First Security Interest, shall be entitled to timely written notice of:

(a) any condemnation loss or casualty loss which affects a material portion of the Common Interest Community or any Unit subject to a First Security Interest held, insured or guaranteed by such holder, insurer or guarantor of a First Security Interest;

(b) any delinquency in the payment of assessments or charges owed to the Association by the Unit Owner of the Unit subject to a First Security Interest held, insured or guaranteed by such holder, insurer or guarantor, or any default by such Unit Owner in any obligation under the Declaration, Articles of Incorporation or Bylaws of the Association if and when the Executive Board of the Association has actual knowledge of such default, and such delinquency or default remains uncured for a period of sixty (60) days;

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

(d) any proposed action which would require the consent of specified percentage of holders of First Security Interests as provided in this Article.

ARTICLE XIII - GENERAL PROVISIONS

1. Enforcement. Enforcement of the covenants, conditions, restrictions, easements, reservations, rights-of-way, liens, charges and other provisions contained in this Declaration, the Articles of Incorporation, Bylaws or rules and regulations of the Association, as amended, may be initiated by any proceeding at law or in equity against any Person (including, without limitation, the Association) violating or attempting to violate any such provision. The Association and any aggrieved Unit Owner shall have the

right to institute, maintain and prosecute any such proceedings, and the Association shall further have the right to levy and collect fines for the violation of any provision of any of the aforesaid documents. In any action instituted or maintained under this Section, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto, as well as any and all other sums awarded by the Court. Failure by the Association or any Unit Owner to enforce any covenant, restriction or other provision herein contained, or any other provision of any of the aforesaid documents, shall in no event be deemed a waiver of the right to do so thereafter.

2. Severability. All provisions of the Declaration, the Articles of Incorporation and Bylaws of the Association are severable. Invalidation of any of the provisions of any such documents, by judgment, court order or otherwise, shall in no way affect or limit any other provisions which shall remain in full force and effect.

3. Conflict of Provisions. In case of any conflict between the Act and this Declaration, the Articles of Incorporation or Bylaws of the Association, the Act shall control. In case of any conflict between this Declaration, the Articles of Incorporation or Bylaws of the Association, the Articles of Incorporation shall control.

4. Duration, Revocation, and Amendment.

(a) Each and every provision of this Declaration 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 otherwise provided in this Declaration, this Declaration may be amended during the first twenty (20) year period, and during subsequent extensions thereof, by a note or agreement of Owners of Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated.

(b) No action to challenge the validity of an amendment adopted by the Association pursuant to this Section may be brought more than one (1) year after the amendment is recorded.

(c) Every amendment to the Declaration must be recorded in every county in which any portion of the Common Interest Community is located, and is effective only upon recordation.

(d) Except to the extent expressly permitted or required by other provisions of this Declaration, no amendment may create or increase Special Declarant Rights, increase the number of Units, or change the boundaries of any Unit or the allocated Interests of a Unit, or the uses to which any Unit is restricted, in the absence of unanimous consent of the Unit Owners.

(e) Amendments to the Declaration that are required by this Declaration to be recorded by the Association shall be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation by the president of the Association.

5. Registration of Mailing Address. Each Unit Owner and each Security Interest Holder, insurer or guarantor of a Security Interest, shall register his mailing address with the Association, and except for annual statements and other routine notices, all other notices or demands intended to be served upon a Unit Owner, or upon a Security Interest Holder, insurer or guarantor of a Security Interest, shall be sent by either registered or certified mail, postage prepaid, addressed in the name of such person or entity at such registered mailing address. However, if any Unit Owner fails to notify the Association of a registered address, then any notice or demand may be delivered or sent, as aforesaid, to such Unit owner at the address of such Unit Owner's Unit. All notices, demands, or other notices intended to be served upon the Executive Board or the Association shall be sent by registered or certified mail, postage prepaid, to the Secretary ofthe Association.

6. Description of Units. It shall not be necessary to use the term "unit" as a part of the legally sufficient description of a Unit.

7. Termination of Common Interest Community. The Common Interest Community may be terminated only in accordance with the provisions of the Act.

8. Transfer of Special Declarant Rights. A Special Declarant Right created or reserved under this Declaration may be transferred only by an instrument evidencing the transfer recorded in every county in which any portion of the Common Interest Community is located.

10. Eminent Domain.

(a) If a Unit is acquired by eminent domain or part of a Unit is acquired by eminent domain leaving the Unit Owner with a remnant which may not practically or lawfully be used for any purpose permitted by this declaration, the award must include compensation to the Unit Owner for that Unit and its Allocated Interests whether or not any common Elements are acquired. Upon acquisition, unless the decree otherwise provides, that Unit's Allocated Interests are automatically reallocated to the remaining Units before the taking. Any remnant of a unit remaining after part of a Unit is taken under this subsection (a) is thereafter Common Elements.

(b) Except as provided in subsection (a) of this Section, if part of a Unit is acquired by eminent domain, the award must compensate the Unit Owner for the reduction in value of the Unit and its interest in the common Elements whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides:

i. That Unit's Allocated Interests are reduced in proportion to the reduction in the size of the Unit or on any other basis specified in this Declaration; and

ii. The portion of Allocated Interests divested from the partially acquired Unit is automatically reallocated to that Unit and to the remaining Units in proportion to the respective interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced Allocated Interests.

(c) If part of the Common Elements is acquired by eminent domain, that portion of any award attributable to the Common Elements taken must be paid to the Association. For the purposes of acquisition of a part of the Common Elements, service of process on the Association shall constitute sufficient notice to all Unit Owners, and service of process on each individual Unit Owner shall not be necessary.

(d) The court decree shall be recorded in every county in which any portion of the Common Interest Community is located.

(e) The reallocations of allocated Interests pursuant to this Section shall be confirmed by an amendment to the Declaration prepared, executed, and recorded by the Association.

10. Association as Trustee. With respect to a third person dealing with the Association in the Association's capacity as a trustee, the existence of trust powers and their proper exercise by the Association may be assumed without inquiry. A third person is not bound to inquire whether the Association has the power to act as trustee or is properly exercising trust powers. A third person, without actual knowledge that the Association is exceeding or improperly exercising its powers, is fully protected in dealing with the Association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the Association in its capacity as trustee.

11. Dedication of Common Elements. Declarant in recording this Declaration of Covenants, Conditions and Restrictions has designated certain areas of land as Common Elements intended for the common use and enjoyment of Unit Owners for recreation and other related activities. The Common Elements is not dedicated hereby for use by the general public but is dedicated to the common use and enjoyment of the Unit Owners as more fully provided in this Declaration.