

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TOWNHOMES AT LORSON RANCH**

This Declaration of Covenants, Conditions and Restrictions for Townhomes at Lorson Ranch ("Declaration") is made as of June 2, 2010 by Lorson LLC, a Colorado limited liability company ("Declarant").

BACKGROUND AND PURPOSE

Declarant is the record owner of real property legally described in **Exhibit A** attached hereto and incorporated by reference (the "Property"). The Property is within a larger development known as Lorson Ranch, located in El Paso County, Colorado.

This Declaration is executed and recorded (a) in furtherance of a common and general plan for the residential land within Townhomes at Lorson Ranch; (b) to protect and enhance the quality, value, desirability and attractiveness of all residential property within Townhomes at Lorson Ranch; (c) to provide for design review and covenant enforcement for residential property within Townhomes at Lorson Ranch; and (d) to define duties, powers and rights of Declarant, the owners of residential property within Townhomes at Lorson Ranch. The Declarant further declares that the Project shall be created pursuant to the Colorado Common Interest Ownership Act (C.R.S. 38-33.3-101 et seq.) and any amendments, repeals or modifications of that Act (hereinafter called "CCIOA").

The Lorson Ranch Metropolitan District No. 1 ("District No. 1"), as well as Lorson Metropolitan District Nos. 2, 3, 4, 5, 6, and 7, (collectively referred to herein as the "Districts"), have been formed as special districts in accordance with the Special District Act, Section 32-1-101, *et seq.*, Colorado Revised Statutes. District No. 1 and the Districts are authorized under the Act to enforce covenants and provide design review services pursuant to Section 32-1-1004 (8), Colorado Revised Statutes. The overall authority and powers of District No. 1 and the Districts are set forth in the Consolidated Service Plan for Lorson Ranch Metropolitan District Nos. 1-7 approved by the El Paso County Board of Commissioners on September 2, 2004, by Resolution number 04-366, recorded on September 3, 2004 at Reception No. 204150548 in the records of El Paso County. This Service Plan was amended to provide Fire Protection and approved by the El Paso County Board of Commissioners on May 24, 2007 by Resolution number 07-223, recorded on July 17, 2007 at Reception No. 207095523 in the records of El Paso County.

It is the intention of Declarant, in imposing this Declaration on the Property, to empower District No. 1, through its Board of Directors, to provide design review and covenant enforcement services for the Property until such time as District No. 1 delegates such authority either to Lorson Ranch Metropolitan District No. 2, 3, 4, 5, 6 or 7, or to an owners association in accordance with this Declaration, or to continue to provide such services for the Property if such authority is not so delegated, or after delegation the empowered body does not adhere to this Declaration or the Declaration for District 1.

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DECLARATION

NOW, THEREFORE, Declarant, for itself, its successors and assigns, hereby declares that the Property is and shall henceforth be owned and conveyed subject to the following uniform covenants, conditions and restrictions in furtherance of a general plan for the subdivision, ownership, improvement, sale, use and occupancy of the Property, and to enhance the value, desirability and attractiveness of Townhomes at Lorson Ranch. This Declaration is intended to and shall run with the land and shall be binding on all persons having or acquiring any interest in the Property or any part thereof; shall inure to the benefit of and be binding upon every part of the Property and every interest therein; and shall inure to the benefit of, be binding upon and be enforceable by Declarant, the Districts, their successors in interest, owners associations within Lorson Ranch that have been delegated such enforcement authority, and each Owner and such Owner's successors in interest.

ARTICLE I

DEFINITIONS

The terms used herein shall have the meanings stated in the CCIOA, except as otherwise provided herein:

1.1 Association

"Association" shall mean and refer to Townhomes at Lorson Ranch Owners Association, a Colorado Non-Profit Corporation, which has been or shall be organized under the laws of the State of Colorado, its successors and assigns.

1.2 Builder

"Builder" shall mean any Person purchasing a Lot for the purpose of constructing a Townhome to be sold to an Owner, or any Person hired by an Owner to construct a Townhome on the Owner's Lot.

1.3 Board

"Board" means the Board of Directors of the Association and shall also be the "executive board" as defined under the CCIOA. Except as specified herein, or in the Association's Articles of Incorporation or Bylaws or C.R.S. 38-33.3-303(3) or other provisions of CCIOA, the Board may act on behalf of the Association without any vote or consent of the members.

1.4 District Board

"District Board" shall mean the board of directors of a District.

1.5 District No. 1

"District No. 1" shall mean Lorson Ranch Metropolitan District No. 1 and any Person to which Lorson Ranch Metropolitan District No. 1 specifically assigns all or a portion of its rights or obligations under this Declaration by written agreement; and its successors and assigns. A successor to Lorson Ranch Metropolitan District No. 1 by consolidation or merger shall automatically be deemed a successor or assign of Lorson Ranch Metropolitan District No. 1 under this Declaration.

1.6 District No. 1 Board

"District No. 1 Board" shall mean the board of directors of District No. 1.

1.7 District Properties

"District Properties" shall mean all real and personal property, together with any Improvements and appurtenances and rights thereto, now or hereafter owned, leased or maintained by a District. District Properties may include, without limitation, parks and open space within the Property, public trails, landscaping and related structures along public rights of way, entry signage and features, public walkways and trails.

1.8 Owner

"Owner" means any person, corporation, partnership, Association, contract sellers or other legal entity or any combination thereof, 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 Veterans Affairs is seller, whether recorded or not, and whether owned by said Administrator or its 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. This term shall have the same meaning as "unit Owner" under the CCIOA.

1.9 Property

"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 and shall include any real property which is hereafter annexed to the Project pursuant to Article X hereof.

1.10 Expansion Property

"Expansion Property" shall mean and refer to any part of that certain real property described on Exhibit "A" (Tract F) 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.

1.11 Common Area

"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 or District, but excluding the Lots, together with all improvements and property thereon and shall include any Common Area located upon any real property which is hereafter annexed to the Project pursuant to Article X hereof. Any reference hereafter with regards to ownership of common area shall be interpreted as being owned by either the Association or District. Notwithstanding any contrary provision, any items described in C.R.S. 38-33.3-202 and, by illustration, any of the following: parking spaces, carports, shutters, awnings, window boxes, fenced areas, doorsteps, balconies, porches, chimneys, utility lines, glass, foundations, doors, windows, garage doors and all structural components of doors, windows and garage doors, porches, patios, entryways, stairs, or decks leading solely to a Townhome, and they shall be kept in good repair and cleaned, whether located upon the Common Area or upon any Lot or any other part of the Property, may be

assigned or allocated as a "Limited Common Area" by the Declarant for the exclusive use of the Owners of the Townhomes to which they are assigned, allocated or attached, and they shall be repaired, maintained, or replaced as needed or requested, cleaned and kept in good appearance by such Owners, rather than by the Association as a common expense, except as provided in Article V, Section 5.1(a) hereof; any such allocation may be done by plat, surveyor's statement or any document recorded by the Declarant or by the Association after the Period of Declarant Control. These terms shall have the same meaning as "common elements" and "limited common elements" under the CCIOA and may be reallocated pursuant to C.R.S. 38-33.3-208 and 205(1)(g).

1.12 Lot

"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 and shall include any Lot located upon any real property which is hereafter annexed to the Project pursuant to Article X hereof. This term shall have the same meaning as "unit" under the CCIOA. The boundaries of any Lot may be relocated pursuant to C.R.S. 38-33.3-212. The boundaries of the Lots shall be shown on any recorded plat of the Property which shall be incorporated herein by this reference.

1.13 Declaration

"Declaration" means this Declaration as contained herein and as it may be amended or supplemented from time to time as herein provided, which shall be indexed in the grantee's index in the name of the Project and the Association and in the grantor's index in the name of the Declarant executing the Declaration. A copy of the Declaration shall be delivered to the assessor of the county in which the Property is located, after recording.

1.14 Declarant

"Declarant" shall mean and refer to Lorson LLC, a Colorado limited liability company, its agents, employees, contractors, successors and assigns to whom he expressly transfers all or any part of its rights as Declarant hereunder, in compliance with C.R.S. 38-33.3-304. The Declarant hereby reserves any and all "special Declarant rights" and "development rights" as created or set forth in the CCIOA and any others rights as set forth herein. Any such rights shall apply to the Property and Expansion Property and shall terminate as otherwise provided herein. The "Period of Declarant Control" means that period during which the Declarant, or persons designated by Declarant, may appoint and remove the officers and members of the Board as set forth in Article III hereof.

1.15 Member

"Member" shall mean and refer to every person or entity subject to assessments with the exception of the Declarant who holds membership in the Association or, following termination of the Project, of all former unit Owners entitled to distributions of proceeds under C.R.S. 38-33.3-218, or their heirs, personal representatives, successors or assigns.

1.16 Mortgage

"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 include a "security interest" as defined by the CCIOA. 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.

1.17 First Mortgage

"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 Mortgage" means a mortgagee whose encumbrance is a First Mortgage.

1.18 Mortgagee

"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 its 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.

1.19 Project

"Project" means all of the Property, together with improvements and rights, and improvements located on the Property and all rights, easements and appurtenances belonging thereto, and shall include any real property subsequently annexed or added to the Project. This term shall have the same meaning as "common interest community" and "planned community" under the CCIOA. The Project is described on the recorded plat which is described on Exhibit "A" attached hereto and which is incorporated herein by this reference; the plat shall comply with C.R.S. 38-33.3-209.

1.20 Architectural Control Committee

"Architectural Control Committee" shall mean the committee of three or more persons appointed by the Declarant or Association.

1.21 Townhome

"Townhome" shall mean the residential dwelling improvement constructed and located upon a Lot, which improvement may also be called a Townhome and shall include any Townhome which is hereafter annexed to the Project pursuant to Article X hereof.

1.22 Owner's Proportionate Share or Proportionate Interest

"Owner's Proportionate Share" or "Proportionate Interest" means that percentage of the total which is equal to such Owner's fractional or percentage interest as set forth in Exhibit "A" on a lot by lot basis attached hereto and incorporated herein by this reference and which is subject to adjustment in the event that the Project is expanded as herein provided. The percentage shall be based upon a comparison of the approximate square footages of finished living areas of each

Townhome as determined by the Declarant in its sole discretion. These terms shall have the same meaning as "allocated interest" under the CCIOA.

1.23 Improvements

"Improvements" shall mean and refer to all structures and any appurtenances thereto or components thereof of every type or kind, including, but not limited to, buildings, patio covers, awnings, painting or other finish material of any exterior surfaces of any visible structure, additions, walkways, bicycle and/or pedestrian trails, sprinkler pipes, garages, carports, roads, driveways, parking areas, concrete, paving, fences, screening walls, retaining walls, stairs, decks, fixtures, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, mailboxes, solar equipment, satellite dishes and any alterations, changes or modifications to the foregoing. "Improvements" shall also mean an excavation or fill the volume of which exceeds two cubic yards, and any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the natural flow of surface waters upon or across any Lot, or which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel upon or across any Lot.

1.24 Maintenance Area

"Maintenance Area" shall mean and refer to that area shown by way of illustration by Exhibit "A" (Tracts A through F) attached hereto and incorporated herein by this reference. In general, the Maintenance Area shall be those parts of any Lot located outside the exterior building surfaces of a Townhome, including by illustration the landscaping, sprinkler system, common sidewalk, common parking, utility lines or other improvements so located. The Maintenance Area shall be repaired, improved, maintained and regulated by the Association as provided in Article V of this Declaration.

1.25 Site Development Plan

"Site Development Plan" shall refer to the approved plans from the County. Under all circumstances, the Site Development Plan shall govern over any Design Guidelines or other document for purposes of the installation of common area improvements (including irrigation), and overall development.

ARTICLE II COVENANTS TO PRESERVE THE CHARACTER OF THE COMMUNITY

These covenants are adopted in order to preserve the desirability, attractiveness and value of residential property in Townhomes at Lorson Ranch. The following restrictions and conditions shall apply to all land that is now or may hereafter be subject to this Declaration.

2.1 General. All Townhomes, buildings and structures of any kind shall be constructed, installed, maintained and used in compliance with El Paso County standards, ordinances, rules and regulations after obtaining all required permits and licenses, and in accordance with any Design Guidelines, as those may be amended from time to time.

2.2 Improvements. All Improvements placed on a Lot shall be subject to prior approval in writing by the Board of Directors or as provided in the Design Guidelines with

written approval by the Board of Directors after the termination of declarant control.

2.3 Construction.

- (a) Construction Type. All construction shall be new. Any building previously used at another location or any building or Improvement originally constructed as a mobile dwelling may not be moved onto a Lot except as expressly provided in Section 2.3 (h) for temporary construction, sales or administration buildings or as approved by the Board of Directors
- (b) Storage. Building materials may not be stored on any Lot except temporarily during continuous construction of a building or its alteration or improvement, unless such building materials are stored in an enclosed area and fully screened; except that Builders, with the prior written approval of the Board of Directors or District No. 1, may store building materials, supplies and equipment on their own land in the Property.
- (c) Construction Rules and Regulations. During the period of construction of a Townhome, building or other Improvement on a Lot, the Owner of the Lot or the Builder shall comply with all construction rules and regulations which the Declarant, the District No. 1 Board or the Board of Directors may establish from time to time.
- (d) Construction Completion. All construction work shall be prosecuted diligently and continuously from the time of commencement until fully completed. The exterior of all Townhomes, buildings or Improvements must be completed within seven (7) months after the commencement of construction, or such other time as the Board of Directors deems reasonable under the circumstances due to the nature of the project or other factors. "Commencement of Construction" for a Townhome or building is defined as the obtaining of necessary building permits and the excavation of earth for a foundation, and for all other Improvements is defined as the undertaking of any visible exterior work. If construction is not completed within the above time periods or such later time as approved by the Board of Directors, the Board of Directors may take further action as provided for in this Declaration.
- (e) Occupancy. Any Townhome or building constructed on a Lot shall not be occupied in the course of original construction until the applicable building authority authorizes such occupancy.
- (f) Landscaping. Within six (6) months after occupancy of a Townhome on a Lot, within 9 months of substantial completion of construction or such longer period of time approved by the Board of Directors or as established in the Design Guidelines. All Landscaping shown on the approved Site Development Plan and Irrigation Plan from the County must be properly installed by the Builder or Owner. All portions of the Lot, which includes

front, back, and sides will be landscaped and maintained in accordance with the Design Guidelines. All references to Design Guidelines shall be interpreted as to include the approved Site Development Plan and Irrigation Plan.

- (g) Fences or Walls. Fences or walls are subject to review by the Architectural Control Committee with approval by the Board of Directors and shall be installed by Builder or Owner.
- (h) Construction or Sales Offices. Temporary buildings for construction or administration purposes or for sales offices may be erected or maintained by a Builder with the permission of Declarant. Model townhomes may be used and exhibited by a Builder with the permission of Declarant. Temporary buildings shall be promptly removed when they cease to be used for construction or sales purposes.
- (i) Utilities. All utilities serving a Lot will be placed underground. Declarant or District No. 1 reserves the right to locate main transmission lines above ground if determined to be advisable. Declarant may grant approval for temporary above ground utility service during construction.

2.4 Grading Patterns. Material changes shall not be made in the ground level, slope, pitch or drainage patterns of any Lot as fixed by the original finish grading without the prior approval of the Board of Directors. Grading shall be maintained at all times so as to conduct irrigation and surface waters away from buildings and to protect foundations and footings from excess moisture.

2.5 Building and Grounds Maintenance. The exterior of all Improvements and grounds of a Lot must be maintained by the Owner in a state of good condition and repair until such improvements are accepted by the Association. Such obligation includes, but is not limited to, maintaining the exterior materials and finishes of the Improvements, fencing, landscaping, drainage areas, driveways and sidewalks until such improvements are accepted by the Association. Irrigation of landscaping will be in compliance with any applicable watering ordinance. If an Owner fails to maintain the Improvements, Declarant, the District No. 1 Board, or the Board of Directors may give written notice to the Owner that, unless the required maintenance is diligently pursued within the ten (10) days following such notice, the property will be declared a nuisance and the Declarant, the District No. 1 Board, or the Board of Directors shall have the right to take enforcement action pursuant to this Declaration. These improvements will be accepted by the Association and deemed the responsibility of the Association within 90 days of such completion and written confirmation from Owner of such completion.

2.6 Rebuilding or Restoration. If any Improvement is destroyed in whole or in part, it must be rebuilt or all debris must be removed promptly and the Lot restored to a safe and attractive condition. Such rebuilding or restoration must be commenced within thirty (30) days after the damage or destruction occurs and thereafter diligently pursued to completion within a reasonable time, not to exceed ten (10) months after the date the damage occurred or such longer

period of time as may be approved by the Board of Directors. If restoration or rebuilding is not completed within the above time periods or such later time approved by the Board of Directors, or if the restoration or rebuilding shall cease for a period of twenty (20) days without permission of the Board of Directors, the Board of Directors may give written notice to the Owner that unless the restoration is diligently pursued within the ten (10) days following notice, the Improvement will be declared a nuisance and the Declarant or the District No. 1 Board shall have the right to take enforcement action pursuant to this Declaration.

2.7 Outside Storage. Equipment, tools and other items must be stored in an enclosed building or otherwise adequately screened so as not to be visible from neighboring properties or adjoining streets.

2.8 Patio Covers, Swingsets and Other Similar Structures. These structures or other similar facilities may only be installed on a Lot in accordance with the Design Guidelines or as approved by the Board of Directors.

2.9 Refuse. Unsightly objects or materials, including but not limited to ashes, trash, garbage, grass or shrub clippings, scrap material or other refuse, or containers for such items, must not be stored, accumulated or deposited outside or so as to be visible from any neighboring property or adjoining street, except during hours of refuse collection. Refuse may be further defined by the Declarant or board of directors as they see fit.

2.10 Nuisances. Noxious, hazardous or offensive activity must not be carried in or upon the common area, limited common area, any Lot, Townhome or Improvement, nor may anything be done on a Lot tending to cause embarrassment, discomfort, annoyance or nuisance to the neighborhood.

2.11 Lights, sounds and odors. Lights that are unreasonably bright or cause unreasonable glare, and sounds or odors that are noxious or offensive to others are not permitted to emanate from any Lot, common area, or limited common area.

2.12 Noxious Weeds and Insects. All portions of a Lot must be kept free from noxious weeds and insects.

2.13 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept upon any Lot. An aggregate number of not more than three dogs and/or cats may be kept on a Lot (all of which must be restrained or fenced at all times). Domesticated birds or fish and other small domestic animals permanently confined indoors will be allowed in reasonable number, as determined by the Board of Directors. No animal of any kind shall be permitted which, in the opinion of the Board of Directors or the District No. 1 Board, makes an unreasonable amount of noise or odor or is otherwise a nuisance. No animals may be kept, bred or maintained on a Lot for any commercial purpose. The Owner of a Lot upon which an animal is kept is responsible for payment of any and all damage caused to the property of others, including Association and District Properties. Owners are responsible for cleaning up after their pets on any portion of the Property.

2.14 Vehicles.

(a) Parking. A boat, trailer, camper (on or off supporting vehicles), tractor, commercial vehicle, mobile home, motor homes, any towed trailer unit, motorcycle, all terrain vehicle, recreational vehicle or non-pickup truck shall not be parked on any street or within any Lot except in a completely enclosed building such as a garage, or unless screened in a manner approved by the Board of Directors. Passenger vehicles owned, leased, rented or used by Owners or any other Person used as primary transportation on a day-to-day basis shall not be parked on any street within the Property for longer than twenty-four (24) hours without being moved. It is the intent of this Declaration that all resident vehicles park in garages with street parking reserved for guests and visitors.

(b) Vehicle Repairs. The maintenance, servicing, repair, dismantling, sanding or repainting of any type of vehicle, boat, machine, apparatus, trailer, equipment or device may not be carried on except within a completely enclosed garage which screens the sight and sound of the activity from adjoining streets and from neighboring property. No repairs will be allowed that require the use or storage of hazardous or otherwise explosive or flammable materials.

(c) Abandoned or Inoperable Vehicles and Equipment. Any type of stripped down, partially wrecked or abandoned or other similar vehicle (boat, machine, apparatus, trailer, equipment or device, or any sizeable part thereof) which can not be driven under its own propulsion, shall not be permitted to be placed anywhere within the Property except within a completely enclosed garage.

2.15 Signs. One (1) temporary sign advertising the real property for sale or rent, or for a garage sale, which is no more than six square feet in size, the style of which is compatible with the appearance of Townhomes at Lorson Ranch, may be installed on a Lot. Trade signs identifying a contractor performing work such as landscaping, painting, remodeling, etc., may only be displayed while such work is in progress on a Lot and must be removed upon completion of the work. Political signs for an upcoming election may be displayed on a Lot no earlier than 60 days before an election and must be taken down within 7 days after an election. No Owner or Person may post signs upon any portion of the Association common areas, common maintenance areas, District Properties or Public Right-of-ways.

2.16 Hazardous Activities. No activities shall be conducted on any Lot, common area, limited common area or within an Improvement which are unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any Lot and no open fires shall be lighted or permitted on any Lot except in a contained barbecue unit while attended and in use for cooking purposes or within an interior fireplace. Further, no hazardous materials or chemicals shall at any time be located, kept or stored in, on or at any Lot except such as may be contained in common household products and in such limited quantities so as to not constitute a hazard or danger to person or property. An Owner must not permit any condition on a Lot that creates a fire hazard or is in violation of fire prevention regulations adopted by the governmental authority having jurisdiction and control over outside burning. If any ban on outdoor fires is at any time imposed by a governmental authority, such ban shall be

observed within the Property

2.17 Temporary Buildings. A temporary house, trailer, tent, garage or other outbuilding will not be placed or erected on a Lot, common area, limited common area or used as a residence. The Board of Directors may grant permission to an Owner for the placement of a temporary structure for storage of materials during construction on a Lot.

2.18 Professional or Home Occupation. Except as may be required of Declarant or a Builder in pursuit of construction activities within the Property, Lots shall be used for residential use only including uses which are customarily incident to such residential use, and shall not be used at any time for business, commercial or professional purposes. However, an Owner may conduct business activities within a townhome provided that all of the following conditions are met:

- (a) the business conducted is clearly secondary to the residential use of the townhome and is conducted entirely within the townhome;
- (b) the existence or operation of the business is not detectable from outside of the townhome by sight, sound, smell or otherwise, or by the existence of signs indicating that a business is being conducted;
- (c) the business does not result in an undue volume of traffic or parking within the Property;
- (d) the business conforms to all applicable zoning requirements and is lawful in nature; and
- (e) the business conforms to any Rules and Regulations that may be adopted by the Association or the District No. 1 Board from time to time.

2.19 Subdivision of Lots. No Lot may be subdivided or further divided by an Owner other than Declarant.

2.20 Satellite Dishes and Antennas. Except as provided below in this Section, no aerial, antenna or other device for reception of radio, television, microwave device or other electronic signals may be maintained on the roof of any Improvement, nor shall such structure be mounted at any location so as to be visible from neighboring properties or adjacent streets. Plans for structures, other than FCC Structures (defined below) must be approved by the Board of Directors prior to installation. An FCC Structure is defined by the Federal Communications Commission as: (a) an antenna that is one meter (39.37") or less in diameter and is designed to: (i) receive direct broadcast satellite service, including direct-to-townhome satellite service, or to receive or transmit fixed wireless signals via satellite; (ii) receive video programming services via multipoint distribution services, including multichannel multipoint distribution services, instructional television fixed services, and local multipoint distribution services, or to receive or transmit fixed wireless signals other than via satellite; and (b) an antenna that is used to receive television broadcast signals. An FCC structure may be installed on a Lot without prior Board approval, subject to the following conditions:

(a) To the extent feasible, the satellite dish/antenna should be placed in the rear or side yard in such a manner that it is screened from adjacent street(s) and neighboring properties. Rooftop mounting that is visible from adjacent street(s) is discouraged as is the attachment of any device or apparatus to stucco finishes and fencing.

(b) The satellite dish/antenna should be installed at the lowest possible placement, utilizing ground level siting (unless a signal is not attainable).

(c) The satellite dish/antenna should be painted to match the surrounding environment or screened with a reasonable amount of plantings to minimize its visual impact to surrounding areas.

2.21 Utilities Location. When installing Improvements on a Lot, Owners are responsible for locating all water, sewer, gas, electrical, cable television or other utility lines and easements. Owners must not construct any Improvements over utilities easements without the consent of the utility involved and Owners will be responsible for any damage to utility lines caused by their work. Owners should request the location of underground utility lines and easements through a utility line location center.

ARTICLE III DESIGN REVIEW AND APPROVAL

3.1 Architectural Control Committee. The Architectural Control Committee shall consist of at least one and not more than five individuals, all of whom shall be appointed by the Board of Directors. In lieu of appointing a separate Architectural Control Committee, the Board of Directors may act as the Architectural Control Committee. The Architectural Control Committee shall exercise the functions assigned to it by the Board of Directors, this Declaration and the Design Guidelines.

3.2 Composition of the Architectural Control Committee. If the Board of Directors does not serve as the Architectural Control Committee, then individuals appointed to serve on the Architectural Control Committee shall serve for a two-year term and may be removed by a majority vote of the Board of Directors. If a vacancy on the Architectural Control Committee occurs for any reason, a majority of the Board of Directors may appoint a replacement to complete the unexpired term. Architectural Control Committee members need not be Owners but may not be re-numerated for their participation in the committee.

3.3 Design Guidelines. The Architectural Control Committee may from time to time adopt, with approval of the Board of Directors, Design Guidelines applicable to Improvements within the Property. Such Design Guidelines may regulate, without limitation, the following matters: a) site location; b) architectural design; c) site accessories, (e.g., lights, signs); and d) approval processes. The Architectural Control Committee shall have the right to modify or supplement the Design Guidelines from time to time upon the written approval of the Board of Directors and the District No. 1 Board. The Design Guidelines shall have the same force and effect as if they were set forth in and were a part of this Declaration. In the event of conflict between the Design Guidelines and the provisions of this Declaration, the Declaration shall

control. Until and after such time that Design Guidelines are adopted, the Site Development Plan and applicable Irrigation Plan shall govern.

3.4 Approval Required. An Improvement shall not be placed, erected, installed or permitted to exist on any Lot, the exterior of any existing Improvements shall not be altered, and construction shall not be commenced on any Improvements, unless and until the plans for such Improvement have been submitted to and approved in writing by the Architectural Control Committee and the Board of Directors. Improvements installed or constructed prior to Architectural Control Committee and the Board of Directors written approval, or not installed or constructed in compliance with the approved Plans, shall be deemed to be in non-compliance and may be subject to enforcement action under this Declaration.

3.5 Exclusive Approval by District Board. The District No. 1 Board shall have the exclusive right to review, approve and enforce construction of all Improvements on a Lot prior to the completion of the first townhome on a Lot in accordance with this Declaration and Design Guidelines. After the first townhome on a Lot has been completed, the Architectural Control Committee and the Board of Directors shall have the right to review, approve and enforce construction of Improvements on a Lot in accordance with this Declaration and Design Guidelines.

3.6 Exemption of Builders and Declarant. Declarant shall be exempt from the provisions of this Article excepting 3.5. This exemption shall terminate at such time as Declarant no longer owns any real property within the Property. Notwithstanding anything to the contrary contained in this Declaration, as long as a Builder has received design review approval from Declarant, such Builder shall be exempt from the provisions of this Article.

3.7 Submittal of Plans. The requirements for submittal of plans to the Architectural Control Committee will be set forth in the Design Guidelines.

3.8 Approval Process. All action required or permitted to be taken by the Architectural Control Committee must be stated in writing, and any such written statement must establish the action of the Architectural Control Committee. The Architectural Control Committee will recommend approval or disapproval to the Board of Directors within forty-five (45) days following submission of a complete set of Plans. If the Architectural Control Committee does not act within forty-five (45) days following submission, the plans shall be deemed disapproved. The Architectural Control Committee may charge reasonable fees to cover expenses incurred in the review of plans. The Architectural Control Committee will retain, for such time as provided in its records retention policy, one copy of all approved plans as part of its records and written records of all actions taken by it that will be available to Owners for inspection at reasonable business hours. Plan approval will automatically expire one year after approval if construction is not commenced within such one-year period, and if approval so expires, the applicant must submit a new request for approval.

3.9 Approval Standards. In granting or withholding approval of matters submitted to it, the Architectural Control Committee shall consider the specific standards and specifications set forth in any Design Guidelines then in effect and any other matter, whether objective or

subjective, that the Architectural Control Committee feels is relevant to the issue presented. The Architectural Control Committee shall have the right to disapprove any plans or details submitted to it if it determines, in its sole discretion, that the proposed Improvement is not consistent with the Design Guidelines or any provision of this Declaration; if the plans submitted are incomplete; or if the Architectural Control Committee deems the plans or details, or any part thereof, to be contrary to the best interests, welfare or rights of all or any part of the Townhomes at Lorson Ranch, District No. 1, the Districts or the Owners. If the Architectural Control Committee believes there may be questions of structural integrity, it may, as part of the review process, require certification of the final plans and specifications by a professional architect or engineer licensed in Colorado. A majority of the Architectural Control Committee members attending a meeting at which plans are recommended for approval shall constitute a quorum, and a majority vote of the quorum of the Architectural Control Committee members present shall constitute action of the Architectural Control Committee. Owners acknowledge that Design Review review is inherently a subjective process and that the Architectural Control Committee is given wide discretion in carrying out its function. The decisions of the Architectural Control Committee may be reviewed by the Board of directors as mediator and final authority. .

3.10 Variances. The District No.1 Board or the Architectural Control Committee shall have the authority to grant or recommend approval for a Lot a variance from any provision of this Declaration (including any provision of the Design Guidelines) that is within the authority of the District No. 1 Board to grant or the Architectural Control Committee to recommend, as the case may be. Such variance will only be made upon a finding of exceptional and extraordinary circumstances where literal enforcement of the covenant will create a material hardship to the applicant, and that such a variance is not contrary to the interests of Townhomes at Lorson Ranch, District No. 1, the Districts and Owners. A variance may be made subject to terms and conditions approved by the District No. 1 Board or the Architectural Control Committee recommendaton. If a variance is denied, the applicant may not bring another application for a similar variance for the same Lot for a period of one year after submittal of the original request.

3.11 No Liability. The Declarant, District No. 1, the Districts and the Architectural Control Committee, Board of Directors, and any member, agent or representative thereof, shall not be liable in damages or otherwise to anyone submitting plans for approval or requesting a variance, or to any Owner or other Person, by reason of mistake in judgment, negligence, nonfeasance or any act or omission in connection with the approval, disapproval or failure to approve the Plans or variance. Approval of plans shall not mean that plans are in compliance with the requirements of any local building codes, zoning ordinances, or other governmental regulations, and it shall be the responsibility of the Owner, Builder or applicant to comply with all codes, ordinances and regulations.

3.12 Design Review Non-Compliance. If an Owner is in violation of the provisions of this Article or the Design Guidelines, the violation will be processed in accordance with Article 4 of this Declaration.

3.13 Notwithstanding all of the preceding in the Article, the District No. 1 Board of Directors will control these functions until they decide to relinquish some or all of the responsibilities in this Article or 25% (approximately 50 units) are owned and occupied by a

third party.

ARTICLE IV

PROPERTY RIGHTS IN THE COMMON AREA

4.1 Title to the Common Area

Subject to the limitations and restrictions of this Declaration, title to the Common Area may be conveyed in fee simple, free and clear of all encumbrances, except easements or similar rights of record, by the Declarant to the Association, at the sole discretion of the District.

4.2 Non-Division of Common Area

The Common Area shall remain undivided and shall not be subject to partition. By the acceptance of its 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 therefore. 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 personally 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.

4.3 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 recreational 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.

4.4 Extent of Owners' Common Area Easement

The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association to enforce the restrictions contained in Article VIII of this Declaration and to promulgate and publish rules and regulations which every 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 Bylaws, to suspend an Owner's voting rights and the right to the use of 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 to make such suspensions 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 grant easements and/or similar rights for utilities, access and related rights and/or 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 C.R.S. 38-33.3312, 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 rights of the Association as set forth in the Association's Articles of Incorporation and Bylaws, including, without limitation, to borrow money for the purpose of improving the Common Area and, subject to the provisions of Article XII and C.R.S. 38-33.3-312, to mortgage said property as security for any such loan;

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

(g) The right of the Declarant as set forth in Section 13.13 to assign or allocate any part of the Common Area to be a Limited Common Area, for the exclusive use of a particular Owner.

4.5 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, subject to the restrictions of Section 8.3 hereof, 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 map. The rights reserved herein for Declarant shall pass to the Association upon the termination of the Period of Declarant Control, 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 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, limited common area, and any Lot, including, without limitation, the Maintenance Area, 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, any access or uses described in this Declaration, and any maintenance, repair or replacement of any facilities on the Common Areas or limited common areas; provided, however, that entry into any Townhome 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. The Association may authorize use of this easement by Owners, contractors and others pursuant to rules adopted by the Board.

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

(d) Common Wall Easement. Each Owner, his agents and contractors are granted a nonexclusive easement for the purpose of maintenance, construction, reconstruction and repair in, over, under and upon adjacent Lots and in and upon adjacent Townhomes for purposes of common wall repair or maintenance, in accordance with Section 7.5 of Article VII, upon reasonable notice to the Owners thereof. Any damage occasioned to the adjacent Lot or improvements, including the dwelling unit, thereon in exercising said easement shall be the responsibility of the Owner whose negligence or wrongful acts or omissions cause such damage.

(e) Exterior Wall Easement. Each Owner, his agents and contractors are granted a nonexclusive 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 or limited common area, which shall be restored to its condition prior to such work.

(f) 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 Townhome 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 Townhome or structure related thereto is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachment of parts of the Townhome 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 Townhome 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 portion 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 Townhomes, the actual location of a Townhome 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, Townhome and related structure, as indicated on the plat.

(g) 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.

(h) Easement for Ingress and Egress. Subject to the provisions 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 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 Expansion Property and over, under and through the Common Area for the exercise of any special Declarant right hereunder or under the CCIOA.

(i) District Easement. An easement to enforce its rights or perform its obligations pursuant to this Declaration is hereby granted to District No. 1, its officers, agents, employees, representatives and assigns, upon, across, over, in and under all property within Townhomes at Lorson Ranch, including all Lots, together with the right to make such use of Townhomes at Lorson Ranch as may be necessary or appropriate in carrying out such maintenance or other rights or obligations.

4.6 Delegation of Use

Any Owner may delegate, in accordance with the Bylaws, 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 the Association's rules and regulations by such persons.

4.7 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.

4.8 Recorded Easements

The Property, and all portions thereof, shall be subject to all recorded licenses and easements including, without limitation, any as shown on any plat affecting the Property, or any portion thereof, and additionally subject to those recorded matters set forth on Exhibit "A" attached hereto and incorporated herein by this reference.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

5.1 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 subject to assessment hereunder shall be the sole qualification for membership. Except as provided herein, each Lot subject to assessments shall have voting rights based upon that Owner's Proportionate Interest. Notwithstanding anything herein to the contrary, the Declarant shall have the right to appoint a Board of Directors and to operate the Association until the Period of Declarant Control is terminated, and the Association shall not begin to function through its other Members until such time, unless the Declarant otherwise consents in writing.

5.2 Declarant Control

The Association shall have one class of voting membership who shall be the Owners. The Owners shall elect all the members of the Board, following the termination of the Period of Declarant Control as set forth as follows:

(a) Notwithstanding anything herein to the contrary, the Declarant shall have the right to appoint the Board of Directors and to control the Association as follows: During the Period of Declarant Control, the Declarant, or persons designated by him or her, subject to certain limitations, may appoint and remove the officers and members of the Board. The Period of Declarant Control shall terminate (1) six (6) months after conveyance of seventy-five percent (75%) of the Lots to Owners other than the Declarant, (2) two years after Declarant has last conveyed a Lot in the ordinary course of business; or (3) two years after any right to add new Lots was last exercised. The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board before termination of the Period of Declarant Control, but in that event, the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

(b) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Lots, which may be created to Owners other than the Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Board shall be elected by Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of

the Lots, which may be created to Owners other than the Declarant, not less than one-third (1/3) of the members of the Board must be elected by Owners other than the Declarant.

(c) Except as otherwise provided above, not later than the termination of any Period of Declarant Control, the Owners shall elect a Board of at least three members, at least a majority of whom must be Owners other than the Declarant or designated representatives of Owners other than the Declarant. The Board shall elect the officers. These Board members and officers shall take office upon termination of the Period of Declarant Control.

(d) Notwithstanding any provision of the Declaration or Bylaws to the contrary, the Owners, by a sixty-seven percent (67%) vote (based upon Proportionate Interest) of all persons present and entitled to vote at any meeting of the Owners at which a quorum is present, may remove any member of the Board with or without cause, other than a member appointed by the Declarant.

Within sixty (60) days after the Owners other than Declarant elect a majority of the members of the Board, the Declarant shall deliver to the Association all property and items described by C.R.S. 38-33.3303(9), to the extent such property and items are in Declarant's possession at that time.

ARTICLE VI

COVENANT FOR ASSESSMENTS

6.1 Creation of the Obligation for Assessments

Each Owner, for each Lot owned within the Property, by acceptance of a deed therefore 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, provided, however, assessments shall not commence upon any Owner or Lot until a residential dwelling is annexed into the Association immediately after each unit is fully completed thereon as provided by Section 6.8(a) hereof. 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, defenses or other matters 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.

6.2 Purpose of Assessments

The assessments levied by the Association shall be used to promote the recreation, health, safety and welfare of the Owners and to fulfill the purpose and duties of the Association, including, without limitation, the improvement and maintenance of the Common Area and the Lots as more specifically provided herein.

6.3 Annual Assessments

The annual assessment shall specifically include, but shall not be limited to, all Common Expenses as defined by the CCIOA and the following:

- (a) Expenses of management of the Association and its activities;
- (b) Taxes and special assessments upon the Association's real and personal property including, without limitation, the Common Area and any Limited Common Area;
- (c) Premiums for all insurance which the Association is required or permitted to maintain and any other expenses connected with such insurance;
- (d) Common lighting, water and other common utility and sewer service charges; and any other common expenses including, without limitation, any common trash collection and snow removal approved by the Board;
- (e) Landscaping and care of the Common Area and any facilities or improvement thereon; except the Board may decide in its discretion to provide maintenance and repair to landscaping, sprinklers, fencing or other improvements, even if located on a Lot and/or Limited Common Area;
- (f) Such repairs and maintenance which are the responsibility of the Association;
- (g) Wages for Association employees;
- (h) Legal and accounting fees for the Association;
- (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;
- (l) The creation of reasonable contingency reserves for any applicable insurance deductibles; and
- (m) Any other costs, expenses and fees which may be incurred or may reasonably be

expected to be incurred by the Board, in its sole discretion, 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. The District may, at its sole discretion whether temporarily or permanently, relieve the Association from the responsibilities and expenses relating to landscaping, water, maintenance of the common areas, and any other expense deemed appropriate by the District.

6.4 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 as shown on Exhibit "B" attached to this Declaration.

(a) From and after January 1 of the year (the "Base 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 ten percent (10%) per annum.

(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 paragraph (a) above by a vote of the Members pursuant to the procedure set forth in Section 6.6 of this Article.

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

6.5 Special Assessments

In addition to the annual assessment authorized above, the Association may levy, in any assessment year, special assessments 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 any improvements and fixtures upon any Lot.

6.6 Procedure for Assessment Under Section 6.5

(a) Any assessment under Section 6.5 or requiring a vote of the Owners under Section 6.4 of this Article shall require the vote, pursuant to a meeting described below, of Owners of Lots to which at least sixty-seven percent (67%) of the votes (based upon Proportionate Interest) in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, and not less than sixty-seven percent (67%) of the First Mortgagees who are voting at that meeting. Written notice of any meeting called for the purpose of taking such action shall be sent to all Owners and First Mortgagees 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 Owners or of proxies entitled to cast sixty percent (60%) of all the votes of

membership (based upon Proportionate Interests) 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 sixty (60) days following the preceding meeting.

(b) (i) While under District No. 1 control (less than 50 homeowners), the Board will propose the budget, entertain discussion and approve or alter the budget at the meeting held pursuant to Section 6.6(a).

(ii) After at least 50 homeowners (25% build out) are living in the community, then at the meeting held pursuant to this Section 6.6(a), the proposed budget shall be submitted to the Owners for approval. Unless sixty-seven percent (67%) of the Owners (regardless of whether a quorum is present) affirmatively vote against approving the proposed budget in person or by proxy, the proposed budget shall be deemed ratified by the Association. In the event a proposed budget is not ratified, the most recent periodic budget in effect shall continue until the Owners ratify a subsequent budget proposed by the Board of Directors. If the proposed budget is not ratified, the Board of Directors shall propose a subsequent budget within fifteen (15) days after the date of the meeting and submit that proposed budget for ratification by the Owners in the manner set forth above for the originally proposed budget.

6.7 Rate of Assessment

Except as provided herein, both annual and special assessments shall be set at the Owner's Proportionate Share, as shown on Exhibit "B" attached, sufficient to meet the expected needs of the Association. If an Owner's Proportionate Share is reallocated due to expansion of the Project pursuant to Article X hereof or to other provisions of this Declaration, assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Owner's Proportionate Share. Assessments shall be applicable to all Lots following their annexation into the Association. Annexation shall occur upon the finalization of a unit whereby a certificate of occupancy is issued. Assessments shall not commence upon any Owner or Lot until a residential dwelling is fully completed thereon as further provided by Sections 6.1 and 6.8(a) hereof.

6.8 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. The annual budget shall be adopted pursuant to C.R.S. 38-33.3-303(4). Any surplus funds of the Association remaining after the payment of or provision for Common Expenses and any prepayment of or provision of reserves shall be applied as the membership in its sole discretion determines appropriate, which is not required to credit or pay it to the Owners. 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. Assessments shall be applicable to all Lots following their annexation into the Association. Annexation shall occur upon the finalization of a

unit whereby a certificate of occupancy is issued. Assessments shall not commence upon any Owner or Lot until a residential dwelling is fully completed thereon as further provided by Sections 6.1 and 6.8(a) hereof. Therefore, assessments shall not commence upon any Lot, whether owned by the Declarant or any other Owner, unless and until a residential dwelling unit has been fully completed on that Lot which is hereby defined as the issuance of certificate of completion or final inspection by the Regional Building Department and the installation of finished flooring within the Townhome, but upon full completion of the residential dwelling unit, the Lot and its Owner shall be liable to pay full assessments as provided in this Declaration, provided further that unless and until full assessments have commenced as provided above, the Lot and its Owner shall not be entitled to receive services from the Association. Declarant shall pay any prorated insurance costs attributable to Townhomes insured by the Association but not yet paying assessments hereunder.

(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 willful, 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 Bylaws or the Association's rules and regulations or other sum imposed by the Board, and the same is not paid for by insurance, the cost thereof shall be deemed to be an additional assessment against such Owner and his Lot and shall be enforceable as provided herein; any such assessment shall not require any vote of the Members. Additionally, the Board may impose assessments against particular Owners and Lots pursuant to C.R.S. 38-33.3-315(3)(a) and (b).

(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 is given. The Association's acceptance of any partial payment shall not waive, affect or impair its right to full payment of any assessment or sum. The Board may apply any payment to such assessments, charges, interest or fees as are the oldest or most appropriate as determined by the Board in its sole discretion.

6.9 Certificate of Payment

The Association shall furnish to an Owner or such 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, or by facsimile or electronic transmission to the Association's registered agent, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's Lot. Upon payment of such fees, as requested by the Association's rules, the statement shall be furnished within fourteen (14) calendar days after receipt of the request and is binding on the Association, the Board and every Owner. If no statement is furnished to the Owner or holder of a security interest or their designee, delivered personally or by certified mail, first-class postage prepaid, return receipt requested, or by facsimile or electronic transmission to the inquiring party, then the Association shall have no right to assert a lien upon the Lot for unpaid assessments which were due as of the date of the request.

6.10 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 the amount set forth in the Association's rules and regulations. 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 recreational 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 not to exceed the amount set forth in the Association's rules and regulations, court costs and all other collection costs and reasonable attorney's fees, shall be a charge on the land and shall be a perpetual, 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, and such lien and assessment shall constitute an independent covenant, payable without setoff or deduction. The Association's acceptance of any partial payment shall not waive, affect or impair its right to full payment of any assessment or sum. The Board may, in its discretion, apply any payment first 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 then 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 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 therefore 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. In addition, the Association shall have the right to a statutory lien under C.R.S. 38-33.3-316.

(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 or deed of trust 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 Owners. The Association, acting on behalf of the 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.

6.11 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. During the Period of Declarant Control, the Declarant may not use any of the working capital funds to defray its expenses, reserve contributions or construction costs or to make up any budget deficits.

6.12 Subordination of the Lien to Mortgages

The lien of the assessments provided for herein shall be subordinate to the lien of a First Mortgage recorded before the delinquent assessment was due. 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 acquisition of title to such Lot by the First Mortgagee pursuant 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 becoming due after such acquisition of title, nor from the lien thereof, nor the personal liability of the Owner of such Lot for assessments due during the period of his ownership, nor from the provisions of C.R.S. 38-33.3-316.

6.13 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 Bylaws of the Association, which is not cured within sixty (60) days after the Board 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, Bylaws, 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. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Association common property and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such common property, and First Mortgagees making such payments shall be owed immediate reimbursement therefore from the Association. The Association shall keep financial records sufficiently detailed to enable the Association to provide the certificates of assessments described in this Declaration.

6.14 Homestead and Other Liens

The lien of the Association's 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. Pursuant to C.R.S. 38-33.3-316(4), recording of this Declaration constitutes recorded notice and perfection of the Association's lien for assessments, and notwithstanding any other provision of this Declaration, no further recordation of any claim of lien for assessments is required. The Association's lien for assessments under this Declaration is superior to all other liens and encumbrances, including, without limitation, statutory liens for mechanics or materialsmen or income taxes, but excluding real property tax liens and the lien for First Mortgages as set forth in Section 6.12 hereof.

6.15 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 VII

MAINTENANCE

7.1 Association Maintenance

As determined by the Board in its sole discretion, the Association shall provide such maintenance and repair as follows:

(a) Paint, repair, replace, maintain and care for roofs, gutters, downspouts, driveways, and exterior building surfaces, including, without limitation, decks, fences, and patios, but excluding foundations, glass surfaces, exterior light bulbs, doors and door structures, thresholds, garage doors and mechanical portions and structures, screens and windows and window structures, all of which shall be each Owner's responsibility unless otherwise determined in writing by the Association's Board of Directors. An Owner shall not paint or change the appearance of the exterior of his Townhome without the prior written approval of the Board. The Association shall paint or restrain the exterior of all Townhomes as often as necessary to keep

such exterior from having a weather-beaten or worn-down appearance.

(b) All repair, replacement, improvement and maintenance of the Common Area and all improvements located thereon, including, without limitation, any landscaping, sprinkler system, any parking spaces, private roadways or driveways, utility lines (including any common utilities within a Lot or Townhome which also serve another Townhome and any lines located outside the exterior walls of a Townhome but not including any maintenance which is the responsibility of any public or private utility company or entity), any drainage structures or facilities or public improvements to the extent applicable and set forth in C.R.S. 38-33.3-307(1.5), any light fixtures, sidewalks and pathways, or other improvements located on the Common Area. Notwithstanding any contrary provisions of this Declaration or other document, any improvement, landscaping, sprinklers, sidewalk, driveway, utility line or land, located within a Lot which is installed or improved by Declarant but outside the exterior boundaries of a Townhome and servicing either the common area or more than one Townhome, may be maintained, repaired, restored, regulated and treated by the Association as if it were located in the Common Area, and expenses of such maintenance and repair may be common expenses of the Association; provided, however, the Board, in its discretion, may exclude from its obligation to repair, maintain and restore any Limited Common Area, including, by illustration, any sidewalk, deck, porch, stair, step, patio or other area which is for the exclusive use of the Owners of a Townhome. Without the prior written approval of the Architectural Control Committee, and with the Board of Directors' consent, an Owner shall not alter, paint, modify, expand, restrict, remove or improve such Limited Common Areas or Common Area, nor shall any Owner install fences or other improvements on such Limited Common Areas or Common Area.

(c) Repair and replacement of any buildings or improvements upon the Lot insofar as the Association receives insurance proceeds or makes a special assessment to accomplish such repair or replacement.

(d) The Association shall maintain the landscaping, above ground or installed 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 system. 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 Townhome or the other improvements upon the Lots or Common Area. The District may, at its sole discretion whether temporarily or permanently, relieve the Association from the responsibilities and expenses relating to landscaping, water, maintenance of the common areas, and any other expense deemed appropriate by the District.

(e) The Association may also undertake, but shall have absolutely no obligation to undertake, such emergency repairs as the Board of Directors believes necessary to prevent imminent danger to life or property. Any decision by the Board as to the necessity, extent or

other matter regarding any maintenance shall be final, conclusive and binding on all Owners and other persons, except as to Declarant's rights.

(f) In addition, the Association may maintain the following:

(i) The Maintenance Area, which is shown on Exhibit "A" (Tracts A through F) hereto and which may include, by illustration and not limitation, any landscaping, trees, shrubs, sprinkler system, common sidewalks, parking areas, drainage structures, utility lines and similar or related improvements. The Maintenance Area shall only include any of the foregoing items which are installed by the Declarant, Builder or the Association and are located upon a Lot but outside the exterior of the Townhouse but shall not include the Limited Common Areas. The Board of Directors may, in its discretion, provide insurance coverage and other services to the Maintenance Area; and

(ii) The Common Areas, which are also shown on Exhibit "A" (Tracts A through F) hereto and which include, by illustration not limitation, any sidewalks, driveways, deck, porch, steps, stairs, patios, privacy fences or other items and areas fenced or installed by the Declarant, Builder or the Association, which are designated for the exclusive use of the Owners of the Townhouse to which such items are attached. The Association shall provide ordinary maintenance, including, without limitation, snow removal to the Limited Common Areas, as determined by the Board of Directors, as set forth in the rules and regulations, but the respective Owners thereto shall keep such Areas clean and in good appearance, including, without limitation, snow removal from their patio and deck areas and minor maintenance, as determined by the Board, upon their fence, patio and deck. The District may, at its sole discretion whether temporarily or permanently, relieve the Association from the responsibilities and expenses relating to landscaping, water, maintenance of the common areas, and any other expense deemed appropriate by the District.

Owners shall not paint, alter, expand, change or modify the Maintenance Area or the Limited Common Area in any manner nor construct any improvement or item thereon, without the prior written approval of the Board. The Board may, in its discretion, regulate the use, maintenance and expenses of the Maintenance Areas and Limited Common Areas, by rule or otherwise, and may provide insurance and other services to such areas at the expense of the Owners thereof or the Association as determined by the Board. Easements are hereby reserved and granted over, under, above and through the Maintenance Area and Limited Common Areas for the purposes set forth in this Section and Article V of this Declaration.

7.2 Willful or Negligent Damage

In the event that the need for maintenance or repair described in Section 7.1 of this Article is caused, in the sole discretionary determination of the Board of Directors, through the willful 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 VI of this Declaration.

7.3 Access at Reasonable Hours

For the purpose of performing the maintenance referred to in Section 7.1 of this Article and inspections related thereto, the Board of Directors of the Association, through its 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 willful misconduct.

7.4 Owner Maintenance

Except as provided in Section 7.1 of this Article, the Owner shall be responsible for all other maintenance and repairs, including, without limitation, maintenance of his Lot, Townhome and any Limited Common Area, and any fixtures, furnishings, equipment and appliances located thereon and any foundations, walls and structural components of the Townhome. All utilities, fixtures and equipment installed within a Townhome, commencing at a point where the utility lines, pipes, wires, conduits or systems enter the exterior walls of such Townhome, shall be maintained and kept in repair by the Owner thereof, except for any common utilities serving other Townhomes which shall be the Association's responsibility as provided in Section 7.1 of this Article. An Owner shall conduct 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 adjacent to or upon his Lot by the addition or removal of any items thereon, including fences, without the prior written approval of the Board. If an Owner fails to fulfill his responsibilities under this Section, the Board, at its option, may 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 there from shall be an assessment against such Owner and his Lot and shall be due and payable by the Owner thereof.

7.5 Party Walls

(a) General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Townhomes and placed on or immediately adjacent to the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

(c) Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by

fire or other casualty and if the Association does not restore such wall with insurance proceeds or a special assessment, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use, without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Weatherproofing. Notwithstanding any other provisions of this Section, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title.

(f) Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Section 7.5, each party shall choose one arbitrator, and such arbitrators shall choose an additional arbitrator, and the decision shall be by a majority of all the arbitrators. Should any party refuse to appoint an arbitrator within ten (10) days after written request therefor by an Owner, the Board of Directors of the Association shall select an arbitrator for the refusing party. The parties to the arbitration shall share the costs thereof, but each party shall pay its own attorneys' fees.

7.6 Management Agreements and Other Contracts

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 Department of Veterans Affairs or the Federal Housing Administration and shall terminate absolutely, in any event, not later than sixty (60) days after termination of the Period of Declarant Control, unless the elected board of directors chooses to retain the contract. Furthermore, any contracts and leases during the Period of Declarant Control shall be subject to C.R.S. 38-33.3-305. If professional management has been previously in effect after being required by any holder, insurer or guarantor of a First Mortgage 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 sixty-seven percent (67%) of the First Mortgagees [based upon one (1) vote for each First Mortgage held] and vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose.

ARTICLE VIII

RESTRICTIONS

8.1 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.

8.2 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 Bylaws and any rules and regulations set forth by the Board of directors from time to time 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 Bylaws. 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 or any similar plan, as determined by the Board, shall be permitted. In no case shall less than the full Townhome be leased.

8.3 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) 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 to a public street, to their Lots, to their parking areas or to any recreational facilities completed upon the Common Area.

8.4 Sales and Construction Facilities and Activities of Declarant

Notwithstanding any provision to the contrary contained herein, Declarant, its agents, employees and contractor shall have all rights set forth in C.R.S. 38-33.3-215 and 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, to the construction and assignment of Limited Common Areas, sidewalks, driveways, fences, decks, patios and related improvements, and to the development of the Project, including, without limitation, storage of equipment and vehicles, a business office, use of a Lot, or even a clubhouse if applicable, for a sales office, storage area, construction yards, signs of any size and type, model Townhomes,

sales offices, construction office, parking areas and lighting and temporary parking facilities for all prospective tenants or purchasers of Lots; the Declarant may promptly remove any of the above items if Declarant ceases to be a Lot Owner. The Declarant and its contractors may maintain such management offices, signs, model units, construction offices, trailers and sales offices in such numbers, size and locations, as they may determine in their reasonable discretion from time to time. In addition, Declarant, its agents, employees, financiers and any contractor involved in the construction or sale of said improvements and Lots, or in the development of the Property, shall have all rights set forth in C.R.S. 38-33.3-216, 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 a 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. The Declarant shall have the right to execute or record or both any writing or document necessary or advisable to confirm, implement or transfer the rights reserved in this Declaration or granted by law or statute; the rights set forth in this Section shall terminate upon the earlier of seven (7) years from the date of the recording of this Declaration or as otherwise provided herein.

ARTICLE IX

INSURANCE

9.1 Common Insurance

Commencing not later than the time of the first conveyance of a Lot to a person other than Declarant, the Association shall obtain and maintain at all times, to the extent reasonably obtainable, insurance policies covering the following risks:

(a) Property. Property insurance on the Common Area for broad form covered causes of loss; except that the total amount of insurance must be not less than the full insurable replacement cost of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies. Such insurance must include, to the extent as is reasonable and economically feasible, all personal property owned by the Association and any improvements and fixtures located upon the Common Area, and such insurance shall include the Townhomes and Lots, together with all fixtures, structural portions, building service equipment and any appliances which are attached thereto to the extent financed by a First Mortgage. Such insurance shall contain a "Replacement Cost Endorsement" providing that any claim will be settled on a one hundred percent (100%) of current replacement cost basis without deduction for depreciation or coinsurance, and including, to the extent available and applicable, an "Agreed Amount" and "Inflation Guard Endorsement," a "Demolition Costs Endorsement," a "Building Ordinance or Law Endorsement," "Increased Cost of Construction Endorsement" and a "Contingent Liability from Operation of Building Laws Endorsement" or the equivalent, and, if applicable, "Steam Boiler Coverage Endorsement" providing that the insurer's maximum liability per accident shall equal the lesser of the insurable value of any building housing such boiler or machinery or Two Million Dollars (\$2,000,000.00). 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 all other hazards that are covered by the standard extended coverage endorsement, including, without limitation, endorsements for vandalism and malicious mischief; and

(ii) all other perils customarily covered for similar types of Projects, including, without limitation, those covered by the standard "all risk" endorsement.

(b) Public Liability. Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Common Areas and deemed sufficient in the judgment of the Board but not less than any amount specified herein, insuring the Board, the Association, the management agent and their respective employees, agents and all persons acting as agents. The Declarant shall be included as an additional insured in such Declarant's capacity as an Owner and Board member. The Owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area. The insurance shall cover claims of one or more insured parties against other insured parties. Such insurance shall be in such amounts as the Board of Directors of the Association may from time to time determine, but not in an amount less than One Million Dollars (\$1,000,000.00) per occurrence covering claims for personal injury, bodily injury and/or for property damage. 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 or other use of the Common Area and the Townhomes by the Association, its officers, directors, agents, employees, representatives and the Owners, off-premises employee coverage, water damage liability, contractual liability, bailee's liability for property of others and any legal liability that results from lawsuits related to employment contracts to which the Association is a party.

(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. The Association shall purchase, in an amount equal to the maximum amount of funds in the Association's custody at any one time, but not less than the greater of any sum required under C.R.S. 38-33.3-306(3) or the sum of three months' assessments on the entire Project, plus reserves, blanket fidelity insurance covering losses resulting from dishonest or fraudulent acts or omissions committed by the Association's directors, managers, including, without limitation, any person employed as an independent contractor for the purpose of managing the Association and any employee thereof, trustees, employees, volunteers, or anyone who manages the funds collected and held for the benefit of the Owners, provided, however, any managing agent which handles funds for the Association should be covered by its own fidelity insurance policy, which must provide the same coverage required of the Association. Such policy shall also cover 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 which should also be covered by its own fidelity bond and submit evidence thereof to the Association. Such

fidelity coverage or bonds shall name the Association as the named insured and as 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 or the Director of the Federal Emergency Management Agency 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 one hundred percent (100%) of the current replacement cost of all buildings and other insurable common and individual property owned in common by the Lot Owners and located within the Property.

(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.

(h) Notice of Unavailability. If any insurance described in this Declaration 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 Owners and First Mortgagees as provided herein.

9.2 Annual Review

At least annually and prior to obtaining any insurance policy required under Section 9.1 of this Article, the Board of Directors shall obtain an estimate of the full replacement value of all improvements on each Lot, to the extent as is reasonable and economically feasible, including all buildings, fixtures, improvements and service equipment located thereon, and of the Common Area improvements including landscaping and underground facilities, 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 twenty percent (20%) 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 an 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, at his own expense, may have the amount or extent of his coverage increased.

9.3 Form of Issuance

(a) All insurance shall be carried in blanket policy form, shall name the Association

(pursuant to Article X, Section 10.1) as the insured, as trustee and attorney-in-fact pursuant to Article IX hereof, 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, noncontributory mortgage clause in favor of each First Mortgagee which has given the Association notice of its lien. Each Owner shall be an insured person under such policy with respect to liability arising out of such Owner's interest in the Common Areas.

(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 at least a "B" general policyholder's rating and a financial performance index of VI or better in the Best's Key Rating Guide;

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

(iii) provide that the insurance cannot be canceled, 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 permitted to lapse, be terminated, canceled or materially or substantially changed or 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;

(vi) provide that no act or omission by any Owner, unless acting within the scope of such Owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy;

(vii) provide that if, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance; and

(viii) provide that no assessments therefore may be made against First Mortgagees and any such assessments made against others shall not become a lien on the Property superior to the First Mortgagee.

(c) On written request the Association shall cause to be furnished or 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 proof of payment of premiums. Further, an insurer that has issued an insurance policy for the insurance described in this Declaration shall issue certificates or memoranda of insurance to the Association and, upon

request, to any Owner or Mortgagee. Unless otherwise provided by statute, the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, and each Owner and Mortgagee to whom a certificate or memorandum of insurance has been issued, at their respective last-known addresses.

(d) Any insurance policy may contain such deductible provisions as the Association deems consistent with good business practice and as are consistent with the requirements of First Mortgagees and any secondary lenders purchasing First Mortgages. The deductible for an individual Townhome should not exceed One Thousand Dollars (\$1,000.00). Any loss falling within the deductible portion of the policy shall be borne by the Association, except as otherwise provided in this Declaration.

(e) The Association may adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. To the extent the Association settles claims for damages to real property, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration all deductibles paid by the Association. In the event that more than one Lot is damaged by a loss, the Association in its reasonable discretion may assess each Lot Owner a pro rata share of any deductible paid by the Association.

9.4 Owner's Personal Property and Liability Insurance

An insurance policy issued to the Association does not obviate the need for Owners to obtain insurance for their own benefit. Each Owner shall be solely responsible, at his expense, for all insurance covering all loss or damage to any and all 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 X

DAMAGE, DESTRUCTION, CONDEMNATION AND MERGER

10.1 Attorney-in-Fact

All of the Owners and First Mortgagees irrevocably constitute and appoint the Association as insurance trustee under C.R.S. 38-33.3-313(5) and (9) and under this Declaration and as their true and lawful attorney in their name, place and stead, for the purpose of dealing with the Property in the event of their destruction, damage, condemnation or liquidation of all or a part of the Project or from the termination of the Project, including, without limitation, the repair,

replacement and improvement of any buildings, fixtures, improvements and service equipment located on the Property (but excluding any furniture, furnishings or other personal property installed by the Owners). 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 and to represent the Owners in any proceedings, negotiations, settlements or agreements. The proceeds of any insurance collected shall be payable to the Association, for the benefit of the Association, the Owners and their First Mortgagees as their interests appear, 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 Project upon its destruction, damage or condemnation shall be appointed. Said appointment must be approved by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes (based upon Proportionate Interests) in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, and at least sixty-seven percent (67%) of the First Mortgagees. Notwithstanding any contrary provision of this Declaration, the Association's Articles of Incorporation and Bylaws, no Owner or any other party shall have priority over any rights of the First Mortgagee of the Lot pursuant to its Mortgage in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of any Project common property.

10.2 Damage or Destruction of Common Area

Any portion of the Project for which insurance is required under this Declaration or C.R.S. 38-33.3-313 which is damaged or destroyed must be repaired or replaced promptly by the Association pursuant to that statutory section or the Declaration.

10.3 Damage to or Destruction of Townhomes

(a) In the event of damage to or destruction of a Townhome due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvements, shall be applied by the Association, as attorney-in-fact to such reconstruction, and the improvements shall be promptly repaired and reconstructed. The Association shall have full authority, right and power as attorney-in-fact to cause the repair and restoration of the improvements. The annual assessments set forth in Article VI shall not be abated during the period of insurance adjustments and repair and reconstruction.

(b) If the insurance proceeds are insufficient to repair and reconstruct any or all of the damaged or destroyed Townhomes, such damage or destruction shall be promptly repaired and reconstructed by the Association as attorney-in-fact, using the proceeds of insurance and the proceeds of a special assessment to be made only against the Owners of the damaged or destroyed Townhomes and their Lots. Such special assessment shall be made by the Board of Directors without a vote of the Owners and shall be a debt of each such Owner and a lien on his

Lot and may be enforced and collected as is provided in Article VI. The Association shall have full authority, right and power as attorney-in-fact to cause the repair, replacement or reconstruction of the improvements using all of the insurance proceeds for such purpose, notwithstanding the failure of an Owner to pay the assessment.

(c) Notwithstanding any provision to the contrary, but subject to C.R.S. 38-33.3-313(9) to the extent applicable, if sixty-seven percent (67%) of the First Mortgagees [based upon one (1) vote for each First Mortgagee held] and by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes (based upon Proportionate Interests) in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, have given their prior written approval, the Association shall provide that the Owners and First Mortgagees of any or all of the destroyed or damaged Townhomes may agree that such Townhomes shall forthwith be demolished and all debris and rubble caused by such demolition removed from the Lot, and the Lot regraded and landscaped to the satisfaction of the Board. The cost of such demolition work and landscaping, together with all taxes, liens and encumbrances and any costs in repairing any party walls, shall be paid for by any and all available insurance proceeds, with any deficiency thereof to be paid by the Owner(s) of the applicable Townhome. Any excess insurance proceeds shall then be disbursed to such Owner and his First Mortgagee jointly and said Owner shall convey merchantable title to his Lot to the Association, free and clear of all liens, encumbrances, assessments and taxes (except as prorated), for its fair market value as determined by an M.A.I. appraisal, the cost of which shall be paid by the Owner of the applicable Townhome, with the appraiser thereof to be named by the Association. Upon the Association's acquisition of the Lot, said Lot shall become part of the Common Area.

10.4 Condemnation

If a Lot, or any part thereof, is acquired by eminent domain, the provisions of C.R.S. 38-33.3-107 apply. 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 thereon), as reasonably determined by the Association in excess of Five Thousand Dollars (\$5,000.00), the Association shall give prompt notice thereof, including a description of the part of or the interest in the Common Area or improvement thereon sought to be so condemned, 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 paid to the Association as provided by C.R.S. 38-33.3-107(3) and after the approval described below, the award shall be applied toward 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 and at least fifty-one percent (51%) of First

Mortgagees 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, except that any award attributable to the acquisition of a Limited Common Element shall be paid solely to the Owner thereof and that Owner's First Mortgagee.

10.5 Repair and Reconstruction

Unless otherwise agreed by sixty-seven percent (67%) of the First Mortgagees [based on one (1) vote for each First Mortgage held] and by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes (based upon Proportionate Interests) in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, any restoration or repair of the Project 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, and shall restore any Townhome or other improvement partially condemned or damaged by an insurable hazard to substantially the same condition in which it existed prior to such condemnation or damage.

10.6 Excess Insurance Proceeds

With the prior written approval of sixty-seven percent (67%) of the First Mortgagees [based on one (1) vote for each First Mortgage held] and by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, 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.

10.7 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 improvement on the Lot on which such First Mortgagee holds the First Mortgage which shall be in excess of Five Thousand Dollars (\$5,000.00) and/or (b) the Common Area which shall be in excess of Five Thousand Dollars (\$5,000.00), or in the event of the condemnation of any part of the Common Area as described in Section 10.4 of this Article in excess of Five Thousand Dollars (\$5,000.00), then timely written notice of any such damage, destruction or condemnation 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 loss to or taking of Lots or Common Area, or both.

10.8 Merger

The Association may merge with one or more homeowners' Association in the surrounding area on such terms and conditions as may be agreed to by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes (based upon Proportionate Interests) in the

Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, and by sixty-seven percent (67%) of all First Mortgagees. The surviving entity in any such merger or affiliation shall be the Association for purposes of this Declaration.

ARTICLE XI

PHASED DEVELOPMENT

11.1 Right to Expand

For a period continuing until ten (10) years from the date of the recording 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 XII, Section 12.2, to include additional land and one or more additional buildings located upon all or any part of the Expansion Property; 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 Department of Veterans Affairs or the Federal Housing Administration. All buildings and improvements located in any annexed area shall be substantially completed prior to annexation. 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 Proportionate Share and right, title and interest in the Common Area accordingly, as set forth in this Article, and to assign and allocate Limited Common Areas and to exercise any and all development rights, special Declarant rights and other rights described herein. Any such expansion shall be subject only to this Article XI and Article XII, Section 12.2 and shall not make or constitute any amendment or modification in this Declaration except as provided in this Article XI. Any expansion hereunder shall comply with C.R.S. 38-33.3-209 and 210.

11.2 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 ten (10) years from the date of the recording of this Declaration, an amendment or amendments 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 hereby and by C.R.S. 38-33.3-209, whether by new plat or certification. Any such amendment or amendments to this Declaration shall also contain a listing of the number of Lots to be contained in the expanded portion of the Project and shall assign an identifying number to each new Lot thereby created, shall reallocate each Owner's Proportionate Share, and shall describe any Common Areas and, except as otherwise provided herein, any limited common areas thereby created and designate the Lot to which each is allocated to the extent required by C.R.S. 38-33.3-208. The expansion may be accomplished in "phases" by successive amendments.

11.3 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 amendment to this Declaration; similarly, "Common Area" and "Lots" shall

include those areas located within the real property described on Exhibit "A" hereto, as well as those so designated on any amendment or supplemental plat relating to any real property which is annexed pursuant to this Article XI. References to this Declaration shall mean this Declaration as so amended. Every Owner of a Lot in the area shall, by virtue of such ownership and upon recordation of the amendment, 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 an amendment 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 6.8 of Article VI 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 XI.

(b) Upon recording of the amendment or amendments to Declaration and any supplemental 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 ten (10) years from the date of the recording of this Declaration, that the Declarant determines that the Project is completed, he 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 amendment(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. The Declarant alone shall be liable for all expenses of the Expansion Property unless and until annexed hereunder, and shall be entitled to any income and proceeds therefrom. The Declarant's right to annex, and other development rights, may be exercised at different times and as to different portions of the Property or Expansion Property, and so no assurances are made hereby regarding the boundaries of any portion of real property which may be annexed hereunder nor the order in which said portion may be annexed. If the Declarant exercises any right to annex additional portions, the Declarant is not required to exercise any development rights to any and all portions of the remaining Property or Expansion Property. Any development right of the Declarant may be exercised with respect to different portions of real estate at different times, and no assurances are made in regard to the boundaries of those portions or regulating the order in which those portions may be subjected to the exercise of any development right. If any development right is exercised in any portion of the real estate subject to that right, that development right is not required to be exercised in all or any portion of

the remainder of that real estate. Any portion of the Property or Expansion Property may be designated as general or limited areas or elements as shown by the plat or map which has been or will be recorded regarding that portion.

ARTICLE XII

ADDITIONAL RESTRICTIONS

12.1 Restrictions Upon Association and Owners

Once the project adheres to 25% homeownership (approximately 50 units) and at least sixty-seven percent (67%) of the First Mortgagees [based upon one (1) vote for each First Mortgage held] and the Owners (other than Declarant) by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes (based upon Proportionate Interests) in the Association are attached, 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 or 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 4.5(a) of Article IV hereof; any conveyance or encumbrance of the Common Area shall also comply with voting requirements of C.R.S. 38-33.3-312;
- (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;
- (e) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;
- (f) A material change in any of the following provisions of this Declaration: voting rights; assessments, assessment liens or the priority of assessment liens; reserves for maintenance, repair and replacement of Common Areas; responsibility for maintenance and repairs; reallocation of interests in the Common Areas, or rights to their use; redefinition of any Lot boundaries; convertibility of Lots into Common Areas or vice versa; expansion or contraction of the Project, or the addition, annexation or withdrawal of Property to or from the Project; insurance or fidelity bond; leasing of Lots; imposition of any restrictions on an Owner's right to sell or transfer his or her Lot; a decision by the Association to establish self-management when professional management had been required previously by this Declaration or by a First

Mortgage holder; restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in this Declaration; any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; or any provisions that expressly benefit First Mortgage holders, insurers or guarantors; or

(g) Notwithstanding any provision hereof or otherwise, threaten, file or pursue any lawsuit, arbitration and/or administrative or similar proceedings against the Declarant, its agents, employees, shareholders, contractors, brokers, successors, assigns or any person or party related to it for any claim, demand, liability, obligation or matter whatsoever, including, without limitation, the construction, physical condition, value, assessments, reserves and any other matters related to the Project.

12.2 Implied Approval by Mortgagee

Notwithstanding any provision of this Declaration, any matter requiring Mortgagee approval will be assumed when that Mortgagee fails to submit a response to any written proposal for such matter within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested to the last known address to be located in the El Paso county records for said Lot. Any First Mortgagee shall be given notice of any proposed action requiring its consent, if the First Mortgagor has sent a written request to the Association, stating both its name and address and the Lot number or address of the Lot on which it has (or insures or guarantees) the Mortgage.

ARTICLE XIII

GENERAL PROVISIONS

13.1 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 Bylaws and rules and regulations, all of which shall be binding upon each Owner, his heirs, personal representatives, family, guests, tenants, successors and 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. The Association and the Owners shall obey and perform any protective or other covenants, easements or other rights, if any, recorded against the Property prior to the recording of this Declaration.

13.2 Enforcement

The Board, 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 Board 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. The Board may make such rules and regulations to enforce the provisions of this Declaration or the Bylaws or to govern the use of the Common Areas or Lots or Townhomes, as are, in its sole discretion, consistent with the rights and duties established in this Declaration, and all Owners and other parties subject thereto shall strictly comply therewith. The Board shall have the sole discretion and authority to interpret this

Declaration or the Bylaws and to resolve any dispute as to the interpretation thereof; the Board's interpretation shall be final, conclusive and binding on all persons and parties. 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 reasonable fines for any breach by that Owner of the provisions of this Declaration, the Bylaws 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 in equity, and may be exercised concurrently, independently or successively.

13.3 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.

13.4 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.

13.5 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.

13.6 Conflicts of Provisions

In case of conflict between this Declaration and the Articles of Incorporation or the Bylaws, this Declaration shall control. In case of conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control.

13.7 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 agree to such termination or revocation by an instrument duly recorded and such termination and revocation shall comply with C.R.S. 38-33.3-218. This Declaration may be amended or modified by agreement of Owners of Lots to which at least sixty-seven percent (67%) of the Proportionate Interests in the Association are attached and not less than sixty-seven (67%) 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 by an instrument signed by Owners owning not less than ninety percent (90%) of the

Lots, and one hundred percent (100%) of the First Mortgagees who have given the Association notice of their lien, and (c) that the Declarant hereby reserves the right, for the period set forth in Section 13.13 hereof, but without the vote of the Owners or Mortgagees, to make such amendments to this Declaration, the Articles of Incorporation and/or the Bylaws, as may be permitted by the CCIOA or as permitted by this Declaration or as may be necessary to correct typographical errors or to make clarifications or as may be approved in writing by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration or Department of Veterans Affairs 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 an amendment must be indexed in the grantee's index in the name of the Project and the Association and in the grantor's index in the name of each person executing the amendment. The amendment 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. All expenses associated with preparing and recording an amendment to the Declaration shall be the sole responsibility of the persons or parties as set forth in C.R.S. 38-33.3-217(6). 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.

13.8 Registration by Owner of Mailing Address

Each Owner shall register his/her mailing address with the Association, and except for monthly assessment statements, meeting notices and any other notices deemed routine or ordinary by the Board, 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; if an Owner fails to register his/her mailing address, notices may be sent to the Owner's Lot or any other address contained in the Association's records. 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.

13.9 Assignment of Declarant's Rights

The Declarant may assign its rights and authority hereunder, in whole or in part, by express written assignment, duly recorded.

13.10 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.

13.11 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 or the intent of any provisions hereof.

13.12 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.

13.13 Development Rights and Special Declarant Rights

In addition and supplemental to all rights reserved by the Declarant under this Declaration, the Declarant reserves the following development rights and other special Declarant rights for the maximum time limit allowed by law, but not less than ten (10) years from the date of the recording of this Declaration:

- (a) The right to complete or make improvements indicated on the plats or maps and to complete construction of Townhomes and any related improvements;
- (b) The right to maintain sales offices, management offices and models on Lots or on the Common Area in such number, size, location and relocation as determined by the Declarant in its sole discretion;
- (c) The right to maintain signs on the Property and Expansion Property and to advertise the Project;
- (d) The right to use and permit others to use easements through the Common Area as may be reasonably necessary for the purpose of making improvements within the Property or Expansion Property or performing other rights under the Declaration;
- (e) The right to establish, from time to time, by dedication or otherwise, utility and other easements for purposes including, but not limited to, streets, paths, walkways, drainage, recreation areas, parking areas, ducts, shafts, flues and conduit installation areas, and to create other reservations, exceptions and exclusions for the benefit of and to serve the Owners within the Project;
- (f) The right to enter into, establish, execute, amend and otherwise deal with contracts, assignments and agreements for the use, lease, repair, maintenance or regulation of parking and/or recreational facilities, which may or may not be a part of the Project for the benefit of the Owners and/or the Association;
- (g) The right to appoint or remove any officer of the Association or any director of the Association during the Period of Declarant Control;

(h) The right to amend the Declaration in connection with the exercise of any development rights or other rights;

(i) The right to amend the map in connection with the exercise of any development rights or other rights;

(j) The right to transfer, assign or delegate any right reserved or granted by this Declaration, law or statute to any person or party to the fullest extent permitted under this Declaration, law or statute; and

(k) Any and all other rights of Declarant as set forth in this Declaration, by law or statute; in the event of any conflict, the broadest right reserved by Declarant shall prevail.

13.14 Board to Resolve Ambiguities

If any doubt or question (except as to Declarant's rights) shall arise concerning the true intent or meaning of any of this Declaration, the Articles of Incorporation, the Bylaws or the rules and regulations, the Board of Directors of the Association shall, by resolution, determine the proper construction of the provision in question and such resolution shall fix and establish the meaning, effect and application of the provision. The Board's decision shall be final, conclusive and binding on all parties, except for gross negligence and willful misconduct and except as to Declarant's rights.

13.15 Landscaping, Soils and Environmental Matters

(a) The Association shall maintain the landscaping, drainage and sprinkler systems upon the Property in such a fashion that the soil surrounding the foundations of the Townhomes 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 drainage, landscaping or sprinkler systems as originally installed. Such maintenance shall include, where necessary, the removal or replacement of improperly functioning gutters, downspouts, 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 any changes in landscaping in such a way as to endanger the structural integrity or the stability of any of the landscaping, walkways, walks, drainage or sprinkler systems, or the other improvements upon the property. The Association and the Owners shall indemnify the Declarant from any liability, claims and expenses, including, without limitation, reasonable attorneys fees resulting from any breach of this provision. The District may, at its sole discretion whether temporarily or permanently, relieve the Association from the responsibilities and expenses relating to landscaping, water, maintenance of the common areas, and any other expense deemed appropriate by the District.

(b) The Owners acknowledge and understand that soil, ecological and/or environmental conditions, including, but not limited to, radon gas and/or hazardous or toxic substances, may affect this Property and that the Declarant does not warrant and disclaim any liability for any existing or future soil, ecological or environmental conditions affecting the

Property, and that the soil in the Colorado area contains clay and other substances which may cause it to swell when wet and so can cause earth movement around a Townhome's foundation; the Owners accept the soil conditions, the foundations and the buildings so installed without any express or implied warranties or representations.

(c) The U.S. Environmental Protection Agency ("EPA") states that exposure to elevated levels of radon gas can be injurious. Any test to measure the level of radon gas can only show the level at a particular time under the circumstances occurring at the time of testing. Declarant, its agents, contractors, successors and assigns are not qualified to measure radon gas or to evaluate all aspects of this complex area of concern. Prior or subsequent to closing of the Owner's purchase of the Townhome, the Owner may wish to test for the presence of radon gas and to purchase or install devices that may be recommended by qualified radon specialists. The Declarant, its agents, contractors, successors and assigns expressly disclaim and the Owner and the Association agree to waive and release the Declarant, its agents, contractors, successors and assigns from any claims of liability or responsibility with respect to radon gas and related matters and to hold harmless from any claims or liability against the Declarant, its agents, contractors, successors and assigns with respect to radon gas and related matters.

(d) Fiberglass insulation (also known as glass wool) is commonly used for insulation of townhomes. Fiberglass in various thicknesses and values is used in the areas of walls, floor to ceiling assemblies and ceiling to roof assemblies of townhomes to prevent movement of heat and to reduce noise. The U.S. Department of Health and Human Services produced a report that lists glass wool as a substance "which may be reasonably anticipated to be a carcinogen," but that report merely identifies substances selected for further study because of potential risk. The listing of a substance in the report is not an assessment that there is causal connection between glass wool and illness. The Owners and the Association acknowledge that fiberglass is used in the walls and floor to ceiling assemblies, and waive any claims against the Declarant, its agents, contractors, successors and assigns arising as a result of the use of fiberglass insulation, and agree to hold Declarant, its agents, contractors, successors and assigns harmless from any claim or liability resulting from the existence of fiberglass insulation in the Townhomes or the Project.

(e) The Association and the Owners agree to do nothing which would change the grading or landscaping so as to cause or permit poor drainage or other damage to the Townhomes; to accept the soil conditions, landscaping, insulation, radon, ecological and environmental conditions, which now or hereafter exist on the Project; and to release and indemnify Declarant from any loss, damage and expense resulting from any of the foregoing.

13.16 Disclosures, Disclaimers and Releases

No representation, promise or warranty has been made by Declarant, its agent, contractors, successors and assigns regarding the development of adjacent properties, the investment potential of the Townhome, any economic benefits to the Owners, their heirs, successors and assigns to be derived from the managerial or other efforts of Declarant, its agents, contractors, successors and assigns or any other third party designated or arranged by the Declarant, its agents, contractors, successors and assigns related to the ownership or rental of the Townhome, or regarding the continued existence of any view from the Townhome. The Owners, their heirs, successors and assigns understand that Declarant, its agents, contractors, successors and assigns

are under no obligation with respect to future plans, zoning or development of additional property in the area. The Owners, their heirs, successors and assigns understand that the sizes and type of Townhomes may change at the sole discretion of the Declarant, its agents, contractors, successors and assigns and that the sales prices may decrease or increase at the sole discretion of the Declarant.

By acquiring title to a Townhome, the Owners, their heirs, successors and assigns covenant and agree that, except for any written limited warranty, the Declarant, its agents, contractors, successors and assigns make no representations or warranties, expressed or implied, of any nature, including, without limitation, any as to the fitness, workmanlike construction, merchantability, design, condition, quality or habitability of the Townhome, the Project, or any improvements related thereto or any electrical, plumbing, heating, gas, water, sewer, structural components or other mechanical or utility systems or components or appliances or fixtures related thereto. The Owners and the Association accept the foregoing disclaimer of warranties and waive, release and indemnify the Declarant, its agents, contractors, successors and assigns from all claims related thereto, together with any claims for bodily injury, property damage and incidental or consequential damages made by any person or party.

The Owners, their heirs, successors and assigns and the Association covenant and agree that the Declarant, its agents, contractors, successors or assigns shall not be liable for claims relating to the Townhome or to the Project as to any defect in workmanship or in any material used in construction, unless otherwise provided in a specific written limited warranty signed by the Declarant. The Owners, their heirs, successors and assigns and the Association expressly waive and release all rights to sue for a defect in construction of the Townhome or the Project or both and shall rely solely on the Owner's own inspection and examination of the Townhome and/or Project and not on any representations or warranties of the Declarant, its agents, contractors, successors and assigns. The Owners, their heirs, successors and assigns covenant and agree that the sales prices of the Townhomes are based in part upon the releases, waivers and indemnity contained in this section and the other provisions of the declaration.

13.17 Dispute Resolution

(a) Arbitration. Any action, dispute, claim or controversy between any person or entity, including, without limitation, any Owner and/or the Association, and the Declarant, its agent, contractors, successors and assigns, whether sounding in contract, tort or otherwise, and whether or not concerning an individual Townhome or the Project or both, may be submitted by the Declarant, at its option, to be resolved by binding arbitration as set forth in this section. The foregoing shall include all disputes arising out of or in connection with this declaration, any construction of a Townhome or the Project or both, and any related agreements or instruments and any transaction contemplated hereby.

(b) Selection of an Alternative Dispute Resolution Process and Rejection of Litigation as a Remedy. By an Owner's purchase of a Townhouse and by the Association's receipt of title to any Common area, the Owner and the Association (which, together with the Declarant, will be referred to in this Declaration as "Party" and "Parties") acknowledge that he is agreeing to submit all disputes arising out of any alleged construction defect within the Project to

the Dispute Resolution Process set forth in this Section 13.17, and further that he is waiving certain rights, including rights (1) to proceed in any action against Declarant or its respective former and present employees, agents, officers, directors, partners, successors, assigns, subcontractors and affiliates in any court; (2) to a trial by jury; and (3) to certain types of damages, including exemplary damages, consequential damages and damages for emotional distress and pain and suffering. The parties expressly recognize the many benefits of electing alternative dispute resolution, including potentially reduced costs and faster resolution of disputes. The Dispute Resolution Process consists of three phases including (1) Notification, Inspection and Neutral Evaluation, (2) Mediation, and (3) Binding Arbitration. Notwithstanding any other provision contained in this Section 13.17, prior to the Association commencing the alternative dispute process described in this Section 13.17, the Association shall obtain the consent thereto of at least sixty-seven (67%) percent of the Owners and First Mortgagees as set forth in Section 12.1(g).

(i) First Phase: Notification. Inspection. and Neutral Evaluation.

a. Notification. Any Party claiming to have suffered an injury, or claiming to have discovered a defect in the construction of any portion of his Lot or a Common Area shall file a written notice as provided in this Section 13.17 within one hundred eighty (180) days after the date of the discovery of the injury, regardless of whether the Party then knew all of the elements of a claim or of a cause of action for such injury ("Notice"). Compliance with the provisions of this Section 13.17 shall be a condition precedent and prerequisite to any further action brought against the Declarant. Failure of compliance shall forever bar any such action. The Notice shall contain the following:

- (i) the name and address of the claimant and the name and address of his attorney, if any;
- (ii) a concise statement of the factual basis of the claim, including the date, time, place, and circumstances of the act, omission or event complained of;
- (iii) the name and address of any person responsible, if known;
- (iv) a concise statement of the nature and the extent of the injury claimed to have been suffered or defect claimed; and
- (v) a statement of the amount of monetary damages that is being requested, and other remedy sought.

Notice shall be sent to the Declarant in one of the following manners: by registered mail or upon personal service by an uninterested third party upon the Declarant as provided in the Colorado Rules of Civil Procedure Rule 4.

b. Inspection. Within ten (10) days of receipt of Notice, as set out in this Section 13.17, the Declarant shall contact the complaining Party to set up an inspection of the applicable Lot or Common Area. After said inspection, the Declarant and the complaining

Party(ies) shall meet to determine whether they can agree to a course of action to address the concerns in a manner agreeable to all Parties. If the Parties cannot agree on a course of action, the Parties shall proceed to obtain a "Neutral Evaluation," as described in Section 13.17 below, provided, however, the Declarant shall have the right, at its option, to proceed with the evaluator's recommended remedy and such remedial action shall not constitute any admission nor waive any right or remedy of Declarant nor shall it extend any statute of limitations.

c. Neutral Evaluation. The Parties shall select a neutral third party "evaluator" with expertise in the area in question to come to the applicable Lot or Common Area and inspect and evaluate the claimed defects. If the Parties are unable to agree upon a single "evaluator" each Party shall select one evaluator, and the two evaluators shall select a third. The Parties shall share equally in the evaluator(s)' fees and expenses. After selecting the evaluator(s), the evaluator(s) shall conduct an inspection and make an initial determination including (a) whether there is a defect and (b) the most appropriate remedy for the defect. The Parties shall then meet to determine whether they can agree to a course of action to address the concerns. If the dispute is not resolved, the Parties shall proceed to mediation as provided in Section 13.17 below.

(ii) Second Stage: Mediation. If the dispute cannot be resolved pursuant to the proceedings set forth in Section 13.17 above, mediation is a condition precedent to any further action. The Parties shall agree upon a neutral mediator, and attend a mediation with said person. If the Parties cannot agree upon a mediator, either Party may file an action, exclusively to cause the El Paso County District Court to appoint a neutral mediator. The Parties shall share equally in the mediator's fees and expenses, and all costs related thereto.

(iii) Final Stage: Binding Arbitration. If mediation is not successful, and the Declarant wishes to pursue the dispute further, the Parties shall proceed to binding arbitration. The Parties shall select a neutral arbiter. If the Parties are unable to agree upon a single arbiter, each Party shall select one arbiter, and the two evaluators shall select a third. All arbitrators shall be knowledgeable in the subject matter of the dispute and have no self-interest, bias or relationship with the dispute or the Parties. The Parties shall share equally in the arbiter(s)' fees and expenses. If the two arbiters are unable to select a third arbiter, either Party may file suit for the sole purpose of asking a court of competent jurisdiction to select the third arbiter. The court shall be given a list of three arbiters by each Party. Arbitration shall be valid and binding pursuant to C.R.S. 13-22-203. In matters of construction standards, arbitrator(s) will render a decision based upon whether the Declarant has met the NAHB Residential Construction Performance Guidelines. All statutes of limitations that would otherwise be applicable shall apply to any arbitration proceeding under this section. The parties shall be entitled to conduct discovery as if the dispute were pending in a court of law in the State of Colorado. In any arbitration proceeding subject to these provisions, the arbitrators are especially empowered to decide pre-hearing motions that are substantially similar to pre-hearing motions to dismiss and motions for summary adjudication. The arbitrator's decision will be final and binding upon the Parties who are subject to this Declaration and result in final resolution of the disputed items between the Parties. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court, as appropriate. The decision of the arbitrator shall be final, and not appealable, except for as provided under C.R.S. 13-22-201, et. seq.

Lorson LLC, a Colorado limited liability company

By: Jeff Mark - JEFF MARK
 On behalf of: Dave Cocolin

STATE OF COLORADO)
COUNTY OF EL PASO) ss.

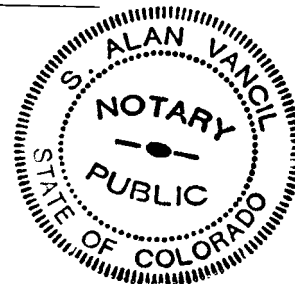
The foregoing instrument was acknowledged before me this 2nd day of June, 2010, by Jeff Mark on behalf of Lorson LLC, a Colorado limited liability company, Declarant. of Dave Coccolin, Manager

Witness my hand and official seal.

{S E A L}

S. Allen Vawter
Notary Public

My Commission expires: 12-08-2012



ACKNOWLEDGED AND APPROVED:

Lorson Ranch Metropolitan District No. 1

By: Jeff Mark - JEFF MARK
on behalf of Dave Cocolin, President of the Board

Attest: A. M. V.
Secretary

STATE OF COLORADO)
COUNTY OF EL PASO) ss.

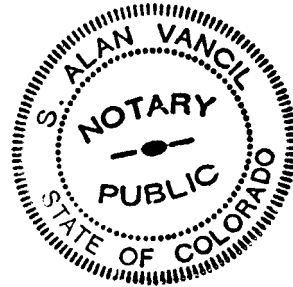
The foregoing instrument was acknowledged before me this 2nd day of June, 2010, by Jeff Mark on behalf of as President of the Board of Lorson Ranch Metropolitan District No. 1. Dave Cocolin

Witness my hand and official seal.

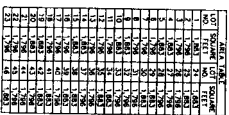
{S E A L}

S. Alan Savill
Notary Public

My Commission expires: 12-08-2012



TOWNHOMES AT LORSON RANCH FILING NO. 1A
A PORTION OF THE NORTH ONE-HALF OF THE SOUTHWEST ONE-QUARTER (N1/2 SW1/4) OF
SECTION 14, TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6th P.M., EL PASO COUNTY, COLORADO



0' 60' 120'

SCALE: 1" = 60'

JOB NO.: 09033

MAY 1, 2009

REVISION DATE: AUGUST 13, 2009 (PER CODE (INCOMPLETE)
REVISION DATE: AUGUST 13, 2009 (INSTRUCTIONS)
REVISION DATE: MAY 21, 2009 (COUNTY COMMENTS)
DATE OF PREPARATION: MAY 1, 2009

SURVEYS

P.O. Box 5101
Woodland Park, CO 80864

DRAWING: 09033FP.DWG

DRAWING: 09033FP.DWG PAGE 2 OF 2

DRAWING: 09033FP.DWG

Exhibit B
LORSON RANCH TOA
INITIAL 2010 BUDGET

DESCRIPTION	2010 PER YEAR	2010 PER MONTH
INCOME	\$75/UNIT/MONTH	
HOMEOWNERS' ASSESSMENTS 46 UNITS)	\$ 41,400.00	\$ 3,450.00
LATE FEES	\$ 300.00	\$ 25.00
INTEREST EARNINGS ON ACCOUNT	\$ 75.00	\$ 6.25
TOTAL INCOME	\$ 41,775.00	\$ 3,481.25
EXPENSES		
ADMINISTRATIVE		
MANAGEMENT FEE	\$ 6,960.00	\$ 580.00
LEGAL	\$ 500.00	\$ 41.67
AUDIT AND TAX RETURN	\$ 875.00	\$ 72.92
STATE/FED. TAXES	\$ 50.00	\$ 4.17
WEB SITE HOSTING	\$ 193.20	\$ 16.10
POSTAGE/COPY/MISC OFFICE	\$ 300.00	\$ 25.00
MISCELLANEOUS OFFICE	\$ 100.00	\$ 8.33
INSURANCE	\$ 12,500.00	\$ 1,041.67
TOTAL ADMIN. EXPENSES	\$ 21,478.20	\$ 1,789.85
UTILITIES		
WATER/SEWER	\$ -	\$ -
ELECTRIC	\$ -	\$ -
TRASH	\$ 1,500.00	\$ 125.00
TOTAL UTILITIES	\$ 1,500.00	\$ 125.00
LANDSCAPE MAINTENANCE		
LANDSCAPE CONTRACT	\$ -	\$ -
SNOW REMOVAL	\$ -	\$ -
IRRIGATION REPAIR	\$ -	\$ -
LANDSCAPE REPAIRS	\$ -	\$ -
TOTAL SERVICE EXPENSES	\$ -	\$ -
GENERAL REPAIRS/MAINTENANCE		
BUILDING MAINTENANCE	\$ 1,250.00	\$ 104.17
CONCRETE REPAIRS	\$ 750.00	\$ 62.50
ASPHALT REPAIR	\$ 750.00	\$ 62.50
PAINTING	\$ 500.00	\$ 41.67
GUTTER CLEANING AND REPAIR	\$ 1,650.00	\$ 137.50
ROOF REPAIR	\$ 1,000.00	\$ 83.33
TOTAL MAINTENANCE EXPENSES	\$ 5,900.00	\$ 491.67
TOTAL OPERATING EXPENSES	\$ 28,878.20	\$ 2,406.52
ALLOCATION TO RESERVES	\$ 12,896.80	\$ 1,074.73
TOTAL EXPENSES	\$ 41,775.00	\$ 3,481.25
EXCESS/DEFICIT INCOME	\$ -	\$ -

ROBERT C. "BOB" BALINK
06/08/2010 02:38:45 PM
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Rec \$6.00 1 of 1

El Paso County, CO



210054204

WHEN RECORDED RETURN TO:
Matthew Tremblay & Alicia Skaggs
7605 Artisan Place
Fountain, CO 80817

QUITCLAIM DEED

THIS DEED, made this 16 day of May, 2010 between Matthew Aaron Tremblay
("Grantor"), of the County of El Paso and State of
Colorado and Matthew Aaron Tremblay and Alicia Norine Skaggs ("Grantee")
whose legal address is 7605 Artisan Place Fountain, CO 80817;

WITNESS, that the Grantor, for and in consideration of Ten (\$10.00) Dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has remised, released, sold and QUITCLAIMED and by these presents does remise, release, sell and QUITCLAIM unto the Grantee, and the Grantee's heirs and assigns forever, as ** Joint Tenants, all of the right, title interest, claim and demand that the Grantor has in and to the real property, together with the fixtures and improvements located thereon, if any, situate, lying and being in the County of El Paso and State of Colorado, described as follows:

Lot 29 Heritage Filing #14

Also Known As: 7605 Artisan Place Fountain, CO 80817

TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise thereunto appertaining, and all the estate, right, title, interest and claim, whatsoever, of the Grantor, either in law or in equity, to the only proper use, benefit and behalf of the Grantee, and the Grantee's heirs and assigns forever.

EXECUTED AND DELIVERED on the date set forth above.

STATE OF: Colorado }
COUNTY OF: El Paso } ss.

The foregoing instrument was acknowledged before me on May 16th 2010 by
Matthew Tremblay.

Witness my hand and official seal.

My commission expires:

1.18.2012

Notary Public

TRICIA M. NOFZINGER
NOTARY PUBLIC
STATE OF COLORADO

My Commission Expires 01/18/2012

** If tenancy is unspecified, the legal presumption shall be tenants in common (C.R.S. 38-31-101).