

DECLARATION

of

Covenants, Conditions, Restrictions and Easements

for

STONEHAVEN AT BRECKENRIDGE GOLF CLUB

A COMMON INTEREST COMMUNITY

This Declaration is made this 21ST day of OCTOBER, 1999, by Fieldstone Development, LLC, a Colorado Limited Liability Company ("Declarant"), in order to create a common interest community pursuant to the Colorado Common Interest Ownership Act.

ARTICLE I
GENERAL

Section 1.1 Common Interest Community. The name of the common interest community created by this Declaration is Stonehaven at Breckenridge Golf Club ("Stonehaven"). Stonehaven is a planned community as defined in the Colorado Common Interest Ownership Act, Section 38-33.3-103 (22), Colorado Revised Statutes. All of Stonehaven is located in Summit County, Colorado.

Section 1.2 Property Affected. Declarant owns certain real property in Summit County, Colorado described on the attached Exhibit A. The property described on Exhibit A is referred to in this Declaration as the "Community Area."

Section 1.3 Purposes of Declaration. This Declaration is executed and recorded (a) in furtherance of a common and general plan for those parcels of land which are part of the Community Area; (b) to protect and enhance the quality, value, desirability and attractiveness of all property within the Community Area; (c) to provide for the Association to hold, maintain and manage certain common properties and amenities in the Community Area and to perform certain functions for the benefit of owners of land within the Community Area; (d) to define the duties, powers and rights of the Association; and (e) to define certain duties, powers and rights of Owners.

Section 1.4 Declaration. Declarant, for itself, its successors and assigns, hereby declares that the Community Area, and each part thereof, shall, on and after the date this Declaration is recorded, be owned, held, transferred, conveyed, sold, leased, rented, hypothecated, encumbered, used, occupied, maintained, altered and improved subject to the covenants, conditions, restrictions, limitations, reservations, exceptions and other provisions set forth in this Declaration, all of which are declared to be a part of and in furtherance of a common and general plan of development, improvement, enhancement and protection of the Community Area. The provisions of this Declaration are intended to and shall run with the land and, until

their expiration in accordance with Section 14.1 hereof, shall bind, be a charge upon and inure to the mutual benefit of (a) all of the property within the Community Area and each part or parcel thereof; (b) Declarant and its successors and assigns; (c) the Association and its successors and assigns; and (d) all other persons and entities having or acquiring any right, title or interest in any property which is part of the Community Area or any part or parcel thereof or any Improvement thereon, and their encumbrancers, claimants, heirs, personal representatives, successors and assigns.

ARTICLE 2 DEFINITIONS

Unless otherwise expressly provided in this Declaration, the following words and phrases, whenever used in this Declaration, shall have the meanings specified in this Article 2.

Section 2.1 Architectural Committee. "Architectural Committee" shall mean the approving authority described in Section 6.1 of this Declaration.

Section 2.2 Assessment. "Assessment" shall mean a "Common Assessment," pursuant to Section 11.3, a "Special Assessment," pursuant to Section 11.8 or a "Site Assessment," pursuant to Section 11.9.

Section 2.3 Association. "Association" shall mean Stonehaven at Breckenridge Golf Course Association, Inc., a Colorado nonprofit corporation, its successors and assigns.

Section 2.4 Association Documents. "Association Documents" shall mean the various operative documents of the Association, whether recorded or adopted at this time or as the same have been or may be amended, modified, supplemented, or otherwise changed from time to time, all of which are incorporated herein by this reference, and shall include the following:

- (a) the Articles of Incorporation of the Association;
- (b) the Bylaws of the Association;
- (c) this Declaration, including the Plat and all amendments to this Declaration;
- (d) any Supplemental Plat; and
- (e) the Rules and Regulations.

Section 2.5 Association Properties. "Association Properties" or "Association Property" shall mean all real and personal property, together with any and all Improvements now or hereafter thereon and appurtenances and rights thereto, hereafter owned by the Association or which the Association hereafter

maintains, holds or uses for the common use and enjoyment of all of the Members as provided herein and for other purposes as may be permitted by this Declaration.

The Association Properties shall include the tracts of land identified on the Plat as Association Properties and described on the attached Exhibit B, which Declarant will hereafter convey to the Association unless otherwise stated on Exhibit "B" and which consist of the following:

(a) all streets and roads within or providing direct access to the Community Area that have not been publicly dedicated, including Fieldstone Drive, North Road and South Road as shown on the Plats of the Community Area, which Declarant shall convey to the Association in accordance with Section 9.2;

(b) tracts of open space within and through the Community Area.

All of the Association Properties will be "common elements" as defined in the Colorado Common Interest Ownership Act, Section 38-33,-1-3 (5).

Section 2.6 Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

Section 2.7 Community Area. "Community Area" shall mean the real property described on Exhibit A, together with any and all Improvements now or hereafter on such real property and appurtenances and rights to such real property, and any other real property, including improvements, that may hereafter be made subject to this Declaration pursuant to Section 10.2(a).

Section 2.8 Declarant. "Declarant" shall mean Fieldstone Development, LLC, a Colorado Limited Liability Company, its successors and assigns. A Person shall be deemed a "successor and assign" of Fieldstone Development, LLC as Declarant only if specifically designated in a duly recorded instrument as a successor or assign of Declarant under this Declaration, and shall be deemed a successor and assign of Declarant only as to the particular rights or interests of Declarant under this Declaration which are specifically designated in the written instrument. Notwithstanding the foregoing, a successor to Fieldstone Development, LLC by consolidation or merger shall automatically be deemed a successor or assign of Fieldstone Development, LLC as Declarant under this Declaration.

Section 2.9 Declaration. "Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions and Easements for Stonehaven at Breckenridge Golf Club, a Planned Unit Development, in its entirety, including all attached exhibits and all subsequent amendments.

Section 2.10 Dwelling Unit. "Dwelling Unit" shall mean an Improvement on a Lot which is intended or used for residential occupancy, including, without limitation, any individual single family detached home.

Section 2.11 First Mortgage. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust or other security instrument recorded in the records of the Office of the Clerk and Recorder of the County of Summit County, Colorado, pertaining to a Lot and having priority of record over all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments).

Section 2.12 First Mortgagee. "First Mortgagee" shall mean and refer to any Person named as a mortgagee or beneficiary under any First Mortgage or any successor to the interest of any such Person under such First Mortgage.

Section 2.13 Improved Lot. "Improved Lot" shall mean a Lot with a Dwelling Unit located thereon.

Section 2.14 Improvements. "Improvements" shall mean all structures and any appurtenances thereto or components thereof of every type or kind, including, but not limited to, buildings, outbuildings, swimming pools, patio covers, awnings, painting or other finish material of any exterior surfaces or any visible structure, additions, walkways, bicycle and/or pedestrian trails, sprinkler pipes, garages, carports, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, fixtures, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior tanks, solar equipment, and exterior air conditioning and water softener fixtures. "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.

Section 2.15 Landscape. "Landscape" shall mean the treatment of ground surface with live plant materials, wood chips, crushed stone, decorative rocks, mulch materials or other decorative surfacing materials approved by the Architectural Committee. For purpose of this definition, the word "Landscape" shall include all other forms of the word Landscape, such as "Landscaped" and "Landscaping".

Section 2.16 Lot. "Lot" shall mean a parcel of land subject to this Declaration which is shown as a lot on the Plat or any Supplemental Plat upon which one Dwelling Unit may be constructed pursuant to the ordinances of the Town of Breckenridge, and which is not part of the Association Properties. Each Lot constitutes a "unit" as defined in the Colorado Common Interest Ownership Act, Section 38-33.3-103(30), Colorado Revised Statutes. The maximum number of Lots that may be created within the Community Area is 24.

Section 2.17 Lot Lines. Front, side and rear "Lot Lines" shall be the same as defined in the zoning regulations of the Town of Breckenridge in effect from time to time. In the absence of such a definition, a front Lot Line is each boundary line (whether one or more) between the Lot and any street. A side Lot

Line is any boundary line which meets and forms an angle with a street except that for a corner Lot with two front Lot Lines, the side Lot Line is the boundary which forms an angle with the street that affords the principal access to the Lot. Any Lot Line that is not a front or side Lot Line is a rear Lot Line.

Section 2.18 Member. "Member" shall mean a member of the Association, who must also be an Owner. Membership in the Association shall be appurtenant to, and may not be severed from, ownership of a Lot.

Section 2.19 Owner. "Owner" shall mean the record title holder, including Declarant, whether one or more Persons, of fee simple title to a Lot, including sellers under executory contracts under Colorado law.

Section 2.20 Person. "Person" shall mean a natural person, a corporation, a limited liability company, a partnership (general or limited) or any other public or private entity recognized as being capable of owning real property under Colorado law.

Section 2.21 Plat. "Plat" shall mean the plat of Stonehaven at Breckenridge Golf Club as recorded in the records of the Clerk and Recorder of Summit County, Colorado.

Section 2.22 Related User. "Related User" shall mean: (a) any Person who resides with an Owner within the Community Area; (b) a guest or invitee of an Owner; (c) an occupant, tenant or contract purchaser of any Dwelling Unit on a Lot; and (d) any family member, guest, employee, agent, representative, licensee, contractor or cohabitant of any of the foregoing Persons.

Section 2.23 Rules and Regulations. "Rules and Regulations" shall mean the rules and regulations adopted by the Board of Directors as provided in Section 8.9 of this Declaration.

Section 2.24 Supplemental Plat. "Supplemental Plat" shall mean a plat satisfying the requirements of Section 209 of the Colorado Common Interest Ownership Act. The term Supplemental Plat shall include any plat meeting the requirements of Section 209 of the Colorado Common Interest Ownership Act which changes the boundaries of any Lot or Lots or which is recorded in conjunction with any amendment to this Declaration.

ARTICLE 3 COVENANTS TO PRESERVE THE RESIDENTIAL CHARACTER OF THE COMMUNITY AREA

Section 3.1 Property Uses. All Lots in the Community Area shall be used exclusively for private residential purposes. No Dwelling Unit erected or maintained within the Community Area shall be used or occupied for any purpose other than for a single-family dwelling. No business, profession or other activity conducted for gain shall be carried on or within any Lot or Dwelling Unit, except as follows:

- (a) The following activities are permissible within a Dwelling Unit:
- (i) the use of an office inside a Dwelling Unit by the occupants of the Dwelling Unit;
 - (ii) the use of a personal computer for business or commercial purposes; and
 - (iii) any business activity that is conducted by telephone, mail or their equivalents.

(b) The following activities are permissible, but only if the Owner or Related User engaged in the activity obtains the prior written consent of the Board of Directors, only if the activity is not readily visible or apparent from any location outside the boundaries of the Lot on which the activity is being conducted, only if the activity is permitted by the land use ordinances and regulations of the Town of Breckenridge and only if the activity does not, in the sole discretion of the Board, generate excessive traffic within the Community Area:

- (i) the manufacture, production, creation or assembly of tangible personal property for the purpose of sale off the premises;
- (ii) the storage of stock-in-trade or inventory for the purpose of sale off the premises;
- (iii) the holding of meetings relating to any business or functions or the Association; and
- (iv) the holding of periodic meetings for social or business purposes.

Section 3.2 Improvements. No Improvement shall be erected within the Community Area except single-family Dwelling Units and other Improvements which have been approved by the Architectural Committee. No trailer, tent or other similar or dissimilar temporary quarters may be used for living purposes. No other Improvement may be placed on any Lot before completion of the Dwelling Unit upon such Lot except with the permission of the Architectural Committee.

Section 3.3 Construction Type. All construction shall be new. No building previously used at another location nor any building or Improvement originally constructed as a mobile dwelling may be moved onto a Lot except as expressly provided in Section 3.7 for temporary construction, sales or administration buildings.

Section 3.4 Storage. No building materials shall be stored on any Lot except temporarily during continuous construction of a building or its alteration or improvement.

Section 3.5 Completion of Work. A Dwelling Unit shall not be occupied in the course of original construction until substantially completed. All construction work shall be prosecuted diligently and continuously from the time of commencement until fully completed.

Section 3.6 Construction Completion. The exterior of all Dwelling Units must be completed within one year after the commencement of construction, and Landscaping and other Improvements on a Lot outside of a Dwelling Unit must be completed within one year after completion of the Dwelling Unit, except where such completion is impossible or would result in great hardship due to strikes, fires, national emergency or natural calamities and except if the Architectural Committee approves a longer period of construction due to unusual circumstances. For purposes of this Section 3.6, "commencement of construction" for a Dwelling Unit 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 approved by the Architectural Committee, or if construction shall cease for a period of sixty days without permission of the Architectural Committee, the Architectural Committee will give the Owner of the Improvements involved written notice of such fact, and if construction on such Improvement is not diligently commenced within thirty days after such notice, the unfinished Improvement or unfinished portion thereof shall be deemed a nuisance and shall be removed forthwith by and at the cost of the Owner. The Association shall have the right thereafter to enter upon the Lot involved and remove the unfinished Improvements at the expense of the Owner. Such an entry and removal shall not be deemed a trespass and the Owner shall be liable for all costs incurred in connection with the removal.

Section 3.7 Construction or Sales Offices. Temporary buildings for construction or administration purposes or for sales offices may be erected or maintained only by Declarant or with the permission of the Architectural Committee. Model homes may be used and exhibited only by Declarant or with the permission of the Architectural Committee. Temporary buildings permitted for construction or administration purposes or for sales offices shall be promptly removed when they cease to be used for these purposes.

Section 3.8 Control During Construction. During the period of construction of a Dwelling Unit or other Improvements on a Lot, the Owner of the Lot or his contractor shall control dirt and dust, keep surrounding streets reasonably clean and keep construction debris confined in a trash receptacle. Trash shall be removed from the Lot as often as is necessary during the construction period to avoid the accumulation of debris and trash and to avoid becoming unsightly. All construction debris which is blown by the wind shall be collected and placed in the trash receptacle. Construction debris may not be dumped or left on any Lot or on any of the Association Properties. Contractors, subcontractors and construction personnel shall not enter upon any other Lot or any of the Association Property without the permission of the Owner of such property. The storage or placing of construction materials on any street within the Community Area is prohibited except during the initial construction phase of the project by the Declarant. No construction equipment, construction trailers or construction vehicles shall be left overnight on any street with the Community Area except during the initial construction phase of the project by the Declarant.

ARTICLE 4
DENSITY, SETBACK AND QUALITY STANDARDS

Section 4.1 Limitation on Dwellings and Subdivisions. No more than one Dwelling Unit shall be erected or maintained on any Lot. No Lot (other than those developed by Declarant) shall be replatted or otherwise subdivided without the approval of the Architectural Committee; provided that Lot Line adjustments which do not result in an increase in the number of Lots and which are made to accommodate building plans approved by the Architectural Committee shall be approved. Nothing contained herein shall allow the Declarant to make such adjustments without Town of Breckenridge approval.

Section 4.2 Setbacks. The setback distances of Dwelling Units and other Improvements from Lot Lines shall be determined in accordance with and conform to the setback requirements of the building code, zoning code, subdivision regulations and other approvals for Stonehaven at Breckenridge Golf Club, by the Town of Breckenridge.

Section 4.3 Dwelling Area Requirements. The minimum size of a Dwelling Unit, exclusive of basements, porches patios, covered but unenclosed areas, garages and any attached accessory building, shall be 1,500 square feet of gross livable finished floor area.

Section 4.4 Height Restrictions. All Dwelling Units and other Improvements shall be in compliance with the zoning code of the Town of Breckenridge.

Section 4.5 Exterior Colors and Materials. All exterior colors and materials, including roofing materials, used on Dwelling Units and other Improvements must be approved by the Architectural Committee.

Section 4.6 Antennae and Roof Projections: Satellite Dishes. No aerial, antenna or microwave system for reception or transmission of radio, television or other electronic signals, or other roof projection, including but not limited to lightning rods and weather vanes, shall be maintained on the roof or any other exterior location of a Dwelling Unit, other Improvement or Lot, without the prior approval of the Architectural Committee. Satellite dishes may be installed within the Community Area provided that no more than one satellite dish may be installed on a Lot and further provided that any satellite dish will not exceed eighteen inches in diameter.

Section 4.7 Rebuilding or Restoration. If any Dwelling Unit or other Improvement is destroyed in whole or in part by fire, windstorm or from any other cause or act of God, it must be rebuilt or all debris must be removed and the Lot restored to a sightly condition. Such rebuilding or restoration must be commenced within three months after the damage or destruction occurs and thereafter diligently pursued to completion within a reasonable time, not to exceed one year after the date the damage occurred or such longer period of time as may be approved by the Architectural Committee due to unusual circumstances or

weather. If restoration, rebuilding or removal is not completed with the above time periods or such later time approved by the Architectural Committee, or if the restoration, rebuilding or removal shall cease for a period of sixty days without permission of the Architectural Committee, the Architectural Committee will give the Owner of the Lot involved written notice of such fact, and if the restoration, rebuilding or removal of the Improvements is not diligently commenced within thirty days after such notice, the damaged or destroyed Improvements shall be deemed a nuisance. The Association shall have the right thereafter to enter upon the Lot involved and remove the damaged or destroyed Improvements at the expense of the Owner. Such an entry and removal shall not be deemed a trespass and the Owner shall be liable for all costs incurred in connection with the removal.

Section 4.8 Fences. No fences shall be erected on any Lot or elsewhere in the Community Area except in accordance with plans and specifications approved in advance by the Architectural Committee. Declarant does not intend to permit the construction of boundary fences within the Community Area.

ARTICLE 5 LIVING ENVIRONMENT STANDARDS

Section 5.1 Building and Grounds Maintenance. Except to the extent that the Association has assumed the responsibility for repair and maintenance of the Lots and Improvements, each Owner shall maintain the exterior of his or her Dwelling Unit and all other Improvements, except for landscaped areas which the Association maintains, pursuant to Section 8.3, including the driveways and walkways, in good condition and shall cause them to be repaired as the effects of damage or deterioration become apparent. It is anticipated that no snowplowing will be needed on walkways or driveways as a heat-melt system is to be installed in such areas. If the Owner fails to properly perform such maintenance, Declarant or the Architectural Committee may, after giving thirty days written notice and at the Owner's expense, effect such repairs and maintenance as it deems necessary in its judgment to maintain the standards of the Community Area. Entry to effect such repairs and maintenance shall not be deemed a trespass, and the Owner shall be liable for all costs incurred in connection with the repairs and maintenance. Except for items planted by an Owner, the Association assumes the responsibility for the maintenance of the lawn and landscaping, including any irrigation system.

Section 5.2 Garage Doors. Garage doors shall be kept closed except when being used to permit ingress and egress to or from the garage.

Section 5.3 Outside Storage. All maintenance equipment shall be stored in an enclosed building or otherwise adequately screened so as not to be visible from neighboring property or adjoining streets. No furniture, fixtures, appliances or other goods not in active use shall be kept on any Lot if such material is visible from the Dwelling Unit on a contiguous Lot or from the streets or other Association Property.

Section 5.4 Clotheslines. No outdoor clothes poles, clotheslines or other facilities for drying or airing clothing or household goods shall be placed on any Lot, and no laundry or wash shall be dried or hung outside any Dwelling Unit or other Improvement.

Section 5.5 Swingsets and Play Areas. No swingsets, jungle gyms, slides or other similar Improvements shall be installed on a Lot.

Section 5.6 Refuse. No unsightly objects or materials, including but not limited to ashes, trash, rubbish, garbage, grass or shrub clippings, scrap material or other refuse, or receptacles or containers therefor, shall be stored, accumulated or deposited outside or so as to be visible from any neighboring property or adjoining street, except during refuse collections. After a period of two weeks of violation of this Section 5.6, the Association or Declarant shall have the right to enter upon the Lot involved and remove such unsightly objects or materials at the expense of the Owner. Such an entry shall not be deemed a trespass and the Owner shall be liable for all costs incurred relative thereto.

Section 5.7 Nuisances. No noxious or offensive activity shall be carried on upon any Lot nor anything done thereon tending to cause embarrassment, discomfort, annoyance or nuisance to the neighborhood. No offensive or hazardous activities may be carried on within any Lot or in any Dwelling Unit. No annoying lights, sounds or odors shall be permitted to emanate from any Lot or Dwelling Unit.

Section 5.8 Sound Devices. No exterior speakers, horns, whistles, bells or other sound devices except security and fire alarm devices used exclusively for security purposes shall be located, used or placed on any Improvement or within any Lot. With the prior approval of the Architectural Committee, an Owner may install exterior stereo speakers, provided that the sound levels from such speakers are not objectionable to neighbors.

Section 5.9 Outside Lighting. All exterior lighting installed or maintained on any Dwelling Unit or other Improvement must be approved by the Architectural Committee prior to installation. The Architectural Committee may establish various standards for exterior lighting, including, without limitation, standards for hue and intensity.

Section 5.10 Landscaping. Within six months after completion of a Dwelling Unit or within any extension of that period granted by the Architectural Committee, all yards and open spaces shall be Landscaped and thereafter maintained and kept in a manner approved by the Architectural Committee. Except to the extent that the Association has assumed the responsibility for landscape maintenance, it shall be the responsibility of the Owner of the Lot to maintain landscaping on the Lot of the Owner.

Section 5.11 Weeds. All yards and open spaces and the entire area of every Lot on which no building has been constructed shall be kept free from plants and weeds infected with noxious insects or plant diseases and from weeds including but not limited to Canadian thistles, mullein, poison oak and poison ivy, which in the reasonable opinion of the Association or Declarant constitute a nuisance or are likely to cause

the spread of infection or weeds to neighboring property, and free from brush or other growth or trash which in the reasonable opinion of the Association or Declarant causes undue danger of fire.

Section 5.12 Mowing and Pruning. In order to effect insect, weed and fire control and to prevent and remove nuisances, the Owner of any Lot upon which a building has not been constructed shall mow, cut, prune, clear and remove from the premises unsightly brush, weeds and other unsightly growth and shall remove any trash which may collect or accumulate on the Lot.

Section 5.13 Grading Patterns. No material change may be made in the ground level, slope, pitch or drainage patterns of any Lots as fixed by the original finish grading except after first obtaining the prior consent and approval of the Architectural Committee. Grading shall be maintained at all times so as to conduct irrigation and surface waters away from buildings and so as to protect foundations and footings from excess moisture.

Section 5.14 Transmitters. No electronic or radio transmitter of any kind other than garage door openers, electronic devices and transmitters permitted by Title 47, Part 15 of the United States Code and remote control devices for televisions, stereos, video cassette recorders and similar equipment shall be operated in or on any Improvement or Lot.

Section 5.15 Animals. No animals except domesticated birds or fish and other small domestic animals permanently confined indoors and except an aggregate of two domesticated dogs or cats shall be maintained in or on any Lot within the Community Area and then only if kept as pets. No animal of any kind shall be permitted which in the opinion of the Association makes an unreasonable amount of noise or odor or is a nuisance. No animals shall be kept, bred or maintained within the Community Area for any commercial purposes. No pets shall be chained or enclosed on a Lot outside of the Dwelling Unit. Declarant does not intend to permit dogs within the Community Area. When Declarant no longer owns a Lot in the Community Area, the Board shall have the authority, but not the obligation to permit the keeping of dogs within the Community Area and to adopt provisions for inclusion within the Rules and Regulations concerning the keeping of dogs.

Section 5.16 Parking of Vehicles.

(a) No motor vehicles owned, leased, rented or used by Owners or Related Users shall be parked overnight on any street within the Community Area.

(b) No boat, trailer, camper, tractor, commercial vehicle, mobile home, motor home nor any towed trailer unit or truck shall be parked overnight on any street or within any Lot except in a completely enclosed building such as a garage. Pickup trucks having a 1 ton or less manufacturer's rated capacity, with or without bed toppers and passenger vans for the private use of the residents of a Dwelling Unit as primary transportation on a day-to-day basis, shall not be considered trucks for purposes of the foregoing restrictions.

(c) No motor vehicles shall be driven or parked within the Association Properties except as authorized by the Association.

Section 5.17 Inoperative Vehicles. No unused, stripped down, partially wrecked or inoperative motor vehicle or part thereof shall be permitted to be parked on any street or on any Lot except in a completely enclosed building such as a garage. An unused vehicle shall be any vehicle which is not properly licensed or as otherwise determined by the Association.

Section 5.18 Vehicle Repairs. No maintenance, servicing, repair, dismantling, sanding or repainting of any type of vehicle, boat, machine or device may be carried on except within a completely enclosed building which screens the sight and sound of the activity from adjoining streets and from neighboring property.

Section 5.19 No Signs. No sign of any kind shall be displayed to public view on any Lot or on or from any Dwelling Unit except for signs approved by the Architectural Committee.

Section 5.20 Outdoor Burning. There shall be no outdoor fires on any Lot or on the Association Properties, except fires in barbecue grills and outside fireplaces, or other facilities or receptacles intended for such purpose. No Owner shall permit any condition on such Owner's Lot which creates a fire hazard or is in violation of fire prevention regulations.

ARTICLE 6 ARCHITECTURAL CONTROL

Section 6.1 Architectural Committee. Until Declarant has sold all of the Lots in the Community Area, or until such earlier time as Declarant elects to assign the right to appoint the Architectural Committee to the Board, the Architectural Committee shall consist of three members appointed by Declarant. After the right to appoint the Architectural Committee has been transferred to the Board, the Architectural Committee shall consist of at least three and not more than five individuals, all of whom shall be appointed by the Board. The members of the Architectural Committee need not be Members of the Association. The Architectural Committee shall exercise the functions assigned to it by this Declaration, including reviewing and approving all plans for Improvements as provided in this Declaration.

Section 6.2 Design Guidelines. The Architectural Committee shall promulgate and adopt Design Guidelines applicable to all Improvements in the Community Area. All Improvements, including those on the Association Properties, shall be constructed or installed in compliance with the requirements of the Declaration, with other covenants of record, and with the Design Guidelines, if any, as they exist at the time of approval of plans pursuant to this Article 6. The Architectural Committee shall have the right to modify or supplement the Design Guidelines from time to time in its sole discretion; provided, however, that no

modification to the Design Guidelines may result in a provision that contradicts or conflicts with any express provision of this Declaration or is contrary to the general intent or purposes of this Declaration.

Section 6.3 Approval Required. No Improvement shall be placed, erected, installed or permitted to occur or exist on any Lot, nor shall the exterior of any existing Improvements be altered, nor shall any construction be commenced on any Improvements, unless and until the plans and specifications for such Improvements shall have been submitted to and approved in writing by the Architectural Committee. Matters which require the approval of the Architectural Committee include but are not limited to:

- (a) the construction, installation, erection or expansion of any Dwelling Unit or any building, structure, or other Improvements (as defined in Section 2.14);
- (b) the installation of Landscaping;
- (c) the demolition or destruction, by voluntary action, of any building, structure or other Improvements;
- (d) the grading, excavation, filling or similar disturbance to the surface of the land; and
- (e) any change or alteration of any previously approved Improvements, including any change of exterior appearance, finish material, color or texture.

Section 6.4 Plans Submissions. All plans, samples and other materials to be submitted to the Architectural Committee shall be submitted in duplicate and shall be in such detail as to show and illustrate the improvements being requested to be approved.

Section 6.5 Approval Process. All action required or permitted to be taken by the Architectural Committee shall be in writing and any such written statement shall establish the action of the Architectural Committee and shall protect any person relying on the statement. The procedure for submitting requests and obtaining approvals shall be as set forth by the Architectural Committee. The Architectural Committee may charge reasonable fees to cover expenses incurred in review of plans, samples and materials submitted pursuant to this Declaration, not including reimbursement or compensation to the members of the Architectural Committee for their services. The Architectural Committee shall be entitled to retain one copy of all approved plans as part of its files and records. Approvals of all plans and specifications for an Improvement will automatically expire within one year after approval if construction is not commenced within one year after approval, and if approval so expires, the applicant must resubmit a request for approval of the Improvement.

Section 6.6 Approval Standards. All Improvements to be constructed or installed within the Community Area must comply with this Declaration. In granting or withholding approval of matters submitted to it, the Architectural Committee shall consider the specific standards and specifications set forth

in the Design Guidelines. The Architectural Committee shall have the right to disapprove any plans, specifications or details submitted to it if it determines the proposed Improvement is not consistent with any provision of this Declaration; if the plans and specifications submitted are incomplete; or if the Architectural Committee deems the plans, specifications or details, or any part thereof, to be contrary to the interest, welfare or rights or all or any part of the Community Area, the Association or the Owners. If the Architectural Committee believes there may be questions of structural integrity, it may, as part of the approval requirements, require certification of the final plans and specifications by a professional architect or engineer licensed in Colorado. The decisions of the Architectural Committee shall be final and binding unless they are clearly arbitrary and there is no evidence to support the Architectural Committee's decision.

Section 6.7 No Liability. Neither Declarant, the Board nor the Architectural Committee or any member thereof shall be liable in damages or otherwise to anyone submitting plans to them for approval, or to any Owner 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 specifications. Approval by the Architectural Committee shall not mean that plans and specifications 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 or other person submitting plans to the Architectural Committee to comply with all codes, ordinances and regulations.

ARTICLE 7 ASSOCIATION OPERATION

Section 7.1 Association Structure. The Association has been formed as a Colorado corporation under the Colorado Nonprofit Corporation Act. The Association shall have the duties, powers and rights set forth in the Association Documents. The Board of Directors shall be elected by its Members; provided, however, that the Declarant shall have the sole right to appoint a majority of the members of the Board of Directors for the period of time provided in Section 7.5.

Section 7.2 Board of Directors. The affairs of the Association shall be managed by a Board of Directors. The Board shall consist of three members during the period of Declarant control stated in Section 7.5 and thereafter shall consist of at least three but not more than five members, as set forth in the Association's Bylaws. A quorum shall consist of not less than two directors during the period of Declarant control stated in Section 7.5 and thereafter a quorum shall be determined as provided in the Association's Bylaws. All members of the Board shall be representatives of Declarant or Members of the Association. The terms and other qualifications of the members of the Board of Directors shall be fixed in the Articles of Incorporation and Bylaws of the Association. The Board of Directors may, by resolution, delegate portions of its authority to an executive committee or to other committees, to officers of the Association or to agents and employees of the Association, but such delegation of authority shall not relieve the Board of Directors of the ultimate responsibility for the management of the affairs of the Association. Action by or on behalf of the Association may be taken by the Board of Directors or any duly authorized committee, officer, agent or employee without a vote of Members, except as otherwise specifically provided in this

Declaration or by Colorado law. All lawful decisions, agreements and undertakings by the Board, or its authorized representatives, shall be binding upon all Members, Owners, Related Users and other Persons.

Section 7.3 Membership in Community Association. Each Owner shall be a Member of the Association. An Owner shall automatically be the holder of the membership appurtenant to such Owner's Lot, and the membership shall automatically pass with fee simple title to the Lot. Declarant shall hold one membership in the Association for each Lot owned by Declarant. Membership in the Association shall not be assignable separate and apart from fee simple title to a Lot, except that an Owner may assign some or all of the Owner's rights as an Owner and as Member of the Association to a contract purchaser, tenant or First Mortgagee, and may arrange for such Person to perform some or all of such Owner's obligations as provided in this Declaration, but no such delegation or assignment shall relieve an Owner from the responsibility for fulfillment of the obligations of an Owner under the Association Documents. The rights acquired by any such contract purchaser, tenant or First Mortgagee shall be extinguished automatically upon termination of the First Mortgage, sales contract or tenancy. The assignment of rights by an Owner pursuant to this section shall not be subject to any present or future statutory time limit for the duration of duly notarized proxy rights, but shall be in writing, and delivered to the Association before such Person shall be entitled to exercise any membership rights or privileges. All rights, title and privileges of membership shall be subject to the Association Documents.

Section 7.4 Voting Rights of Members. Members shall have the right to cast votes for the election of Board of Directors and on such other matters to be voted on by the Members, as provided in the Association Documents. One vote is allocated to each Lot and Members shall have one vote for each Lot owned. Subject to the provisions of Section 310 of the Colorado Common Interest Ownership Act. Section 38-33.3-310, Colorado Revised Statutes, provides that if more than one Person is the Owner of a Lot, the vote allocated to that Lot may be divided fractionally among the Owners in any manner they agree upon, or equally among them if they are unable to agree; provided, however that not more than one vote may be cast for any one Lot. Voting rights and procedures may be further defined in the Articles and Bylaws of the Association. Notwithstanding the foregoing, Declarant shall have the reserved rights set forth in Section 7.5.

Section 7.5 Declarant's Reserved Right to Appoint. Notwithstanding any contrary provision, but subject to the requirements of Section 7.2 of this Declaration and Section 303(6) of the Colorado Common Interest Ownership Act pursuant to Section 38-33.3-303(6), Colorado Revised Statutes, the Declarant hereby reserves the right to appoint a majority of the members of the Board of Directors, at all times subsequent to the date of recordation of this Declaration, which right shall terminate upon the occurrence of the first of the following events:

- (a) ten years after the date on which this Declaration is recorded;

(b) by written notice from Declarant to the President or Secretary of the Association of Declarant's intent to terminate its right to appoint the majority of the members of the Board of Directors;

(c) upon the bankruptcy of Declarant (for purposes of this provision, Declarant shall be considered bankrupt if a petition in bankruptcy has been filed by or against Declarant and has not been dismissed within 180 days after such filing or Declarant has taken action for relief under the federal bankruptcy laws);

(d) upon that date which is sixty days after Eighteen Lots have been sold to Owners other than Declarant; or

(e) two years after the last conveyance of a Lot by Declarant in the ordinary course of business.

ARTICLE 8 DUTIES AND POWERS OF ASSOCIATION

Section 8.1 General Duties and Powers of Association. The Association has been formed to further the common interests of the Members. The Association, acting through the Board or representatives to whom the Board has delegated such powers, shall have the duties and powers given non-profit corporations, including without limitation those hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to further the common interests of the Members, to maintain, improve and enhance Association Properties, and to improve and enhance the attractiveness, desirability and safety of the Community Area. The Association shall have and may exercise all powers enumerated in Section 302 of the Colorado Common Interest Ownership Act. Except as expressly otherwise provided in the Association Documents or by Colorado law, the Association shall act through the Board of Directors, without the vote or meeting of the Members, and the Board may exercise all rights, powers and interests of the Association, as described in this Article 8 or elsewhere in the Association Documents.

Section 8.2 Duty to Accept Property and Facilities Transferred by Declarant. The Association shall accept title to any property, including without limitation any Improvements thereon, any easement or other right, and personal property transferred to the Association by Declarant or by any third party with Declarant's permission, and equipment related thereto, together with the responsibility to perform any and all Association functions associated therewith, provided that such property and functions are not inconsistent with the terms of this Declaration. Property interests transferred to the Association by Declarant may include fee simple title, easements, leasehold interests and contractual rights or licenses to use property. Any property or interest in property transferred to the Association by Declarant shall, except to the extent otherwise specifically approved by resolution of the Board of Directors, be transferred to the Association free and clear of all liens (other than the lien of property taxes and assessments not then due and payable), but shall be subject to the terms of this Declaration. No representation, express or implied, is made that the

Declarant will or will not transfer property to the Association, except as specifically provided in Section 9.2 or in Exhibit "B."

Section 8.3 Duty to Manage and Care for Property. To the extent owned by the Association, the Association shall manage, operate, care for, maintain and repair all Association Properties and other landscaped areas set forth in Section 5.1, and keep the same in an attractive and desirable condition for the use and enjoyment of the Members; provided, however, that maintenance responsibilities for any Association Properties shall not commence until Assessment. *5.3 This is where the Assoc. has the right to take over management of landscaped areas.* e. In addition, the Association may, if some or all of the Members will so request, assume the duty, to maintain the Lots and other Association shall from time to time determine to be in the best interests of the Association for the maintenance of Lots or Lots as a Common Assessment if the maintenance provided by the Association is not provided on a uniform basis, then it shall be assumed responsibility by the Owners. If the maintenance is not provided on a uniform basis, the cost of which shall be payable by the Owner of the benefited Lot or Lots as a Special Assessment as set forth in Section 8.12. The Association's obligation to maintain the landscaped areas and other common elements hereunder, shall not be amended, modified, or deleted without prior written consent of the Town of Breckenridge.

Section 8.4 Duty to Pay Taxes. The Association shall pay all taxes and assessments levied upon the Association Properties owned by the Association and all other taxes and assessments payable by the Association. The Association shall have the right to contest any such taxes or assessments provided that the Association shall contest the same by appropriate legal proceedings which shall have the effect of preventing the collection of the tax or assessment and the sale or foreclosure of any lien for such tax or assessment, and provided that the Association shall keep and hold sufficient funds to pay and discharge the taxes and assessments, together with any interest and penalties which may accrue with respect thereto, if the contest of such taxes is unsuccessful. The Association may maintain reserves for the taxes which could be incurred as a result of an adverse ruling on any position taken by the Association.

Section 8.5 Duty to Maintain Insurance. The Association shall obtain and keep in full force and effect at all times insurance coverage in accordance with this Declaration and as required by Colorado law.

Section 8.6 Duty to Levy and Collect Assessments. The Association shall levy and collect Assessments as elsewhere provided in this Declaration.

Section 8.7 Power to Provide Security. The Association shall have the power, but not the obligation, to provide for the security of the Owners but not the obligation, by restricting access to the Community Area, hiring a security patrol or service and performing any other functions relating to safety and security authorized by the Board or the Members.

Section 8.8 Power to Acquire and Maintain Property and Construct Improvements. The Association may acquire property or interests in property for the common benefit of Owners, including Improvements and personal property. The Association may construct or reconstruct Improvements on property and may demolish existing Improvements. The Association shall have the power to maintain public or private rights of way and to perform maintenance on any portion of the Community Area, whether or not owned by the Association.

Section 8.9 Power to Adopt Rules and Regulations. The Association may adopt, amend, repeal and enforce such Rules and Regulations as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration and matters related thereto, the operation of the Association, the use and enjoyment of Association Properties, and the use of any other property within the Community Area, including Lots. Any such Rules and Regulations shall be reasonable and uniformly applied as determined by the Board in its sole discretion. Rules and Regulations shall be effective upon adoption by resolution of the Board of Directors. Written notice of the adoption, amendment or repeal or any Rule or Regulation shall be provided to all Members by the Association, and copies of the currently effective Rules and Regulations shall be made available to each Member upon request and payment of the copying cost. Each Owner, Related User, Member and other Person shall comply with such Rules and Regulations and shall see that Related Users of such Member comply with the Rules and Regulations. Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration. In the event of conflict between the Rules and Regulations and the provisions of this Declaration, the provisions of this Declaration shall prevail.

Section 8.10 Power to Enforce Declaration and Rules and Regulations. The Association shall have the power to enforce the provisions of the Association Documents, and shall take such action as the Board deems necessary or desirable to cause compliance by each Member, other Person, and Related Users of each Member. Without limiting the generality of the foregoing, the Association shall have the power to enforce the provisions of the Association Documents by any one or more of the following means: (a) by entry upon any property within the Community Area after any notice and hearing required by the Bylaws (unless a bona fide emergency exists), without liability to the Owner or occupants thereof, for the purpose of enforcement of or causing compliance with the Association Documents; (b) by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of the Association Documents, by mandatory injunction or otherwise; (c) by commencing and maintaining actions and suits to recover damages for breach of any of the provisions of the Association Documents; (d) by exclusion, after any notice and hearing required by the Bylaws, of any Member, Related User or other Person from use of any Association Properties for a period not to exceed sixty days as a penalty for any breach of the Association Documents by a Member, Related User or other Person; (e) by suspension, after notice and hearing required by the Bylaws, of the voting rights of a Member during and for up to sixty days following any breach by such Member or a Related User of such Member of the Association Documents, unless the breach is a continuing breach, in which case such suspension shall continue for so long as such breach continues; (f) by levying and collecting, after notice and hearing required by the Bylaws a Site Assessment against any Member for breach by the Member or a Related User of such Member of the Association Documents, unless

the violation consists of failure to pay any Assessment, in which case notice and hearing shall not be required; (g) by levying and collecting, after any notice and hearing required by the Bylaws, reasonable and uniformly applied fines and penalties established in advance in the Rules and Regulations of the Association, from any Member, Related User or other Person for breach by such Member, Related User or other Person of the Association Documents; (h) by performing any duty of any Member, Related User or other Person or correcting any violation or breach of the Association Documents and obtaining, upon demand, reimbursement for all expenses related thereto as a Site Assessment, and (i) by exercising any right or remedy permitted by law or in equity.

Section 8.11 Power and Duty to Enforce Association Documents. The Association shall have the power and duty to enforce the covenants, terms and provisions of the Association Documents.

Section 8.12 Power to Provide Special Services. The Association shall have the power to provide special services beyond this Declaration to a Member or group of Members and any services to any other Person. Any such service or services shall be provided pursuant to an agreement in writing, or through one or more amendments to this Declaration, which shall provide for payment to the Association by such Member or group of Members or other Persons of the costs and expenses which the Association estimates it will incur in providing such services, including a fair share of the overhead expenses of the Association, and shall contain provisions assuring that the obligation to pay for such services shall be binding upon any heirs, personal representatives, successors and assigns or the Member or group of Members or other Persons, and may be collected in the same manner as a Site Assessment, or, if the written agreement so provides, in installments as part of the Common Assessments or may be collected in any manner permitted by law or statute or the Association Documents.

Section 8.13 Power to Operate and Charge for Facilities. The Association shall have the power to acquire, create, own and operate any and all such facilities and services as it deems appropriate, including, without limitation, landscape maintenance and refuse collection, or any other similar or dissimilar function, and to establish charges for the use of facilities and services. The charges may include admission, rental or other fees and charges for any use of property, facilities, or services of the Association. Such charges or fees shall be as determined from time to time by the Board of Directors.

Section 8.14 Power to Grant Easements. The Association shall have the power to grant access, utility, drainage, water facility and any other easements in, on, over or under Association Property for any lawful purpose, including, without limitation, the provision of emergency services, utilities, telephone, television, or other uses or services to some or all of the Members.

Section 8.15 Power to Employ Managers. The Association shall have the power to retain and pay for the services of a manager or managers to undertake any of the management of any functions for which the Association has responsibility under this Declaration to the extent deemed advisable by the Association, and may delegate any of its duties, powers or functions to the manager. Any contract or agreement with a manager shall be terminable by the Association for cause on no more than thirty days prior written notice,

and shall be terminable by the Association without cause and without payment of a termination fee on no more than ninety days prior written notice. No such contract or agreement shall be for a term of more than one year. Notwithstanding any delegation to a manager of any duties, powers or functions of the Association, the Association and its Board of Directors shall remain ultimately responsible for the performance and exercise of such duties, powers and functions. In addition to a manager, the Association may employ and pay a consultant, which may be Declarant, an affiliate of Declarant, or a third party, to assist in operating and managing the Association after the Declarant's reserved rights under Section 7.5 terminate. Notwithstanding any contrary provision, any management agreements entered into prior to the termination of the Declarant's reserved rights under Section 7.5 shall be subject to review and approval by FHA or VA as to length and other provisions, and shall terminate absolutely, in any event, no later than thirty days after the Declarant's reserved rights under Section 7.5 terminate.

Section 8.16 Power to Engage Employees, Agents and Consultants. The Association shall have the power to hire and discharge employees and agents (except as otherwise provided in management contracts) and to retain and pay for such legal and accounting services as may be necessary or desirable in connection with the performance of any duties or the exercise of any powers of the Association under the Association Documents.

Section 8.17 General Corporate Powers. The Association shall have all of the ordinary powers and rights of a Colorado corporation formed under the Colorado Nonprofit Corporation Act and all powers contained in Section 302 of the Colorado Common Interest Ownership Act, subject to any limitations, restrictions, or requirements expressly set forth in the Association Documents.

Section 8.18 Other Powers. The Association shall have the power to regulate the days and hours during which trash and solid waste may be collected or put out for collection in any portion of the Community Area, and the Association may require all Owners to use a common trash collection company or entity selected by the Board. The Association shall also have the power to provide a facility for the collection of trash and solid waste within all or any portion of the Community Area. The Association shall have the power, but not any duty, to sponsor or conduct various community activities or special events of a social or recreational nature to hire and provide a security or courtesy patrol, which shall be unarmed and shall not be a substitute for the municipal police, and to provide general informational services which may include, without limitation, community newsletters, radio broadcast, cable television services and similar services.

ARTICLE 9 ASSOCIATION PROPERTIES

Section 9.1 Right of Association to Regulate Use. To the extent that the Association hereafter owns, holds or has property, the provisions of this Article 9 shall apply. The Association, acting through the Board, shall have the power to regulate use of Association Properties by Members to enhance further

the overall rights of use and enjoyment of all Members, including without limitation, imposing limits on the times of use and numbers of guests permitted to use the Association Properties.

Section 9.2 Property that Must be Conveyed. No later than 30 days after Declarant transfers the last Lot it owns in the Community Area to another Owner, Declarant shall convey to the Association the tracts of land identified and described on Exhibit B as a tract of land to be transferred to the Association. The private streets which form a part of Tract A (Common Parcel) will be conveyed subject to the easement created by Section 13.3. Declarant is not obligated to convey any other real property to the Association.

Section 9.3 No Partition of Association Properties. No Owner shall have the right to partition or seek partition of the Association Properties or any part thereof.

Section 9.4 Liability of Owners for Damage. Each Owner shall be liable to the Association for any damage to Association Properties or for any expense or liability incurred by the Association, to the extent not covered by insurance, which may be sustained by reason of the negligence or willful misconduct of such Owner or a Related User of the Association Properties. The Association shall have the power, as elsewhere provided in this Declaration, to levy and collect a Site Assessment against a Member, Owner, Related User, or other Person to cover the costs and expenses incurred by the Association on account of any such damage or any such violation of the Association Documents, including without limitation, interest, costs, expenses and attorneys' fees, or for any increase in insurance premiums directly attributable to any such damage or violation.

Section 9.5 Damage to Association Properties. In the event of damage to or destruction of all or a portion of the Association Properties due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such damage or destruction are insufficient to repair and reconstruct the damage or destruction, then the Association shall levy a Special Assessment in the aggregate amount of such insufficiency pursuant to this Declaration and shall proceed to make such repairs or reconstruction, unless the Owners and First Mortgagees agree not to repair and reconstruct such damage in accordance with the terms and provisions of this Declaration. No distributions of insurance proceeds shall be made to the Owners, unless made jointly payable to Owners and the First Mortgagees, if any. If insurance proceeds available to the Association on account of damage or destruction exceed the cost of repair, reconstruction or replacement, the Association may use the excess for future maintenance, repair, and operation of and improvements to Association Properties.

Section 9.6 Association Powers in the Event of Condemnation.

(a) If proceedings are initiated by any government or agency seeking to take the Association Properties or any interests therein or part thereof, including any Improvements, the Association shall give prompt notice thereof, including a description of the part of or interest in the Association Properties or Improvements thereon sought to be so condemned, to all Owners. The

Association shall have full power and authority to defend in said proceedings, and to represent the Owners in any negotiations, settlements and agreements with a condemning authority for acquisition of the Association Properties, any part thereof, or any interest therein, and each Owner hereby appoints the Association as the Owner's attorney-in-fact for such purposes. Any award or proceeds of settlement shall be payable to the Association for the use and benefit of the Owners and their mortgagees as their interests may appear. No Owner shall be entitled to participate as a party or otherwise in any condemnation proceedings concerning the Association Properties.

(b) If all of the Association Properties are taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance of condemnation, any award or settlement shall be apportioned by the Association on such a fair and equitable basis as the Association determines to be appropriate in the circumstances, or as determined by judicial decree. If the allocation of the condemnation award is already established in the negotiations, judicial decree, or otherwise, then in allocating the condemnation, award the Association shall employ such allocation to the extent that it is relevant and applicable.

(c) If less than all of the Association Properties are taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance of condemnation, the condemnation award shall first be applied by the Association to the rebuilding and replacement of those Improvements on the Association Properties which are damaged or taken by the condemning public authority, if such rebuilding or replacement is reasonably practical, unless sixty-seven percent of the Members and at least sixty-seven percent of the First Mortgagees (based upon one vote for each First Mortgage held), agree otherwise. Any surplus of the award or other portion thereof not used for rebuilding and replacement shall be distributed by the Association on the same basis as indicated in subparagraph (b) of this Section. No provision of this Declaration or any other document relating to the Association Properties shall be deemed to give an Owner or any other party priority over the rights of a First Mortgagee, regarding distribution of insurance proceeds or condemnation awards for losses to or taking of Association Properties.

ARTICLE 10

DECLARANT'S DEVELOPMENT RIGHTS, SPECIAL RIGHTS AND RESERVATIONS

Section 10.1 Period of Declarant's Rights and Reservations. Declarant shall have, retain and reserve certain rights as hereinafter set forth with respect to the Association and the Association Properties for a period of ten years after the date this Declaration is recorded in the real property records of Summit County, Colorado, or until such earlier date when Declarant ceases to own any real property within the Community Area. The rights and reservations hereinafter set forth shall be deemed excepted and reserved in each conveyance of property by Declarant, whether or not specifically stated in such deed or other instrument by which any property within the Community Area is conveyed by Declarant. The rights, reservations and easements hereinafter set forth shall be prior and superior to any other provisions of the Association Documents and may not, without Declarant's prior written consent, be modified, amended,

rescinded, or affected by any amendment of the Association Documents. Declarant's consent to any one such amendment shall not be construed as a consent to any other amendment.

Section 10.2 Declarant's Development Rights. For the period stated in Section 10.1, Declarant shall have the following development rights:

(a) Declarant may add real property to the Community Area, but only if the property to be added is adjacent to or surrounded by a parcel of the real property described on Exhibit A and only to the extent necessary to correct errors or omissions in the legal description contained in Exhibit A. Any such real property shall be added to the Community Area by an amendment to this Declaration executed by Declarant and by the Owners of the property to be added.

(b) Subject to the limitation contained in Section 10.8, Declarant may create additional Lots within the Community Area;

(c) Subject to the limitation contained in Section 10.8, Declarant may subdivide any Lot into two or more Lots or combine two or more Lots into one Lot.

(d) Declarant may create additional Association Properties within the Community Area or convert any of the Lots within the Community Area to Association Properties; and

(e) Declarant may withdraw any portion of the real estate described on Exhibit A from the Community Area and release such withdrawn property from the provisions of this Declaration.

All of the foregoing development rights shall be exercised by Declarant, if at all, in accordance with Section 210 of the Colorado Common Interest Ownership Act. Except as specifically limited in Section 10.2 (a) with respect to Declarant's right to add real property to the Community Area and in Section 10.2 (e) with respect to Declarant's right to withdraw property from the Community Area, all of the development rights set forth above may be exercised by Declarant with respect to all or any portion of the Community Area. No assurances are made by Declarant concerning which portions of the Community Area may be affected by Declarant's exercise of its development rights or the order in which portions of the Community Area may be affected. Declarant is not obligated to exercise any of its development rights and may elect not to exercise any or all of them. If Declarant does exercise a development right in any portion of the Community Area, Declarant is not obligated to exercise that development right in all or any other portion of the remainder of real estate affected by the exercise of the development right or in all or any other portion of the remainder of the Community Area.

Section 10.3 Resubdivided Lots. Subject to the limitation contained in Section 10.8, Declarant may resubdivide all or any of the Community Area into reconfigured Lots. Declarant shall exercise this right in accordance with Section 210 of the Colorado Common Interest Ownership Act and only as to Lots then owned by the Declarant, by preparing, executing and recording an amendment to this Declaration and

by recording a Supplemental Plat showing the new Lots created. Voting rights shall be allocated to each new Lot created by Declarant in accordance with Section 7.4 (i.e., one vote is allocated to each Lot), and each new Lot shall bear its share of Assessments in accordance with Article 11. Nothing contained herein shall allow the Declarant to resubdivide any Lot without Town of Breckenridge approval.

Section 10.4 Special Declarant Rights. For the period stated in Section 10.1, and as more particularly set forth in this Article 10 or elsewhere in this Declaration, Declarant shall have the following special declarant rights:

- (a) to complete any Improvements shown on the Plat or any Supplemental Plat;
- (b) to exercise any development rights set forth in Section 10.2;
- (c) to maintain anywhere within the Community Area, sales offices, management offices and signs advertising the Community Area and model homes;
- (d) to use easements through the Association Properties for the purpose of making improvements within the Community Area; and
- (e) to appoint or remove any officer of the Association or any member of the Board of Directors appointed by Declarant.

Section 10.5 Right to Construct Additional Improvements on Association Properties. Declarant shall have and hereby reserves the right, but shall not be obligated, to construct Additional Improvements on Association Properties, at Declarant's cost, at any time and from time to time in accordance with this Declaration for the improvement and enhancement of the Association Properties and for the benefit of the Association and the Owners.

Section 10.6 Declarant's Rights to Use Association Properties in Promotion and Marketing. Declarant shall have and hereby reserves the right to use the Association Properties and to use services offered by the Association in connection with the promotion and marketing of property within the boundaries of the Community Area or nearby areas. Without limiting the generality of the foregoing, Declarant may erect and maintain on any part of the Association Properties such signs, temporary buildings and other structures as Declarant may reasonably deem necessary or proper in connection with the promotion, development and marketing of real property within the Community Area; may use vehicles and equipment on Association Properties for promotional purposes; and may permit prospective purchasers of property within the boundaries of the Community Area to use Association Properties.

Section 10.7 Declarant's Rights to Complete Development of Community Area. No provision of this Declaration shall be construed to present or limit Declarant's rights to complete the development of property within the boundaries of the Community Area or nearby areas and to subdivide, resubdivide, or

rezone any portion of such property; to grant licenses, easements, reservations and rights-of-way; to construct or alter Improvements on any property owned by Declarant within the Community Area; to maintain model homes, offices for construction, sales or leasing purposes or similar facilities on any property owned by Declarant or owned by the Association within the Community Area; or to post signs incidental to development, construction, promotion, marketing, sales or leasing of property within the boundaries of the Community Area. Nothing contained in this Declaration shall limit the right of Declarant or require Declarant to obtain approvals to excavate, cut, fill or grade any property owned by Declarant; to change any landscaping, grading, drainage, vegetation, or view; or to construct, alter, demolish or replace any Improvements on any property owned by Declarant, or to use any structure on any property owned by Declarant as a construction, model home or real estate sales or leasing office in connection with the sale of any property within the boundaries of the Community Area. Nothing in this section shall limit or impair the reserved rights of Declarant as may be elsewhere provided in the Association Documents, which rights are incorporated in this section by this reference.

Section 10.8 Maximum Number of Lots. Notwithstanding any other provision of this Declaration, the maximum number of Lots that Declarant may create within the Community shall be twenty-four.

Section 10.9 Declarant's Approval. Until Declarant no longer has the right to appoint a majority of the Board, the Association shall not, without first obtaining the prior written consent of Declarant, convey, change or alter the use of Association Properties; mortgage the Association Properties; use Association Properties other than for the benefit of Members; levy any Special Assessment; change or repeal any rules of the Architectural Committee; make any substantial reduction or change in Association services; or make any amendment of Association Documents.

ARTICLE 11 ASSESSMENTS

Section 11.1 Obligation for Assessments. Each Owner, for each Lot owned within the Community Area, by acceptance of a deed therefor or interest therein, whether or not it shall be so expressed in such deed, shall be deemed to covenant and agree to pay to the Association, in the manner, amounts and times prescribed herein, all Assessments which are described in the Association Documents and which shall be both a personal obligation of the Owner and a lien against his Lot as provided herein. Each Owner shall be jointly and severally liable to the Association for the payment of all Assessments attributable to him and/or his Lot. The personal obligation for delinquent Assessments 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 provided for herein by non-use of the Association Properties or the facilities contained therein, by abandonment or leasing of his Lot, or by asserting any claims against the Association, the Declarant or any other person or entity. In addition to the foregoing Assessments, charges, fees and other sums, each Owner shall have the obligation to pay real property, ad valorem taxes and special assessments imposed by Colorado governmental subdivisions against his Lot. All property dedicated to and

accepted by a public or governmental authority and the Association Properties shall be exempt from Assessments hereunder.

Section 11.2 Purpose of Assessments. The Assessments levied by the Association shall be used to promote the recreation, health, safety and welfare of the Owners and for the improvement and maintenance of the Association Properties as more specifically provided herein.

Section 11.3 Common Assessments. The Common Assessments may include, but shall not be limited to, the following common expenses:

- (a) expenses of management of the Association and its activities;
- (b) taxes and special assessments upon the Association's real and personal property;
- (c) premiums for all insurance which the Association is required or permitted to maintain;
- (d) common services to Owners as approved by the Board;
- (e) landscaping and care of the Association Properties and any recreational or other Association facilities or Improvements located thereon;
- (f) repairs and maintenance that are the responsibility of the Association;
- (g) wages for Association employees and payments to Association contractors;
- (h) legal and accounting fees for the Association;
- (i) any deficit remaining from a previous Assessment year;
- (j) the creation of reasonable contingency reserves, surpluses, and sinking funds, and adequate reserve funds for maintenance, repairs and replacement of those elements of Association Property that must be maintained, repaired or replaced on a periodic basis and are payable in regular installments, rather than by Special Assessments;
- (k) the creation of reasonable contingency reserves for any applicable insurance deductibles and emergencies; and
- (l) 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.

Common Assessments shall be paid quarterly as provided in Section 11.5.

Section 11.4 Declarant's Obligation. Until Assessments are first levied by the Association pursuant to this Article 11, Declarant shall pay all common expenses of the Association described in Section 11.3.

Section 11.5 Common Assessment Procedure.

(a) Promptly after this Declaration is recorded, the Board of Directors shall set the total annual Common Assessment for the year 2000 based upon an estimated budget for the Association for the year 2000. No later than ninety days before the beginning of each year after 2000, the Board of Directors shall set the total annual Common Assessment based upon an advanced budget of the Association's requirements for the following Assessment year. Within thirty days after adoption of the Association's budget for each year, by the Board, the Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing or other delivery of the budget summary. The notice mailed to the Owners shall include a ballot allowing an Owner to vote for or against approval of the budget by returning the ballot, marked and signed by the Owner, to the Board, by mail or otherwise, prior to or on the date on which the meeting is scheduled. Unless a majority of all Owners (not just those members present at the meeting or voting by proxy) reject the budget, the budget is ratified, whether or not a quorum is present at the meeting. In the event that the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

(b) After approval of the budget by the Owners, the Board shall cause to be prepared, delivered or mailed to each Owner, at least thirty days in advance of the date payment is due, a payment statement setting forth the annual Common Assessment. That annual Common Assessment shall be payable in advance in quarterly installments due on the first day of each quarter. All payments of Common Assessments shall be due and payable, without any notice or demand, on the due dates declared by the Board. Common Assessments shall be applicable to all Lots, including those owned by Declarant. Declarant and other Owners of Lots at the time a Common Assessment is first levied shall become responsible for Common Assessments at that time. The obligation to pay the Common Assessment shall commence as to each Lot upon substantial completion of a Dwelling Unit on a Lot. Each Owner who subsequently acquires a Lot shall become responsible for Common Assessments on a Lot as of the date the Lot is transferred to such Owner. The first annual Common Assessment shall be adjusted according to the number of months remaining in the fiscal year as established pursuant to the Bylaws of the Association.

Section 11.6 Rate of Assessments. Common Assessments and Special Assessments shall be sufficient to meet the expected expenses of the Association as reflected in the approved budget. Common Assessments and Special Assessments for Vacant Lots shall be different than the Common Assessments and Special Assessments for Improved Lots. The Common Assessments and Special Assessments payable with respect to an Improved Lot shall be two times the common and Special Assessments for Vacant Lots. Should the Association decide to maintain the Lots and Improvements thereon pursuant to Section 8.3 above, then the Common Assessments and Special assessments payable with respect to an Improved Lot, shall be three times the Common Assessments and Special Assessments for Vacant Lots. Common Assessments and Special Assessments shall be determined according to the following formula:

$$y = \frac{ce}{(VL) + 2 (IL)}$$

or

$$y = \frac{ce}{(VL) + 3 (IL)}$$

*See XLS
 stn./col of HOA
 Dues Calculator*

depending upon whether the Association maintains the Improved Lots and

In the foregoing formulas, "VL" is the number of Vacant Lots within Community Area, "IL" is the number of Improved Lots within the Community Area and "CE" is the total expenses of the Association for the period in question to be paid by Common Assessments or Special Assessments, as the case may be, as determined by the approved budget. When these numbers are inserted in the equation and it is solved for y, y will be the Annual Common Assessment or the Special Assessment for a Vacant Lot and two times (or three times as the case may be) will be the Annual Assessment or Special Assessment for an Improved Lot.

If a Dwelling Unit is substantially completed on a Vacant Lot after the Common Assessment for a year has been levied and paid, the Common Assessment for the Improved Lot resulting from substantial completion of the Dwelling Unit shall be adjusted as of the date of occupancy of the Improved Lot to the higher Common Assessment Rate applicable to Improved Lots. The Owner shall pay a prorata portion of the adjusted Common Assessment for the remainder of the year upon receipt of a billing statement delivered to such Owner by the Association.

Section 11.7 Failure to Fix Assessment. The failure by the Board of Directors to levy an Assessment for any period shall not be deemed a waiver or modification with respect to any of the provisions of this Declaration or a release of the liability of any Owner to pay Assessments for that or any subsequent period.

Section 11.8 Special Assessments. In addition to Common Assessments, the Board of Directors may, subject to the provisions of this section, levy Special Assessments for the purpose of raising funds to

construct or reconstruct, repair or replace capital Improvements upon Association Properties, including personal property relating thereto; to add to the Association Properties; to provide for necessary facilities and equipment; to offer the services authorized in this Declaration; to correct any deficit or cost overrun; or to repay any loan made to the Association to enable it to perform the duties and functions authorized in this Declaration. Special Assessments shall be equally and uniformly imposed upon Lots as provided in Section 11.6. No Special Assessment shall be levied until it has been ratified by the Owners in accordance with a procedure substantially identical to the procedure set forth in Section 11.5(a). At any time that insurance proceeds are insufficient to repair or reconstruct any damaged or destroyed Improvements on the Association Properties, or on any other property which the Association maintains, the Association may levy Special Assessments for the purpose of repair or reconstruction of such damaged or destroyed Improvements; all such Special Assessments shall be equal to the amount by which the costs of repair or reconstruction of Improvements exceeds the sum of insurance proceeds awarded for the damage or destruction, and shall be set in the same manner as other Special Assessments. The Association shall notify Owners in writing of the amount of any Special Assessment and of the manner in which, and the dates on which, any such Special Assessment is payable, and the Owners shall pay any such Special Assessment in the manner so specified.

Section 11.9 Site Assessments. The Board of Directors may, subject to the provisions hereof, levy a Site Assessment against any Member, Owner, or Lot if the willful or negligent acts or omissions of the Member, Owner or a Related User cause any violation of the Association Documents or cause any loss or damage to the Association or Association Properties or cause any expenditure of funds in connection with the enforcement powers of the Association. Except for a default consisting solely of a failure to timely pay any Assessment, including, without limitation, Special Assessments or Common Assessments, which shall not require any notice and hearing, a Site Assessment shall be levied only after a minimum of thirty days notice and subsequent hearing before the Board of Directors. The amount of the Site Assessment shall be due and payable to the Association upon notice by the Board that the Site Assessment is owing. Imposition or non-imposition of Site Assessments shall not preclude the Association from pursuing simultaneously or subsequently all other legal or equitable rights and remedies.

Section 11.10 Costs of Enforcement, Late Charges and Interest. If any Assessment is not paid within ten days after it is due, the Member, Owner or other Person obligated to pay the Assessment may be additionally required to pay all costs of enforcement, including without limitation, reasonable attorneys' fees, court costs, witness expenses, and all related expenses, and to pay a reasonable late charge to be determined by the Board. Any Assessment which is not paid within ten days after the date of any notice of default given under Section 11.12 shall bear interest from the due date at a rate determined by the Board, not to exceed the lower of twenty-one percent per annum, or the maximum percentage permitted by law, from the due date until paid.

Section 11.11 Attribution of Payments. If any Assessment payment is less than the amount assessed, the sums received by the Association from that Owner shall be credited in such order of priority as the Board of Directors, in its discretion, determines.

Section 11.12 Notice of Default and Acceleration of Assessments. If any Assessment is not paid within thirty days after its due date, the Board of Directors may mail a notice of default to the Owner and to each First Mortgagee of the Lot who has requested a copy of such notice. The notice shall substantially set forth (a) the fact that the installment is delinquent; (b) the action required to cure the default; (c) a date not less than twenty days from the date of mailing of the notice by which such default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in the foreclosure of the lien for the Assessment against the Lot of the Owner. A default shall not be considered cured unless the past due sums, collection expenses, and all sums coming due through the date of payment are paid to the Association. If the delinquent Assessment and any collection expenses, late charges or interest thereon, plus any other sums due as of the date of the payment, are not paid in full on or before the date specified in the notice, the Board, at its option, may enforce the collection of the Assessment and all charges and interest thereon in any manner authorized by law or in the Association Documents.

Section 11.13 Remedies to Enforce Assessments. Each Assessment levied hereunder shall be a separate, distinct and personal debt and obligation of the Owner against whom it is levied. In the event of a default in payment of any Assessment, the Board may, in addition to any other remedies provided under the Association Documents or by law, enforce such obligation on behalf of the Association by suit or by filing and foreclosure of a lien as hereinafter provided. Each Owner, by acceptance of a deed to a Lot, whether or not it is expressed in such deed, is deemed to have agreed to pay to the Association all Assessments, together with interest, late charges, and expenses of collection, and this covenant shall be a charge on the land and a continuing lien upon the Lot against which the Assessment is made. The lien created hereby shall exist from the date of each Assessment until all sums are paid, whether or not a Notice of Lien is filed in accordance with Section 11.15.

Section 11.14 Lawsuit to Enforce Assessments. The Board may bring a suit at law to enforce any Assessment obligation. Any judgment rendered in such action shall include any late charge, interest, and other costs of enforcement against the defaulting Owner, including, without limitation, reasonable attorneys' fees.

Section 11.15 Lien to Enforce Assessments. The Association shall have a lien for Assessments (the "Lien") as provided in Section 316 of the Colorado Common Interest Ownership Act. In addition to or in lieu of bringing suit to collect Assessments, the Association may foreclose its Lien as provided by law and in this section. The Board may elect (but is not required to) to file a claim of lien against the Lot of the defaulting Owner by recording a notice ("Notice of Lien") substantially setting forth: (a) the amount of the claimed delinquency, (b) the interest and expenses of collection which has accrued thereon, (c) the legal description and street address of the Lot against which the lien is claimed, and (d) the name of the record Owner thereof. Such Notice of Lien shall be signed and acknowledged by an officer of the Association or other duly authorized agent of the Association. The Lien shall have the priority provided by the Colorado Common Interest Ownership Act and shall be prior to any declaration of homestead rights recorded after the time that the Lot becomes part of the Community Area. The acceptance of a deed to a Lot subject to this

Declaration shall constitute a waiver by the Owner of the homestead exemption as against said Lien. The Lien shall continue until the amounts secured thereby and all subsequently accruing amounts are fully paid or otherwise satisfied. When all amounts claimed under the Lien, including, without limitation, all court costs, recording costs and filing fees, have been fully paid or satisfied, the Association shall execute and record a notice releasing the Notice of Lien, if recorded, upon payment by the Owner of a reasonable fee as fixed by the Board of Directors to cover the cost of preparing and recording the release of the Notice of Lien. Unless paid or otherwise satisfied, the Lien may be foreclosed through a Colorado court of competent jurisdiction in accordance with the laws of the State of Colorado applicable to foreclosure of real estate mortgages (not including deeds of trust), or in any other manner permitted by law. The Association shall have the right and power to bid on the Lot at the sale and to acquire and hold, lease, mortgage, and convey the same. The lien under this section shall be subject to the provisions and restrictions of Section 14.6 hereof.

Section 11.16 Estoppel Certificates. Upon the payment of such reasonable fee as may be determined from time to time by the Board of Directors, and upon the written request of any Member or Owner and any Person which has, or intends to acquire, any right, title or interest in the Lot of such Member or Owner, the Association shall furnish a written statement setting forth the amount of any Assessments or other amounts, if any, due and accrued and then unpaid with respect to a Lot and the Owner thereof, and setting forth the amount of any Assessment levied against such Lot which is not yet due and payable. Such statement shall, with respect to the Person to whom it is issued, if relied thereupon in good faith and without actual knowledge to the contrary, be conclusive against the Association.

Section 11.17 No Offsets. All Assessments shall be payable in the amounts specified in the levy thereof, and no offset, abatement or reduction thereof shall be permitted for any reason whatsoever, including, without limitation, any claim that the Association or the Board of Directors is not properly exercising its duties and powers under this Declaration, or for inconvenience or discomfort arising from any activity of the Association Properties, or because an Owner claims that a particular function funded by the Assessment does not benefit that Owner directly, or for any other reason.

Section 11.18 Working Capital Fund. At the time when Assessments commence under Section 11.5, the Board may, at its option, require the Owner, to make a nonrefundable contribution to the Association of an amount equal to or less than the quarterly Common Assessment against the Lot in effect on the date of delivery of the deed conveying the Lot. All such contributions shall be maintained in a non-segregated working capital account for the use and benefit of the Association for, among other purposes, meeting unforeseen expenditures or purchasing additional equipment, property or services. The working capital contribution shall be in addition to the Assessment, and shall not relieve the Owners from paying all Assessments as they come due. The Declarant shall not be liable for the payment into the working capital fund.

ARTICLE 12
INSURANCE

Section 12.1 Insurance on Association Properties. The Association shall maintain insurance covering all insurable Association Properties. The Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, and the cost of said coverage shall be paid by the Association as a common expense. Notwithstanding any of the specific insurance requirements specified in this Article 12, the Association may also consider, in determining the type and amount of insurance it needs to obtain, the then-existing requirements of Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal Housing Administration of the Department of Housing and Urban Development ("FHA"), the Veterans Administration ("VA"), the Colorado Housing Finance Authority ("CHFA") or any other public, quasi-public or private agency or entity which performs (or may in the future perform) functions similar to those currently performed by the entities specifically listed herein (the "Agencies").

(a) A policy of property insurance covering all insurable Association Properties for broad form covered causes of loss, in an amount 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 as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

(1) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and

(2) such other risks as at the time are customarily covered with respect to associations having property similar in construction, location and use, including all periods normally covered by the standard "all risk" endorsement, where such is available.

(b) A comprehensive policy of commercial general liability insurance covering all of the Association Properties, insuring the Association in an amount but not less than \$1,000,000.00 covering bodily injury, including death, personal injury and property damage liability arising out of a single occurrence. Such coverage shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths in connection with the operation, maintenance or use of the Association Properties, legal liability arising out of lawsuits related to employment contracts of the Association, and protection against liability for non-owned and hired automobiles. Such coverage may also include, if applicable, comprehensive automobile insurance, liability for property of others, host liquor liability, water damage liability, contractual liability, workmen's compensation insurance for employees of the Association, and insurance coverage of such other risks as are

customarily required by private institutional mortgage investors with respect to associations having property similar in construction, location and use. This policy shall insure the Association, the Board of Directors, the Association's managing agent (if any), and their respective employees, agents and all persons acting as agents. Declarant shall be included as an additional insured in its capacity as an Owner of Lots. The Owners shall be included as additional insureds but only for claims and liabilities arising from the ownership, existence, use of, and management of the Association Properties. The insurance shall cover claims of one or more insured parties against other insured parties.

(c) A policy providing comprehensive fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and all others who handle or are responsible for handling funds of the Association, in an amount at least equal to the estimated maximum of funds, including reserves, held by the Association at any given time; provided, however, that such fidelity coverage or fidelity bonds shall not be in an amount less than two months' aggregate of the Common Assessments on all Lots, plus the Association's reserve funds. Such fidelity coverage or bonds shall meet the following requirements:

- (1) all such fidelity coverage or bonds shall name the Association as an obligee;
- (2) such fidelity coverage or bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

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

(d) In addition, the Association may obtain insurance against such other risks of similar or dissimilar nature as it shall deem appropriate, to the extent that such coverage is reasonably available, including but not limited to personal liability insurance to protect directors and officers of the Association and the members of the Architectural Committee and other representatives.

(e) Notwithstanding any other provision of the Association Documents, all insurance acquired by the Association shall satisfy the requirements of Section 313 of the Colorado Common Interest Ownership Act.

Section 12.2 General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association, or its designee, as trustee and attorney-in-fact for all Owners, as the insured and each Owner shall be an insured person under such policies with respect to liability arising out of any Owner's membership in the Association. The policy or policies shall contain a standard non-contributory First Mortgagee's clause in favor of each First Mortgagee, and a

provision that it cannot be canceled or materially altered by either the insured or the insurance company until thirty days prior written notice thereof is given to the insured and to each First Mortgagee, insurer or guarantor of a First Mortgage. The Association shall furnish a certified copy or duplicate original of such policy or renewal thereof, with proof of premium payment and a certificate identifying the interest of the Owner in question to any party in interest including First Mortgagees, upon request and payment of a reasonable fee. Any such Owner's policy shall also contain waivers of subrogation. Additionally, all policies shall contain waivers of any defense based on invalidity arising from any act or neglect of an Owner where such Owner is not under the control of the Association. Insurance obtained by the Association, to the extent reasonably feasible, and provided that Declarant reimburses the Association for any additional premium payable as a result, shall name Declarant as an additional insured and shall contain a waiver of subrogation rights against Declarant. Casualty, fire and extended coverage insurance may be provided under blanket policies covering the Association Properties and property of Declarant.

Section 12.3 Deductibles. No policy or insurance of which the Association or its designee is the beneficiary shall include a deductible clause in an amount which is greater than the lesser of \$10,000.00 or one percent of the face amount of the policy. Any deductible shall be payable by the Person responsible for the repair and maintenance of the damaged or destroyed property which is the subject of an insurance claim. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible may be apportioned among the parties sharing in such joint duty, or may be partly or wholly borne by the Association, at the election of the Board of Directors.

Section 12.4 Insurance Trustee. The Association may authorize a representative to act for it, including any trustee or successor thereto, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance. Such insurance trustee shall act as attorney-in-fact for the purpose of purchasing and maintaining insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. Said party may also receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Owners and their First Mortgagees as their interests may appear.

Section 12.5 Acceptable Insurance Companies. Each hazard insurance policy purchased by the Association must be written by a hazard insurance carrier which has a current credit or financial rating, which meets any applicable requirements of the Agencies, and is authorized by law to do business in the State of Colorado. The Association shall not obtain any policy if (a) the terms of the insurance company's charter, bylaws, or policy provide that contributions of assessments may be made against the mortgagor or mortgagee's designee, or (b) the terms of the carrier's charter, bylaws, or policy provide that loss payments are contingent upon action by the carrier's Board of Directors, policyholders or members, or (c) the policy includes any limiting clauses (other than insurance conditions) which would prevent First Mortgagee or any Owner from collecting insurance proceeds.

Section 12.6 Other Insurance to be Maintained by Owners. Insurance coverage on the furnishings and other items of personal property belonging to an Owner, public liability insurance coverage upon each Lot, and hazard insurance coverage on the Improvements owned by each Owner shall be the responsibility of the Owner of such Lot.

Section 12.7 Annual Review of Insurance Policies. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors to ascertain that coverage provided by such policies adequately covers those risks insured by the Association.

Section 12.8 Owners' Negligence. Notwithstanding anything to the contrary contained in this Declaration, in the event that the need for maintenance, repair or reconstruction of any or all of the Association Property is caused by the willful or negligent act or omission of any Owner, or a Related User of such Owner, the cost of such repair, maintenance or reconstruction shall be the personal obligation of such Owner, and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction may be collected as a Site Assessment as provided in this Declaration or by the Association exercising any rights or remedies under the Association Documents or otherwise as permitted by law. A determination of the negligence or willful act or omission of any Owner's liability therefor, shall be determined by the Board of Directors at a hearing pursuant to Section 11.9 to be given to the Owner, but any determination by the Board of Directors shall be subject to judicial review as appropriate.

ARTICLE 13 EASEMENTS

Section 13.1 Easement for Encroachments. If any portion of an Improvement encroaches upon the Association Property, including any future encroachments arising or resulting from erosion or subsidence, or from the repair or reconstruction of an Improvement subsequent to its damage, destruction or condemnation, the Board may grant a valid easement on the surface and for subsurface support below such surface and for the maintenance of same, for so long as such encroachment exists, but subject to any conditions or restrictions imposed by the Board.

Section 13.2 Association Easement. An easement to perform its maintenance or other rights or obligations pursuant to this Declaration is hereby granted to the Association, its officers, agents, employees and assigns, upon, across, over in and under the Community Area, together with the right to make such use of the Community Area as may be necessary or appropriate in carrying out such maintenance or other rights or obligations.

Section 13.3 Easement for Access. Notwithstanding Declarant's conveyance of the private streets shown on the Plat and described on Exhibit B to the Association pursuant to Section 9.2, Declarant hereby reserves, for itself, its successors and assigns, a perpetual and non-exclusive easement for ingress and egress, on, over and across all private streets and roads within the Community Area that provide access to any Lots, until Declarant has sold the last Lot in the Community Area to an Owner other than Declarant. Such

easement shall be appurtenant to and shall run with all real property within the Community Area now or hereafter owned by Declarant, its successors or assigns, and such easement shall automatically be conveyed to any successor of Declarant as the developer of the Community Area, whether or not the easement is expressly conveyed in any deed or conveyance transferring real property within the Community Area to such successor. The easement created by this Section 13.3 shall survive Declarant's conveyance of private streets within the Community Area to the Association, whether or not an express reservation is contained in the deed conveying such streets.

Section 13.4 Utilities. Declarant hereby creates and reserves to itself until Declarant has sold the last Lot in the Community Area to an Owner other than Declarant, and, thereafter, to the Association:

(a) the right from time to time to grant such easements to others over, under, in and across a five foot strip along and adjoining each side Lot Line for drainage and installation, replacement, repair and maintenance of utilities, including but not limited to water, sewer, gas, telephone, cable T.V., and electricity; and

(b) a blanket easement across, over and under the Association Properties for access, drainage and the installation, replacement, repair and maintenance of utilities, including but not limited to water, sewer, gas, telephone, cable T.V., and electricity.

If any utility or quasi-utility company furnishing a service covered by the easements created herein requests a specific easement by separate recordable document, Declarant reserves and is hereby given the right and authority to grant such easement. The Association shall succeed to such right and authority upon conveyance by Declarant of the last Lot in the Community Area an Owner other than Declarant. The easement provided for in this section shall in no way affect, avoid, extinguish or modify any other recorded easement on the Community Area.

Section 13.5 Easements Deemed Created. All conveyance of Lots hereafter made, whether by the Declarant or otherwise, shall be construed to grant and reserve the easements contained in this Article 13, whether or not specific reference to such easements or to this Article appears in the instrument of such conveyance.

Section 13.6 Easements of Record. In addition to the easements created in this Article 13, the Community Area is subject to those easements and other matters currently of record in Summit County, Colorado.

Section 13.7 Emergency Access Easement. A perpetual, non-exclusive easement is hereby granted to all police, sheriff, fire protection, ambulance, and other similar agencies or person to enter upon Stonehaven in the lawful performance of their duties.

ARTICLE 14
MISCELLANEOUS

Section 14.1 Term of Declaration. Unless amended as herein provided, all provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration shall be effective for twenty years after the date when this Declaration was originally recorded, and, hereafter, shall be automatically extended for successive periods of ten years each unless terminated by agreement of the Owners with at least two-thirds of the voting power of the Association, in the manner provided in Section 218 of the Colorado Common Interest Ownership Act.

Section 14.2 Amendment of Declaration by Declarant or the Association.

(a) Until the first Lot subject to this Declaration has been conveyed by Declarant by recorded deed, any of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration may be amended or terminated by Declarant by the recordation of a written instrument executed by Declarant, setting forth such amendment or termination.

(b) Declarant may amend the Declaration in accordance with Section 10.2 as necessary to exercise any of the development rights set forth in Section 10.2.

(c) The Association may amend the Declaration as permitted by the Colorado Common Interest Ownership Act.

Section 14.3 Amendment of Declaration of Members. Except as otherwise provided in this Declaration, and subject to provisions elsewhere contained in this Declaration requiring the consent of the Declarant or others, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration may be amended or repealed at any time and from time to time upon approval of the amendment or repeal by Members with at least sixty-seven percent of the voting power of the Association, in accordance with the requirements of Section 217 of the Colorado Common Interest Ownership Act.

Section 14.4 Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration shall not be effective unless Declarant has given its written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant or any certificate of amendment or repeal. The foregoing requirement for consent of Declarant to any amendment or repeal shall terminate at such time as the last Lot in the Community Area has been conveyed by Declarant to the first Owner other than Declarant.

Section 14.5 Special Rights of First Mortgagees. Any First Mortgagee, upon filing a written request therefor with the Association, shall be entitled to (a) receive written notice from the Association of any default by the Owner indebted to such First Mortgagee in the performance of the Owner's obligations under the Association Documents, which default is not cured within sixty days after the Association learns

of such default; (b) examine the books and records of the Association during normal business hours; (c) upon request, receive a copy of financial statements within ninety days following the end of any fiscal year of the Association; (d) receive written notice of all meetings of Members; (e) designate a representative to attend any meeting of Members; (f) receive written notice of abandonment or termination of the Association or of this Declaration; (g) receive notice of any amendment to this Declaration, the Articles of Incorporation or the Bylaws; (h) receive written notice of termination of any agreement for professional management of the Association of the Association Properties following a decision of the Association to assume self-management of the Association Properties; and (i) receive written notice of any damage to the Association Properties if the cost of reconstruction exceeds \$10,000.00, and of any condemnation or eminent domain proceedings or other proposed acquisition with respect to any portion of the Association Properties.

Section 14.6 Priority of First Mortgage Over Assessments. Each First Mortgagee who recorded its First Mortgage before Assessments have become delinquent and who obtains title to the Lot encumbered by the First Mortgage, whether pursuant to the remedies provided in the mortgage, by judicial foreclosure, or by deed or assignment in lieu of foreclosure, shall take title to the Lot free and clear of any claims for unpaid Assessments or charges against such Lot which accrued prior to the time such First Mortgagee acquires title, other than allocation of any deficiency prorated among all Members of the Association. A First Mortgagee shall be deemed to have acquired title to a Lot on the date of receipt of a deed in lieu of foreclosure, on the date of receipt of a Certificate of Purchase from the Public Trustee, or on the date of sale pursuant to a judicial foreclosure and receipt of the Sheriff's Certificate of Purchase, as the case may be.

Section 14.7 First Mortgagee Right to Pay Taxes and Insurance Premiums. Any one or more First Mortgagees, jointly or singly, shall be entitled to pay any taxes or other charges which are in default and which may become or have become a charge against any of the Association Properties, and may pay any overdue premiums on hazard insurance policies for any Association Properties, or may secure new coverage if the insurance policy on any Association Properties lapses, and the First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

Section 14.8 Evidence of Required Approvals. Whenever the validity of any amendment to or revocation of this Declaration is conditioned upon voting by a stated percentage of Members and approval by First Mortgagees or Agencies, or both, the recorded document implementing the amendment or revocation shall contain a certification by an officer or the Association that the approvals of the required percentages of Members, First Mortgagees and Agencies were obtained. The Association shall keep on file in its offices such proxies, letters, minutes of meetings or other documentation as may be required to evidence compliance with applicable approval requirements, but the officer's certificate on the recorded instrument shall be sufficient public notice of compliance.

Section 14.9 Notices. Any notice permitted or required to be given under this Declaration shall be in writing and may be given either personally, by mail, fax or telegraph. If served by mail, each notice shall be sent postage prepaid, addressed to any Person at the address given by such Person to the Association for the purpose of service of such notice, or to the Lot of such Person if no address has been given to the

Association, and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second business day after it is deposited in a regular depository of the United States Postal Service. Such address may be changed from time to time by notice in writing to the Association.

Section 14.10 Persons Entitled to Enforce Declaration. The Association, acting by authority of the Board, or any Member, shall have the right to enforce any or all of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration or the other Association Documents. The right of enforcement shall include the right to bring an action for damages, as well as an action to enjoin any violation of any provision of the Association Documents, and all other rights and remedies provided in the Association Documents and at law or in equity.

Section 14.11 Violations Constitute a Nuisance. Any violation of any provision, covenant, condition, restriction or equitable servitude contained in this Declaration, whether by act or omission, is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by any Person entitled to enforce the provisions of this Declaration.

Section 14.12 Violations of Law. Any violation of any federal, state, municipal or local law, ordinance, rule or regulation, pertaining to the ownership, occupation or use of any property within the Community Area, is hereby declared to be a violation of this Declaration and shall be subject to any and all of the enforcement procedures set forth in this Declaration.

Section 14.13 Remedies Cumulative. Each remedy provided under the Association Documents is cumulative and not exclusive.

Section 14.14 Costs and Attorneys' Fees. In any action or proceeding under the Association Documents, the party which seeks to enforce the Association Documents and prevails, shall be entitled to recover its costs and expenses in connection therewith, including reasonable attorneys' fees and expert witness fees.

Section 14.15 Limitation on Liability. The Association, the Board of Directors, the Architectural Committee, Declarant, and any member, agent or employee of any of the same shall not be liable to any Person for any action or for any failure to act if the action or failure to act was in good faith and without malice, and shall be indemnified by the Association to the fullest extent permissible by the laws of Colorado, including without limitation, circumstances in which indemnification is otherwise discretionary under Colorado law, in accordance with and subject to the terms and limitations contained in the Bylaws.

Section 14.16 No Representations or Warranties. No representations or warranties of any kind, express or implied, shall be deemed to have been given or made by Declarant or its agents or employees in connection with any portion of the Community Area or any Improvements thereon, as to its or their physical condition, zoning, compliance with applicable laws, or fitness for intended use, or in connection with the

subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof unless and except as shall be specifically set forth in a writing signed by Declarant.

Section 14.17 Liberal Interpretation. The provisions of the Association Documents shall be liberally construed as a whole to effectuate the purposes of the Association Documents. The use herein of the word "including," when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

Section 14.18 Governing Law. The Association Documents shall be construed and governed under the laws of the State of Colorado.

Section 14.19 Severability. Each of the provisions of the Association Documents shall be deemed independent and severable and the invalidity or unenforceability or partial invalidity or partial enforceability or any provision or portion thereof shall not affect the validity or enforceability of any other provision.

Section 14.20 Number and Gender. Unless the context requires a contrary construction, as used in the Association Documents the singular shall include the plural and the plural the singular and the use of any gender shall include all genders.

Section 14.21 Captions for Convenience. The titles, headings and captions used in the Association Documents are intended solely for convenience of reference and are not intended to affect the meaning of any provision of this Declaration.

Section 14.22 Mergers and Consolidation. The Association may merge with another incorporated association to the extent permitted by law. Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Community Area together with the covenants and restrictions established upon any other property, as one plan.

Section 14.23 Conflicts in Documents. In case of any conflict between this Declaration and the Articles of Incorporation or the Bylaws of the Association, this Declaration shall control. If there is a conflict between the Articles of Incorporation and the Bylaws of the Association, the Articles of Incorporation shall control.

IN WITNESS WHEREOF, Declarant and the undersigned Owners have executed this Declaration to be effective on the day and year first above written.

DECLARANT:

FIELDSTONE DEVELOPMENT, LLC,
a Colorado Limited Liability Company

By: _____

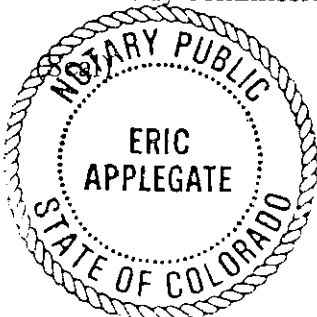
Ray A. Nielsen, A Managing Member

STATE OF COLORADO)
) ss.
COUNTY OF EAGLE)

The foregoing instrument was acknowledged before me this 21~~st~~ day of October, 1999, by Ray A. Nielsen, a Managing Member of Fieldstone Development, LLC, a Colorado Limited Liability Company.

Witness my hand and official seal.

My commission expires: 12.8.2000



Eric Applegate
Notary Public

EXHIBIT "A"
TO DECLARATION OF
COVENANTS, CONDITION, RESTRICTIONS AND EASEMENTS
FOR
STONEHAVEN AT BRECKENRIDGE GOLF CLUB, A PLANNED UNIT DEVELOPMENT

Parcel C

The Highlands at Breckenridge Subdivision Clubhouse and Fieldstone parcels, according to the Plat thereof filed September 23, 1998 at Reception No. 576170.

EXHIBIT "B"
TO DECLARATION OF
COVENANTS, CONDITION, RESTRICTIONS AND EASEMENTS
FOR
STONEHAVEN AT BRECKENRIDGE GOLF CLUB, A PLANNED UNIT DEVELOPMENT

Tract A (Common Parcel) as set forth in on the Plat. Tract B as set forth on the Plat shall be conveyed to the Town of Breckenridge and shall not be conveyed to the Association unless directed to do so by the Town of Breckenridge.

EXHIBIT "A"

TO SUBDIVISION IMPROVEMENT AGREEMENT BETWEEN THE TOWN OF
BRECKENRIDGE, COLORADO AND LINCOLN HIGHLANDS III LIMITED

LEGAL DESCRIPTION OF PROPERTY

Beginning at a common corner of two parcels of land described in a special warranty deed recorded under reception no. 293016, and a special warranty deed recorded under reception no. 483600 thence N75° 46' 38"E, 229.11 feet, along the southerly line described in reception no. 483600 to the westerly line described in a special warranty deed recorded under reception no. 343667, thence S14° 13' 22"E, 119.87 feet, along the westerly line of the parcel described at reception no. 343667, to the northwest corner of a parcel as described in a deed recorded at reception no. 343666; thence the following three (3) courses along the westerly boundary of the parcel described reception no. 343666,

(1) thence S75° 46' 38"W, 178 feet;

(2) thence southeasterly 46.88 feet along the arc of a 620.86 feet radius curve to the right whose long chord bears S07° 43' 57"E, 46.87 feet;

(3) thence S05° 34' 10"E, 805.97 feet, to the northwest corner of a parcel as described in a special warranty deed recorded at reception no. 343668;

thence the following two (2) courses along the westerly boundary of a parcel as described in a special warranty deed recorded at reception no. 343668,

(1) thence S05° 34' 10"E, 216.00 feet;

(2) thence S69° 04' 26"E, 150.56 feet, to a corner of a parcel as described in a special warranty deed recorded at reception no. 293016;

thence the following five (5) courses along the boundary of the parcel described reception no. 293016,

(1) thence S47° 24' 00"W, 492.78 feet;

(2) thence N03° 38' 20"W, 560.32 feet;

(3) thence N13° 21' 08"W, 401.42 feet;

(4) thence N08° 53' 49"E, 193.76 feet;

(5) thence S05° 23' 20"E, 372.71 feet, to the point of beginning.

Containing 8.66 acres more or less, has laid out subdivided and platted the same into a parcel, as shown hereon under the name and style of The Highlands at Breckenridge Subdivision, Clubhouse Parcel.

EXHIBIT "A"

TO SUBDIVISION IMPROVEMENT AGREEMENT BETWEEN THE TOWN OF
BRECKENRIDGE, COLORADO AND LINCOLN HIGHLANDS III LIMITED

LEGAL DESCRIPTION OF PROPERTY

Beginning at a common corner of two parcels of land described in a special warranty deed recorded under reception no. 293016, and a special warranty deed recorded under reception no. 483600 thence N75° 46' 38"E, 229.11 feet, along the southerly line described in reception no. 483600 to the westerly line described in a special warranty deed recorded under reception no. 343667, thence S14° 13' 22"E, 119.87 feet, along the westerly line of the parcel described at reception no. 343667, to the northwest corner of a parcel as described in a deed recorded at reception no. 343666; thence the following three (3) courses along the westerly boundary of the parcel described reception no. 343666,

(1) thence S75° 46' 38"W, 178 feet;

(2) thence southeasterly 46.88 feet along the arc of a 620.86 feet radius curve to the right whose long chord bears S07° 43' 57"E, 46.87 feet;

(3) thence S05° 34' 10"E, 805.97 feet, to the northwest corner of a parcel as described in a special warranty deed recorded at reception no. 343668;

thence the following two (2) courses along the westerly boundary of a parcel as described in a special warranty deed recorded at reception no. 343668,

(1) thence S05° 34' 10"E, 216.00 feet;

(2) thence S69° 04' 26"E, 150.56 feet, to a corner of a parcel as described in a special warranty deed recorded at reception no. 293016;

thence the following five (5) courses along the boundary of the parcel described reception no. 293016,

(1) thence S47° 24' 00"W, 492.78 feet;

(2) thence N03° 38' 20"W, 560.32 feet;

(3) thence N13° 21' 08"W, 401.42 feet;

(4) thence N08° 53' 49"E, 193.76 feet;

(5) thence S05° 23' 20"E, 372.71 feet, to the point of beginning.

Containing 8.66 acres more or less, has laid out subdivided and platted the same into a parcel, as shown hereon under the name and style of The Highlands at Breckenridge Subdivision, Clubhouse Parcel.