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AMENDMENT TO AMENDED AND RESTATED DECLARATION
OF COVENANTS

This Amendment to Amended and Restated Declaration of Covenants, Conditions, and Restrictions of Tres Valles West is made and executed this 30th day of November, 2000 by Three Valleys West, LLC, a Colorado limited liability company, as Declarant.

RECITALS

- A. Declarant is the Declarant under the Amendment to Amended and Restated Declaration of Covenants, Conditions, and Restrictions of Tres Valles West recorded June 8, 1999 at Reception No. 339533 of the Huerfano County records (the "Declaration").
- B. The Declaration concerns that certain real property known as Tres Valles West, Planned Unit Development, more particularly described on Exhibit A attached hereto.
- C. Declarant has the right to amend the Declaration under Article XI, Section 5(c) of the Declaration to clarify a provision of the Declaration.
- D. When the Declaration was adopted, the Water System for Tres Valles West did not include a court approved augmentation plan, but such a plan has subsequently been approved by the parties to Case No. 97CW108(B), Water Division 2, Colorado.
- E. As a result of such approval and in order to comply with the requirements of the decree to be entered in Case No. 97CW108(B), Declarant elects to exercise the right to amend the Declaration to clarify the definition of "Water System" as contained in the Declaration.

NOW, THEREFORE, the Declarant hereby declares that the Declaration is amended as follows:

- 1. Article I, Section 14. Article I, Section 14, "Water System" is amended in its entirety as follows:

Section 14. "Water System" shall mean and refer to the water rights, facilities, and easements used or reserved to be used to deliver domestic water to the Lots. Conditions in the augmentation plan for the Water System require a limitation of a maximum of 80 houses on the Property, with irrigated acreage no greater than 1,000 square feet per lot. Livestock watering from the Water System is prohibited. Livestock may be maintained on the Property if provided with water from other water rights or water sources.

AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS OF
TRES VALLES WEST

This Amended and Restated Declaration is made and entered into this 14th day of May, 1999, by Willis Family Limited Partnership, hereinafter referred to as the "Undersigned."

WITNESSETH:

WHEREAS, the Undersigned is the Declarant and present owner of 50 of the Lots in the plat, situated in Huerfano County, Colorado, known as TRES VALLES WEST, Planned Unit Development, including the easements and licenses appurtenant or included in the property as shown on the plat; and as amended.

WHEREAS, the Undersigned is the Developer under those certain Protective Covenants and Owners Association Agreement recorded September 24, 1980, in Book 358 at Page 508, and recorded February 5, 1985 in Book 373 at Page 209 of the Huerfano County records (the "Old Protective Covenants"); and

WHEREAS, the Undersigned has the right and authority to amend the Old Protective Covenants as Declarant and as Owner of 75% of the Lots in the plat, and hereby exercises that right by amending and restating the Old Protective Covenants in their entirety and substituting this Declaration for the Old Protective Covenants;

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

ARTICLE I.
DEFINITIONS

Section 1. "Agencies" shall mean and collectively refer to, the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) or any other public, quasi-public or private entity which performs (or may perform in the future) functions similar to those currently performed by such entities.

Section 2. "Architectural Control Committee" shall mean and refer to the committee appointed by Declarant or by the Board of Directors of the Association as more fully provided in Article V hereof.

Section 3. "Association" shall mean and refer to Tres Valles West Owners Association, a Colorado non-profit corporation, its successors and assigns. The Association shall act by and through its Board of Directors and officers.



Section 4. "Declarant" shall mean and refer to the Undersigned, its successor and assigns, and Three Valleys West, LLC, a Colorado limited liability company

Section 5. "Declaration" shall mean and refer to this Declaration of Covenant Conditions and Restrictions, as the same may be amended from time to time.

Section 6. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust or other security instrument encumbering a Lot recorded in the records of the office of the Clerk and Recorder of the County of Huerfano, Colorado, 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 7. "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 8. "Lot" shall mean and refer to any separate numbered lot or plot of land shown upon any recorded subdivision map of the Property or any portion thereof, as the same may be amended from time to time, together with all appurtenances and improvements now or hereafter thereon, with the exception of the Common Area, as defined below.

Section 9. "Common Area" shall mean the Common Areas designated on the Plats of Tres Valles West, entryways to the Property and shoulders of any public right-of-way bordering the boundaries of the Property.

Section 10. "Member" shall mean and refer to each Owner of a Lot that is subject to assessment hereunder and Declarant. Membership in the Association shall be appurtenant to and may not be separated from, ownership of a Lot.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 12. "Property" shall mean and refer to that certain real property described in the first "Whereas" clause of this Declaration, together with such additions thereto, if any, as may hereafter be brought within the jurisdiction of the Association.

Section 13. "Special Declarant Rights" shall mean and refer to the development and other rights expressly reserved for the benefit of Declarant in accordance with the terms and conditions of this Declaration.

Section 14. "Water System" shall mean and refer to the water rights, facilities, and easements used or reserved to be used to deliver domestic water to the Lots.

ARTICLE II. PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Right of Enjoyment. Subject to the provisions of Section 2 of this Article, every Owner shall have a nonexclusive right to enjoy and use the



Common Area and facilities, if any, within the Common Area, and such right shall be appurtenant to and shall pass with the title to every Lot.

Section 2. Extent of Owners' Right. The right of enjoyment created hereby shall be subject to the following:

- (a) The right of the Association to promulgate and publish rules and regulations with which each Member shall strictly comply; and
- (b) The right of the Association, as provided in its Articles and Bylaw to suspend the voting rights of a Member for any period during which any assessment against his Lot remains unpaid and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations; and
- (c) The right of the Association to close or limit the use of the Common Area while maintaining, repairing and making replacements in the Common Area

Section 3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Area to the members of his family, his tenants, or contract purchasers who reside on his Lot.

ARTICLE III. MEMBERSHIP AND VOTING RIGHTS: THE ASSOCIATION

Section 1. Membership. Every Owner of a Lot which is subject to assessment hereunder shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Each Lot shall be entitled to one vote and the vote for such Lot shall be exercised by the Owner or Owners as they determine.

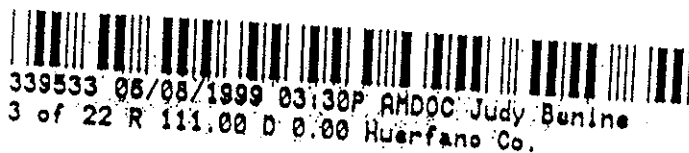
Section 2. Directors of the Association. The affairs of this Association shall be managed by a board of three (3) directors (the "Board") initially. When Declarant relinquishes control of the Board to the Owners pursuant to Section 3 below, the Board shall be managed by five (5) directors. Directors shall meet the qualifications described in the Articles of Incorporation and Bylaws of the Association.

Section 3. Management of the Association. The Declarant shall have the right to appoint and remove all members of the Board and all officers of the Association until the Declarant relinquishes this right to the Association by a written instrument.

Section 4. Officers of the Association. The officers of this Association shall be as set forth in the Bylaws of the Association.

ARTICLE IV. COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each owner of any Lot, including Declarant, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the



Association: (1) annual assessments or charges, (2) special assessments, and (3) reconstruction assessments, such assessments to be established and collected as hereinafter provided. The annual, special and reconstruction assessments, together with interest, late charges, costs, and reasonable attorney's fees, shall be a charge on the lot and shall be a continuing lien upon the Lot against which each such assessment is made. The obligation for such payments by each Owner to the Association is an independent covenant, with all amounts due from time to time payable in full without notice (except as otherwise expressly provided in this Declaration) or demand, and without setoff or deduction. The lien may be enforced by foreclosure of the defaulting Owner's Lot by the Association in like manner as a mortgage on real property. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, including reasonable attorney's fees. The Board of Directors or managing agent of the Association may prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Lot and a description of the Lot. Such a notice shall be signed by one of the Board of Directors or by the managing agent of the Association and may be recorded in the office of the Clerk and Recorder of the County of Huerfano, Colorado. The lien for each unpaid assessment attaches to each Lot at the beginning of each assessment period and shall continue to be a lien against such Lot until paid. The costs and expenses for filing any notice of lien shall be added to the assessment for the Lot against which it is filed and collected as part and parcel thereof. Each assessment, together with interest, late charges, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass from them. The Association's lien on a Lot for assessment shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Colorado or any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed to land subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against said assessment lien.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents of the Property and, to the extent not performed by the applicable governmental entity, for the maintenance and insurance of the Common Area and to operate and maintain the Water System.

Section 3. Maximum Annual Assessment.

(a) Until commencement of the second annual assessment period, the maximum annual assessment shall be Two Hundred Ninety-five Dollars (\$295.00) per Lot.

(b) Effective with commencement of the next and each subsequent Association fiscal year, the maximum annual assessment against each Lot shall be increased effective each Association fiscal year by the greater of: (i) ten percent (10%), or (ii) in conformance with the rise, if any, of the Consumer Price Index published by the U.S. Department of Labor, Washington, D.C., for All Items and Major Group Figures for All Urban Consumers (1967 = 100), for the one (1) year period ending on the last day of October of the prior year. The aforesaid annual increase in the maximum annual assessment shall occur automatically upon the commencement of each Association fiscal year without the necessity of any action being taken with respect thereto by the Association. In the event the aforesaid Consumer Price Index is not published, for

whatever reason, then if the increase in the maximum annual assessment is to be computed by reference to the Consumer Price Index, as provided herein, such calculation shall be made by using a substantially comparable index designated by the Board of Directors of the Association.

(c) Effective with commencement of the next and each subsequent Association fiscal year, the maximum annual assessment may be increased by a vote of the Members over the amount established by the applications of the provisions of Section 3(b) above for the next succeeding Association fiscal year and at the end of that year, each succeeding Association fiscal year, provided that any such increase shall have the assent of two-thirds (2/3) of the Members who are voting in person or by proxy, at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than 30 days nor more than 60 days in advance of such meeting setting forth the purpose therefor.

(d) The Board of Directors of the Association may, at any time and from time to time, after consideration of the projected maintenance costs and the other financial needs of the Association, fix the actual assessment against each Lot at an amount less than the maximum assessment for any Association fiscal year.

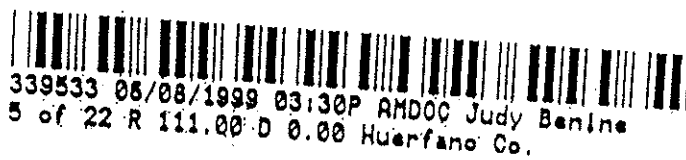
(e) The limitations contained in this Section 3 shall not apply to any change in the maximum, actual and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(f) The Association shall maintain an adequate reserve fund out of the annual assessments for the repair and replacement of those elements of the Common Area that must be repaired or replaced on a periodic basis.

Section 4. Special Assessments. In addition to the annual and reconstruction assessments authorized in this Article IV, the Association may levy, in the Association fiscal year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon the Common Area, or for the funding of any operating deficit incurred by the Association. Any such assessment shall have the assent of two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for this purpose and shall be set equally against each Lot.

Section 5. Notice and Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action requiring a vote of the Members authorized under Sections 3 or 4 of this Article shall be sent to all Members not less than 30 days or more than 60 days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding month.

Section 6. Reconstruction Assessments. In addition to the annual and special assessments authorized in this Article IV, the Association may levy a reconstruction



assessment for the purpose of repair or reconstruction of damaged or destroyed improvements located in the Common Area. All such reconstruction assessments shall be equal to the net amount of the cost of repair or reconstruction of such improvements and shall be calculated by subtracting from the total cost of repair or reconstruction the sum of insurance proceeds awarded for the damage or destruction thereof, if any, and shall be set equally against each Lot. Such reconstruction assessments shall be due and payable as provided by resolution of the Board of Directors, but not sooner than thirty (30) days after written notice hereof; provided, however, that, in appropriate circumstances, the Association may proceed directly against any Owner pursuant to Article VIII, Section hereof for any such amount.

Section 7. Rate of Assessment. Annual and special assessments shall be fixed at a uniform rate for all Lots and shall be in an amount sufficient to meet the expected needs of the Association.

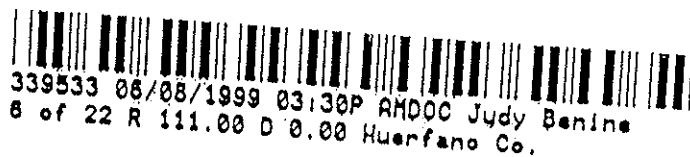
Section 8. Date of Commencement of Annual Assessments. The initial annual assessment shall commence on the first day of the month following conveyance of the first Lot upon which a residential dwelling has been constructed to an Owner other than the Declarant, and the second and each subsequent annual assessment period shall correspond with the fiscal year of the Association. The annual assessments shall be due and payable with such frequency and on such dates as determined by the Board, but no more frequently than monthly, provided that the first annual assessment shall be adjusted according to the number of months in the first Association fiscal year. Any Owner purchasing a Lot between installment due dates shall pay a prorata share of the last installment due.

Section 9. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment not paid within ten (10) days after the due date thereof shall bear interest from the due date at the rate of eighteen percent (18%) per annum, or at such lesser rate as may be set from time to time by the Association, and the Association may also assess a monthly late charge thereon. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, and in the event a judgment is obtained, such judgment shall include interest on the assessment and a reasonable attorney's fee to be fixed by the court together with the costs of the action. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 10. Lien for Assessments.

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

(b) The statutory lien for assessments is prior to all other liens and encumbrances on a Lot except: (i) liens and encumbrances recorded before the recordation of this Declaration; (ii) a lien of a First Mortgage which was recorded before



the date on which the assessment sought to be enforced became delinquent, and for real estate taxes and other governmental assessments or charges against the

(c) The recording of this Declaration constitutes record notice perfection of the statutory lien. No further recordation of any claim of lien or assessment is required; however, a claim may be recorded at the Association's option which event costs and attorneys' fees incurred in connection with the preparation and filing of such claim shall be assessed against the Owner's Lot as a default assessment.

ARTICLE V.
ARCHITECTURAL CONTROL COMMITTEE

Section 1. Composition of Committee. The Architectural Control Committee shall consist of three (3) or more persons appointed by the Board of Directors of the Association; provided, however, that until Declarant has conveyed all Lots to Owners other than the Declarant, or until three (3) years after the date of recording of this Declaration in the office of the Clerk and Recorder of Huerfano County, Colorado, whichever occurs earliest, Declarant shall appoint the Architectural Control Committee. A majority of the Committee may, from time to time, designate a representative to for it. The power of the Declarant to "appoint" as provided herein shall include a limitation the power to: initially constitute the membership of the Architectural Control Committee; appoint member(s) to the Architectural Control Committee upon the occurrence of any vacancy therein, for whatever reason; remove any member of the Architectural Control Committee, with or without cause, at any time, and appoint its successor thereof; and each such appointment may be made for such term(s) of office subject to the aforesaid power of removal, as may be set from time to time in the discretion of the Declarant. All improvements within the Property constructed by Declarant during the period in which it appoints the Architectural Control Committee shall be deemed approved by the Committee without the issuance of any writing evidencing such approval.

Section 2. Review by Committee. No structure or any attachment to an existing structure, any building, fences, walls, canopies, awnings, roofs, exterior lighting facilities, athletic facility, or other similar improvements or attachments, shall be constructed, erected, placed or installed upon the Property and no alteration of the materials or appearance (including color) of the exterior of a residence or other structure shall be made, and no change in the final grade of any Lot shall be performed, unless copies of plans and specifications therefor (said plans and specifications to show exterior design, height, materials, location of the structure or addition to the structure, as well as such other materials and information as may be required by the Committee) shall have been first submitted to and approved in writing by the Architectural Control Committee. The plans and specifications so submitted shall comply in all respects with the applicable building and zoning regulations of the County of Huerfano and the Planned Unit Development of Tres Valles West. An Owner may construct a six foot cedar privacy fence or a two or three split rail wood fence which does not exceed four feet in height measured from ground level without prior approval of the Architectural Control Committee provided, however, that only a two or three split rail wood fence which does not exceed four feet in height shall be constructed on the boundary of a Lot which is contiguous to the Common Area. The Architectural Control Committee shall exercise its reasonable judgment to the end that all attachments, improvements, construction,

landscaping and alterations to residences, other structures, and property, within the Property, conform to and harmonize with the existing surroundings, residences, landscaping and structures. In its review of such plans, specifications and other materials and information, the Architectural Control Committee may require that the applicant(s) reimburse the Committee for the actual expenses incurred by the Committee in the review and approval process. Such amounts, if any, shall be levied as part of the common expense assessment against the Lot for which the request for Architectural Control Committee approval was made and, as such, shall be subject to the Association lien for assessments and subject to all other rights of the Association for the collection thereof, as more fully provided in this Declaration. Notwithstanding the foregoing, no Owner shall have the right to materially alter or modify the original fencing, landscaping or grading installed by Declarant within the Common Area; provided, however, that the foregoing prohibition shall not prevent the repair and maintenance of the same.

Section 3. Procedures. The Architectural Control Committee shall approve or disapprove all requests for architectural control approval within thirty (30) days after the complete submission of copies of all plans, specifications, and other materials which the Committee may require in conjunction therewith. In the event that the Architectural Control Committee fails to approve or disapprove any request within thirty (30) days after the complete submission of all plans, specifications, materials and other information with respect thereto, approval shall not be required and this Article shall be deemed to have been fully complied with.

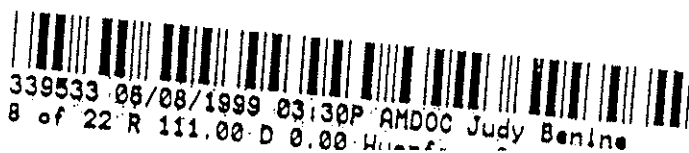
Section 4. Vote and Appeal. A majority vote of the Architectural Control Committee is required to approve a request for architectural approval pursuant to this Article. An Owner may appeal the decision of the Architectural Control Committee to the Board of Directors if the Board is composed of different members than the Architectural Control Committee, and, in such event, the decision of the Board shall be final.

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

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

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

Section 8. Waivers. The approval or consent of the Architectural Control Committee to any application for architectural approval shall not be deemed to constitute



a waiver of any right to withhold or deny approval or consent by the Committee as to any application or other matters whatsoever subsequently or additionally submitted for approval or consent hereunder.

ARTICLE VI. INSURANCE

Section 1. Insurance on Common Area. To the extent not maintained by the applicable governmental entity, the Association shall maintain insurance covering all insurable improvements located or constructed upon the Common Area. 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 VI, the Association may also consider in determining the types and amount of insurance it needs to obtain the then existing requirements of any of the Agencies

(a) A policy of property insurance covering all insurable improvements, if any, located on the Common Area, except for land, foundations, excavations and other matters normally excluded from coverage, in an amount not less than necessary to comply with any co-insurance percentage stipulated in the insurance policy. Further, said policy shall contain a "Replacement Cost Endorsement" and an "Agreed Amount Endorsement." Such insurance as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

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

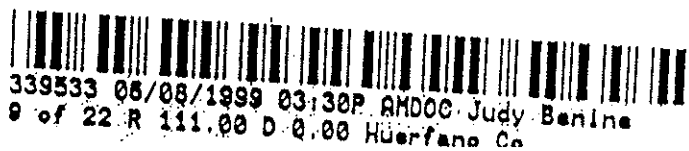
(ii) such other risks as shall customarily be covered with respect to projects similar in construction, location and use.

(b) A comprehensive policy of public liability insurance covering all of the Common Area, insuring the Association in an amount not less than \$1,000,000.00 covering bodily injury, including death to persons, personal injury and property damage liability arising out of a single occurrence.

(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 one and one-half the amount of the maintenance reserve held by the Association. Such fidelity coverage or bonds shall meet the following requirements:

(i) all such fidelity coverage or bonds shall name the Association as an obligee; and

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



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

(j) If the Common Area, or any portion thereof, is located within an area identified by the Federal Emergency Management Agency as having special flood hazards, and flood insurance coverage on the Common Area has been made available under the National Flood Insurance Program, then such a policy of flood insurance on the Common Area in an amount at least equal to the lesser of:

(i) the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or

(ii) one hundred percent (100%) of current replacement cost of all buildings and other insurable property located within a designated flood hazard area

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

Section 2. General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association and the Association's designated property management company as Insured, or its designee as trustee and attorney-in-fact for all Owners, 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 Association's 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 (30) days prior written notice thereof is given to the insured and each First Mortgagee, insurer or guarantor of a First Mortgage. The Association or any Owner, as applicable, shall furnish a certified copy or duplicate original of the policy, or renewal thereof, which is in the name of such Owner or the Association, with proof of premium payment and a certificate identifying the interest of the Owner in question or the Association, to any party in interest, including First Mortgagees, upon request. Any such Owner's policy shall also contain waivers of subrogation. All policies shall contain waivers of any defense based on invalidity arising from any acts or neglect of any Owner where such Owner is not under the control of the Association.

Section 3. Deductibles. No policy of insurance of which the Association or its designee is the beneficiary shall include a deductible clause in an amount greater than the greater of \$1,000 or 1% of the face amount of the policy. Any loss falling within the deductible portion of such policy shall be borne by the person or entity who is responsible for the repair and maintenance of the property which is damaged or destroyed. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible shall be borne by the Association. Notwithstanding the foregoing, after notice and hearing, the Association may determine



that a loss, either in the form of a deductible to be paid by the Association or an uninsured loss, resulted from the act or negligence of an Owner. Upon said determination by the Association, any such loss or portion thereof may be assessed to the Owner in question and the Association may collect the amount from said Owner in the same manner as any annual assessment, provided, however, that any such determination which assigns liability to any Owner pursuant to the terms of this Section may be appealed by said Owner to a court of law.

Section 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 interest may appear.

Section 5. Association Insurance as Primary Coverage. If at the time of any loss under any policy which is in the name of the Association, there is other insurance in the name of any Owner and such Owner's policy covers the same property or loss, or any portion thereof, which is covered by such Association policy, such Association policy shall be primary insurance not contributing with any of such other insurance. An Owner shall be liable to the Association for the amount of any diminution of insurance proceeds to the Association as a result of policies of insurance of an Owner, and the Association may collect the amount from said Owner in the same manner as any annual assessment. Any such Owner's policy shall also contain waivers of subrogation.

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

Section 7. Insurance to be Maintained by Owners. Insurance coverage on the structures located upon a Lot, as well as the furnishings and other items of personal property belonging to an Owner shall be the responsibility of such Owner. Owners shall also be responsible for obtaining such policies of public liability insurance, and title insurance related to any sale of a Lot other than the purchase by the Initial Owner from the Declarant.

Section 8. Annual Review of Insurance Policies. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors of the

Association to ascertain that the coverage provided by such policies adequately covers those risks insured by the Association.

ARTICLE VII. DAMAGE OR DESTRUCTION OF COMMON AREA

In the event of damage or destruction to any improvement installed by the Association within the Common Area due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such Common Area damage or destruction are insufficient to repair and reconstruct the damaged or destroyed Common Area, the Association may levy a reconstruction assessment in the aggregate amount of such deficiency pursuant to Article IV, Section 2 hereof 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 Article X hereof. No distributions of insurance proceeds shall be made unless made jointly payable to the Owners and First Mortgagees of their respective Lots, if any. The reconstruction assessment provided for herein shall be a debt of each Owner and a lien on his Lot and the Improvements thereon, and may be enforced and collected in the same manner as any assessment lien provided for in this Declaration.

ARTICLE VIII. EXTERIOR MAINTENANCE

Section 1. General. Except as otherwise provided herein, the maintenance and repair of each Lot, including but not limited to fencing, the interior and exterior of the residence, improvements constructed thereon, and the interior of any fence on the boundary line of a Common Area and a Lot shall be the responsibility of the Owner(s) thereof.

Section 2. Maintenance of Common Area. To the extent not performed by the applicable governmental entity or Owner, the Association shall be responsible for the maintenance of the Common Area, including but not limited to repair of signage, fencing, stone columns, irrigation equipment, lighting and electrical fixtures and equipment and plantings. No Owner shall, in whole or in part, change the grade or fencing or in any way change the retaining wall on any portion of the Common Area.

Section 3. Owner's Negligence. Notwithstanding anything to the contrary contained in this Article VIII, in the event that the need for maintenance or repair of the Common Area is caused by the willful or negligent act or omission of any Owner, or by the willful or negligent act or omission of any member of such Owner's family or by a guest or invitee of such Owner, the cost of such repair or maintenance shall be the personal obligation of such Owner, and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction shall be added to and become part of the assessment to which such Owner's Lot is subject and shall become a lien against such Owner's Lot as provided in Article IV of this Declaration. A determination of the negligence or willful act or omission of any Owner or any member of an Owner's family or a guest or invitee of any Owner, and the amount of the Owner's liability therefor, shall be determined by the Association at a hearing after notice to the Owner.



provided that any such determination which assigns liability to any Owner pursuant to the terms of this Section may be appealed by said Owner to a court of law.

ARTICLE IX. RESTRICTIONS

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

Section 2. Restrictions Imposed. The Undersigned hereby declares that all of the Property shall be held and shall henceforth be sold, conveyed, used, improved, occupied, owned, resided upon, and hypothecated, subject to the following provisions, conditions, limitations, restrictions, agreements, and covenants, as well as those contained elsewhere in this Declaration.

Section 3. Use of Common Area.

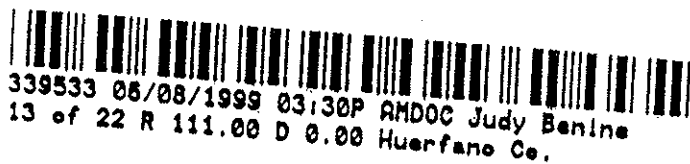
(a) No use shall be made of the Common Area which will in any manner violate the statutes, rules, or regulations of any governmental authority having jurisdiction over the Common Area.

(b) No Owner shall engage in any activity which will temporarily or permanently deny free access to any part of the Common Area to all Members, nor shall any Owner place any structure or fence, except those installed by Declarant or the Undersigned, whatsoever upon the Common Area.

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

Section 4. Residential Use. Subject to Section 5 of this Article IX, Lots shall be used for residential purposes only, including all ancillary uses permitted by applicable zoning ordinances.

Section 5. Use. Notwithstanding anything to the contrary contained in this Declaration, it shall be expressly permissible and proper for Declarant, its employees, agents, contractors, and designees to perform such reasonable activities, and to maintain upon portions of the Property such facilities as Declarant deems reasonably necessary or incidental to the construction and sale of Lots and development of the Property, specifically including without limiting the generality of the foregoing, maintaining business offices, storage areas, construction yards and equipment, signs, model units, sales offices, parking areas and lighting facilities. Notwithstanding the foregoing, Declarant shall not perform any activity or maintain any facility on any portion of the Property in such a way as to unreasonably interfere with or disturb any Owner, or to unreasonably interfere with the use, enjoyment or access of such Owner, his family members, guests or invitees of and to his Lot, the Common Area, and to a public right of way.



Section 6. Household Pets. No animals, livestock, reptiles, poultry or insects, of any kind, shall be raised, bred, kept or boarded in or on the Property; provided, however, that the Owners of each Lot may keep a reasonable number of dogs, cats, fish or other domestic animals which are bona fide household pets, so long as such pet(s) are not kept for any commercial purpose and are not kept in such number or in such manner as to create a nuisance to any resident(s) of the Property. Horses may be kept on a Lot. An Owner's right to keep household pets shall be coupled with the responsibility to pay for any costs to the Association for any damages caused by such Owner's Pet(s).

Section 7. Lots to be Maintained. Except during any period of construction or reconstruction, each Lot at all times shall be kept in a clean, sightly, and wholesome condition. No trash, litter, junk, boxes, containers, bottles, cans, implements, machinery, lumber, or other building materials shall be permitted to remain exposed upon any Lot so that the same are visible from any neighboring Lot, the Common Area, or any road.

Section 8. Temporary Structures. Except as hereinafter provided, no structure of a temporary character, including but not limited to a house trailer, tent, shack, or outbuilding shall be placed or erected upon any Lot, and no residence shall be occupied in any manner at any time prior to its being fully completed, nor shall any residence completed be in any manner occupied until made to comply with all requirements, conditions, and restrictions herein set forth; provided, however, that during the actual construction, alteration, repair or remodeling of a residence, necessary temporary structures for storage of materials may be erected and maintained by the person doing such work. A tent, recreation vehicle or trailer may be placed on the Lot for a period of ninety (90) consecutive days for camping or in connection with the construction of a residence. The work of constructing, altering or remodeling any residence shall be prosecuted diligently from the commencement thereof until the completion thereof.

Section 9. Miscellaneous Structures.

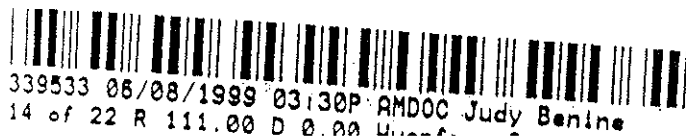
(a) No advertising or signs of any character shall be erected, placed, permitted, or maintained on any Lot other than a name plate of the occupant and a road number, except as may be approved by the Architectural Control Committee. Notwithstanding the foregoing, signs, advertising, or billboards used by the Declarant or its designees in connection with the sale or rental of Lots, or otherwise in connection with any development of the Property, shall be permissible, provided that such use by the Declarant or its designees shall not unreasonably interfere with any Owner's use and enjoyment of his Lot, the Common Area, or with such Owner's ingress or egress from a public way to the Common Area or his Lot.

(b) Except as may otherwise be permitted by the Architectural Control Committee, all antennae, including satellite receivers, shall be installed inside any residence.

(c) No clotheslines, dog runs, drying yards or service yards shall be so located on any Lot as to be visible from a road.

Section 10. Vehicular Parking, Storage and Repairs.

(a) Any house trailer, camping trailer, boat trailer, hauling trailer, running gear, boat, or accessories thereto, motor-driven cycle, truck (larger than one



ton), self-contained motorized recreational vehicle, or other type of recreational vehicle or equipment, may be parked or stored on or within the Property only if such parking or storage is done wholly within the enclosed garage located on a Lot or is otherwise screened so as to not be visible from any road, except that any such vehicle may be parked on a Lot for up to ninety (90) consecutive days for the purpose of camping on the Lot. This restriction, however, shall not restrict trucks or other commercial vehicles within the Property which are necessary for construction or for the maintenance of the Common Area, Lots, or any improvements located thereon.

(b) Except as hereinabove provided, no abandoned or inoperable automobiles or vehicles of any kind shall be stored or parked on or within the Property. An "abandoned or inoperable vehicle" shall be defined as any automobile, truck, motorcycle, boat, trailer, camper, house trailer, self-contained motorized recreational vehicle, or other similar vehicle, which has not been driven under its own propulsion for a period of two (2) weeks or longer, or which does not have an operable propulsion system installed therein; provided, however, that otherwise permitted vehicles parked by Owners while on vacation or during a period of illness shall not constitute abandoned or inoperable vehicles. In the event the Association shall determine that a vehicle is an abandoned or inoperable vehicle, then a written notice describing said vehicle shall be personally delivered to the owner thereof (if such owner can be reasonably ascertained) or shall be conspicuously placed upon the vehicle (if the owner thereof cannot be reasonably ascertained), and if the abandoned or inoperable vehicle is not removed within 72 hours thereafter, the Association shall have the right to remove the vehicle at the sole expense of the owner thereof.

(c) No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting, or servicing of any kind of vehicles, trailers or boats, may be performed or conducted on or within the Property, unless it is done within a 24-hour time period or within completely enclosed structure(s) which screen the sight and sound of the activity from the road and from adjoining property. The foregoing restriction shall not be deemed to prevent washing and polishing of any motor vehicle, boat, trailer, or motor-driven cycle, together with those activities normally incident and necessary to such washing and polishing.

Section 11. Nuisances. No nuisance shall be permitted on or within the Property, nor any use, activity or practice which is the source of annoyance or embarrassment to, or which offends or disturbs, any residents of the Property, or which interferes with the peaceful enjoyment or possession and proper use of the Property, or any portion thereof, by its residents. As used herein, the term "nuisance" shall not include any activities of Declarant or its designees which are reasonably necessary to the development of and construction on the Property; provided, however, that such activities of the Declarant or its designees shall not unreasonably interfere with any Owner's use and enjoyment of his Lot or the Common Area, or with any Owner's ingress and egress to or from his Lot and a public way.

Section 12. Lots Not to be Subdivided. No Lot shall be subdivided, except for the purpose of combining portions with an adjoining Lot, provided that no additional building site is created thereby. Not less than one entire Lot, as conveyed, shall be used as a building site.



Section 13. Underground Utility Lines. Except for those existing as of the date hereof, all electric, television, radio, and telephone line installations shall be placed underground, except that during the construction of any residence the contractor or builder may install a temporary overhead utility line which shall be promptly removed upon completion of construction.

Section 14. No Hazardous Activities. No activities shall be conducted on the Property or within improvements constructed on or within the Property which are or might be unsafe or hazardous to any person or property.

Section 15. No Annoying Light, Sounds or Odors. No light shall be emitted from any Lot which is unreasonably bright or causes unreasonable glare; no sound shall be emitted from any Lot which is unreasonably loud or annoying; and no odor shall be permitted from any Lot which is noxious or offensive to others.

Section 16. Garbage and Refuse Disposal. No garbage, refuse, rubbish, or cuttings shall be deposited on any road, the Common Area, or any Lot, unless placed in a suitable container suitably located, solely for the purpose of garbage pickup. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. No garbage or trash cans or receptacles shall be maintained in an exposed or unsightly manner.

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

(a) All leases shall be in writing;

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

(c) No lease shall be for less than thirty days.

Section 18. Rules and Regulations. Rules and regulations concerning and governing the Property or any portion thereof may be adopted, amended or repealed, from time to time by the Board of Directors of the Association, and the Board of Directors may establish and enforce penalties for the infraction thereof, including without limitation the levying and collecting of fines for the violation of any of such rules and regulations.

Section 19. Management Agreements and Other Contracts.

(a) The Association may utilize professional management in performing its duties hereunder. Any agreement for professional management of the Association's business or any contract providing for the services of Declarant shall have a maximum term of three (3) years and shall provide for termination by either party thereto, with or



without cause and without payment of a termination fee, upon thirty (30) days prior written notice.

(b) Subject to Article IX, Section 19(a) hereof, any contracts, licenses or leases entered into by the Association while the Declarant controls the Association shall provide for termination by either party thereto, with or without cause and without payment of a termination fee, at any time after termination of the Declarant's control of the Association, upon thirty (30) days prior written notice.

(c) Notwithstanding anything to the contrary contained in this Section 19, the Association may enter into contracts, licenses and leases in violation of Section 19(b) hereof upon a waiver of any requirements contained herein by the Federal National Mortgage Association.

Section 20. No Mining or Drilling. No mining, drilling, quarrying, digging or excavating for the purpose of testing for the existence of, or extracting oil, gas, coal or minerals of any kind shall be performed upon or within the Property except that Declarant may continue to work the existing gravel pits and rock quarry.

ARTICLE X. FIRST MORTGAGEES

Section 1. Member and First Mortgagee Approval. The Association shall not

(a) unless it has obtained the prior written consent of at least sixty-seven percent (67%) of the Members and sixty-seven percent (67%) of the First Mortgagees (based upon one vote for each First Mortgage owned);

(i) by act or omission, change, waive, or abandon any scheme of architectural control, or enforcement thereof, as set forth in this Declaration, regarding the design or maintenance of the Lots, improvements thereon or the Common Area,

(ii) fail to maintain full current replacement cost fire and extended insurance coverage on the Common Area;

(iii) use hazard insurance proceeds for Common Area property losses for purposes other than to repair, replace, or reconstruct such property;

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

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

(vi) add or amend any material provisions of this Declaration, the Articles of Incorporation or Bylaws of the Association which establish, provide for, govern or regulate any of the following, provided that any First Mortgagee who receives a written request to approve any additions or amendments to any of such documents and



who does not deliver or post to the requesting party a negative response within thirty (30) days after receipt of such a request shall be deemed to have approved such request, and provided that such additions or amendments shall not be considered material if they are for the purpose of correcting technical errors or for clarification only, and further provided that this subsection (vi) shall not apply to amendments to this Declaration, the Articles of Incorporation or Bylaws of the Association made as a result of destruction, damage or condemnation of the Property or the improvements thereon;

- 1) voting;
- 2) assessments, assessment liens or subordination of such liens;
- 3) reserve for maintenance, repair and replacement of those elements of the Common Area which must be maintained, repaired or replaced on a periodic basis;
- 4) insurance, including but not limited to fidelity bonds;
- 5) rights to use of the Common Area;
- 6) responsibility for maintenance and repair of any portion of the Property;
- 7) expansion or contraction of the Property or the addition, annexation or withdrawal of property to or from the Property;
- 8) interests in the Common Area;
- 9) convertibility of Lots into Common Area or of Common Area into Lots;
- 10) leasing of Lots or dwellings constructed thereon;
- 11) imposition of any right of first refusal or similar restriction on the right of any Owner to sell, transfer or otherwise convey his Lot;
- 12) any provisions which are for the express benefit of First Mortgagees, or insurers or guarantors of First Mortgages;

(vii) restore or repair the Common Area, or any portion thereof, including but not limited to improvements located thereon, after a partial condemnation or damage due to an insurable hazard, other than substantially in accordance with this Declaration and the most recent plans and specifications for the Common Area and the construction of improvements thereon;

Section 2. Notice of Action. Upon written request to the Association, identifying the name and address of the First Mortgagee or insurer or guarantor of the



First Mortgage and the residence address of the property which is subject to such First Mortgage, each such First Mortgagee or insurer or guarantor of such a First Mortgage, shall be entitled to timely written notice of:

- (a) any condemnation loss or casualty loss which affects a material portion of the Property or any Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or guarantor of a First Mortgage;
- (b) any delinquency in the payment of assessments or charges owed to the Association by the Owner of the Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or guarantor, or any default by such Owner in any obligation under the Declaration, Articles of Incorporation or Bylaws of the Association and the Board of Directors of the Association has actual knowledge of such default, when such delinquency and/or default remains uncured for a period of sixty (60) days;
- (c) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (d) any proposed action which would require the consent of a specified percentage of First Mortgagees as provided in this Article X.

Section 3. Audit. The Association shall provide an audited financial statement for the immediately preceding fiscal year free of charge to any First Mortgagee, insurer or guarantor of a First Mortgage within a reasonable time after written request therefor.

ARTICLE XI. GENERAL PROVISIONS

Section 1. Enforcement. Enforcement of the covenants, conditions, restrictions, easements, reservations, rights-of-way, liens, charges and other provisions contained in this Declaration, the Articles of Incorporation, Bylaws or rules and regulations of the Association, as amended, shall be by any proceeding at law or in equity against any person or persons, including without limitation the Association, violating or attempting to violate any such provision. The Association and any aggrieved Owner shall have the right to institute, maintain and/or prosecute any such proceedings, and the Association shall further have the right to levy and collect fines for the violation of any provision of the aforesaid documents; in any action instituted or maintained under this Section, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto, as well as any and all other sums awarded by the Court. Failure by the Association or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any of the covenants, restrictions or other provisions contained in this Declaration by judgment or court order shall in no way affect or limit any other provisions which shall remain in full force and effect.

Section 3. Easements. Easements for the installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat of the Property, or any portion thereof, or other duly recorded instrument(s). Within these



easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements. Declarant hereby reserves the right to enter upon the Property to correct any flow of water and to establish and re-establish drainage channels.

Section 4. Conflict of Provisions. In case of any conflict between this Declaration, the Articles of Incorporation or Bylaws of the Association, this Declaration shall control. In case of any conflict between the Articles of Incorporation and the Bylaws of the Association, the Articles of Incorporation shall control.

Section 5. Duration, Revocation, and Amendment.

(a) Each and every provision of this Declaration shall run with and bind the land for a term of twenty (20) years from the date of recording of this Declaration, after which time this Declaration shall be automatically extended for successive periods of ten (10) years each. Except as provided in Article X hereof and in Subsections (b) and (c) of this Section 6, this Declaration may be amended during the first twenty (20) year period, and during subsequent extensions thereof, by any instrument approved in writing by not less than sixty-seven percent (67%) of the Members. Such amendment shall be effective when duly recorded in Huerfano County, Colorado.

(b) If Declarant shall determine that any amendments to this Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order for existing or future mortgages, deeds of trust or other security instruments to be acceptable to any of the Agencies, Declarant shall have and hereby specifically granted the right and power to make and execute any such amendments without obtaining the approval of any Owners or First Mortgagees. Each such amendment of this Declaration or of the Articles of Incorporation or Bylaws shall be made, if at all, by Declarant prior to termination of the Declarant's control of the Association.

(c) Declarant hereby reserves and is granted the right and power to record technical amendments to this Declaration, Articles of Incorporation or Bylaws of the Association at any time prior to the termination of Declarant's control of the Association, for the purposes of correcting spelling, grammar, dates, typographical errors, or as may otherwise be necessary to clarify the meaning of any provisions of any such document.

Section 6. Rights of Declarant Incident to Construction. An easement is hereby retained by and granted to Declarant, its successors and assigns, for access, ingress and egress over, in, upon, under, and across the Common Area, including but not limited to the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to Declarant's or its designees' construction on the Property; provided, however, that no such rights or easements shall be exercised by Declarant in such a manner as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner, his family members, guests, or invitees, to or of that Owner's Lot. Declarant, for itself and its successors and assigns, hereby retains a right to store construction materials on Lots owned by Declarant and to make such other use thereof as may be reasonably necessary or incidental for the purpose of the completion or improvement of the Property, the performance of Declarant's obligations hereunder, and



the sale of the Lots. Any special declarant rights created or reserved under this Article or elsewhere in this Declaration for the benefit of Declarant may be transferred to any person by an instrument describing the rights transferred and recorded in the office of the Clerk and Recorder for the County of Huerfano. Such instrument shall be executed by Declarant and its transferee.

Section 7. Annexation. Additional Lots may be annexed to the Property with the consent of two-thirds (2/3) of the Members. Each such annexation shall be effected, if at all, by recording a document in the office of the Clerk and Recorder of Huerfano County, Colorado, which document shall provide for annexation to this Declaration of the property described in such document. All provisions of this Declaration including, but not limited to, those provisions regarding obligations to pay assessments to the Association and any right to cast votes as Members of the Association shall apply to property annexed to the Property, including, but not limited to, all Lots contained therein, immediately upon recording an annexation document with respect thereto. Prior to transferring ownership of the first Lot conveyed in the property and in any property which is annexed by Declarant to the Property pursuant to this Section 8, Declarant shall convey the Common Area contained in the Property in such annexed property, as applicable, to the Association.

Section 8. Easement for Encroachments. If any portion of a structure encroaches upon the Common Area or upon any adjoining Lot, or if any portion of the Common Area encroaches upon any Lot, including any future encroachments arising or resulting from the repair or reconstruction of a structure subsequent to its damage, destruction or condemnation, a valid easement on the surface and for subsurface support below such surface and for the maintenance of same, so long as it stands, shall and does exist. Fences shall be set back ten (10) feet from a boundary line of a Lot and residences shall be set back twenty-five (25) feet from a boundary line of a Lot.

Section 9. Registration by Owner of Mailing Address. Each Owner shall register his mailing address with the Association, and except for statements and other routine notices, all other notices or demands intended to be served upon an Owner shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner at such registered mailing address. However, if any Owner fails to so notify the Association of a registered address, then any notice or demand may be sent to such Owner at the address of such Owner's Lot. All notices, demands, or other notices intended to be served upon the Board of Directors of the Association or the Association shall be sent by certified mail, postage prepaid, to Three Valleys West, LLC, 419 West Main Road, Trinidad, CO 81082, until such address is changed by the Association.

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

WILLIS FAMILY LIMITED PARTNERSHIP, A COLORADO LIMITED PARTNERSHIP

Elizabeth A. Kreutzer
By: ELIZABETH A. KREUTZER, General Partner

5/14/99
DATE

Barbara J. Andreatta
By: BARBARA J. ANDREATTA, General Partner

5/14/99
DATE

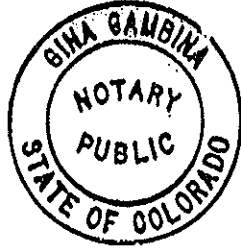
STATE OF COLORADO

COUNTY OF HUERFANO

The foregoing instrument was acknowledged before me this 14th day of May, 1999, by Elizabeth A. Kreutzer and Barbara J. Andreatta, General Partners for the Willis Family Limited Partnership.

Witness my hand and official seal.

My Commission expires April 15th, 2002



Gina Gambina
GINA GAMBINA Notary Public

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