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**SECOND AMENDED AND RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SHIELD-O TERRACES HOMEOWNERS' ASSOCIATION**

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SECOND AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR SHIELD-O TERRACES HOMEOWNERS' ASSOCIATION

THIS SECOND AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR SHIELD-O TERRACES HOMEOWNERS' ASSOCIATION (the "Declaration") is made as of _____, 2011, by Shield-O Terraces Homeowners' Association, Inc., a Colorado not for profit corporation ("Declarant").

ARTICLE 1

GENERAL

Section 1.1 Definitions. The capitalized terms used in this Declaration are defined in Article 2.

Section 1.2 Purpose. This purpose of these covenants is to preserve the property as a scenic rural and residential area of the highest quality and desirability; to create rules and a decision making process to strengthen the Subdivision community; to preserve the present natural beauty, character and views of the Subdivision to the greatest extent reasonably possible; to protect the seclusion of each home site; to define and describe certain provisions, covenants, conditions and restrictions which shall be applicable to such property; to provide a means of enforcing such covenants, restrictions and standards imposed upon each home site, and to further the common interests of the Owners.

Section 1.3 Declaration. Declarant, for itself and its successors and assigns, hereby declare that all of the Lots, from and after the date hereof, shall be owned, held, conveyed and encumbered subject to the covenants, conditions, restrictions, reservations, easements and other provisions set forth in this Declaration to enhance the value, desirability and attractiveness of the Lots. This Declaration shall: (i) run with the Lots at law and as an equitable servitude; (ii) bind any Person having or acquiring any right, title or interest in any of the Lots; (iii) inure to the benefit of and be binding upon every Lot and every interest therein; and (iv) inure to the benefit of and be binding upon each Owner and its heirs, successors in interest and assigns, and the Association and its successors in interest.

ARTICLE 2

DEFINITIONS

The following capitalized terms when used in this Declaration shall have the meanings specified below:

"Access Road" means: (a) the road or roads now existing or hereafter installed within the subdivision including, without limitation, Shield O Road, Casey Court, Blue Sage and Old Pond; (b) any other roadway Improvement, real property or interest in real property owned, held or

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maintained by the Association for the purpose of providing access to and from the Property or Lots within the Property; and (c) any Utility Facilities installed within the Access Road Easement Area for the purpose of providing Utility Services to the Lots. The Access Road shall include the roadway surface, walkways, grading, slopes, related drainage facilities, berms, vegetation, fencing and other Improvements related to the construction, safety, maintenance, repair and replacement of such road.

“Access Road Easement” means that perpetual, non-exclusive easement created and defined pursuant to Article 3 for purposes of the Access Roads.

“Activity Envelope” means one or more areas of a Lot within which all development must occur, and that may include separate areas for different activities, including, but not limited to, a well or other water supply, septic system, landscaping, construction, grading, mitigation of environmental hazards, vegetation removal or disturbance, etc.

“ACC” means the Architectural Control Committee created pursuant to Article 8.

“Allocation Percentage” means the Common Expense liability and the votes in the Association allocated to each Lot, which interests are allocated as follows

(a) The Common Expense liability for each Lot is calculated on the basis of a fraction, the numerator of which is one (1) and the denominator of which is the total number of Lots in the Subdivision, unless otherwise determined by a majority of the Board. Such fraction is then multiplied by the Common Expense or the Assessment in question to determine that Lot's share thereof. The Common Expense liability of a Lot is determined without reference to the size, location, value or use of the Lot, unless a majority of the Board in its discretion determines that a particular Lot, because of its use, zoning or impact, should be exempt from or pay a lesser proportion of Common Expense;

(b) One (1) vote in the Association is allocated to each Lot in the Subdivision; and

(c) If lots are withdrawn from or added to the Subdivision, the Common Expense liability for each Lot shall be reallocated on the basis of a fraction, the numerator of which is one (1) and the denominator of which is the total number of Lots in the Subdivision following the addition or withdrawal of such Lots, and one (1) vote in the Association shall continue to be allocated to each Lot in the Subdivision following the addition or withdrawal of such Lots.

“Applicant” means an Owner applying to the ACC to construct or make an Improvement.

“Articles” means the Articles of Incorporation of the Association that have been filed in the office of the Secretary of State of the State of Colorado, as amended from time to time.

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“Assessment” means an assessment, which may be a Common Assessment, a Special Assessment, or a Specific Assessment, that is levied by the Association on one or more Lot pursuant to terms of this Declaration.

“Association” means Shield-O Terraces Homeowners’ Association, a Colorado nonprofit corporation, formed pursuant to the terms of this Declaration.

“Authorized Representative” means a natural person who is appointed by an Owner, pursuant to Section 5.3 as a proxy, attorney-in-fact or authorized representative to vote on behalf of such Owner in matters coming before the Association.

“Board” or “Board of Directors” means the board of directors of the Association.

“Bylaws” means the duly adopted Bylaws of the Association, as amended from time to time.

“Common Assessment” means an Assessment levied on all Lots subject to assessment to fund the Common Expenses as more particularly described in Section 6.3.

“Common Improvements” means any property or possessory interest therein (and in the case of real property, all Improvements thereon) owned or maintained by the Association for the benefit, use or enjoyment of the Owners. For example and without limitation, the Access Road Easement and the Access Road are Common Improvements.

“Common Expenses” means any expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves, including, but not limited to the following:

(a) The costs of maintenance, management, operation, repair and replacement of Association Property, and of all other parts of the Subdivision which are managed or maintained by the Association;

(b) The costs of Improvements constructed from time to time by the Association on or in connection with Association Property, if such costs were included within a duly adopted Budget;

(c) Unpaid assessments;

(d) The costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;

(e) The costs of any utilities and services (including, but not limited to, snowplowing, paving, road maintenance), which are provided to the Association or the Subdivision or parts thereof and not individually metered or assessed or billed to Lots, common landscaping maintenance, and other services which generally benefit and

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enhance the value and desirability of the Subdivision or parts thereof and which are provided by or on behalf of the Association;

(f) The costs of insurance maintained by the Association as required or permitted herein;

(g) Reasonable reserves for contingencies, replacements and other proper purposes as deemed appropriate by the Board to meet anticipated costs and expenses including, but not limited to, maintenance, repair and replacement of Association Property that must be maintained, repaired or replaced on a periodic basis.

(h) The costs of bonding the members of the Board, the officers of the Association, any professional managing agent or any other Person handling the funds of the Association;

(i) Taxes paid by the Association;

(j) Amounts paid by the Association for the discharge of any lien or encumbrance levied against Association Property or any portion thereof;

(k) The costs and expenses incurred by the ACC, and compensation that may be paid by the Association to members of the ACC;

(l) The costs and expenses incurred by any committees that may be established from time to time by the Board, and compensation that may be paid by the Association to members of such committees;

(m) All expenses expressly declared to be Common Expenses by this Declaration, and all expenses lawfully determined to be Common Expenses by the Executive Board; and

(n) Other expenses incurred by the Association for any reason whatsoever in connection with Association Property, or the costs of any other item or service provided or performed by the Association pursuant to this Declaration, the Articles, Bylaws, Rules and Regulations, or Design Guidelines, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association. In the event that any common services furnished to the Subdivision are part of services that are provided to or benefit property in addition to the Subdivision, Common Expenses shall only include the cost of such services reasonably allocated to the services provided to the Subdivision.

“Declarant” means Shield-O Terraces Homeowners’ Association, Inc., a Colorado not for profit corporation.

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“Declaration” means this Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Shield-O Terraces Homeowners’ Association, as it may be amended or supplemented from time to time.

“Delinquency Costs” are defined in Section 7.1.

“Design Guidelines” means such requirements, rules, standards and regulations adopted by the ACC pursuant to Article 8.

“Director” means a member of the Board.

“Eligible Holder” means an institutional holder, insurer or guarantor of a First Mortgage who provides a written request for notices to the Association, stating the name and address of such holder, insurer or guarantor and the street address, or, if not available, other sufficient information, of the Lot to which its Mortgage relates.

“First Mortgage” means a Mortgage that is Recorded in Pitkin County, Colorado and has first priority of Record over all other Recorded liens, except those liens made superior by statute (*i.e.*, general *ad valorem* tax liens and special assessments and mechanics’ liens).

“First Mortgagee” means the legal holder of a First Mortgage.

“Fiscal Year” means the fiscal year of the Association set from time to time by the Board pursuant to the Bylaws.

“Force Majeure Delays” means delays caused by war, civil commotion, casualty losses, strikes, walkouts, shortages in labor or materials that could not reasonably have been anticipated and other conditions beyond the reasonable control of the Person experiencing the delay; provided, however, that insufficiency of funds of itself shall not be included in Force Majeure Delays.

“Guest” means any Person rightfully present on or in rightful possession of any portion of the Property, including, without limitation, (a) a tenant of an Owner or the Association, or (b) an agent, employee, contractor, licensee, invitee, shareholder, partner, member or guest of an Owner, the Association or a tenant of either of them.

“Improvements” means all structures, improvements and appurtenances on or to real property of every type and kind including, without limitation, dwelling units, buildings, outbuildings, additions, patio covers, awnings, the painting, staining or other change of any exterior surfaces of any visible structure, walkways, outdoor sculptures or artwork, sprinkler or irrigation systems, garages, carports, roads, driveways, parking areas, ponds, ditches, fences, screening walls, retaining walls, stairs, decks, flag poles, fixtures, landscaping (including the addition, alteration or removal of any tree, shrub or other vegetation), hedges, windbreaks, plantings, planted trees and shrubs, gardens, poles, signs, tanks, solar equipment, wind harnessing or other energy generating equipment, exterior air conditioning, water softener

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fixtures, utilities, antennae and satellite dishes or receivers, as well as any construction activities necessary to construct any such items.

“Law” means all laws, statutes, ordinances, resolutions, orders, codes, rules, regulations, judgments, decrees and other requirements (including requirements under permits, licenses, consents and approvals) of any federal, state, county, city, town or other governmental authority having jurisdiction over the Property or any activity on the Property.

“Lot” means a physical portion of the Property, whether developed with Improvements or undeveloped, that is a separate, legally established lot, tract, parcel or unit of real property that may be legally transferred or conveyed without further subdivision or similar approval.

“Member” means a member of the Association.

“Membership” means the rights and obligations associated with being a Member.

“Mortgage” means any mortgage or deed of trust or other such instrument, given voluntarily by the Owner of a Lot, encumbering the Lot to secure an evidence of debt or the performance of an obligation which is required to be released upon the payment of such debt or the performance of such obligation.

“Notice of Noncompliance” is defined in Section 8.9.

“Occupant” means any Person who is a tenant in a residence on a Lot pursuant to a Lease with the Owner thereof. "Occupant" also means any Person who is present within the Subdivision as a family member, guest or invitee of an Owner, an Occupant, the Declarant, or the Association.

“Owner” means a Person or Persons who is the owner of fee simple title of Record to a Lot from time to time, but excluding the Association. The term “Owner” shall not include (a) a contract purchaser except a contract vendee under an installment land sales contract; (b) the vendor under an installment sales contract, or (c) a Person holding an interest in a Lot merely as security for the performance of an obligation, unless and until such a security holder becomes an owner in fee simple of such Lot.

“Person” means any individual, corporation, partnership (general or limited, with or without limited liability), limited liability company, estate, trust, business trust, association or any other legal entity.

“Plans and Specifications” means any and all documents and other materials designed to guide or control an Improvement, including, but not limited to, those indicating size, shape, configuration or materials, all site plans, excavation and grading plans, foundation plans, drainage plans, landscaping and fencing plans, elevation drawings, floor plans, specifications on building products and construction techniques, samples of exterior colors and materials, plans for Utility Facilities, and all other documentation or information relevant to the intended

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Improvement. The ACC shall have the authority to prescribe the necessary contents of Plans and Specifications for a particular proposed Improvement.

“Property” means the real property comprising the Association as legally described on Exhibit A attached hereto.

“Records” means the official real property records maintained by the clerk and recorder of Pitkin County, Colorado; the phrases “to Record” and “Recording” mean, respectively, to file or filing for recording in the Records, and the phrases “of Record” and “Recorded” mean having been recorded in the Records.

“Regular Assessment” means a charge against an Owner and the Owner's Lot for purposes of covering the annual costs of operating and administering the Association and all other Common Expenses. Regular Assessments are based on a Budget adopted by the Board and are allocated to the Lots in accordance with the Allocated Interests, except that Common Expenses that in the judgment of the Board benefit fewer than all of the Lots may be allocated exclusively to the Lots benefited.

“Reimbursement Assessment” means a charge against a particular Owner and the Owner's Lot for the purpose of reimbursing the Association for costs and expenses incurred by the Association in connection with the enforcement of any provision hereof or the remedying of any violation by the Owner or an Occupant of this Declaration or any amendment hereto, the Articles, Bylaws, Rules and Regulations, or Design Guidelines, or any approvals granted by the ACC, or other purposes set forth in the Declaration, together with late charges and interest as provided for herein. Reimbursement Assessment shall include without limitation any Common Expense caused by the misconduct of any Lot Owner or of such Owner's Occupants.

“Reserve Fund” means a reserve fund that may, in the discretion of the Board, be established and maintained by the Association for the periodic major repair or replacement of the Common Improvements and for unbudgeted and unplanned Common Expenses incurred by the Association from time to time.

“Residence” means a single-family dwelling unit constructed on a Lot pursuant to applicable Law. Unless otherwise stated herein, the term Residence includes any accessory dwelling unit or caretaker unit permitted on a Lot in addition to a primary dwelling unit permitted pursuant to applicable Law.

“Restrictions” means (i) this Declaration, as amended from time to time, (ii) the Articles and Bylaws in effect from time to time, (iii) the Rules in effect from time to time, and (iv) the Design Guidelines in effect from time to time.

“Rules” means the rules and regulations adopted by the Board of Directors pursuant to Section 5.7(d) as such rules and regulations are amended from time to time. The Rules shall be binding on all Owners and their Guests.

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“Special Assessment” means a charge against an Owner and the Owner's Lot levied in accordance with Section 6.4 for purposes of reimbursing the Association for costs and expenses incurred or to be incurred by the Association for the purpose of paying for the construction, reconstruction, repair, maintenance or replacement of capital improvements to or upon or serving the Subdivision or any part thereof, the costs of which were not included in a Regular Assessment, or for excess reconstruction costs or other extraordinary expenses, or to acquire Association Property, or for funding any operating or reserve deficit of the Association, as authorized by the Board from time to time as provided herein.

“Specific Assessments” means an Assessment levied in accordance with Section 6.5.

“Taking” means a taking by the exercise of eminent domain or conveyance in lieu thereof.

ARTICLE 3

EASEMENTS AND PROPERTY RELATED MATTERS

Section 3.1 Access Road and Entry Gate Easement.

(a) Creation of Easement. A perpetual, non-exclusive easement is hereby created and established over, through and across the Property, and known as the Access Road Easement Area, for the purposes set forth in this Article 3 (the “Access Road Easement”). The Access Road Easement shall extend fifteen (15) feet in width from either side of the centerline of any existing access road. Existing access roads are depicted on **Exhibit B** attached hereto. Subject to the other terms of this Declaration, the Access Road Easement shall be for the benefit of the Owners and the Association and may be used by the Association, the Owners and their respective Guests;

(b) Purposes. Subject to the provisions of this Declaration, the Access Road Easement shall be for the following purposes: (i) construction, maintenance, service, improvement, repair and replacement of the Access Road; (ii) pedestrian, recreational and vehicular access on the Access Road to and from the portions of the Property accessed by the Access Road; (iii) ingress and egress to and from each Lot from and to any public right-of-way accessible from the Access Road; (iv) installation, maintenance, repair and replacement of utilities that provide common service to the Property, provided that such utilities shall, to the extent feasible, be installed underground; (v) use of the utilities installed within the Access Road Easement Area for the purpose of providing utility services to the Lots; and (vi) use by third parties if granted by the Association pursuant to this Declaration. Use of the Access Road Easement shall comply with applicable Law and shall be subject to the Restrictions. No Owner shall use or permit the use of the Access Road Easement in any manner that unreasonably interferes with any other Owner’s or Guest’s permitted use of the Access Road Easement. Without limiting the foregoing, no Owner shall use or permit the use of the Access Road for the parking of automobiles; provided, however, that (a) the ACC shall have the right to permit limited parking of automobiles along the Access Road for a limited duration, not regularly

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occurring and on a case-by-case basis as part of an approved construction management plan for a Lot, subject to any conditions the ACC deems appropriate under the circumstances, and (b) the Board shall have the right to permit temporary parking along the Access Road on a case-by-case basis in connection with special events, subject to any conditions the Board deems appropriate under the circumstances. In no event may any parking along the Access Road permitted pursuant to the preceding sentence obstruct access to any Lot for any purpose, including, without limitation, for fire trucks and other emergency response vehicles;

(c) Additional Easement Area. The Access Road Easement shall include an additional perpetual, non-exclusive easement for the benefit of the Association through and across the area 15 feet on either side of the Access Road Easement Area for the purpose of providing slope stabilization and installing, maintaining, repairing, improving and replacing the Access Road and any utilities located within the Access Road Easement Area;

(d) No Public Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of any portion of the Access Road Easement Area or the Access Road or any other portion of the Property to or for the general public for any public purpose whatsoever; and

(e) Common Improvements. The Access Road Easement and the Access Road are Common Improvements.

Section 3.2 Lot Utility Easements. A perpetual, non-exclusive easement fifteen feet in width is hereby created and established over, through, under and across each side of the boundary line along the entire perimeter of each tract for the purpose of constructing, installing, maintaining, operating, replacing, enlarging, or repairing of electrical, telephone, water irrigation, sewer and gas or other similar lines, pipes, wires, poles, ditches and conduits (the "Lot Utility Easements"). Walking and riding trails and perpetual anchor easements adjacent to all such utility easements are also reserved.

Section 3.3 Easement for Other Common Improvements. In addition to the Access Road Easement, there is hereby established and granted to each Owner a nonexclusive easement of use, access and enjoyment in and to any other Common Improvements hereafter established by the Association for the purposes for which the Common Improvements are intended and operated by the Association.

Section 3.4 Guests. Any Owner may extend its right of use and enjoyment of the easements established by this Article 3 of this Declaration to its Guests subject to reasonable regulation by the Association. An Owner who leases its Lot shall be deemed to have exclusively assigned all such rights to the lessee or lessees of such Lot for the duration of the lease.

Section 3.5 Association's Right of Entry. Declarant establishes for the Association an easement for the right, but not the obligation, to enter upon any Lot: (i) for emergency, security and safety reasons; and (ii) to inspect any Lot for the purpose of ensuring compliance with this Declaration. Such right may be exercised by any member of the Board, the ACC and the

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Association's duly authorized officers, agents, employees and managers and, for emergency, security and safety purposes, all police, fire and ambulance personnel and other similar emergency personnel in the performance of their duties. This right of entry shall include the right of the Association to enter upon any Lot to cure any condition that may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure such condition within a reasonable time after requested by the Association, but shall not authorize entry into any residence located on any Lot without permission of the occupant, except by emergency personnel acting in their official capacities.

Section 3.6 Easements Run with Land. All easements established and granted pursuant to this Article 3 are appurtenant to and run with the Property and will be perpetually in full force and effect so long as this Declaration is in force and will be binding upon the Association, Owners, Guests and any other Persons having any interest in the Property or any part thereof. The Lots will be conveyed and encumbered subject to all easements set forth in this Article 3, whether or not specifically mentioned in the instrument of conveyance or encumbrance.

Section 3.7 Water, Sewer and Fire Protection.

(a) Domestic Use Wells. Any well shall be constructed pursuant to an exempt well permit. The use of such exempt well shall be in accordance with the well permit issued for such well and all Laws and the Restrictions. Each Owner acknowledges that use of the well on such Owner's Lot may be limited to (i) domestic or household water use; (ii) irrigation; and (iii) the provision of water for domestic animals and livestock. Each Owner acknowledges and agrees that neither the Declarant nor the Association have made any representations regarding the availability of water on the Property;

(b) Sewage Disposal Systems. Each Lot shall contain its own sewage disposal system and such sewage disposal system shall be constructed, used and maintained in accordance with all Laws and the Restrictions. The Association shall have no responsibility or liability with respect to the individual sewage disposal systems installed on any Lot within the Property; and

(c) Fire Protection. The Association shall not be responsible for providing water to any Lot for any purpose, including, without limitation, fire protection services.

ARTICLE 4

USE RESTRICTIONS

Section 4.1 Permitted Use of the Lots Generally. Except to the extent expressly permitted by this Declaration, the Lots shall be improved and used solely for purposes that are

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consistent and in harmony with the scenic, rural, woodland and pastoral characteristics of the Property. Without in any way limiting the effect of Article, the ACC shall have the authority to deny any proposed Improvement that is designed for or shall result in a purpose or use that is not consistent with this Section 4.1.

Section 4.2 Compliance with Law. Nothing shall be done or kept on any Lot in violation of any applicable Law, and each Lot shall be used, kept and maintained in compliance with all applicable Laws.

Section 4.3 Lots Use. Each Lot is restricted to residential purposes and secondarily related purposes that are consistent with Section 4.1. Each Lot shall be used for residential purposes only. Any land area within any Lot that has historically been utilized for growing hay and/or grazing may continue to be utilized for such purpose, including irrigation, by the Owner of that Lot pursuant to a lease or easement. Notwithstanding the foregoing, a Lot may be used for Association approved complimentary uses and in-house office and/or professional services. Commercial uses are prohibited, except with Association approval. Commercial uses shall specifically include commercial animal production feed lots, poultry farms, kennel clubs, slaughter houses, commercial riding arenas, landscaping service operations, veterinarian clinics and the like. Unless otherwise approved by the Committee in connection with the construction of improvements, no trees shall be removed or otherwise harvested commercially.

Section 4.4 No Subdivision. No Lot within the Property may be subdivided. In addition, no Owner shall apply for or permit another Person to apply for any lot line adjustment or any other approval that would affect the development potential of such Owner's Lot, or any portion thereof, without the prior written consent of the Association, which consent may be withheld in the complete discretion of the Board. The Property shall not contain duplex or multi-family structures, as those uses and structures are defined by the Pitkin County Land Use Code.

Section 4.5 Design Guidelines for Improvements. Every Improvement on any Lot shall comply with the Design Guidelines as adopted and amended from time to time by the ACC, and no Improvement shall be made or permitted on any Lot until such Improvement has been approved by the Board in accordance with Article 8. Any plans submitted to Pitkin County in order to obtain a building permit shall not differ in any way from the plans approved by the Board. If the plans approved by the Pitkin County building department differ from the plans approved by the Board, all prior approvals by the Board with respect to such plans are automatically revoked and Applicant shall resubmit the plans for Board approval. The Board may grant an Applicant variances from the requirements of this Declaration and/or the Design Guidelines only upon demonstration by the Applicant that conformance to the requirements of this Declaration and/or the Design Guidelines would create an undue hardship on the Applicant.

Section 4.6 Building Restrictions. Each Lot may contain one Residence, which shall be constructed wholly within the Activity Envelope on each such Lot, as shown on the Map. No Residence within the Property shall contain less than 1600 square feet of floor area. The term "floor area" as used herein shall have the meaning set forth for such term in the Pitkin County Land Use Regulations, as the same may be amended from time to time.

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Section 4.7 Home Occupation. Home occupations may be conducted, but unless otherwise approved by the Board, no business, professional or other non-residential or commercial use shall be made of any Lot, or conducted in any residence constructed on a Lot, excepting in-home businesses or occupations which do not involve (i) employees, (ii) the solicitation or invitation of the general public, or (iii) the servicing of customers, and which activities are conducted entirely within the residence and do not cause any additional traffic or parking within the Subdivision or otherwise create a nuisance for neighboring Lots. No equipment or materials incident to any business or occupation (whether conducted within the residence or elsewhere) shall be kept or stored on any Lot except within the residence, and no external indication of a home occupation shall be permitted, except for the temporary parking of not more than one non-commercial vehicle at any one time. No visual impacts (including signage), noise, odor and all other forms of environmental impact are permitted as a result of any home occupation. No home occupation shall place greater demand on the roads, domestic well, and waste water disposal systems than would be considered normal for the residential use permitted on the Lot.

Section 4.8 Light, Sound and Odor. All exterior lighting installed or maintained on any Lot or on any Improvement located on a Lot shall be placed so that the light source is totally screened or shielded from the residence on any other Lot. No light shall be emitted from any part of the Subdivision (including any Lot) which is unreasonably bright or causes unreasonable glare. Without limiting the generality of the foregoing, no spotlights, floodlights, landscape lighting, exterior architectural lighting, or other high-intensity lights shall be permitted within the Subdivision without the prior written approval of the ACC. The Design Guidelines may contain additional standards for exterior lighting including, without limitation, standards for hue and intensity.

No sound shall be emitted from any part of the Subdivision which is unreasonably loud or annoying to others, and no odor shall be emitted from any part of the Subdivision which is noxious or unreasonably offensive to others. Again without limiting the generality of the foregoing, no exterior speakers, horns, whistles, bells (excepting chimes), or other sound devices, other than security devices used exclusively for security purposes, shall be located or used within the Subdivision except with the prior written approval of the ACC.

Section 4.9 Noxious or Offensive Activities; Construction Activities. No noxious or offensive activity shall occur or be allowed at any time on any property within the Subdivision, nor shall anything be done or placed thereon which is or may become a nuisance or cause an unreasonable embarrassment, disturbance, or annoyance to Owners, Occupants, Declarant or the Association, or which causes damage to neighboring property, or which interferes with the peaceful enjoyment or possession and proper use of the Subdivision, or any part thereof, by Owners or Occupants. Any activity on a Lot which interferes with satellite dish, television, cable or radio reception on another Lot shall be deemed a nuisance and shall be a prohibited activity. As used herein, the term "nuisance" shall not apply to any activities of Declarant which are reasonably necessary or appropriate to the development, improvement, and maintenance of the Association. The Board, in its sole discretion, shall have the right and authority to determine the

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existence of any nuisance or unreasonable embarrassment, disturbance or annoyance under this Section.

Each Owner shall comply with the Rules and Regulations and the requirements of all health authorities and other governmental authorities having jurisdiction over the Subdivision. Normal construction activities and parking, during daylight hours, in connection with the building of Improvements on a Lot shall not be considered a nuisance or otherwise prohibited by this Declaration unless they are in violation of the Design Guidelines or other requirements of the ACC, but Lots and Association Property shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber and other building materials shall be piled only in such areas as may be approved by the ACC. In addition, construction equipment and building materials may only be stored or kept within the Subdivision during and in connection with the construction of Improvements thereon, and then may be kept only in areas approved by the ACC, which also may require screening of the storage areas. All such equipment and materials shall be removed immediately following completion of construction.

Section 4.10 Landscaping; Irrigation; Weed Control. No landscaping shall be performed on any Lot unless a landscaping plan therefore has received the prior written approval of the ACC, and all landscaping shall comply with the Design Guidelines. A landscaping plan for each Lot must be approved by the ACC before construction is commenced on the residence on that Lot. Any substantial change in the type or location of approved landscaping vegetation shall require the further approval of the ACC. No artificial grass, plants or other artificial vegetation shall be placed or permitted to remain within the Subdivision (except indoors) without the prior written approval of the ACC.

Each Owner shall diligently maintain, trim, weed, cultivate, husband, protect, preserve and otherwise keep in a healthy and attractive condition the shrubs, trees, hedges, grass, planters, gardens and other landscaping upon the Owner's Lot and shall keep the Owner's Lot free of noxious weeds. Lot Owners and the Association (with respect to Association Property) shall comply with County weed control laws and regulations, as applied uniformly to other developments within the County. The Association shall have the right, but not the obligation, to inspect the Lots periodically, and may give written notice to the Owner or Occupant of a Lot containing a noxious weed infestation that corrective measures are required. If the weed infestation is not corrected within 10 days following the giving of such notice, the Association may enter upon the subject Lot to perform the work itself, or may contract to have the work performed by a third party, and all associated costs and expenses shall be assessed to the Lot Owner in the form of a Reimbursement Assessment. Each Owner shall cooperate with the Association in its brush clearing and fire protection husbandry for reduction of fire hazard within the Subdivision.

Section 4.11 Utility Facilities. Only Utility Facilities for Utility Services approved by the Board and of the type necessary and customary for the uses permitted by the Association on the Lots shall be constructed or installed on any Lot. All Utility Facilities on each Lot shall be placed underground, except such Utility Facilities as are required by their function, by the

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providers of the Utilities Services or by Law to be above ground. To the extent not underground, Utility Facilities shall be shielded from view with natural materials and made as unobtrusive as is reasonably possible. No exterior antennae or satellites of any kind shall be installed on any Lot without approval from the ACC.

Section 4.12 Temporary Buildings. Except for construction trailers permitted pursuant to Section 4.32 below, no mobile home, tent, trailer or modular building or other temporary building shall be permitted on any Lot.

Section 4.13 Repair of Improvements. No Improvement on any Lot that has been damaged or partially or totally destroyed by fire, earthquake or other cause shall be allowed to remain in such state for more than three months following the date of damage or destruction, subject to Force Majeure Delays. The Board shall have the right to extend this time period if necessary. Upon the occurrence of any such damage or destruction, the Owner of the Lot shall promptly and with reasonable diligence, after acquiring any approvals required by this Declaration, either rebuild the Improvement or raze the Improvement and restore and revegetate the land on which the Improvement was located to a safe and reasonably attractive condition.

Section 4.14 Waste Water Disposal. All sewage disposal facilities shall be engineered, installed, constructed and maintained in accordance with Laws and the Restrictions. Each Owner shall install and maintain their own individual sewage disposal system in accordance with the Restrictions, and the Association shall have no liability with respect to the individual sewage disposal systems on each Lot.

Section 4.15 Fencing. Fencing is discouraged although not prohibited. All fencing must be approved by the ACC.

Section 4.16 Drainage Control. There shall be no interference with the established drainage patterns over any portion of the Property unless adequate provision is made for proper drainage and approved by the Board. In addition, there shall be no destruction, obstruction, removal, alteration, impairment of, or unauthorized diversion out of, any pond, ditch, culvert, head gate or other Improvement related to water within the Property.

Section 4.17 No Mining or Drilling. No portion of the Property shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing oil, gas or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate or earth. This Section 4.17 shall not be construed to prohibit the drilling of water wells to provide water service to any portion of the Property.

Section 4.18 Unightly or Unkempt Conditions Generally. All portions of a Lot outside of enclosed structures shall be kept in a clean and tidy condition at all times. Nothing shall be done, maintained, stored or kept outside of enclosed structures on a Lot which, in the determination of the Board, causes an unclean, unhealthy or untidy condition to exist or is obnoxious to the senses. Any structures, equipment or other items which may be permitted to be erected or placed on the exterior portions of Lots shall be kept in a neat, clean and attractive

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condition and shall promptly be removed upon request of the Board if, in the judgment of the Board, they have become rusty or dilapidated or have otherwise fallen into disrepair. No Owner or Guest shall dump petroleum products, fertilizers or other potentially hazardous or toxic substances in any drainage ditch, stream, river or pond or elsewhere on the Property.

Section 4.19 Outside Personal Property Storage. All unsightly structures, facilities, equipment, objects, and conditions shall be kept in an enclosed structure or in a screened area approved in writing by the ACC.

Section 4.20 Signs. No signs, billboards or advertising structures may be erected or displayed except for a single "For Sale" or "For Rent" sign.

Section 4.21 Quiet Enjoyment. Nothing shall be done or maintained on any part of a Lot that emits foul or obnoxious odors outside the Lot or creates noise or other conditions that tend to disturb the peace, quiet, safety, comfort or serenity of the Owners and Guests of other Lots. In addition, no noxious or offensive activity shall be carried on upon any Lot nor shall anything be done or placed on any Lot that is or may become a nuisance or cause any significant embarrassment, disturbance or annoyance to others.

Section 4.22 Firearms, Fireworks and Explosives. Except as permitted under Section 4.23, the discharge of any firearms, fireworks or explosives on the Property is prohibited without Board approval. The term "firearms" includes "B-B" guns, pellet guns and other firearms of all types, regardless of size.

Section 4.23 Hunting. Hunting, killing, trapping or poisoning of wildlife on or from the Property shall be prohibited without Board approval except to prevent imminent danger to human life or unless conducted by or at the direction of the Association or the Colorado Division of Wildlife or other law enforcement or public officials having jurisdiction to protect human life or property, reduce overpopulation or eliminate nuisances or as may otherwise be required by Law.

Section 4.24 No Hazardous Activities. No activities shall be conducted on any Lot and no Improvements shall be constructed on any Lot that are or might be unsafe or hazardous to any natural Person or property. Without limiting the generality of the foregoing, no explosives, gasoline, fireworks, or other volatile and/or incendiary materials or devices or any materials deemed hazardous or toxic substances under applicable environmental laws, rules, or regulations shall ever be used, kept, stored, permitted to remain or be released or disposed of on any Lot. Gasoline or fuel for an Owner's lawn mower, snowblower, tractors, farm equipment and the like may be maintained on an incidental basis in an enclosed structure on a Lot in an amount not to exceed 40 gallons.

Section 4.25 Outside Burning. No exterior fires shall be lighted or permitted on any property within the Subdivision without prior Board approval except in a contained barbecue unit while attended and in use for cooking purposes. No Owner shall cause or permit any condition on his Lot which creates a fire hazard or is in violation of any laws or regulations.

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Notwithstanding the foregoing, the Declarant or any Owner shall have the right to perform proscribed burning activities on a Lot so long as the Owner has first obtain any necessary permits or licenses as may be required by Pitkin County, the Pitkin County Sheriff's Department, or the Fire Marshall.

Section 4.26 Storage. Except for passenger vehicles, pickup trucks, all-terrain vehicles, one boat and one motor home or camper, no motor vehicles, construction equipment, or heavy equipment may be stored on any Lot for more than twenty-four (24) hours, unless enclosed in a structure, opaque fence, or some landscaping solution approved by the ACC. All vehicles are to be parked or stored in such a manner so as to minimize the visual impact on adjoining properties. Inoperable vehicles may not be stored outside.

Section 4.27 Equipment and Tanks. The use of solar energy systems (both passive and active) within the Subdivision is encouraged, provided such systems comply with governmental guidelines for residential uses and meet the same architectural criteria as are applied to other Improvements within the Subdivision, and are approved in advance by the ACC. No tanks of any kind, whether elevated or buried, shall be erected, placed or permitted to remain upon any Lot except in compliance with applicable federal and state regulations, and then only with the prior written approval of the ACC. Any approved tank must be located underground or adequately concealed from view by fencing or screening approved by the ACC.

Section 4.28 Trash Containers and Refuse. Refuse, garbage and trash shall be kept in a covered bear-proof container (secured with locks, clips or other device) at all times and all refuse, garbage and trash shall be kept within an enclosed structure except when being transported for pick-up. No lumber, grass, shrub or tree clippings or plant waste, compost, metals, bulk materials or scrap or refuse or trash or unused items of any kind shall be kept, stored or allowed to accumulate on any Lot except for during short time periods (in no event longer than seven days) pending removal from the Property.

Section 4.29 Animals and Pets. Domestic pets- dogs and cats- shall be 'kept under control' at all times by their owners. Horses and other animals shall be maintained solely for pleasure and not for commercial purposes. No animal shall be allowed to make an unreasonable amount of noise or become a nuisance. Upon the request of any member, the Board shall determine whether a particular animal has become a nuisance. Any decision by the Board shall be final and conclusive and may be enforced in the same manner as other covenants and restrictions contained in this declaration

Section 4.30 Special Events. The Association may establish guidelines under which an Owner may apply for and be granted permission to conduct parties or other special events, and such permission may allow an Owner to temporarily depart from the Restrictions. In the event the Association establishes such special event guidelines and an Owner is granted permission under such guidelines, the Owner may temporarily depart from the Restrictions in accordance with such permission, but shall otherwise be subject to all the Restrictions at all times.

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Section 4.31 Variances and Rezoning. No Owner shall apply for or permit another Person to apply for any variance or rezoning concerning the Owner's Lot or any portion thereof without the prior written consent of the Association, which consent may be withheld in the complete discretion of the Board.

Section 4.32 Exception for Construction. During the course of the construction of any Improvement that is permitted on a Lot, the Board shall have the authority to grant temporary waivers to any of the restrictions of this Article 4 to the extent reasonably necessary to permit such work to be undertaken in a reasonable manner, provided that nothing is done in the course of such work that shall result in the violation of any restriction in this Article 4 upon the completion of the Improvement.

Section 4.33 Exception for Association. The restrictions of this Article 4 shall not apply to any work undertaken by the Association pursuant to the authority vested in the Association pursuant to this Declaration.

ARTICLE 5

ASSOCIATION

Section 5.1 Function of Association, Generally. The Association shall be responsible for management, maintenance, repair, replacement, operation and control of the Common Improvements and collection of the Assessments. The Association shall be the primary entity responsible for enforcement of the Restrictions. The purposes and powers of the Association and the rights and obligations of Members may and shall be amplified by provisions of the Articles and the Bylaws. Except as required by applicable Law, neither the Articles, the Bylaws nor the Rules shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. In case of conflict between this Declaration and the Articles, the Bylaws or the Rules, this Declaration shall govern.

Section 5.2 Membership. There shall be one Membership in the Association for each Lot within the Subdivision. The Person or Persons who constitute the Owner of a Lot shall automatically be the holder of the Membership appurtenant to that Lot, and shall collectively be the "Member" of the Association with respect to that Lot, and the Membership appurtenant to that Lot shall automatically pass with fee simple title to the Lot. Declarant shall hold a 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, and may not otherwise be separated from ownership of a Lot. When an Owner consists of more than one Person, all such Persons will, collectively, be considered one Member of the Association and all such Persons shall be jointly and severally obligated to perform the responsibilities of Owner. Membership will automatically terminate when a Person ceases to be an Owner, whether through sale, transfer, intestate succession, testamentary disposition, foreclosure or otherwise. The Association will recognize a new Owner as a Member upon presentation of satisfactory evidence of the sale, transfer, succession, disposition, foreclosure or other transfer of a Lot to such Owner. Membership may not be transferred, pledged or alienated in any way, except to a new Owner

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upon conveyance of a Lot. Any attempted prohibited transfer of a Membership will be void and will not be recognized by the Association.

Section 5.3 Authorized Representative. Any Owner who is either: (i) two or more Persons; or (ii) one Person that is not a natural person (i.e., an estate or a trust, corporation, partnership, limited liability company, or other entity), shall appoint, and any Owner who is one natural person shall appoint, an Authorized Representative. Any Owner so required to appoint an Authorized Representative shall do so immediately upon becoming an Owner. Any Owner who is required or elects to appoint an Authorized Representative shall provide written notice to the Association of the appointment of such Authorized Representative or any subsequent replacement therefor within 10 days after appointment. Such notice must (a) be signed by all Persons constituting the Owner; (b) be dated; and (c) contain a statement that the natural person named therein will remain the Authorized Representative of such Owner until a subsequent notice is given to the Association naming a successor. Such notice will be deemed a proxy given by all Persons constituting such Owner to the Authorized Representative named therein for all purposes under this Declaration, the Bylaws and the Colorado Revised Nonprofit Corporation Act. The appointment of an Authorized Representative will be binding upon all Persons comprising the appointing Owner and the vote of the Authorized Representative will be conclusive as to the Association, unless and until the Association receives a notice appointing a replacement Authorized Representative (or, in the case of an Authorized Representative appointed by an Owner who is one natural person, a notice terminating the appointment of such Authorized Representative). Unless the notice of appointment expressly states otherwise, the Authorized Representative shall be authorized to designate in writing delivered to the Association a temporary, substitute Authorized Representative. Upon receipt of any notice appointing an Authorized Representative, the Association may request such additional evidence of authority as it may reasonably deem necessary to verify the due appointment of the named Authorized Representative.

Section 5.4 Votes in the Association. Each Lot in the Subdivision shall be entitled to one (1) vote in the Association. Occupants of Lots shall not have voting rights. If title to a Lot is owned by more than one (1) Person, such persons shall collectively cast their allocated vote. If only one of the multiple owners of a Lot is present at an Association meeting, such owner is entitled to cast the vote allocated to that Lot. If more than one of the multiple owners is present, the vote allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the owners. There is majority agreement if any of the multiple owners casts the vote allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other owners of the Lot. In the event of a protest being made by one or more multiple owners, and a majority of the multiple owners of the Lot cannot agree on how to cast their vote, any vote cast for that Lot shall be null and void with regard to the issue being voted upon. Such multiple owners and their Lot shall nevertheless be counted in determining the presence of a quorum with respect to the issue being voted upon.

A quorum is deemed present throughout any meeting of the Members of the Association if persons entitled to cast at least thirty percent (30%) of the total allocated votes in the Association are present, in person or by proxy, at the beginning of the meeting

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Section 5.5 Majority Approval. Except as otherwise provided in this Declaration or the Bylaws, the affirmative vote of the Members, present and voting, either in person or by proxy, at a meeting of the Association called and held in accordance with the Bylaws will be sufficient to approve any matter submitted to a vote of the Members if such Members hold a majority (i.e., more than 50%) of the votes in attendance.

Section 5.6 Board of Directors. The affairs of the Association shall be governed by the Board of Directors, which may, by resolution, delegate any portion of its authority to an executive committee or an officer or managing agent of the Association. Except as otherwise specifically provided by Law or in this Declaration, the Articles or the Bylaws, the Board may exercise all rights and powers of the Association without a vote of the Members. The qualifications and number of Directors, the term of office of Directors, the manner in which Directors shall be appointed or elected and the manner in which Directors shall be replaced upon removal or resignation shall be as set forth in the Bylaws.

Section 5.7 Powers and Authority. The Association shall have the following powers and shall perform each of the following duties for the benefit of its Members:

(a) To maintain the Common Improvements in good condition and repair and in compliance with applicable Law and the Restrictions. The Association shall improve, construct, replace or repair the Common Improvements or any part thereof when necessary or desirable to do so in its judgment and discretion;

(b) To pay all real and personal property taxes and other taxes and assessments levied upon or with respect to any Common Improvement. The Association shall have all rights granted by Law, but not the obligation, to contest the legality and the amount of taxes and assessments levied upon any Common Improvement;

(c) To determine, levy and collect Assessments pursuant to Article 7;

(d) To make, establish and promulgate, and in its discretion to amend or repeal and reenact Rules, not in contradiction of this Declaration, as it deems proper covering any and all aspects of its functions and the Property. Without limiting the generality of the foregoing, such Rules may establish the regulations governing the operation, use and occupancy of any portion of the Property, including the Common Improvements. Such properly promulgated Rules shall have the same purpose and effect as the covenants, conditions and restrictions included in this Declaration and shall be treated as incorporated herein;

(e) To enforce, on its own behalf and on behalf of all Owners, all of the covenants, conditions and restrictions set forth in the Restrictions, and to perform all other acts reasonably necessary to enforce any of the provisions of the Restrictions, including, without limitation, the imposition of fines on Owners who violate or permit violations of the Restrictions;

(f) To retain the services of a professional management company to manage some or all of the affairs of the Association;

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(g) To hire one or more employees or independent contractors to work for the Association to help the Association perform its duties under this Declaration;

(h) To borrow money and to incur indebtedness for the purposes of the Association;

(i) To assign its right to future income, including the right to receive Assessments;

(j) To enter into agreements (including easements) granting third-parties the right to access and use any of the Common Improvements in a manner consistent with their purpose. Notwithstanding the foregoing, the Association shall not grant any third party any right to use any portion of the Access Road without the written consent of each Owner of a Lot through which the affected part of the Access Road travels;

(k) To maintain insurance coverage pursuant to Article 10;

(l) To acquire additional real property or easement interests in real property as Common Improvements and construct Improvements thereon; and

(m) To carry out all duties of the Association set forth in the Restrictions.

Section 5.8 Enforcement.

(a) Sanctions and Self-Help. The Association may impose sanctions for violations of the Restrictions, including reasonable monetary fines and suspension of the right to use any Common Improvements. In addition, the Association may exercise self-help (e.g., enter upon a Lot and make any corrective measure necessary to cure a violation) to cure violations and suspend any services it provides to the Lot following delivery of a notice of such violations to such Owner. All remedies set forth in this Declaration and the other Restrictions shall be cumulative of each other and of any remedies available at law or in equity. In any action to enforce the provisions of the Restrictions, if the Association prevails it shall be entitled to recover all costs and expenses, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action; and

(b) No Waiver. In no event shall the Association's failure to enforce any covenant, requirement, restriction or rule provided for in the Restrictions constitute a waiver of the Association's right to later enforce such provision or any other covenant, requirement, restriction or rule.

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ARTICLE 6

FINANCIAL MATTERS, BUDGET AND ASSESSMENTS

Section 6.1 General Financial Matters; Budget. The Board, on behalf of the Association, shall discharge the following obligations with respect to financial matters:

(a) Books and Records. The Board shall cause to be maintained full and complete books and records of the Association's business and operations. All such books and records will be made available either in print or digitally for any Owner, holder of a First Mortgage, insurer or guarantor of a First Mortgage or their respective authorized representatives during normal business hours upon reasonable prior written request;

(b) Returns. The Board will cause to be prepared and filed before delinquency any and all tax, corporate or similar returns or reports that the Association is required by Law to prepare and file;

(c) Preparation of Budget. The Board will cause to be prepared and will adopt annually, prior to the beginning of each Fiscal Year of the Association, a budget for the Association's coming Fiscal Year. The proposed budget will include all of the following items, in addition to any other items the Board deems appropriate:

(i) the estimated Common Expenses of the Association for such Fiscal Year;

(ii) the estimated revenues of the Association that will be necessary to defray the Common Expenses;

(iii) the current cash balance in the Reserve Fund, if established by the Board;

(iv) an estimate of the amount required to be spent during such Fiscal Year from the Reserve Fund, if any, for the major repair or replacement of the Common Improvements;

(v) a statement of the amount required to be added to the Reserve Fund, if any, during such Fiscal Year to cover anticipated withdrawals and adequately address contingencies and anticipated needs in future Fiscal Years; and

(vi) a statement of the Common Assessments that will be levied against the Owners to fund the operations of the Association and the Reserve Fund contributions for the Fiscal Year in question.

(d) Reserve Fund. If the Board establishes a Reserve Fund, the Board shall cause the Reserve Fund to be accounted for separately in accordance with generally accepted accounting principles.

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Section 6.2 Creation of Assessments. There shall be three types of Assessments: (a) Common Assessments as described in Section 6.3; (b) Special Assessments as described in Section 6.4; and (c) Specific Assessments as described in Section 6.5. Each Owner, by accepting a deed or other instrument of conveyance for any Lot, is deemed to covenant and agree to pay these Assessments pursuant to the terms and conditions of this Declaration.

Section 6.3 Common Assessments. Each Lot and the Owner thereof is subject to Common Assessments pursuant to this Section 6.3. Each Lot is allocated, and the Owner of the Lot is liable for, a percentage of the Common Expenses equal to such Lot's Allocation Percentage in effect from time to time. Common Assessments will commence as to each Lot pursuant to Section 6.6. Common Assessments will be calculated, paid, adjusted and reconciled in accordance with the following provisions:

(a) Budget and Payment. The Board shall set the Common Assessments for each Fiscal Year at a level that is reasonably expected to produce total revenues for the Association for such Fiscal Year equal to the estimated Common Expenses and Reserve Fund contributions, if any, set forth in the budget. In determining the total funds to be generated through the levy of Common Assessments, the Board may consider other sources of funds available to the Association, including any surplus from prior Fiscal Years;

(b) Adjustment. If during any Fiscal Year it becomes apparent that the estimated Common Expenses and/or revenues of the Association as set forth in the budget upon which the Common Assessments were based were in error for any reason, including nonpayment by any Owner of its Common Assessments, to the extent that the Common Assessments the Board determines will be received for the balance of such Fiscal Year will be inadequate, or more than required, to meet the Association's obligations intended to be covered by such Common Assessments, the Board may increase or decrease the Common Assessments for the balance of such Fiscal Year upon not less than 30 days' prior notice to all Owners;

(c) Reconciliation. If the Board, in its discretion, determines that one or more Owners may have been materially under-billed or over-billed for their proper allocated shares of the Common Expenses for any Fiscal Year, the Board may cause the actual Common Expenses incurred by the Association during such Fiscal Year to be reconciled against the Common Assessments received by the Association from the Owners. To the extent that any Owner has paid more than its Allocation Percentage of such actual Common Expenses, the Board may in its discretion either refund the overpayment to the Owner or credit such overpayment against such Owner's obligation for Common Assessments for the next ensuing Fiscal Year. To the extent any Owner has underpaid its Allocation Percentage of such actual Common Expenses, the Board may in its discretion either demand in writing that such Owner pay the amount of such underpayment of Common Assessments to the Association within a specified period of time, as determined by the Board, after the Board notifies such Owner of such underpayment (which period of time may not be less than 30 days), or the Board may include such underpayment in such Owner's obligations for Common Assessments for the next ensuing Fiscal Year. Nothing in this Section 6.3 shall be construed as limiting any of the enforcement rights of the Association with respect to delinquent Assessments under Article 7; and

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(d) Failure to Assess. Failure of the Association to fix Common Assessments amounts or rates for a given Fiscal Year or to deliver or mail to each Owner a Common Assessments notice shall not be deemed a waiver, modification or release of any Owner's obligation to pay its allocated share of Common Assessments. In such event, each Owner shall continue to pay Common Assessments on the same basis as during the last year for which Common Assessments amounts were set by the Association, if any, until new Common Assessments are levied, at which time the Association may retroactively assess any shortfalls in collections.

Section 6.4 Special Assessments. In addition to other authorized Assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted, including, without limitation, the costs of any construction, restoration, unexpected repair or replacement of any Common Improvements, or any other capital improvements that benefit all of the Owners and are not covered by the Reserve Fund, if any. Special Assessments shall commence as to each Lot pursuant to Section 6.6. Each Lot is subject to Special Assessments for the Lot's Allocation Percentage of the total Special Assessments levied by the Association. Except as otherwise specifically provided in this Declaration, no Special Assessment shall require the approval of the Members. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the Fiscal Year in which the Special Assessment is approved. The Board shall have the right to require that Special Assessments be paid in advance of the provision of the subject services or Improvements. .

Section 6.5 Specific Assessments. The Association shall have the power to levy Specific Assessments against one or more particular Lot(s) as follows:

(a) to cover the costs, including overhead and administrative costs, of providing benefits, items or services to such Lot or occupants thereof upon request of the Owner of such Lot pursuant to a menu of special services that the Board may from time to time authorize to be offered to Owners (which may include, without limitation, landscaping maintenance, janitorial service, snow removal, and pest control), which Specific Assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner;

(b) to cover costs incurred in bringing the Lot into compliance with the terms of this Declaration, the Bylaws or the Rules, or costs incurred as a consequence of the conduct of the Owner or such Owner's Guests; provided, however, the Board shall give the Owner of such Lot notice and a reasonable opportunity to be heard before levying any Specific Assessment under this Section 6.5;

(c) to cover necessary costs or expenses incurred by the Association that benefit one or more Lots but fewer than all Lots, such as, for example, the costs of repairing a utility line that serves only one or two Lots but no others, and, unless the Owners of all the benefited Lots otherwise agree, each benefited Lot shall be assessed a percentage of the Specific Assessments so incurred that is derived from a fraction, the numerator of which is one and the

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denominator of which is the total number of Lots so benefited, and the Board shall have the authority to assess Specific Assessments for such costs without the approval of the benefited Owners; and

(d) to cover any costs or expenses that are recoverable as Specific Assessments pursuant to other provisions of this Declaration.

Section 6.6 Commencement of Assessments. The obligation to pay Common Assessments and Special Assessments shall commence as to each Lot on the day on which the Association first levies Assessments pursuant to this Article 6. The obligation to pay Specific Assessments shall commence as to any Lot when the Association levies the Specific Assessments against the Lot pursuant to this Declaration. The first annual Common Assessments and Special Assessments levied on each Lot shall be prorated according to the number of months remaining in the Fiscal Year at the time Assessments commence on the Lot.

ARTICLE 7

ENFORCEMENT OF ASSESSMENTS

Section 7.1 Payment of Assessments. Each Owner shall pay, or cause to be paid, all Assessments assessed against such Owner's Lot by the Association in accordance with the terms of this Declaration. Each Assessment is a separate, distinct and personal debt and obligation of the Owner against whose Lot the Assessment is levied. All Assessments are payable in full without offset for any reason whatsoever. Each Owner's obligation to pay Assessments is entirely independent of any obligation of the Association to the Owner or any other Owner to that Owner. No Owner may exempt itself from liability for any Assessment by non-use of Common Improvements, abandonment of its Lot or any other means. Any Assessment or installment of an Assessment not paid within 30 days after it becomes due is delinquent. If an Assessment or installment of an Assessment is delinquent, the Association may recover all of the following (collectively, the "Delinquency Costs"): (a) interest from the date due at a rate not to exceed 15% per annum; (b) one-time late charges and other monetary penalties imposed by the Association pursuant to this Declaration and the Bylaws; and (c) all collection and enforcement costs, including reasonable attorneys' fees, incurred by the Association, together with any and all other costs incurred and/or accrued after the date of the Delinquency Notice described in Section 7.2 below. Each Assessment, together with any applicable Delinquency Costs, shall be a charge and continuing lien upon the Lot against which the Assessment is levied until paid, as more particularly provided in Section 7.4. Each such Assessment, together with any applicable Delinquency Costs, also shall be the personal obligation of the Person that was the Owner of such Lot at the time the Assessment and the applicable Delinquency Costs arose. Where the Owner consists of multiple Persons, each such Person shall be jointly and severally liable for each and every obligation of the Owner.

Section 7.2 Delinquency Notice. If any Assessment or installment of any Assessment is delinquent, the Association may notify the Owner in writing of the delinquency and state in the notice: (a) the amount and due date of the delinquent Assessment or installment thereof;

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(b) the Delinquency Costs accrued to date; and (c) the date by which the delinquent Assessment installment thereof and all associated Delinquency Costs must be paid.

Section 7.3 Acceleration. If the Association gives the written notice required by Section 7.2 with respect to a delinquent Assessment that is payable in regular uniform installments (e.g., a Common Assessment) and the Owner responsible for such Assessment does not pay, or cause to be paid, such delinquent Assessment (including all associated Delinquency Costs) in full by the due date specified in the notice, then the Association may declare all unpaid installments of the subject Assessment for the current Fiscal Year of the Association to be immediately due and payable in full without further demand or notice and may enforce the collection of the Assessment (including any associated Delinquency Costs and any installments that were so accelerated) in accordance with Section 7.5, subject, however, to the protection afforded First Mortgagees pursuant to Section 7.4.

Section 7.4 Lien for Assessments. The Association has an automatic mortgage lien against each Lot to secure payment of all Assessments and associated Delinquency Costs levied by the Association against such Lot. Such lien shall be perfected upon the Recording of this Declaration, and no further claim of lien shall be required. Notwithstanding the foregoing and without limitation on the automatic lien against each Lot established hereby, the Association has the right, but not the obligation, to prepare and Record a "Notice of Lien" setting forth (i) the amount of any Assessment or Delinquency Costs or other amount due and owing to the Association; (ii) the date such amount was due and payable and the date from which interest accrues; (iii) all Delinquency Costs accrued as of the date of Recording of such Notice of Lien; (iv) the Lot affected by the lien; and (v) the name or names, last known to the Association, of the Owner of the Lot. The automatic lien of the Association against each Lot established and perfected by this Section 7.4 shall be superior to all other liens and encumbrances, except (a) liens and encumbrances Recorded before this Declaration; (b) liens for real estate taxes and other governmental assessments or charges against the Lot; and (c) any First Mortgage on the Lot that was Recorded before the date on which the Assessment or installment thereof the Association is seeking to enforce became delinquent. Subject to the limitations of the preceding sentence, the sale or transfer of any Lot shall not affect the lien for any existing delinquent Assessments.

Section 7.5 Enforcement of Assessments. The amount of any delinquent Assessments (including any installments accelerated by the Association pursuant to Section 7.3) and associated Delinquency Costs may be enforced against the Owner liable for them in either or both of the following ways, at the option of the Association (which shall not be exclusive of any other remedies or enforcement rights available to the Association at Law or in equity):

(a) Suit. The Association may bring a suit or suits at law to enforce the Owner's obligation to pay a delinquent Assessment (including any installments accelerated by the Association pursuant to Section 7.3) and associated Delinquency Costs. Each action will be brought in the name of the Association. If the Association prevails in any such action, the Association will be entitled to receive the reasonable attorneys' fees and costs incurred by the Association in bringing the action against the defaulting Owner. Upon full satisfaction of the

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judgment, the Association, by one of its officers, will execute and deliver to the judgment debtor an appropriate satisfaction of the judgment; and

(b) Lien Foreclosure. If the Association gives a notice concerning the delinquent Assessment that substantially complies with the provisions of Section 7.2 and the delinquent Assessment is not paid in full by the due date specified in such notice, then the Association may foreclose, in the same manner as the foreclosure of a mortgage under the laws of the State of Colorado, the lien established in Section 7.4 securing the Assessment, any installments accelerated by the Association pursuant to Section 7.3, and any associated Delinquency Costs. The Association may bid for a Lot at any foreclosure sale, pay all or part of the bid amount by crediting the lien amount against the bid, and acquire, hold, lease, mortgage and convey such Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on behalf of the Association as the Owner of such Lot; and (b) no Assessments shall be levied against such Lot; and (c) each other Lot shall be charged, in addition to its usual Assessments, its pro rata share of the Assessments that would have been charged the Lot acquired by foreclosure had such Lot not been acquired by the Association.

Section 7.6 Disputes and Records. Any Owner or an Owner's authorized representative may inspect the books and records of the Association during regular business hours upon reasonable prior notice. If an Owner disputes the amount of any Assessment against its Lot and is unable to resolve the issue through an inspection of the Association's books and records, the Owner will continue to pay in a timely manner the full amount of the disputed Assessment until, if ever, it is finally determined that the amount is incorrect (in which case the Association will promptly refund any overpayment). If the Owner fails to pay the disputed Assessment while the dispute is pending, the Association may immediately pursue any of its remedies for the failure (including, without limitation, suit against the Owner and/or foreclosure of the Association's lien against the Owner's Lot), and the pendency of the dispute is not a bar or defense to any actions by the Association.

Section 7.7 Certificate. Within 14 calendar days after receiving a written request from any Owner, Mortgagee or a designee of either of them, delivered personally or by certified mail, first-class postage prepaid, return receipt requested, to the Association's registered agent, the Association will furnish to the requesting party a certificate executed on behalf of the Association and addressed to the requesting party, stating any then unpaid Assessments due from the requesting Owner or the Owner of the Lot encumbered by the requesting Mortgagee's Mortgage, or stating that there are no unpaid Assessments due from such Owner, as the case may be. The Association may charge the Owner of any Lot for which such a certificate is furnished pursuant to this Section 7.7, and the Owner will pay, a reasonable fee for the preparation of the certificate in an amount determined by the Board from time to time.

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ARTICLE 8

DESIGN REVIEW

Section 8.1 Approval of Improvements Required. The approval of the ACC shall be required for any Improvement constructed, installed or made within the Property, except that no approval shall be required for any Improvement constructed, installed or made by the Association. The ACC shall act in accordance with this Declaration and the Design Guidelines.

Section 8.2 Membership of Committee. The ACC shall have the same membership as the Board. The chair of the committee shall be the President of the Association or such other member as may be designated by the Board. In the reasonable discretion of ACC, the ACC may engage one or more professional consultants (e.g., architects, planners or contractors) to assist the ACC in the evaluation of Plans and Specifications submitted by an Applicant. The fees charged by any such professional in considering an approval request by an Applicant shall be paid by the Applicant.

Section 8.3 Actions of the ACC. All actions and decisions of the ACC shall require the affirmative vote of the majority of the ACC.

Section 8.4 Design Guidelines. The ACC shall adopt guidelines regarding the ACC's functions under this Declaration, including, without limitation: the construction, alteration or removal of Improvements; site design and landscaping standards; materials, colors, textures and other aesthetic matters concerning Improvements; the orientation and location of any Improvements on a site; deposits to be made by an Applicant for the purpose of guarantying compliance with such guidelines or the Restrictions; procedures for the submission of Plans and Specifications by an Applicant to the ACC and for the ACC's review, approval, denial or approval with conditions of such Plans and Specifications; general construction procedures regarding construction activities on the Property; application and processing fees to be paid to the Association or professional members of the ACC by Applicants; and fines and other reasonable penalties for violation of any provision of this Article 8 or the Design Guidelines. Such guidelines shall be the Design Guidelines under this Declaration and shall have the same force and effect as if expressly cited as covenants, conditions and restrictions in this Declaration. The Design Guidelines and any amendments thereto shall be consistent with the terms of this Declaration.

Section 8.5 Submission of Plans. Prior to commencement of work on any Improvement, the Applicant shall submit to the ACC such Plans and Specifications and other items as may be required by the Design Guidelines or as the ACC shall reasonably request, including, without limitation, conceptual design plans and final design plans regarding existing conditions and the proposed Improvement. The ACC may require the Applicant to pay reasonable application fees in connection with such submission as established in the Design Guidelines. In addition, the ACC may require the Applicant to pay the fees charged by any professional members of the ACC. Provided that such requirements are not inconsistent with the Design Guidelines, the ACC may require submission of additional plans, specifications or other

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information prior to approving or disapproving the proposed Improvement. The ACC may require submission of Plans and Specifications and other information in phases rather than at one time, provided that such requirement shall not be inconsistent with the Design Guidelines. Until receipt by the ACC of all materials in connection with the proposed Improvement that are required to be submitted in connection with a given phase of review, the ACC may postpone review of any materials submitted for approval. Additionally, all obligations of the ACC hereunder to review and approve any such plans, specifications and other materials with respect to a proposed Improvement (but not the Applicant's obligation to obtain the ACC's approval thereof) shall be suspended during any period of time in which the Applicant is in violation of any of the Restrictions. The Applicant shall also be required to submit to the Pitkin County (the "County") any materials necessary for the issuance of permits by the County related to the proposed Improvement in accordance with the Design Guidelines and requirements by the County. No improvements of any kind shall be made, nor vegetation removed, nor excavations made with respect to any property in the subdivision until and unless complete plans therefor are submitted in writing to, and approved by, the committee prior to the commencement of any such improvements, removal or excavations. Sketches for preliminary consideration may be submitted; however the committee shall not be finally bound nor committed until complete architectural plans are submitted and approved.

Section 8.6 Criteria for Approval. The ACC shall approve any proposed Improvement only if it concludes in its best business judgment and reasonable discretion that construction of the Improvement in the location indicated shall comply with this Declaration and the Design Guidelines, that the Improvement shall not be detrimental to the appearance of the surrounding areas of the Property as a whole; that the appearance of the proposed Improvement shall be in harmony with the surrounding areas of the Property including its natural surroundings and with existing structures as to external design, size (enclosed square feet), materials, color, siting, height, topography, grade, finished ground elevation, and seclusion; and that the Improvement shall not detract from the views and enjoyment of any other Lot by the Owner thereof. The ACC shall tailor its review of each proposed Improvement to the specific proposed location involved; consequently, the criteria used and conditions imposed by the ACC may vary substantially between different proposed Improvements. The ACC may condition its approval of any proposed Improvement upon the making of such changes thereto as the ACC concludes are appropriate.

Section 8.7 Prosecution of Work After Approval. After approval of any phase of a proposed Improvement, the proposed Improvement shall be accomplished as promptly and diligently as possible and in complete conformity with its Plans and Specifications, any other materials submitted to the ACC in connection with the proposed Improvement and any conditions imposed by the ACC. All representations made by or on behalf of an Applicant to the ACC, whether verbally or in writing, shall be considered part of the Plans and Specifications submitted by the Applicant and shall be binding on the Applicant. The Design guidelines may impose additional time limits and deadlines for the construction of Improvements following approval by the ACC.

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Section 8.8 Inspection of Work. The ACC or its duly authorized representative shall have the right to inspect any Improvement at any time prior to or after completion. The ACC shall also have the right to investigate and inspect any Improvement that it suspects has not been properly brought before its review in accordance with this Article 8.

Section 8.9 Notice of Noncompliance. If, as a result of inspections or otherwise, the ACC finds that any Improvement has been or is being constructed without obtaining all required approvals of the ACC, or was not done in substantial compliance with the Plans and Specifications and other materials furnished to, and any conditions imposed by, the ACC, or has not been accomplished as promptly and diligently as possible, then the ACC may give notice to the Owner or Applicant of the noncompliance in a "Notice of Noncompliance." The Notice of Noncompliance shall specify the particulars of the noncompliance and shall require the Applicant to take such action as may be necessary to remedy the noncompliance. In addition, the ACC shall send a copy of the Notice of Noncompliance to any First Mortgagee for the Lot upon which the Improvement is being constructed who has previously requested in writing to the ACC that the ACC send to it a copy of any Notice of Noncompliance.

Section 8.10 Correction of Noncompliance. Upon receipt of a Notice of Noncompliance, the Applicant shall remedy the same within a period specified in the Notice of Noncompliance, but in no case later than 45 days after the date of receipt by the Applicant of the Notice of Noncompliance (unless the Applicant has timely begun and is diligently pursuing a cure that will reasonably require more than 45 days, in which case the ACC shall have the discretion to extend such period for an appropriate length by a written amendment to the Notice of Noncompliance), subject to Force Majeure Delays. If the Applicant does not comply with the Notice of Noncompliance within such period, the Association may, at its option, file the Notice of Noncompliance for Recording against the Lot on which the noncompliance exists, may enter upon the Lot and remove the non-complying Improvement or may otherwise remedy the noncompliance by taking such actions as the Association determines are necessary or desirable. In addition, the Association may impose reasonable fines, not exceeding \$1,000 per day, upon any Owner or Applicant that fails to correct any noncompliance within the time period specified in the Notice of Noncompliance. The rights of enforcement that may be exercised by the Association pursuant to this Section 8.10 shall be in addition to all other rights and remedies that the Association may have at law, in equity or under the Restrictions.

Section 8.11 Dispute Resolution. The Owners of each Lot covenant and agree that in the event any decision of the ACC is disputed, the Owner affected by such decision, may, within ten (10) days of such action, request that the matter be submitted to an arbitration panel made up of one member selected by the ACC, one member selected by the Owner and a third member selected by those two (2) members. The parties hereto agree to cooperate in selecting arbitrators such that the panel will be able to convene within ten (10) days of the arbitration request and render its decision within three (3) days after said panel is so convened. The Owner shall not be permitted to proceed with construction work pending the arbitration determination.

Section 8.12 Correction of Noncompliance by First Mortgagee. If, within a period of not more than 45 days after the date of receipt by a First Mortgagee of a copy of a Notice of

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Noncompliance with regard to a Lot on which such First Mortgagee holds its Mortgage, the First Mortgagee notifies the ACC that it has begun, and shall continue to diligently pursue, proceedings to obtain title to the Lot upon which is being constructed the non-complying Improvement pursuant to the remedies provided in the Mortgage held by such First Mortgagee or pursuant to any foreclosure, or deed or assignment in lieu of foreclosure, of such Mortgage, then the ACC, at its option, may extend the period for remedy or removal of the noncompliance for a period expiring 45 days after the date the First Mortgagee obtains title to the Lot (unless the First Mortgagee has timely begun and is diligently pursuing a cure that will require more than 45 days, in which case the ACC shall have the discretion to extend such period for an appropriate length by a written amendment of the Notice of Noncompliance), subject to Force Majeure Delays. If the First Mortgagee does not comply with the ACC decision within such extended period, or if at any time during such extended period the First Mortgagee fails to pursue diligently proceedings to obtain title to the Lot, the Association may, at its option, exercise all of its rights and remedies provided in Section 8.10.

Section 8.13 No Implied Waiver or Estoppel. No action or failure to act by the ACC shall constitute a waiver or estoppel with respect to future action by the ACC with respect to any Improvement. Specifically, the approval by the ACC of any Improvement shall not be deemed a waiver of any right or an estoppel to withhold approval or consent to any similar Improvement or any similar proposals, plans, specifications or other materials submitted with respect to any other Improvement.

Section 8.14 Estoppel Certificates. The Association shall, upon the reasonable request of any interested party and after confirming any necessary facts with the ACC, furnish a certificate with respect to the approval or disapproval of any Improvement or the status thereof, with respect to whether any Improvement was made in compliance with the Design Guidelines or whether any Notice of Noncompliance has been complied with. Any Person, without actual notice to the contrary, shall be entitled to rely on said certificate with respect to all matters set forth therein.

Section 8.15 Non-liability for ACC Action. There shall be no liability on the ACC, any member of the ACC, the Association, any member of the Board or other committee appointed by the Board for any loss, damage or injury arising out of or in any way connected with the exercise of the rights or performance of the duties of the ACC unless due to the willful misconduct or bad faith of the party to be held liable. In reviewing any matter, the ACC shall not be responsible for reviewing, nor shall its approval of any Improvement be deemed approval of, the Improvement from the standpoint of safety, whether structural or otherwise, or conformance with Law, including building and zoning codes.

Section 8.16 Construction Period Exception. During the course of actual construction of any Improvement, and provided construction is proceeding with due diligence, the ACC may temporarily suspend certain provisions in this Declaration or the Design Guidelines as to the property upon which the construction is taking place, to the extent reasonably necessary to permit such construction to be undertaken in a reasonable manner, provided that, during the course of any such construction, nothing is done or occurs that will: (a) result in a violation of

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any of the provisions of this Declaration or the Design Guidelines upon completion of construction; (b) result in a violation of Law or any restrictions in any document other than this Declaration that affects the Property; or (c) constitute a nuisance or unreasonable interference with the use and enjoyment of any other Lot.

ARTICLE 9

MAINTENANCE

Section 9.1 Association's Responsibilities.

(a) Maintenance of Common Improvements. The Association shall maintain and keep the Common Improvements in good condition and repair. However, if any Common Improvement is damaged by the act or omission of any Owner or such Owner's Guests, then such Owner shall be responsible for the costs incurred by the Association in repairing such damage to the extent such costs are not covered by any insurance maintained by the Association, and the Association may levy a Specific Assessment against such Owner for the purpose of collecting such costs.

(b) Election to Perform Owners' Duties. The Association may elect to maintain or repair any Lot or portion thereof or Improvements thereon, the maintenance or repair of which is the responsibility of an Owner pursuant to (b), if (i) such Owner has failed, for more than 30 days after notice from the Association, to perform its responsibilities under this Declaration with respect to the maintenance or repair of its Lot (provided, however, that no such 30-day notice period will be required in the case of emergencies), and (ii) such failure has a material effect on the appearance of such Lot when viewed from any area outside such Lot or has a material adverse effect on the use of another Lot or any Common Improvement for its permitted and intended use; provided, however, that if such failure is not susceptible of being cured within such 30-day period, the Association will not be entitled to perform any repairs or maintenance if such Owner commences performance of its obligations within such 30-day period and thereafter diligently completes such performance. Such Owner will pay as a Specific Assessment all costs reasonably incurred by the Association in accordance with this Section 9.1(a).

Section 9.2 Owner's Responsibility. Each Owner shall maintain its Lot and the Improvements on the Lot in good condition and repair; provided, however, that no individual Owner shall be responsible for maintaining the Access Road because the Association is responsible for maintenance and upkeep of the Common Improvements.

Section 9.3 Maintenance Standard. Unless otherwise specifically provided herein or in other instruments creating and assigning such maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the quality of maintenance prevailing within the Property and shall generally be consistent with comparable residential developments in and around Pitkin County, Colorado. Neither the Association nor any Owner

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shall be liable for any damage or injury occurring on or arising out of the condition of property which it does not own, except pursuant to Section 10.3, or to the extent that it has been negligent in the performance of its maintenance responsibilities.

ARTICLE 10

INSURANCE, DAMAGE AND RISK ALLOCATION

Section 10.1 Association's Insurance.

(a) Required Coverage. The Association, acting through the Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance if reasonably available or, if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket "all risk" property insurance covering any insurable Improvements owned by the Association. The Association shall have the authority to insure any property for which it has maintenance or repair responsibility, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured Improvements;

(ii) Commercial general liability insurance, insuring the Association and the Owners against any liability incurred and arising either from the negligent acts or omissions of the Association or any of its agents or contractors or any use of the Common Improvements by any party. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury and property damage;

(iii) Workers' compensation insurance and employer's liability insurance to the extent required by law;

(iv) Directors' and officers' liability coverage if the Board determines advisable and then in an amount determined by the Board;

(v) Fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than two months' Assessments plus all reserves on hand, and containing a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board determines advisable, which may include, without limitation, automobile insurance, flood insurance, boiler and machinery insurance and building ordinance coverage.

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(b) Policy Requirements. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to any Owner or Mortgagee. Premiums for all insurance maintained by the Association pursuant to this Section 10.1(b) shall be Common Expenses and shall be included in the Common Assessment. In the event of an insured property loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after providing notice and a reasonable opportunity to be heard, that the property loss is the result of the recklessness or willful misconduct of one or more Owners or their Guests, then the Association may specifically assess the full amount of such deductible against such Owners and their Lots as Specific Assessments pursuant to Section 6.5.

Section 10.2 Damage and Destruction.

(a) Property Insured by Association.

(i) Immediately after damage or destruction to all or any part of the Property covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means the repair or restoration of the damaged property to substantially the condition in which it existed prior to the damage, allowing for changes necessitated by changes in applicable building codes;

(ii) Any damage to or destruction of the Common Improvements shall be repaired or reconstructed unless: (i) a decision not to repair or reconstruct is made by Members representing 100% of the total votes in the Association; (ii) repair or reconstruction would be illegal under any state or local statute governing health and safety; or (iii) this Declaration is terminated pursuant to Section 15.2(b);

(iii) If the damage or destruction to the Common Improvements will not be repaired or reconstructed pursuant to Section 10.2(a)(ii) and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive landscaped condition;

(iv) Any insurance proceeds attributable to damage to Common Improvements will be applied to the costs of repair or reconstruction (if any) and then, if any insurance proceeds remain, distributed among all Lots in proportion to their Allocation Percentage;

(v) If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Association may, without a vote of the Members, levy Special Assessments to cover the shortfall; and

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(vi) Each Lot will continue to be subject to Assessments following any damage to any portion of the Common Improvements, without abatement as a result of such damage.

(b) Property of Owners. Each Owner covenants and agrees that in the event of damage or destruction to Improvements on or comprising such Owner's Lot (excluding any Common Improvements), the Owner shall proceed promptly to repair or reconstruct such structures in a manner consistent with the original construction or such other Plans and Specifications as are approved by the ACC and pursuant to all other applicable Laws. The Owner shall pay any costs of such repair and reconstruction or clearing and maintenance which are not covered by insurance proceeds.

Section 10.3 Indemnity by Association. The Association will be liable to and will protect, defend, indemnify and hold each Owner harmless from and against any and all damages, claims, demands, liens (including, without limitation, mechanics' and materialmen's liens and claims), losses, costs and expenses (including, without limitation, reasonable attorneys' fees, court costs and other expenses of litigation) and liabilities of any kind or nature whatsoever suffered or incurred by, or threatened or asserted against, the Owner as a result of or in connection with the use, enjoyment, operation, maintenance, repair, replacement or improvement of any Common Improvements located on the Owner's Lot by any party acting by, through or under the Association. To the extent the Association incurs any liability to any Owner under this Section 10.3 as a result of the act or omissions of any other Owner or such Owner's Guests (the "Causing Owner"), the Causing Owner shall indemnify the Association for all expenses incurred by the Association in satisfying such indemnification obligation and will pay the Association an amount equal to such expenses upon receipt of a demand from the Association therefor. The amount of such expenses will constitute Specific Assessments against the Causing Owner's Lot. Nothing herein will be deemed to relieve any Guest from liability for its own acts or omissions.

Section 10.4 Waiver of Claims and Indemnity by Owners. By accepting title to a Lot, each Owner acknowledges and agrees that it is accepting the risk of using the Common Improvements, including, without limitation, the Roads. Each Owner also acknowledges and agrees that the individual Owners have no responsibility for maintaining, repairing or replacing any portion of the Common Improvements that is located on their respective Lots and that such responsibility rests in the Association. In consideration for the right to use the Common Improvements pursuant to the terms of this Declaration, EACH OWNER (THE "WAIVING OWNER") HEREBY WAIVES, AND RELEASES THE OTHER OWNERS (EACH A "RELEASED OWNER") FROM, ANY AND ALL CLAIMS, DEMANDS AND CAUSES OF ACTION FOR ANY PROPERTY DAMAGE OR PERSONAL INJURY ARISING FROM OR INCURRED IN CONNECTION WITH USE OF ANY OF THE COMMON IMPROVEMENTS LOCATED ON THE RELEASED OWNER'S PARCEL BY THE WAIVING OWNER OR ITS GUESTS, EXCEPT TO THE EXTENT CAUSED BY THE INTENTIONAL ACTS OF THE RELEASED OWNER (EACH A "WAIVED CLAIM"). IN ADDITION, EACH WAIVING OWNER AGREES TO INDEMNIFY AND DEFEND EACH RELEASED OWNER FROM ANY DAMAGES, COST OR EXPENSES, INCLUDING ALL REASONABLE ATTORNEYS'

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FEES AND COSTS, SUFFERED OR INCURRED BY SUCH RELEASED OWNER AND ARISING FROM ANY WAIVED CLAIM MADE BY SUCH WAIVING OWNER.

ARTICLE 11

TAKINGS

Section 11.1 Taking of Lots. In the event of a Taking of all or any part of any Lot, the Owner thereof will be solely responsible for negotiating with the condemning authority concerning the award for such Taking and will be entitled to receive such award after the liens of all Mortgagees on the affected Lot or portion thereof have been satisfied or otherwise discharged; provided, however, to the extent of any Taking of any Common Improvements within a Lot for which just compensation is payable, the Association shall be entitled to cooperate in negotiating the award for such Taking and shall be entitled to receive the portion of such award allocable to such Common Improvements. If only part of a Lot is acquired by a Taking, the Owner of such Lot will be responsible for the restoration of its Lot as necessary to return the Lot to a safe and lawful condition that does not adversely affect the use or enjoyment of the other Lots or Common Improvements or detract from the general character or appearance of the Property.

Section 11.2 Taking of Common Improvements.

(a) Each Owner shall be entitled to written notice of any Taking of any Common Improvements or portion thereof. The Association will be solely responsible for negotiating, and is hereby authorized to negotiate with the condemning authority on behalf of all Owners concerning, the amount of the award for any Taking by which a condemning authority acquires any Common Improvements or portion thereof without also acquiring 100% of the Lots, and the acceptance of such award by the Association will be binding on all Owners. Any award made for such Taking shall be payable to the Association as trustee for all Owners and shall be disbursed as set forth in Section 10.2(a)(iv). Notwithstanding the foregoing, no Common Improvements shall be conveyed in lieu of and under threat of condemnation without the approval of the Board, acting with the approval of Members representing at least 67% of the total votes in the Association;

(b) If the Taking involves a portion of the Common Improvements on which Improvements have been constructed, the Association shall restore or replace such Improvements on the remaining land included in the Common Improvements to the extent available, unless within 60 days after such Taking Members representing 100% of the total votes in the Association vote not to make sure restoration and replacement. Any such construction shall be in accordance with plans approved by the Association. If the award made for such Taking is insufficient to cover the costs of restoration or replacement, the Association may, without a vote of the Members, levy Special Assessments to cover the shortfall; and

(c) If the Taking does not involve any Improvements on the Common Improvements, or if a decision is made not to repair or restore, or if net funds remain after any

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such restoration or replacement is complete, then such award or net funds shall become an asset of the Association.

ARTICLE 12

MORTGAGEE PROVISIONS

Section 12.1 No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the First Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a Taking of the Common Improvements.

Section 12.2 Notice to Mortgagees. Upon receipt by the Association of a written request for notices pursuant to this Declaration, any Eligible Holder who provides such request will be entitled to timely written notice of:

(a) Any condemnation loss or casualty loss that affects a material portion of the Property or that affects any Lot on which there is a First Mortgage held, insured or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of Assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days after notice of such delinquency has been delivered to the Owner, or any other violation of this Declaration or the Bylaws relating to such Lot or the Owner or occupant thereof which is not cured within 60 days of notice of such violation; and

(c) Any lapse, cancellation or material modification of any insurance policy maintained by the Association.

ARTICLE 13

CONVEYANCING AND ENCUMBRANCING

Section 13.1 Lots. A description of any Lot in accordance with the requirements of Colorado law for the conveyance of real property will, if included in an otherwise proper instrument, be sufficient for all purposes to sell, convey, transfer, encumber and otherwise affect not only such Lot but also all easements, rights and other benefits appurtenant thereto as provided in this Declaration. A Person who becomes an Owner will promptly notify the Association of his or her ownership of a Lot. An Owner may encumber his or her Lot as he or she sees fit, subject to the provisions of this Declaration.

Section 13.2 Common Improvements. Any Common Improvements or portions thereof owned in fee simple by the Association (if any) may be conveyed or subjected to a lien or security interest with the written approval of Members representing 100% of the votes in the Association. Such conveyance or encumbrance will not affect the priority or validity of pre-

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existing encumbrances. Any net proceeds from the sale of any portion of the Common Improvements will be an asset of the Association.

ARTICLE 14

AMENDMENT

Section 14.1 Generally. Except as otherwise provided in this Declaration, this Declaration may be amended at any time and from time to time upon approval of the amendment by Members holding 67% of the votes in the Association. Notwithstanding the foregoing, any amendment that would effectively terminate this Declaration, must be approved as provided in. Any amendment of this Declaration shall be effective upon the Recording of a certificate, executed by the President or a Vice President or the Secretary of the Association, setting forth the amendment or repeal in full and certifying that the amendment has been approved by the Members as provided herein. Notwithstanding anything in this Article 14 to the contrary, the Board shall have the authority to make minor technical and clerical amendments to this Declaration without the consent of any Member, provided that such amendments shall not change the intended substantive meaning (as determined by the Board in its discretion) of any provision of this Declaration.

Section 14.2 No Interference with Access Rights. If any proposed amendment to this Declaration would terminate or otherwise materially and detrimentally affect any access easement or right of access established by this Declaration in favor of any Lot, such amendment shall not become effective unless it is approved in writing by the Owner of the affected Lot.

ARTICLE 15

GENERAL PROVISIONS

Section 15.1 Guests Bound. All provisions of this Declaration, the Bylaws and the Rules shall also apply to all Guests of any Owner. Each Owner shall cause all of its Guests to comply with the this Declaration, the Bylaws and the Rules, and each Owner shall be responsible for all violations and losses to the Common Improvements caused by such Guests, notwithstanding the fact that such Guests of a Lot are fully liable and may be sanctioned for any violation.

Section 15.2 Duration and Termination.

(a) Perpetual Duration. Unless terminated as provided in Section 15.2(b), this Declaration shall have perpetual duration. If Colorado law hereafter limits the period during which covenants may run with the land, then to the extent consistent with such law, this Declaration shall automatically be extended at the expiration of such period for successive periods of 20 years each, unless terminated as provided herein effective as of the end of any such 20-year period.

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(b) Termination. Unless otherwise provided by Colorado law, in which case such law shall control, this Declaration may only be terminated by an instrument signed by Members who represent 100% of the votes in the Association. Any termination instrument shall be Recorded. Nothing in this Section 15.2(b) shall be construed to permit termination of any easement created in this Declaration without the consent of the beneficiary(ies) of such easement.

Section 15.3 Mediation of Disputes.

(a) Submission of Claims to Mediation. The Association, its officers and directors, all Owners of Lots, design professionals, builders, including any of their subcontractors and suppliers hired by Owners, others who performed or furnished any design, engineering, supervision, inspection, construction or observation of the construction of any Improvement within the Project and any Person not otherwise subject to this Declaration but who agrees to submit to the procedures set forth in this Section 15.3 (collectively, the “Parties”) hereby agree to submit all Claims to the procedures set forth herein before filing any claim in a court of law;

(b) Notice of Claim. Any Party alleging a Claim (the “Claimant”) against any other Party (the “Respondent”) will submit the Claim by written notification (the “Notice of Claim”) delivered to each Respondent, and the Notice of Claim shall state:

- (i) The nature of the Claim;
- (ii) The date on which the Claim first arose;
- (iii) The name and address of every Claimant;
- (iv) The specific relief and/or proposed remedy sought; and
- (v) The fact that Claimant has or will meet with Respondent to discuss good faith ways to resolve the Claim.

(c) Pre-Action Negotiation. Within 30 days after a Party delivers Notice of a Claim to Respondent(s), the Parties will make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. Any Party may be represented by attorneys and independent consultants (at such Party’s cost) to assist such Party in negotiations and to attend meetings;

(d) Mediation. If the Parties do not resolve the Claim through negotiation as set forth in Section 15.3(c) above, within 60 days after delivery of the Notice of Claim to each Respondent, Claimant shall submit the Claim to mediation under the auspices of an independent mediation service reasonably acceptable to all Parties. If Claimant does not submit the claim to mediation within such time, or does not appear for the mediation, Claimant will be deemed to have waived the Claim, and all Respondents will be released and discharged

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from any and all liability to Claimant on account of such Claim. Any settlement of the Claim through mediation will be documented in writing and signed by the Parties;

(e) Termination of Mediation. If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such other time as determined by the mediator or agreed to by the Parties, the mediator will issue a notice of termination of the mediation proceedings (the “Termination of Mediation”). The Termination of Mediation notice will state that the Parties are at an impasse and provide the date upon which the mediation was terminated. Within 10 days after issuance of a Termination of Mediation, Claimant will make a final written settlement demand to Respondent(s), and Respondent(s) will make a final written settlement offer to Claimant. If Claimant fails to make a settlement demand, Claimant’s original Claim will constitute the settlement demand. If Respondent(s) fail to make a settlement offer, Respondent(s) will be deemed to have made a zero or take nothing settlement offer. In the event the Parties fail to resolve the Claim(s) in accordance with this Section 15.3, the Parties shall have all available rights at law and equity;

(f) Costs. Each Party will bear its own costs, including attorney’s fees, and each Party will share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the mediation proceeding, unless the mediator issues written instructions otherwise; and

(g) Resolution of Claim. If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with this Section 15.3, such agreement will be enforceable in any court of competent jurisdiction in Pitkin County, Colorado. If any Party thereafter fails to abide by the terms of such agreement, the any other affected Party may file suit to enforce such agreement without the need to again comply with the procedures set forth in this Section 15.3. In such event, the Party taking action to enforce the agreement will be entitled to recover from the non-complying Party all costs incurred in enforcing such agreement, including, without limitation, reasonable attorney’s fees and court costs.

Section 15.4 Compliance; Right of Action. Every Owner and Guest shall comply with this Declaration, the Bylaws and the Rules. In recognition of the fact that a violation of any of the easements, restrictions, requirements, conditions and covenants set forth in this Declaration will cause irreparable damage to the Property that is subject to this Declaration, it is hereby declared, and by acquiring an interest in any Lot all Owners and Mortgagees will be deemed to have agreed, that, except to the extent expressly provided to the contrary in this Declaration, any violation or attempted violation of any provision of this Declaration will give the Association and any aggrieved Owner the right to prosecute a proceeding at law or in equity against the Person who is violating or attempting to violate such provision and the right to recover sums due or damages or to obtain any other remedy available at law or in equity, including, without limitation, injunctive relief. In any action where a court determines that the Association is the substantially prevailing party, the Association shall be entitled to receive an award of its costs and reasonable attorneys’ fees incurred in maintaining or defending such action.

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Section 15.5 Severability. In the event any provision of this Declaration is deemed illegal or invalid by judgment or court order, a legally valid provision similar to the invalidated provision shall be substituted therefor. Invalidation of any provision of this Declaration, in whole or in part, or of any application of a provision of this Declaration, by judgment or court order shall in no way affect other provisions or applications of this Declaration.

Section 15.6 Governing Law. This Declaration shall be governed by and construed under the laws of the State of Colorado.

Section 15.7 Captions. The captions and section headings in this Declaration are for convenience only and shall not be considered in construing any provisions of this Declaration.

Section 15.8 Notices. Except for notices concerning meetings of the Association or the Board, which will be given in the manner provided in the Bylaws, any notices required or permitted hereunder or under the Bylaws to be given to any Owner, the Association, the Board or any Eligible Holder will be sent by certified mail, first-class postage prepaid, return receipt requested, or, in the case of notices sent to an Owner, by email if allowed by such Owner, to the intended recipient at, in the case of notices to an Owner, the email address of such Owner (if Owner allows email notification) or the mailing address of such Owner in the City or any other address designated by such Owner in writing to the Association; in the case of notices to the Association or the Board, the address of the Association's registered agent; or in the case of notices to an Eligible Holder, the address thereof most recently given to the Association by notice from such Eligible Holder. All notices will be deemed given and received three business days after such mailing. Any Owner or Eligible Holder may change its address for purposes of notice by notice to the Association in accordance with this Section 15.8. The Association or the Board may change its address for purposes of notice by notice to all Owners in accordance with this Section 15.8. Any such change of address will be effective five days after giving of the required notice.

[signature page follows]

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IN WITNESS WHEREOF, Declarant has executed this Declaration as of the day and year first above written.

DECLARANT:

SHIELD-O TERRACES HOMEOWNERS' ASSOCIATION, INC. a Colorado not for profit corporation

By: _____

Name:

Title:

STATE OF COLORADO)
) ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 2011, by _____, as _____ of the Shield-O Terraces Homeowners' Association a Colorado not for profit corporation.

Witness my hand and official seal.

My commission expires: _____.

Notary Public

EXHIBIT A

Robert D. Searrow
Tom Walker

Searrow and Walker
Reg. Land Surveyors
Phones 945-5674—945-5070
Box 300 #60
Glenwood Springs, Colo. 81801

BOOK 217 PAGE 1



Jan Christensen description
August 30, 1967

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PITKIN COUNTY, COLORADO

All that part of Section 22 situated in the S $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{4}$ SW $\frac{1}{4}$; SW $\frac{1}{4}$ SW $\frac{1}{4}$, Lots 1, 2, and 3, also all that part of Section 23 situated in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ and all that part of Section 27 situated in Lots 2, 3, 15 and 16, all in Township 9 South, Range 86 West of the 6th Principal Meridian, bounded on the Easterly side by a county road as constructed and in place, on the Northerly and Southerly sides by a fence as constructed and in place and on the Westerly side by the center-line of a 60-foot road, described as follows:

Beginning at the Southwest Corner of said Section 22 being the same as the Northwest Corner of said Section 27; thence N. 89° 16' 28" E. 543.77 feet along the southerly line of said Section 22 to a point in the center of said 60-foot road; thence N. 35° 47' 59" W. 105.79 feet along the center of said road; thence 193.68 feet along the arch of a curve to the right having a radius of 320.00 feet the chord of which bears N. 18° 27' 39" W. 190.74 feet; thence N. 01° 07' 18" W. 123.76 feet; thence 180.30 feet along the arch of a curve to the right having a radius of 1755.00 feet the chord of which bears N. 01° 49' 18" E. 180.22 feet; thence N. 04° 45' 53" E. 198.20 feet; thence 155.19 feet along the arch of a curve to the right having a radius of 50.00 feet the chord of which bears S. 86° 19' 05" E. 99.98 feet; thence S. 02° 35' 58" W. 28.10 feet; thence 251.57 feet along the arch of a curve to the left having a radius of 535.00 feet the chord of which bears S. 10° 51' 38" E. 249.96 feet; thence S. 24° 19' 14" E. 26.88 feet; thence 169.33 feet along the arch of a curve to the left having a radius of 515.00 feet the chord of which bears S. 33° 44' 22" E. 168.56 feet; thence S. 43° 09' 31" E. 144.44 feet; thence 212.74 feet along the arch of a curve to the left having a radius of 550.00 feet the chord of which bears S. 54° 14' 23" E. 211.42 feet; thence S. 65° 19' 14" E. 184.87 feet; thence 109.29 feet along the arch of a curve to the left having a radius of 70.00 feet the chord of which bears N. 69° 57' 03" E. 98.52 feet; thence N. 25° 13' 20" E. 726.88 feet; thence 235.69 feet along the arch of a curve to the right having a radius of 3510.00 feet the chord of which bears N. 27° 08' 45" E. 235.64 feet; thence N. 29° 04' 10" E. 102.93 feet; thence 77.43 feet along the arch of a curve to the left having a radius of 75.00 feet the chord of which bears N. 00° 30' 20" W. 74.03 feet; thence 158.61 feet along the arch of a curve to the right having a radius of 110.00 feet the chord of which bears N. 11° 13' 29" E. 145.22 feet; thence N. 52° 32' 09" E. 236.19 feet; thence 128.56 feet along the arch of a curve to the left having a radius of 160.00 feet the chord of which bears N. 29° 31' 05" E. 125.13 feet; thence N. 06° 30' 00" E. 58.78 feet; thence 104.77 feet along the arch of a curve to the left having a radius of 275.00 feet the chord of which bears N. 04° 14' 10" W. 104.13 feet; thence N. 15° 19' 40" W. 42.05 feet; thence 238.02 feet along the arch of a curve to the right having a radius of 206.98 feet the chord of which bears N. 17° 36' 59" E. 225.12 feet; thence N. 50° 33' 38" E. 292.48 feet; thence 263.10 feet along the arch of a curve to the left having a radius of 1965.00 feet the chord of which bears N. 46° 45' 48" E. 262.92 feet; thence N. 42° 57' 58" E. 97.12 feet; thence 230.64 feet along the arch of a curve to the right having a radius of 855.00 feet the chord of which bears N. 50° 41' 38" E. 229.94 feet; thence N. 50° 27' 18" E. 324.56 feet; thence 120.00 feet along the arch of a curve to the left having a radius of 285.00 feet the chord of which bears N. 46° 21' 34" E. 119.12 feet;

Robert D. Scarrow
Tom Walker

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Reg. Land Surveyors
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Box 338
Glenwood Springs, Colo. 81601

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August 30, 1967

thence N. 34° 17' 50" E. 69.64 feet; thence 163.82 feet along the arch of a curve to the right having a radius of 2765.00 feet the chord of which bears N. 35° 59' 42" E. 163.80 feet; thence N. 37° 41' 31" E. 320.81 feet; thence 140.84 feet along the arch of a curve to the left having a radius of 510.00 feet the chord of which bears N. 29° 46' 50" E. 140.39 feet; thence 56.19 feet along the arch of a curve to the right having a radius of 130.00 feet the chord of which bears N. 34° 15' 09" E. 55.76 feet; thence S. 43° 21' 50" E. 30.00 feet to a point on said fence; thence S. 43° 21' 50" E. 378.63 feet along said fence; thence N. 58° 12' 10" E. 240.68 feet; thence N. 46° 13' 10" E. 503.99 feet; thence N. 34° 51' 10" E. 295.12 feet; thence N. 46° 31' 50" E. 182.73 feet to a point on said fence; thence S. 87° 49' 58" E. 594.66 feet along said fence to a point in the center of a 60-foot road; thence along the center of said road 162.92 feet along the arch of a curve to the right having a radius of 1125.00 feet the chord of which bears S. 24° 50' 00" W. 162.77 feet; thence S. 29° 58' 55" W. 209.14 feet; thence 161.94 feet along the arch of a curve to the left having a radius of 1020.00 feet the chord of which bears S. 24° 26' 05" W. 161.73 feet; thence S. 20° 53' 07" W. 75.96 feet; thence 187.91 feet along the arch of a curve to the left having a radius of 1890.00 feet the chord of which bears S. 18° 02' 13" W. 187.84 feet; thence 110.03 feet along the arch of a curve to the right having a radius of 645.00 feet the chord of which bears S. 20° 04' 32" W. 109.89 feet; thence S. 24° 57' 44" W. 51.62 feet; thence 115.23 feet along the arch of a curve to the right having a radius of 450.00 feet the chord of which bears S. 32° 17' 52" W. 114.91 feet; thence S. 39° 38' 00" W. 170.00 feet; thence 94.25 feet along the arch of a curve to the left having a radius of 30.00 feet the chord of which bears S. 50° 22' 00" E. 60.00 feet; thence N. 39° 38' 00" E. 170.00 feet; thence 96.85 feet along the arch of a curve to the right having a radius of 735.00 feet the chord of which bears N. 43° 24' 30" E. 96.78 feet; thence N. 47° 11' 00" E. 184.79 feet; thence 159.86 feet along the arch of a curve to the right having a radius of 2510.00 feet the chord of which bears N. 49° 00' 28" E. 159.83 feet; thence N. 50° 49' 57" E. 499.21 feet to a point on the westerly line of said county road; thence along the westerly line of said road S. 33° 45' 08" W. 743.32 feet; thence 112.68 feet along the radius of a curve to the left having a radius of 640.00 feet the chord of which bears S. 28° 42' 31" W. 112.53 feet; thence 97.61 feet along the arch of a curve to the right having a radius of 360.00 feet the chord of which bears S. 31° 25' 57" W. 97.31 feet; thence S. 39° 12' 01" W. 235.97 feet; thence 163.56 feet along the arch of a curve to the left having a radius of 620.00 feet the chord of which bears S. 31° 36' 35" W. 163.08 feet; thence S. 24° 05' 08" W. 84.70 feet; thence 130.44 feet along the arch of a curve to the right having a radius of 2100.00 feet the chord of which bears S. 29° 51' 46" W. 130.42 feet; thence S. 27° 38' 40" W. 140.02 feet; thence 81.33 feet along the arch of a curve to the right having a radius of 1102.00 feet the chord of which bears S. 29° 45' 31" W. 81.31 feet; thence S. 31° 52' 22" W. 55.61 feet; thence 75.73 feet along the arch of a curve to the left having a radius of 535.00 feet the chord of which bears S. 27° 49' 04" W. 75.67 feet; thence 123.58 feet along the radius of a curve to the right having a radius of 350.00 feet the chord of which bears S. 34° 29' 27" W. 122.86 feet; thence 153.57 feet along the arch of a curve to the left having a radius of 545.00 feet the chord of which bears S. 37° 00' 46" W. 153.07 feet; thence S. 29° 04' 24" W. 157.27 feet; thence 169.08 feet along the arch of a curve to the right having a radius of 503.00 feet the chord of which bears S. 38° 44' 58" W. 169.08 feet; thence S. 48° 25' 28" W. 145.10 feet; thence 101.14 feet along the arch of a curve to the right having a radius of 1540.00 feet the chord of which bears S. 50° 35' 13" W. 101.12 feet; thence S. 52° 44'

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57" W. 48.88 feet; thence 211.37 feet along the arch of a curve to the left having radius of 1770.00 feet the chord of which bears S. 49° 19' 41" W. 211.25 feet; thence S. 45° 54' 25" W. 102.74 feet; thence 367.10 feet along the arch of a curve to the left having a radius of 1195.72 feet the chord of which bears S. 37° 06' 42" W. 365.65 feet; thence S. 28° 19' 00" W. 705.63 feet; thence 154.48 feet along the arch of a curve to the right having a radius of 1075.00 feet the chord of which bears S. 32° 26' 00" W. 154.48 feet; thence S. 36° 33' 00" W. 56.98 feet; thence 199.75 feet along the arch of a curve to the left having a radius of 1623.36 feet the chord of which bears S. 33° 01' 31" W. 199.62 feet; thence S. 29° 30' 00" W. 330.00 feet; thence 258.06 feet along the arch of a curve to the left having a radius of 740.00 feet the chord of which bears S. 19° 35' W. 256.75 feet; thence S. 09° 31' 10" W. 86.46 feet; thence 189.60 feet along the arch of a curve to the right having a radius of 852.00 feet the chord of which bears S. 15° 53' 40" W. 189.20 feet; thence S. 22° 16' 10" W. 63.64 feet to a point on the fence; thence N. 89° 05' 34" W. 2256.56 feet; thence S. 143.10 feet; thence West 143.10 feet to a point on the westerly line of said Section 27; thence N. 00° 36' 41" E. 143.10 feet along the westerly line of said Section 27 to the Northwest Corner of said Section 27 being the same as the Southwest Corner of said Section 22, the point of beginning less that part of Lot 2 in said Section 22 and less that part of Lots 2 and 3 in said Section 27 lying westerly of the westerly line of said county road. Containing 24 acres, more or less.

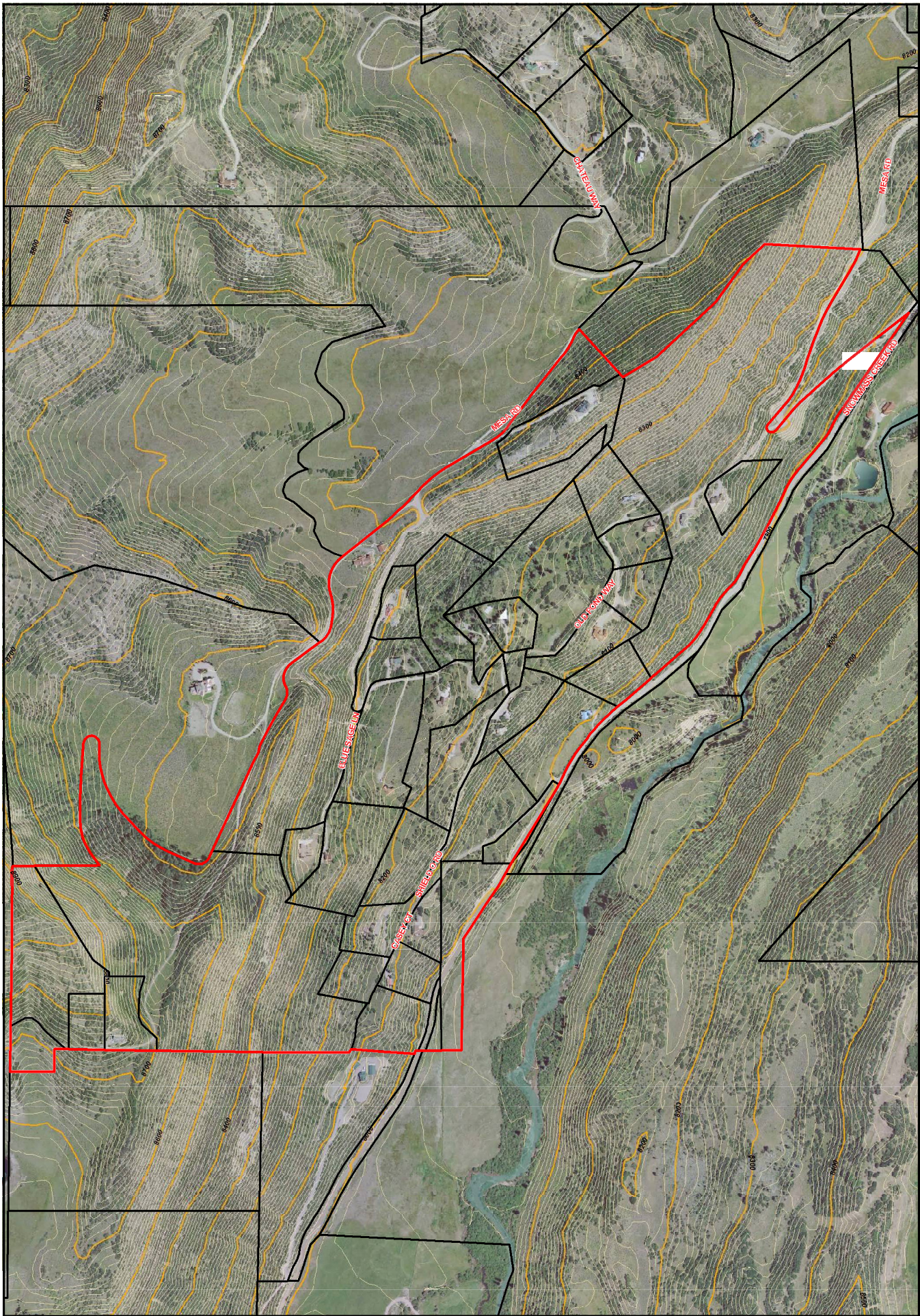
less the following described properties:

Lot 15, Shield - O - Terraces comprising 2.880 acres. (M. Coy Hatch property)

11.76 acres lake tract located between Lots 6A and 6B and 17A and 12A and 11A and 12A in said Section 27, Shield - O - Terraces;

Also approximately two acre tract being that part of Lot 3, Sec. 27 Twp. 9, South Range 86 West lying West of County Road.

EXHIBIT B








This mapmaking is a graphical representation of the features depicted and is not a legal representation. The accuracy may change depending on the enlargement or reduction.
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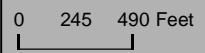


1 inch = 250 feet

Shield O Terrace Subdivision

-  Shield O Terraces Sub Boundary
-  Parcel Boundaries
-  Lakes, Rivers, and Ponds

- Topography**
10 Foot Intervals
-  10
 -  100



Shield-O Terraces Homeowners' Association Association Rules

1. Unpaid assessments

(a) The Association may charge an administrative late fee of ten dollars (\$10.00) per month for any assessment that is not paid within 30 days of the billing date. Additionally, the Association reserves the right to impose interest or finance charges at a rate of twelve percent (12%) APR for assessments that are unpaid or outstanding beyond 30 days of the billing date.

(b) By Resolution unanimously adopted by the Board of Directors at its September 25, 2007 meeting, any Association Member that is in arrears and has not fully paid the Association assessments in a timely manner shall not be permitted to vote on any matters before the Association. Voting rights shall be immediately and automatically reinstated by the Member-in-Arrears paying the account in full.

2. Collection of Unpaid Assessments

After a period of ninety (90) days from the billing date, the Association may assign any officer, director, or other qualified person to undertake any reasonable action to cause collection of unpaid assessments. Although Officers and Directors of the Association serve in a volunteer capacity, such collection effort by said Officer or Director shall be deemed as extraordinary and beyond the regular activity as an Officer or Director, and therefore be compensable to the Officer or Director at the rate of \$75.00 per hour. The Association shall assess the Member in Arrears, in addition to the pro-rata annual or special assessment, for any and all amounts payable for time and costs to the Officer, Director, or other qualified person in the collection effort. If the Officer or Director determines that the services of an Attorney at Law are required or are advisable, the fees charged to the Association for the services of said Attorney shall be assessed to the Member in Arrears at the billed rate of said Attorney, PLUS A 10% ADMINISTRATIVE CHARGE by the Association.

3. Fines

Given the value of the homes and the resources of the Homeowners within Shield-O Terraces Subdivision, the Board believes that fines must be significant in order to accomplish their purpose. Accordingly, the Board has established the following fines for a violation of the rules after a Homeowner has received a warning, had an opportunity for a discussion or a hearing with the Board, and the Board has reaffirmed its position that a violation has occurred or is continuing:

1. First violation after Board reaffirmation: \$1000
2. Second violation: \$2000
3. Third violation: \$5000

In certain cases, violations of these rules that are continuing after a warning (for example, the use of a temporary building as a residence) result in a fine on a daily basis for each day that the violation continues after a warning and opportunity to discuss the matter with the Board. These fines have been set at \$100 per day.

4. Use of Roadways within Shield-O Terraces

Shield-O Road and any of its tangents within Shield-O Terraces subdivision are Private Roadways with use of said roadways limited and restricted to Members of the Association, their personal and business guests. The Board will determine and assess Members road use fees. The maximum speed limit on any subdivision roadway is fifteen (15) miles per hour.

5. Board Meetings

Board Meeting may be called with due notice to conduct the business of the Association. In any event of a Board Meeting called to occur within less than ten (10) days notice to Board Members, said meeting shall not be duly organized unless non-attending members execute a Waiver of Notice of said meeting. Attendance shall sufficiently constitute a Waiver of Notice. Notice of all Board Meetings shall be posted on the Association website. Any Association Member that wishes to discuss a concern at the Board meeting shall first notify the Board in writing as to the scope of the concern. Otherwise, Association members that attend a Board meeting shall remain as observers only and may not participate unless directly requested by the Board.

6. Accordance

These Association Rules are intended to be in accordance with the Amended and Restated Declaration of Protective Covenants and Restrictions. If any portion of these Rules is found to conflict with the Amended and Restated Declaration of Protective Covenants and Restrictions, then the Amended and Restated Declaration of Protective Covenants and Restrictions shall prevail.

7. Interpretation.

The Board shall determine the meaning of any provisions of these Association Rules and in doing so may seek the advice of legal counsel. Any interpretation made by the Board shall be final and binding on all concerned and interested parties unless a court of competent jurisdiction shall determine otherwise.

8. Severability.

If a court of competent jurisdiction shall finally determine for any reason that one or more provisions of these Association Rules is contrary to law and unenforceable, such determination shall not affect or invalidate in any way the remaining provisions of the Association Rules which shall remain in full force and effect.

Shield-O Terraces Homeowners' Association Design Guidelines

1. General Goal

Construction and landscaping shall maintain an aesthetic low impact alignment with the high alpine geography of the Shield-O community that considers the importance of harmony with the neighborhood.

2. Placement on Lot

Whenever possible, the house shall be placed no closer than 50 feet from the roadway and 30 feet from property lines. Placement and style of the house must respect neighbors' views, space, and privacy, and conform as much as possible to contours of the lot. The Architectural Control Committee shall inspect the site when preliminary staking is in place and plans are at hand in order to determine whether the plans are suitable for the site.

3. Size

The Architectural Committee restricts that a house shall total neither more than 5,750 nor less than 1,600 square feet. This includes basement, garage, and outbuildings. Height must be compatible with contours of the lot.

4. Landscape and Watering

In the event of water shortages, droughts or other emergencies, the Board reserves the right to regulate or prohibit landscape irrigation. All construction cuts shall be seeded and repaired. Plans that involve cutting into hillside shall be submitted and approved before construction.

5. Considerations of use of road, placement of equipment, and construction parking

Construction traffic shall not exceed a speed of 15 mph and shall not impede normal Subdivision traffic. All construction vehicles and machinery shall be parked on the building site. No vehicles and machinery shall be parked on any road without prior written approval by the Architectural Control Committee. Dumpsters, port-a-pots, and building materials shall be located on building site. All food-related garbage shall be removed from the job site daily or kept in a bear-proof container.

6. Development Fee

The Association assesses a development fee of \$1.00 per square foot. This fee is assessed all new construction anywhere in the subdivision and is used to fund the architectural review of one's construction plans and for road impact repair caused by construction vehicles.

7. Building Approval

Prior to the Architectural Control Committee issuing written approval, the parcel owner's account with the Association must be in good standing and all assessments and fees must have been paid.