

**DECLARATION
OF
COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
TAILWATERS
Revised 9/10/24**

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**DECLARATION
OF
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RESTRICTIONS AND EASEMENTS
FOR
TAILWATERS**

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR TAILWATERS (this "Declaration") shall be made effective upon recordation and is made as of _____, 202____, by TAILWATERS AT STAGECOACH, LLC, a Colorado limited liability company ("Declarant").

RECITALS

A. Declarant is owner of that certain real property located in the County of Routt, Colorado, more particularly described on the attached **Exhibit A** attached hereto and incorporated herein (the "Property").

B. Declarant desires to create a Planned Community pursuant to the Colorado Common Interest Ownership Act as set forth in Colorado Revised Statutes 38-33.3-101, et. seq. on the Property, the name of which is Tailwaters.

C. Declarant hereby makes the following grants, submissions, and declarations:

**ARTICLE 1
DECLARATION AND SUBMISSION**

Section 1.1 Purpose. The purpose of this Declaration is to create a residential planned community within the Property (the "Community") pursuant to the Colorado Common Interest Ownership Act as set forth in Article 33.3, Title 38, Colorado Revised Statutes.

Section 1.2 Intention of Declarant. Declarant desires to (a) protect the value and desirability of the Community, (b) further a plan for the improvement, sales, and common ownership of the Community, (c) create a harmonious and attractive residential development within the Community, and (d) promote and safeguard the health, comfort, safety, convenience, and welfare of the owners of units in the Community.

Section 1.3 Development and Use. The Community initially consists of two-hundred (200) Residential Units (hereinafter defined) as well as a limited neighborhood commercial area, and the Community may in the future expand with the development of future Phases.

Section 1.4 Declaration. Declarant hereby declares that the Property shall be held, sold, and conveyed subject to the following covenants, restrictions and easements which are for the purpose of protecting the value and desirability of the Property, and which shall run with the land and be binding on all parties and heirs, successors, and assigns of parties having any right, title, or interest in all or any part of the Property. Additionally, Declarant hereby submits the

Property to the provisions of the Act.

Section 1.5 Covenants Running With the Land. All provisions of this Declaration shall be deemed to be covenants running with the land or equitable servitudes, as the case may be. The benefits, burdens, and other provisions contained in this Declaration shall be binding upon and shall inure to the benefit of Declarant, all Owners, and their respective heirs, executors, administrators, personal representatives, successors, and assigns.

ARTICLE 2 DEFINITIONS

Section 2.1 Definitions. The following words when used in this Declaration or any Supplemental Declaration, unless inconsistent with the context of this Declaration, shall have the following meanings:

2.1.1 "Act" means the Colorado Common Interest Ownership Act as set forth in Article 33.3, Title 38, Colorado Revised Statutes, as such act exists on the date hereof, except to the extent that the applicability of future amendments to the Act are mandatory.

2.1.2 "Annual Assessment" means the Assessment levied annually.

2.1.3 "Articles" mean the Articles of Incorporation for Tailwaters Owners Association, currently on file with the Colorado Secretary of State, and any amendments which may be made to those Articles from time to time.

2.1.4 "Assessments" means the Annual, Special, and Default Assessments levied pursuant to Article 11 below. Assessments are also referred to as a Common Expense Liability as defined under the Act.

2.1.5 "Association" means Tailwaters Property Owners Association, a Colorado nonprofit corporation, and its successors and assigns, charged with the duties and obligations of administering the Community. The Association acts through its Executive Board unless a vote of the Owners is otherwise specifically required by this Declaration or by the Articles or Bylaws.

2.1.6 "Association Documents" means this Declaration, the Articles, the Bylaws, and any procedures, rules, regulations, or policies adopted under such documents by the Association.

2.1.7 "Tailwaters" or the "Community" shall mean the planned community created by this Declaration, consisting of the Property, the Units, and any other improvements constructed on the Property and as shown on the Plat

2.1.8 "Bylaws" means the Bylaws adopted by the Association, as amended from time to time.

2.1.9 "Commercial Use(s)" include restaurants, taverns, tap rooms, breweries and tasting rooms, retail stores, banks, personal service establishments, such as a hair salon, barber, and nail salon, offices, childcare facilities, spas, fitness and athletic clubs, outfitter

and guide operations and facilities, and uses determined to be similar by the Association. Commercial uses shall not include retail marijuana or medical marijuana businesses as defined by Routt County.

2.1.10 "Common Area" means to the extent of the Association's interest in such real property or improvements, any real property or improvements for the common use and enjoyment of all of the Owners on a non-exclusive basis (i) that are owned by the Association, including estates in fee and terms of years, or (ii) that are owned by a person or entity other than the Association, but in which the Association has rights of use or possession pursuant to a lease, license, easement or other agreement, in each case together with any improvements located thereon. The Common Area includes, without limitation, the private access roads serving the Units depicted as "Lots 1" through "Lot 155" on the Plat, Commercial Area 1, MF lots 1, 2, and 3, and Outlots 1, 2 and 3, each as depicted on the Plat and related improvements and landscaping, access improvements, parking, entry improvements and landscaping, certain common lighting and signage, snow storage areas, certain private storm sewer improvements serving the Community, and any areas depicted as Common Area on the Plat.

2.1.11 "Common Expenses" means (i) all expenses expressly declared to be common expenses by this Declaration, or the Bylaws of the Association; (ii) all other expenses of administering, servicing, conserving, managing, maintaining, repairing, or replacing the Common Area; (iii) insurance premiums for the insurance carried under Article 9; and (iv) all expenses lawfully determined to be common expenses by the Executive Board of the Association.

2.1.12 "Declarant" means Tailwaters at Stagecoach, LLC, a Colorado limited liability company, and its successors and assigns. No party other than Tailwaters at Stagecoach, LLC shall exercise the rights and privileges reserved herein to Declarant unless such party shall receive and record in the real property records of the County of Routt, Colorado, a written assignment from Tailwaters at Stagecoach, LLC of all or a portion of such rights and privileges.

2.1.13 "Declaration" means and refers to this Declaration of Covenants, Conditions, Restrictions and Easements for Tailwaters, as supplemented and amended from time to time.

2.1.14 "Default Assessment" means the Assessments levied by the Association pursuant to Section 10.8 below.

2.1.15 "Executive Board" means the governing body of the Association elected to perform the obligations of the Association relative to the operation, maintenance, and management of the Property and all improvements on the Property.

2.1.16 "Expansion Property" means the real property located in the Stagecoach Community, County of Routt, Colorado, more particularly described on the attached **Exhibit B** attached hereto and incorporated herein which Declarant may subject to this Declaration by one or more duly recorded Supplemental Declarations.

2.1.17 "First Mortgage" means any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

2.1.18 "Lot" means a plot of land subject to this Declaration and designated as a "Lot" on any subdivision plat of the Property recorded in the Routt County Office of the Clerk and Recorder and on which one (1) or more Residence is to be constructed. A Lot includes both undeveloped Lots and Lots on which a Residence has been completed.

2.1.19 "Managing Agent" shall mean a person or entity engaged by the Association to perform certain duties, powers, or functions of the Association, as the Executive Board may authorize from time to time.

2.1.20 "Member" shall mean every person or entity who holds membership in the Association.

2.1.21 "Mortgage" shall mean any mortgage, deed of trust, or other document pledging any Unit or interest therein as security for payment of a debt or obligation.

2.1.22 "Mortgagee" means any person named as a mortgagee or beneficiary in any Mortgage, or any successor to the interest of any such person under such Mortgage.

2.1.23 "Owner" means the owner of record, whether one or more persons or entities, of fee simple title to any Unit, and "Owner" also includes the purchaser under a contract for deed covering a Unit with a current right of possession and interest in the Unit, but excludes those having such interest in such Unit merely as security for the performance of an obligation, including a Mortgagee, unless and until such person has acquired fee simple title to the Unit pursuant to foreclosure or other proceedings.

2.1.24 "Plat" means the subdivision plat of Tailwaters at Stagecoach recorded _____, 202_, at Reception No. _____ in the Office of the Clerk and Recorder of Routt County, Colorado, and all supplements and amendments thereto.

2.1.25 "Property" means and refers to that certain real property described on **Exhibit A** attached to this Declaration, as the same may be expanded in the manner provided in this Declaration.

2.1.26 "Residence" means the residence constructed on any Lot.

2.1.27 "Short Term Rental" means the nightly or weekly rental of a residential dwelling unit, or portion thereof, with or without a morning meal, ancillary to a primary living use, excluding hotels, motels, bed and breakfasts, for less than thirty (30) days, including but not limited to, a single family dwelling, duplex, townhome, condominium, or similar dwelling. The term short term rental also includes and applies to "vacation rentals."

2.1.28 "Special Assessment" means an assessment levied pursuant to Section 10.7 below on an irregular basis.

2.1.29 "Successor Declarant" means any party or entity to whom Declarant assigns any or all of its rights, obligations, or interest as Declarant, as evidenced by an assignment or deed of record executed by both Declarant and the transferee or assignee and recorded in the Routt County, Office of the Clerk and Recorder, designating such party as a Successor Declarant. Upon such recording, Declarant's rights and obligations under this

Declaration shall cease and terminate to the extent provided in such document.

2.1.30 "Supplemental Declaration" means an instrument which subjects any part of the Expansion Property to this Declaration, as more fully provided in Article 14 below.

2.1.31 "Supplemental Plat" means a subdivision plat of Tailwaters which may depict a part of the Expansion Property becoming subject to this Declaration through a Supplemental Declaration, as more fully provided in Article 14 below.

2.1.32 "Unit" means a Lot together with all improvements thereon, including, without limitation and once constructed on a Lot, a Residence, and all easements and rights-of-way appurtenant thereto.

Each capitalized term not otherwise defined in this Declaration or in the Plat shall have the same meanings specified or used in the Act.

ARTICLE 3 NAME, DIVISION INTO UNITS

Section 3.1 Name. The name of the project is Tailwaters. The project is a Planned Community pursuant to the Act.

Section 3.2 Association. The name of the association is Tailwaters Property Owners Association. Declarant has caused the Association to be incorporated under the laws of the State of Colorado as a non-profit corporation with the purpose of exercising the functions as herein set forth.

Section 3.3 Number of Units. The number of Units initially submitted to this Declaration is two-hundred (200). Declarant reserves the right for itself and any Successor Declarant to expand the Property to include additional Units and to expand the Common Area.

Section 3.4 Identification of Units. The identification number of each Unit is shown on the Plat.

Section 3.5 Description of Units.

3.5.1 Each Unit shall be inseparable and may be leased, devised or encumbered only as a residence.

3.5.2 Title to a Unit may be held individually or in any form of concurrent ownership recognized in Colorado. In case of any such concurrent ownership, each co-owner shall be jointly and severally liable for performance and observance of all the duties and responsibilities of an Owner with respect to the Unit in which he owns an interest. For all purposes herein, there shall be deemed to be only one Owner for each Unit. The parties, if more than one, having the ownership of a Unit shall agree among themselves how to share the rights and obligations of such ownership, but all such parties shall be jointly and severally liable for performance and observance of all of the duties and obligations of an Owner hereunder with respect to the Unit in which they own an interest.

3.5.3 Any contract of sale, deed, lease, Mortgage, will or other instrument affecting a Unit may describe it by its Lot number, Tailwaters, according to the plat recorded _____, 202_, at Reception No. _____, County of Routt, State of Colorado, and any recorded amendment and supplement thereto, and this Declaration, which will be recorded in the records of the Clerk and Recorder of Routt County, Colorado, and any recorded amendment and supplement hereto (with applicable recording information inserted therein).

3.5.4 Each Unit shall be considered a separate parcel of real property and shall be separately assessed and taxed. Accordingly, the Common Area shall not be assessed separately but shall be assessed with the Units as provided pursuant to Colorado Revised Statutes Subsections 39-1-103(10) and 38-33.3-105(2).

3.5.5 No Owner of a Unit shall bring any action for partition or division of the Common Area.

3.5.6 Each Unit shall be used and occupied solely for residential dwelling purposes in the manner described in Article 15 below. Notwithstanding the foregoing, Declarant, for itself and its successors and assigns, hereby retains a right to maintain any Unit or Units as sales offices, management offices or model residences so long as Declarant, or its successors or assigns, is the Owner or Lessee of the Unit. The use by Declarant of any Unit as a model residence, office or other use shall not affect the Unit's designation on the Plat as a separate Unit.

3.5.7 An Owner shall have the right to lease its Unit upon such terms and conditions as the Owner may deem advisable; provided, however, that (i) any such lease shall be in writing and shall provide that the lease is subject to the terms of this Declaration, (ii) a Unit may be leased only for the uses provided hereinabove, and (iii) any failure of a lessee to comply with the terms of this Declaration, the Articles, the Bylaws or the rules of the Association shall be a default under the lease enforceable by the Association. Any such lease terms shall be subject to the Routt County Code and Ordinances as may be revised or amended from time to time.

ARTICLE 4 MEMBERSHIP AND VOTING RIGHTS; ASSOCIATION OPERATIONS

Section 4.1 The Association. Every Owner of a Unit shall be a Member of the Association. No Owner, whether one or more persons, shall have more than one membership per Unit owned, but all of the persons owning a Unit shall be entitled to rights of membership and of use and enjoyment appurtenant to ownership of a Unit. Membership shall be appurtenant to and may not be separated from ownership of any Unit.

Section 4.2 Transfer of Membership. An Owner shall not transfer, pledge, or alienate his membership in the Association in any way, except upon the sale or encumbrance of his Unit and then only to the purchaser or Mortgagee of his Unit.

Section 4.3 Membership. The Association shall have one (1) category of membership consisting of all Owners, including the Declarant so long as Declarant continues to own an interest in a Unit. Except as otherwise provided for in this Declaration, each Member owning

property on lots 1-200 shall be entitled to vote in Association matters pursuant to this Declaration on the basis of one (1) vote for each Unit owned. The Association shall not have a vote with respect to any Unit which may be owned by it. Declarant shall be entitled to vote with respect to Units owned by it. Members of the Association may exercise such voting rights subject to and in accordance with the provisions of the Bylaws. All members of the Association shall be entitled to vote on all matters affecting the Community.

Section 4.4 Declarant Control. Notwithstanding anything to the contrary provided for herein or in the Bylaws, Declarant shall be entitled to appoint and remove the members of the Association's Executive Board and officers of the Association to the fullest extent permitted under the Act. The specific restrictions and procedures governing the exercise of Declarant's right to so appoint and remove Directors and officers shall be set out in the Bylaws. Declarant may voluntarily relinquish such power evidenced by a notice executed by Declarant and recorded in the Office of the Clerk and Recorder for Routt County, Colorado but, in such event, Declarant may at its option require that specified actions of the Association or the Executive Board as described in the recorded notice, during the period Declarant would otherwise be entitled to appoint and remove Directors and officers, be approved by Declarant before they become effective.

Section 4.5 Owner's and Association's Address for Notices. All Owners of each Unit shall have one and the same mailing address to be registered with the Association and used by the Association or other Owners for notices, demands, and all other communications regarding Association matters. The Owner or Owners of a Unit shall furnish such address to the Secretary of the Association within five (5) days after transfer of title to the Unit to such Owner or Owners. Such registration shall be in written form and signed by all of the Owners of the Unit or by such persons as are authorized by law to represent the interests of all Owners of the Unit. Notwithstanding the foregoing, the Association shall be entitled to rely upon any such registration or other notice of a change in address of the Owners of the Unit which is signed by less than all of the Owners of such Unit.

If no address is registered or if all of the Owners cannot agree, then the address set forth in the deed to the Unit shall be deemed their registered address until another registered address is furnished as required under this Section.

Any notice delivered to a First Mortgagee in accordance with the terms of this Declaration shall be sent to the address for such party specified in the First Mortgage unless the First Mortgagee notifies the Association in writing of a different address.

All notices and demands intended to be served upon the Executive Board shall be sent to the following address or such other address as the Executive Board may designate from time to time by notice to all of the Owners:

Executive Board
Tailwaters Owners' Association c/o
Tailwaters at Stagecoach LLC
PO Box 2987
Edwards, CO 81632

All notices given in accordance with this Section shall be sent by personal delivery, which shall be effective upon receipt; by overnight courier service, which shall be effective one business day following timely deposit with the courier service; or regular, registered or certified mail, postage prepaid, which shall be effective three (3) days after deposit in the U.S. mail.

ARTICLE 5

EXTERIOR MAINTENANCE AREA, LANDSCAPING AND SPECIAL EASEMENT

Section 5.1 Maintenance. In order to maintain a uniform appearance and a high standard of maintenance within the Community, the Association shall maintain the Exterior Maintenance Area, as follows:

5.1.1 Association Road Maintenance. The Association covenants and agrees, for itself, the Association, and all future owners of the Subdivision, that it will, at no cost to the County maintain the Road Improvements set forth in the attached Exhibit B and keep them functional and in good working order. Roads shall be maintained (including snow removal) in accordance with the County's specifications. Each owner of any parcel comprising all or a portion of the Subdivision, by acceptance of title to such parcel, agrees to be bound by the terms of this Covenant and the terms of this Covenant shall be binding upon and inure to the benefit of the transferees, heirs, successors and assigns of each party hereto, including the Association and all owners of parcels comprising the Subdivision

5.1.2 Required Association Maintenance. The Association shall maintain landscaping within the Common Area. Maintenance of the landscaping shall include, but not be limited to, maintaining lawns, trees, shrubs and flower beds. The Association shall be required to control noxious weeds following final development stabilization and individual lot stabilization. The Association shall provide and maintain all irrigation to landscaping within the Common Area, and shall provide all other utilities necessary for the maintenance and upkeep of such landscaping and irrigation. The Association will perform wildfire mitigation within the Common Areas as needed on an ongoing basis. The Association shall have the sole discretion to determine the time and manner in which such maintenance shall be performed, including, without limitation, decisions related to dying landscaping and the replacement thereof, if any. Initially, the Exterior Maintenance Area shall comprise only the grounds and landscaping within the Common Area as described in this Section 5.1.1.

Section 5.2 Owner Maintenance. The Owner shall be responsible for the maintenance, repair and replacement of, and shall maintain in good repair and condition, the Residence and all areas and improvements comprising the Lot and the Unit that are not the responsibility of the Association. The Owner shall be required to control noxious weeds on their individual lots. Excessive use of fertilizers on each lot is prohibited, lots shall be maintained with as much native vegetation as possible. Only small areas in front or side of the home shall be acceptable for manicured lawns as outlined in the Typical Landscape Plans. Without limiting the generality of

the foregoing, Owners shall maintain units lots and landscaping, the roof (including snow removal as required), decks, terraces, patios, windows, window frames and elements, window washing and doors serving the Residence, and all other exterior maintenance and repairs. Owners shall also maintain and be fully responsible for the operation and maintenance of any hot tub and/or fire pit or fireplace on such Owner's Lot. All exterior maintenance and repair by an Owner shall maintain a consistent and harmonious appearance among the Units and shall be subject to the approval of the Executive Board under Section 16.3 below and regulation by the Association under Section 5.4 below. Notwithstanding the foregoing maintenance responsibilities of the Owner, the Association may, without obligation, elect at any time or from time to time to replace, repair, improve or alter any exterior element (e.g., windows, window frames and doors) for the Units so as to maintain an attractive, functional and harmonious appearance.

Section 5.3 Insurance Proceeds; Damage. Notwithstanding the foregoing, in the event insurance proceeds under Article 9 are payable to an Owner but the maintenance responsibility of the area to which such proceeds relate is the Association's, the Association shall complete any such repair or replacement at the Owner's cost. Further, Owners acknowledge and agree that the Owner shall be responsible for the cost of repair and/or replacement of any damage caused to the Residence and/or its related improvements and contents (including the deductible amount on the Owner's insurance covering such damage), even if the damage was the result of failures of the Exterior Maintenance Area, with the Association's responsibility limited to the repair or replacement of the damaged elements of the Exterior Maintenance Area only.

Section 5.4 Association's Right to Grant Owner's Maintenance Area, Adopt Regulations. The Association reserves the right to grant the maintenance responsibility of certain areas of each Unit to the Unit Owner, and the Owner is obligated to accept said maintenance responsibility, provided said assignment is done in a uniform and nondiscriminatory manner. Furthermore, the Association shall have the right to promulgate reasonable rules and regulations regarding the maintenance by the Owner. The Association shall have the right and power to prohibit on a Unit any storage or other activities deemed unsafe, unsightly, unreasonably noisy or otherwise offensive to the senses and perceptible from another Unit or the Common Area. No Owner shall make any addition or other alteration to any exterior portion of such Owner's Unit, including, without limitation, the removal or alteration of any landscaping or irrigation system without the express consent of the Design Review Board in accordance with Article 11.

Section 5.5 Maintenance Contract. The Association or Executive Board may employ or contract for the services of an individual or management company to perform certain delegated powers, functions, or duties of the Association to maintain the Roads and Common Area as required. The employed individual or management company shall have the authority to make expenditures upon prior approval and direction of the Executive Board. The Executive Board shall not be liable for any omission or improper exercise by the employed individual or management company of any duty, power, or function so delegated by written instrument executed by or on behalf of the Executive Board.

Section 5.6 Owner's Failure to Maintain or Repair. In the event that (a) a Unit and the improvements and landscaping thereupon are not properly maintained and repaired or have been altered in a manner which deviates from the consistent appearance of Units within the Community, and if the maintenance responsibility for the unmaintained or inconsistent portion of

the Unit lies with the Owner of the Unit, or (b) in the event that the improvements or landscaping on the Unit that are insured by the Owner are damaged or destroyed by an event of casualty and the Owner does not take reasonable measures to diligently pursue the repair and reconstruction of the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction, then the Association, after notice to the Owner and with the approval of the Executive Board, shall have the right to enter upon the Unit to perform such work as is reasonably required to restore the Unit and the Residence and other improvements thereon to a condition of good order, repair and consistency. All costs incurred by the Association in connection with the restoration shall be reimbursed to the Association by the Owner of the Unit, upon demand. All unreimbursed costs shall be a lien upon the Unit until reimbursement is made. The lien may be enforced in the same manner as a lien for an unpaid Assessment levied in accordance with Article 10 of this Declaration.

ARTICLE 6 ASSOCIATION RIGHTS AND DUTIES

Section 6.1 Association Management Duties. Subject to the rights and obligations of Declarant and other Owners as set forth in this Declaration, the Association shall be responsible for the administration and operation of the Community and for the exclusive management, control, maintenance, repair, replacement, and improvement of the Roads and Common Area, and shall keep the same in good, clean, attractive, and sanitary condition, order, and repair. Without limiting the generality of the foregoing, the Association shall keep in good order and repair all roadways, sidewalks and other improvements within the Common Area, including snow removal. The expenses, costs, and fees of such management, operation, maintenance, and repair by the Association shall be part of the Assessments, and, subject to the budget approval procedures of Section 10.3 below, prior approval of the Owners shall not be required in order for the Association to pay any such expenses, costs, and fees.

Section 6.2 Replacement Reserve Account. The Association may establish and maintain, as part of its budget and out of the installments of the annual Assessments, replacement reserve accounts for the maintenance, repair, or replacement of any portion of the Common Area or the Exterior Maintenance Area that must be maintained, repaired and/or replaced on a periodic basis. Such capital reserves will be based on reserve studies conducted by the Association pursuant to its Policies for Investment of Reserve Funds and Performance of Reserve Study. The Association may borrow from and between its operating account and its replacement reserve account as the Executive Board deems necessary or appropriate.

Section 6.3 Owner's Negligence. In the event that the need for maintenance, repair, or replacement of all or any portion of the Common Area or the Exterior Maintenance Area is caused through or by the negligent or willful act or omission of an Owner, or by any member of an Owner's family, or by an Owner's guests, invitees, or tenants, then the expenses incurred by the Association for such maintenance, repair, or replacement shall be a personal obligation of such Owner. If the Owner fails to repay the expenses incurred by the Association within seven

(7) days after notice to the Owner of the amount owed, then the failure to so repay shall be a default by the Owner under the provisions of this Section, and such expenses shall automatically become a Default Assessment determined and levied against such Unit, enforceable by the Association in accordance with Sections 10.8, 10.9, and 10.10 below.

Section 6.4 Delegation of Management and Maintenance Duties. The Executive Board may delegate all or any part of its powers and duties to a Managing Agent, including Declarant; however, the Executive Board, when so delegating, shall not be relieved of its responsibilities under this Declaration.

Section 6.5 Acquiring and Disposing of Personal Property. The Association may acquire, own, and hold for the use and benefit of all Owners tangible and intangible personal property, and may dispose of the same by sale or otherwise. Each Owner may use such personal property in accordance with the purposes for which it is intended, without hindering or encroaching upon the lawful rights of other Owners.

Section 6.6 Pledge of Future Income. The Association is authorized to pledge and assign its right to future income, including the right to receive Assessments, as collateral for loans or to secure other monetary obligations of the Association.

Section 6.7 Cooperation with Other Associations. The Association may contract or cooperate with other homeowners' associations, metropolitan districts or entities as convenient or necessary to provide services and privileges and to fairly allocate costs among the parties utilizing such services and privileges which may be administered by the Association or such other organizations, for the benefit of Owners and their family members, guests, tenants, and invitees. The costs associated with such efforts by the Association (to the extent not chargeable to other organizations) shall be a Common Expense.

Section 6.8 Issuance of Rules and Regulations. The Executive Board may make and amend reasonable rules and regulations governing the use and rental of the Units and the use of the Common Area, which rules and regulations shall be substantially consistent with the rights and duties established in this Declaration. The Executive Board shall provide thirty (30) days written notice prior to the adoption or amendment of any rules and regulations and provide for a reasonable opportunity for Owners to comment at a meeting of the Executive Board on the proposed adoption or amendment of any rules and regulations. Without limiting the generality of the Association's authority to adopt rules governing the Common Area, the Executive Board may adopt specific regulations related to the Game Creek corridor.

Section 6.9 Enforcement of Association Documents. The Association or any aggrieved Owner may take judicial action against any Owner to enforce compliance with such rules and regulations and with the other provisions of the Association Documents to obtain damages for noncompliance or for injunctive relief, or both, all to the extent permitted by law.

Section 6.10 Identity of Executive Board and Managing Agent. From time to time, but no less frequently than annually, the Association shall deliver to each Owner a notice containing the names and addresses of the members of the Executive Board and the Managing Agent, if any.

Section 6.11 Payments to Working Capital Account. In order to provide the Association with adequate working capital funds, the Association shall collect an amount equal to twenty-five percent (25%) of the then-current annual Assessments at the time of the sale of each Unit. The Association shall maintain the working capital funds to meet unforeseen expenditures or to acquire additional equipment or services in connection with the Common Area and the Exterior Maintenance Area for the benefit of the members of the Association, subject to the budget

approval procedures of Section 10.3 below. Such payments to this fund shall not be considered advance payments of Annual Assessments. The working capital contribution shall be returned to each Owner upon the sale of his Unit, provided that the subsequent purchaser of the Unit has contributed the required working capital to the Association.

Section 6.12 Implied Rights. The Association may exercise any and all other rights or privileges given to it by this Declaration, or by the other Association Documents, or as may otherwise be given to it by law, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association or reasonably necessary to effectuate any such right or privilege.

Section 6.13 Books and Records of the Association. The Executive Board or the Managing Agent, as the case may be, shall keep detailed, accurate records of the receipts and expenditures affecting the Common Area and the Exterior Maintenance Area and shall maintain such other books and records as may be required under the Act. Owners and Mortgagees may inspect the records of receipts and expenditures of the Managing Agent or the Executive Board at convenient weekday business hours. In addition, the other books, records, and papers of the Association, including this Declaration, the Articles and Bylaws, as well as any Management Agreement and any rules and regulations of the Association, shall be available for inspection by any Owner or Mortgagee at all times during convenient weekday business hours.

Section 6.14 LIMITATION OF LIABILITY OF ASSOCIATION. NOTWITHSTANDING THE DUTY OF THE ASSOCIATION TO MAINTAIN AND REPAIR THE COMMON AREA AND THE EXTERIOR MAINTENANCE AREA, AND EXCEPT TO THE EXTENT COVERED BY ASSOCIATION INSURANCE AS DESCRIBED IN ARTICLE 9, THE ASSOCIATION SHALL NOT BE LIABLE TO OWNERS FOR INJURY OR DAMAGE, OTHER THAN FOR THE COST OF MAINTENANCE AND REPAIR, CAUSED BY ANY LATENT CONDITION OF THE COMMON AREA OR THE EXTERIOR MAINTENANCE AREA TO BE MAINTAINED AND REPAIRED BY THE ASSOCIATION OR CAUSED BY THE ELEMENTS OR OTHER OWNERS OR PERSONS.

ARTICLE 7
MECHANIC'S LIENS

Section 7.1 No Liability. If any Owner shall cause any material to be furnished to his Unit or any labor to be performed therein or thereon, no Owner of any other Unit shall under any circumstances be liable for the payment of any expense incurred or for the value of any work done or material furnished. All such work shall be at the expense of the Owner causing it to be done, and such Owner shall be solely responsible to contractors, laborers, materialmen and other persons furnishing labor or materials to his Unit. Nothing herein contained shall authorize any Owner or any person dealing through, with or under any Owner to charge the Common Area or any Unit other than of such Owner with any mechanic's lien or other lien or encumbrance whatever. On the contrary (and notice is hereby given) the right and power to charge any lien or encumbrance of any kind against the Common Area or against any Owner or any Owner's Unit for work done or materials furnished to any other Owner's Unit are hereby expressly denied.

Section 7.2 Indemnification. If, because of any act or omission of any Owner, any mechanic's or other lien or order for the payment of money shall be filed against the Common Area or against any other Owner's Unit or an Owner or the Association (whether or not such lien or order is valid or enforceable as such), the Owner whose act or omission forms the basis for such lien or order shall at his own cost and expense cause the same to be cancelled and discharged of record or bonded by a surety company reasonably acceptable to the Association, or to such other Owner or Owners, within twenty (20) days after the date of filing thereof, and further shall indemnify and save all the other Owners and the Association harmless from and against any and all costs, expenses, claims, losses or damages including, without limitation, reasonable attorneys' fees resulting therefrom.

Section 7.3 Association Action. Labor performed or materials furnished for the Common Area, if duly authorized by the Association in accordance with this Declaration or its bylaws, shall be deemed to be performed or furnished with the express consent of each Owner and shall be the basis for the filing of a lien pursuant to law against the Common Area. Any such lien shall be limited to the Common Area and no lien may be effected against an individual Unit or Units.

ARTICLE 8

PROPERTY RIGHTS OF OWNERS AND RESERVATIONS BY DECLARANT

Section 8.1 Owners' Easements. Every Owner has a right and easement of enjoyment in and to the Common Area, which shall be appurtenant to and shall pass with the title to every Unit subject to the provisions contained herein. Every Owner shall have a right of access to and from his or her Unit over and across the roadway and/or driveway serving the Unit. No Owner shall hinder nor permit his guest to hinder reasonable access by any other Owner and his guest to the Unit.

Section 8.2 Recorded Easements. The Property shall be subject to all easements as shown on any recorded plat affecting the Property and to any other easements and licenses of record or of use as of the date of recordation of this Declaration, which easements and licenses of record are set forth on the attached Exhibit C. In addition, the Property is subject to those easements set forth in this Article 8.

Section 8.3 Declarant's Rights Incident to Construction and Marketing. Declarant, for itself and its successors and specific assigns, hereby retains a right and easement of ingress and egress over, in, upon, under, and across the Property and the right to store materials on the Property and to make such other use of the Property as may be reasonably necessary or incident to the complete construction and sale of the Community, including, but not limited to, construction trailers, temporary construction offices, sales offices, and directional and marketing signs; provided, however, that no such rights shall be exercised by Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner, or family members, guests, tenants, or invitees of any Owner. Declarant, for itself and its successors and specific assigns, hereby retains a right to maintain any Unit or Units as sales offices, management offices, or model residences so long as Declarant, or any Successor Declarant, continues to own, lease, or control a Unit. The use by Declarant of any Unit as a model residence, office, or other use shall not affect the Unit's designation on the Plat as a separate Unit.

Section 8.4 Other Easements.

8.4.1 Each Unit shall be subject to an easement for encroachments created by construction, settling and overhang, previously existing or as designed and constructed by Declarant or as a result of any addition or improvement pursuant to this Declaration including, without limitation, any patios and decks encroaching into the Common Area or an adjacent Lot. A valid easement for such encroachments and for the maintenance of same, so long as they exist, shall and does exist. In the event any improvement is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachments of parts of the adjacent Unit due to construction shall be permitted and that a valid easement for said encroachment and the maintenance thereof shall exist so long as the improvements shall stand.

8.4.2 Each Unit is subject to a blanket easement for support and a blanket easement for the maintenance of the structures or landscape improvements presently situated, or to be built in the future, on the Units.

8.4.3 There is hereby created a blanket easement upon, across, over, in and under the Property for the benefit of the Units and the structures and improvements situated thereon for ingress and egress, driveways, installation, replacing, repairing and maintaining a common landscape irrigation system and common fire safety system, if any, and all utilities, including, but not limited to, water, sewer, gas, telephone, cable television and electricity. Said blanket easement includes future utility services not presently available to the Units which may reasonably be required in the future. By virtue of this easement, it shall be expressly permissible for Declarant or the companies providing utilities to erect and maintain the necessary equipment on any of the Units and to affix and maintain electrical and/or telephone wires, circuits and conduits on, above, across and under the unimproved portions of the Lots, all in a manner customary for such lines and equipment in the area surrounding the Property, subject to approval by the Association as to locations.

8.4.4 The Units are served by a common access road, and there is granted hereby a non-exclusive easement to the Owners for ingress and egress purposes over and across those portions of the Common Area which are used as such common road. No Owner shall hinder nor permit his guest to hinder reasonable access by any other Owner and his guest to the Units and any parking areas.

Section 8.5 Reservation for Expansion. Declarant hereby reserves to itself and the Association and/or for all Owners of Tailwaters an easement and right-of-way over, upon and across the Property for construction, utilities, drainage, and ingress to and egress from the **Exhibit D** Expansion Property, and other properties abutting and contiguous to the Property and the Expansion Property, and for use of the Common Area as may be reasonably necessary or incident to the construction of improvements on the Lots or other improvements on the Property or the Expansion Property; provided, however, that no such rights shall be exercised by Declarant in a way which unreasonably interferes with the occupancy, use, enjoyment, or access to Tailwaters by the Owners. The location of these easements and rights-of-way may be made certain by Declarant or the Association by instruments recorded in the Office of the Clerk and Recorder, Routt County, Colorado.

Section 8.6 General Maintenance Easement. An easement is hereby reserved to Declarant, and granted to the Association, and any member of the Executive Board or the Managing Agent, and their respective officers, agents, employees, and assigns, upon, across, over, in, and under the Property and a right to make such use of the Property as may be necessary or appropriate to make emergency repairs, to perform the duties and functions which the Association is obligated or permitted to perform pursuant to the Association Documents, or to exercise its rights under Article 5 and Article 6 above, including the right to enter upon any Unit for the purpose of performing maintenance to the exterior of any Residence, as set forth in Article 5 and Article 6 above.

Section 8.7 Drainage and Irrigation Easement. An easement is hereby reserved to Declarant and its successors and assigns and granted to the Association and its officers, agents,

employees, successors, and assigns to enter upon, across, over, in, and under any portion of the Community for the purpose of changing, correcting, or otherwise modifying the grade or drainage channels of the Property, or changing any portions of the irrigation system, so as to improve the drainage of water on the Property

Section 8.8 Association as Attorney-in-Fact. Each Owner, by his acceptance of a deed or other conveyance vesting in him an interest in a Unit, does irrevocably constitute and appoint the Association and/or Declarant with full power of substitution in the Owner's name, place and stead to deal with Owner's interest in order to effectuate the rights reserved by Declarant or granted to the Association, as applicable, with full power, right and authorization to execute and deliver any instrument affecting the interest of the Owner and to take any other action which the Association or Declarant may consider necessary or advisable to give effect to the provisions of this Section and this Declaration generally. If requested to do so by the Association or Declarant, each Owner shall execute and deliver a written, acknowledged instrument confirming such appointment.

Section 8.9 Delegation of Use. Any Owner may delegate his right of enjoyment to the Common Area to the members of his family, his tenants, guests, licensees, and invitees, but only in accordance with and subject to the limitations of the Association Documents.

Section 8.10 Reservation of Easements, Exceptions, and Exclusions. The Association is hereby granted the right to establish from time to time, by declaration or otherwise, utility and other easements, permits, or licenses over the Common Area, for purposes including, but not limited to, streets, paths, walkways, drainage, retaining walls, recreation areas, parking areas, ducts, shafts, flues, and conduit installation areas, to create other reservations, exceptions, and exclusions with respect to the Common Area for the best interest of all the Owners and the Association.

Section 8.11 Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons to enter upon the Property in the proper performance of their duties.

Section 8.12 Governmental Requirements. Declarant hereby reserves the right to grant such easements, from time to time, as may be required by any government agency. Such easements shall specifically include, but not be limited to, any public rights-of-way and any environmental easements required by federal, state or local environmental agencies, for so long as the Declarant holds an interest in any Unit subject to this Declaration.

Section 8.13 Declarant Easements. Declarant reserves unto itself, its successors, assigns, lessees, guests, licensees and invitees, for so long as it holds any interest in any Unit, the same easement rights granted to Owners under this Declaration and specific easement rights over and across the Property as it may deem necessary for its use from time to time. Declarant reserves (a) the right to dedicate any access roads and streets serving the Property to public use, to grant road easements with respect thereto and to allow such street or road to be used by owners of adjacent land; and (b) the right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulation of parking or recreational facilities, which may or may not be a part of the Property for the benefit of the Owners, or the Association.

ARTICLE 9

INSURANCE AND FIDELITY BONDS

Section 9.1 General Insurance Provisions. The Association shall maintain, to the extent reasonably available:

9.1.1 Property insurance on the Common Area for special form covered causes of loss; except that the total amount of insurance must be not less than the full insurable replacement costs of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, paving areas, landscaping and other items normally excluded from property policies. Such insurance shall cover all insurable improvements located on or constituting part of the Common Area.

9.1.2 Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Area, and the Association, in an amount deemed sufficient in the judgment of the Executive Board, insuring the Executive Board, the Association, the Managing Agent, and their respective employees, agents, and all persons acting as agents. Declarant shall be included as an additional insured in Declarant's capacity as an Owner and Executive Board member. The Owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Area. The insurance shall cover claims of one or more insured parties against other insured parties.

9.1.3 The Association may carry such other and further insurance that the Executive Board considers appropriate, including insurance on Units that the Association is not obligated to insure to protect the Association or the Owners.

Section 9.2 Cancellation. If the insurance described in Section 9.1 is not reasonably available, or if any policy of such insurance is cancelled or not renewed without a replacement policy therefore having been obtained, the Association promptly shall cause notice of that fact to be delivered to all Owners.

Section 9.3 Policy Provisions. Insurance policies carried pursuant to Section 9.1 must provide that:

9.3.1 Each Owner is an insured person under the policy with respect to liability arising out of such Owner's membership in the Association;

9.3.2 The insurer waives its rights to subrogation under the policy against any Owner or member of his household;

9.3.3 No act or omission by any Owner, unless acting within the scope of such Owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy; and

9.3.4 If, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

Section 9.4 Insurance Proceeds. Any loss covered by the property insurance policy described in Section 9.1 must be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any holder of a security interest. The insurance trustee or the Association shall hold any insurance proceeds in trust for the Owners and Mortgagees as their interests may appear. Subject to the provisions of Section 9.7 below, the proceeds must be disbursed first for the repair or restoration of the damaged property, and the Association, Owners and Mortgagees are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored or the regime created by this Declaration is terminated.

Section 9.5 Association Policies. The Association may adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. To the extent the Association settles claims for damages to property, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration all or any equitable portion of the deductibles paid by the Association.

Section 9.6 Insurer Obligation. An insurer that has issued an insurance policy for the insurance described in Section 9.1 shall issue certificates or memoranda of insurance to the Association and, upon request, to any Owner or Mortgagee. Unless otherwise provided by statute, the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association and to each Owner and Mortgagee to whom a certificate or memorandum of insurance has been issued at their respective last-known addresses.

Section 9.7 Insurance Obtained by Owners. Each Owner shall obtain and at all times maintain at such Owner's expense the following:

9.7.1 Physical damage insurance for the full replacement value of the Unit, less applicable deductibles, at the time the insurance is purchased and at each renewal date, exclusive of those items normally excluded from property policies. The insurance coverage shall include the full replacement value of the Owner's fixtures, personal property and upgrades or modifications made to the Owner's Residence.

9.7.2 Personal liability insurance in a limit of not less than One Million Dollars (\$1,000,000.00) in respect to bodily injury or death to any number of persons arising out of one accident or disaster, or for damage to personal property, and if higher limits shall at any time be customary to protect against tort liability such higher limits shall be carried.

9.7.3 An Owner may obtain such other and additional insurance coverage on the Unit as such Owner in the Owner's sole discretion shall conclude to be desirable.

9.7.4 Any insurance obtained by an Owner shall include a provision waiving the particular insurance company's right of subrogation against the Association and other Owners, including Declarant, should Declarant be the Owner of any Unit. No Owner shall obtain separate insurance policies on the Common Area.

Section 9.8 Repair and Replacement.

9.8.1 Any portion of the Property for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly unless:

9.8.1.1 The regime created by this Declaration is terminated;

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

9.8.1.3 Sixty-seven percent (67%) of the Owners and all directly adversely affected Owners agree in writing not to rebuild; or

9.8.1.4 Prior to the conveyance of any Unit to a person other than Declarant, the Mortgagee holding a deed of trust or mortgage on the damaged improvements rightfully demands all or a substantial part of the insurance proceeds.

9.8.2 The cost of repair or replacement of Common Area in excess of insurance proceeds and reserves is a Common Expense. If the entire Common Area is not repaired or replaced, the insurance proceeds attributable to the damaged Common Area must be used to restore the damaged area to a condition compatible with the remainder of the Community and except to the extent that other persons will be distributees, the insurance proceeds must be distributed to all the Owners or Mortgagees, as their interests may appear on an equal per-Unit basis.

Section 9.9 Common Expenses. Premiums for insurance that the Association acquires and other expenses connected with acquiring such insurance are Common Expenses.

Section 9.10 Fidelity Insurance. Fidelity bonds shall be maintained by the Association, to extent reasonably available, to protect against dishonest acts on the part of its officers, directors, trustees, and employees and on the part of all others who handle or are responsible for handling the funds belonging to or administered by the Association in an amount not less than two (2) months' current Assessments plus reserves as calculated from the then-current budget of the Association. The Association must also secure and maintain, or require to be secured or maintained by any parties handling the collection, deposit, transfer, or disbursement of Association funds, fidelity insurance with aggregate coverage of not less than two (2) months' assessments plus reserves as calculated from the then-current budget of the Association; provided, however, in no event shall the coverage for third parties handling the collection, deposit, transfer, or disbursement of Association funds be less than \$50,000. In addition all funds and accounts of the Association being held by a Managing Agent or other third persons shall be kept in an account separate from the funds of other parties held by such Managing Agent or third party, and all reserves of the Association shall be kept in an account separate from the operational account of the Association. Any such fidelity coverage shall name the Association as an obligee and such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions.

Section 9.11 Worker's Compensation Insurance. The Executive Board shall obtain worker's compensation or similar insurance with respect to its employees, if applicable, in the amounts and forms as may now or hereafter be required by law.

Section 9.12 Other Insurance. The Association shall also maintain insurance to the extent reasonably available and in such amounts as the Executive Board may deem appropriate on behalf of Directors against any liability asserted against a Director or incurred by him in his capacity of or arising out of his status as a Director. The Executive Board may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate with respect to the Association's responsibilities and duties.

ARTICLE 10

ASSESSMENTS

Section 10.1 Obligation. Each Owner, including Declarant, by accepting a deed for a Unit, is deemed to covenant to pay to the Association (1) the Annual Assessments imposed by the Executive Board as necessary to meet the Common Expenses of maintenance, operation, and management of the Common Area and to perform the functions of the Association; (2) Special Assessments for capital improvements and other purposes as stated in this Declaration; and (3) Default Assessments which may be assessed against a Unit for the Owner's failure to perform an obligation under the Association Documents or because the Association has incurred an expense on behalf of the Owner under the Association Documents. No Owner may waive or otherwise escape personal liability for the payment of the Assessments provided for in this Declaration by not using the Common Area or the facilities contained in the Common Area or by abandoning or leasing his Unit. In accordance with Section 38-33.3-315(1) of the Act, Declarant shall pay all Common Expenses until the Association levies its first Assessment to Owners. In the event Assessments have not first been levied by the Association at the time of any conveyance of a Unit from Declarant to an Owner, then that Owner shall not be obligated for Common Expenses until the first levy of Assessments, which the Association may effect at any time upon written notice to Owners. Owners acknowledge and understand that the working capital contribution set forth in Section 6.11 above shall nonetheless be paid at the time of conveyance of a Lot to an Owner but that such contribution is not an Assessment and shall not be utilized by the Association to pay Common Expenses until Assessments begin.

Section 10.2 Purpose of Assessments. The Assessments shall be used exclusively to promote the health, safety and welfare of the Owners and occupants of Tailwaters, and for the improvement and maintenance of the Common Area, and other areas of Association responsibility referred to herein, as more fully set forth in this Article below.

Section 10.3 Budget. Within ninety (90) days after the adoption of any proposed budget for the Association, the Executive Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all Owners and shall set a date for a meeting of the Owners to consider the budget. Such meeting shall occur within a reasonable time after mailing or other delivery of the summary, or as provided in the Bylaws. The Executive Board shall give notice to the Owners of the meeting as allowed for in the Bylaws. The budget proposed by the Executive Board does not require approval from the Owners and it will be deemed approved by the Owners in the absence of a veto at the noticed meeting by more than fifty percent (50%) of

all Owners. In the event that the proposed budget is vetoed, the periodic budget last proposed by the Executive Board and not vetoed by the Owners must be continued until a subsequent budget proposed by the Executive Board is not vetoed by the Owners. The Executive Board shall levy and assess the Association's annual Assessments in accordance with the annual budget

Section 10.4 Annual Assessments. Annual Assessments for Common Expenses made shall be based upon the estimated cash requirements as the Executive Board shall from time to time determine to be paid by all of the Owners. Estimated Common Expenses shall include, but shall not be limited to, the cost of routine maintenance and operation of the Common Area and Exterior Maintenance Area; expenses of management; insurance premiums for insurance coverage as deemed desirable or necessary by the Association; landscaping of the Property; care of grounds within the Common Area and Exterior Maintenance Area; routine repairs and renovations within the Common Area and Exterior Maintenance Area; wages; common water and utility charges for the Common Area and Exterior Maintenance Area; legal and accounting fees; management fees; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any default remaining from a previous assessment period; and the creation of a reasonable contingency or other reserve or surplus fund for general, routine maintenance, repairs, and replacement of improvements within the Common Area and Exterior Maintenance Area on a periodic basis, as needed.

Annual Assessments shall be payable in quarterly installments on a prorated basis in advance and shall be due on the first day of each calendar quarter. The omission or failure of the Association to fix the Annual Assessments for any assessment period shall not be deemed a waiver, modification, or release of the Owners from their obligation to pay the same. The Association shall have the right, but not the obligation, to make prorated refunds of any Annual Assessments in excess of the actual expenses incurred in any fiscal year.

Section 10.5 Due Dates for Assessment Payments. Unless otherwise determined by the Executive Board, the Annual Assessments and any Special Assessments which are to be paid in installments shall be paid quarterly in advance and shall be due and payable to the Association at its office or as the Executive Board may otherwise direct in any Management Agreement, without notice (except for the notices required by this Article 10), on the first day of each quarter. If any installment (a) remains unpaid fifteen (15) days after the due date, then the Executive Board may assess a "late charge" on the installment in an amount of fifteen percent (15%) of the installment (or of the amount outstanding on such installment, if less) or such other charge as the Executive Board may fix by rule from time to time, and (b) remains unpaid thirty (30) days after the due date, then the Executive Board may also assess default interest equal to 1% of such assessment per month, or such other rate of default interest as the Executive Board may fix by rule from time to time, which default interest shall be imposed on the first day of each calendar month, so long as the assessment remains unpaid. An Owner's Assessment shall be prorated if the ownership of a Unit commences or terminates on a day other than the first day or last day, respectively, of a quarter or other applicable payment period.

Section 10.6 Apportionment of Annual Assessments. Each Owner shall be responsible for that Owner's share of the Common Expenses, which shall be divided pursuant to the following; Lots 1-200 shall each be responsible for 100% of the Common Expenses divided equally.

Section 10.7 Special Assessments. In addition to the Annual Assessments authorized by this Article, the Association may levy in any fiscal year one or more Special Assessments, payable over such a period as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of improvements within the Common Area or Exterior Maintenance Area or for any other expense incurred or to be incurred as provided in this Declaration. Any amounts assessed pursuant to this Section shall be assessed to Owners in the same proportion as provided for Annual Assessments in Section 10.6, subject to the requirements that any extraordinary maintenance, repair or restoration work on fewer than all of the Units shall be borne by the Owners of those affected Units only; and any extraordinary insurance costs incurred as a result of the value of a particular Owner's Residence or the actions of a particular Owner (or his agents, servants, guests, tenants, or invitees) shall be borne by that Owner. Special Assessments shall be based on a budget adopted in accordance with Section 10.3 above provided that, if necessary, the Association may adopt a new budget pursuant to Section 10.3 prior to levying a Special Assessment. Notice in writing of the amount of such Special Assessments and the time for payment of the Special Assessments shall be given promptly to the Owners, and no payment shall be due less than thirty (30) days after such notice shall have been given.

Section 10.8 Default Assessments. All monetary fines assessed against an Owner pursuant to the Association Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Association Documents or which is incurred by the Association on behalf of the Owner pursuant to the Association Documents and any expenses incurred by the Association as a result of the failure of an Owner to abide by the Association Documents (including without limitation attorneys' fees), shall be a Default Assessment and shall become a lien against such Owner's Unit which may be foreclosed or otherwise collected as provided in this Declaration. Notice of the amount and due date of such Default Assessment shall be sent to the Owner subject to such Assessment at least thirty (30) days prior to the due date.

Section 10.9 Lien for Assessments. The Annual, Special, and Default Assessments (including installments of the Assessments) arising under the provisions of this Declaration (together with any and all interest, costs, late charges, expenses, and reasonable attorneys' fees, including legal assistants' fees, which may arise under the provisions of Section 10.10 below) shall be burdens running with, and a perpetual lien in favor of the Association upon, the specific Unit to which such Assessments apply in accordance with Section 38-33.3-316 of the Act. To further evidence such lien upon a specific Unit, the Association may, but shall not be obligated to, prepare a written lien notice setting forth the description of the Unit, the amount of Assessments on the Unit unpaid as of the date of such lien notice, the rate of default interest as described in Section 10.5 above, the name of the Owner or Owners of the Unit, and any and all other information that the Association may deem proper. Any such lien notice shall be signed by a member of the Executive Board, an officer of the Association, or a Managing Agent and shall be recorded in the Office of the Clerk and Recorder of Routt County, Colorado. Any such lien notice shall not constitute a condition precedent or delay the attachment of the lien, but such lien is a perpetual lien upon the Unit and attaches without notice at the beginning of the first day of any period for which any Assessment is levied.

Section 10.10 Effect of Nonpayment of Assessments. If any Annual, Special, or Default Assessment (or any installment of the Assessment) is not fully paid within thirty (30) days after

the same becomes due and payable, then as often as the same may happen, (i) interest shall accrue on any amount of the Assessment which was not paid within such 30-day period or on the amount of Assessment in default, whichever shall be applicable, accruing from the due date until date of payment in the manner described in Section 10.5 above, (ii) the Association may declare due and payable all unpaid quarterly or other installments of the Annual Assessment or any Special Assessment otherwise due during the fiscal year during which such default occurred, (iii) the Association may thereafter bring an action at law or in equity, or both, against any Owner personally obligated to pay the same, and (iv) the Association may proceed to foreclose its lien against the particular Unit in the manner and form provided by Colorado law for foreclosure of real estate mortgages.

An action at law or in equity by the Association against an Owner to recover a money judgment for unpaid Assessments (or any installment thereof) may be commenced and pursued by the Association without foreclosing or in any way waiving the Association's lien for the Assessments. If any such Assessment (or installment thereof) is not fully paid when due and if the Association commences such an action (or counterclaims or cross-claims for such relief in any action) against any Owner personally obligated to pay the same, or proceeds to foreclose its lien against the particular Unit, then all unpaid installments of Annual and Special Assessments and all Default Assessments (including any such installments or Assessments arising during the proceedings of such action or foreclosure proceedings), any late charges under Section 10.5 above, any accrued interest, and the Association's costs, expenses, and reasonable attorneys' fees (including legal assistants' fees) incurred for any such action and/or foreclosure proceedings shall be taxed by the court as part of the costs of any such action or foreclosure proceedings and shall be recoverable by the Association from any Owner personally obligated to pay the same and from the proceeds from the foreclosure sale of the particular Unit in satisfaction of the Association's lien.

Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to stop or otherwise preclude the Association from again foreclosing or attempting to foreclose its lien for any subsequent Assessments (or installments thereof) which are not fully paid when due or for any subsequent Default Assessments. The Association shall have the power and right to bid in or purchase any Unit at foreclosure or other legal sale and to acquire and hold, lease, or mortgage the Unit, and to convey or otherwise deal with the Unit acquired in such proceedings.

First Mortgagees shall be entitled to cure any delinquency of the Owner of a Unit encumbered by the First Mortgage in the payment of Assessments. In that event, the First Mortgagee shall be entitled to obtain a release from the lien imposed or perfected by reason of such delinquency.

Section 10.11 Successor's Liability for Assessments. Notwithstanding the personal obligation of each Owner of a Unit to pay all Assessments on the Unit, and notwithstanding the Association's perpetual lien upon a Unit for such Assessments, all successors in interest to the fee simple title of a Unit, except as provided in Section 10.12 and Section 10.13 below, shall be

jointly and severally liable with the prior Owner or Owners of the Unit for any and all unpaid Assessments, interest, late charges, costs, expenses, and attorneys' fees against such Unit, without prejudice to any such successor's right to recover from any prior Owner any amounts paid thereon by such successor. However, such successor in interest shall be entitled to rely upon the existence and status of unpaid Assessments, interest, late charges, costs, expenses, and attorneys' fees as shown upon any certificate issued by or on behalf of the Association to such named successor in interest pursuant to the provisions of Section 10.13 below.

Section 10.12 Waiver of Homestead Exemption; Subordination of Association's Lien for Assessments. By acceptance of the deed or other instrument of transfer of a Unit, each Owner irrevocably waives the homestead exemption provided by Part 2, Article 41, Title 38, Colorado Revised Statutes, as amended. The Association's perpetual lien on a Unit for Assessments shall be superior to all other liens and encumbrances except the following:

10.12.1 Real property ad valorem taxes and special assessment liens duly imposed by a Colorado governmental or political subdivision or special taxing district, or any other liens made superior by statute;

10.12.2 To the extent permitted under the Act, after taking into account the superiority of a certain amount of assessment liens permitted by Section 38-33.3-316(2) of the Act, the lien of any First Mortgage, including any and all advances made by the First Mortgagee and notwithstanding that any of such advances may have been made subsequent to the date of the attachment of the Association's liens; and

With respect to the foregoing subpart 10.12.2, to the extent permitted under the Act, any First Mortgagee who acquires title to a Unit by virtue of foreclosing the First Mortgage or by virtue of a deed or assignment in lieu of such a foreclosure, or any purchaser at a foreclosure sale of the First Mortgage, will take the Unit free of any claims for unpaid Association Assessments, interest, late charges, costs, expenses, and attorneys' fees against the Unit which accrue prior to the time such First Mortgagee or purchaser acquires title to the Unit, and the amount of the extinguished lien may be reallocated and assessed to all Units as a Common Expense at the direction of the Executive Board.

All other persons not holding liens described in Section 10.12 above and obtaining a lien or encumbrance on any Unit after the recording of this Declaration shall be deemed to consent that any such lien or encumbrance shall be subordinate and inferior to the Association's future liens for Assessments, interest, late charges, costs, expenses, and attorneys' fees as provided in this Article 10, whether or not such consent is specifically set forth in the instrument creating any such lien or encumbrance.

A sale or other transfer of any Unit, including but not limited to a foreclosure sale, except as provided in Section 10.11 above and except as provided in Section 10.13 below, shall not affect the Association's lien on such Unit for Assessments, interest, late charges, costs, expenses, and attorneys' fees due and owing prior to the time such purchaser acquires title and shall not affect the personal liability of each Owner who shall have been responsible for the payment thereof. Further, no such sale or transfer shall relieve the purchaser or transferee of a

Unit from liability for, or the Unit from the lien of, any Assessments made after the sale or transfer.

Section 10.13 Statement of Status of Assessments. Upon fourteen (14) calendar days written request (furnished in the manner described below for the response to such request) to a Managing Agent, the Executive Board, or the Association's registered agent and payment of a reasonable fee set from time to time by the Executive Board, any Owner, prospective purchaser of a Unit, or Mortgagee shall be furnished, by personal delivery or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party (in which event the date of posting shall be deemed the date of delivery) a statement of the Owner's account setting forth:

10.13.1 The amount of any unpaid Assessments, interest, late charges, costs, expenses, and attorneys' fees then existing against a particular Unit;

10.13.2 The amount of the current installments of the Annual Assessment and the date that the next installment is due and payable;

10.13.3 The date of the payment of any installments of any Special Assessments then existing against the Unit; and

10.13.4 Any other information deemed proper by the Association.

Upon the issuance of such a certificate signed by a member of the Executive Board, by an officer of the Association, or by a Managing Agent, the information contained therein shall be conclusive upon the Association as to the person or persons to whom such certificate is addressed and who rely on the certificate in good faith. Unless such a statement of status of Assessments is delivered as described above within said fourteen (14) calendar day period, the Association shall have no right to assert a priority lien upon the Unit over the inquiring party's interest for unpaid Assessments which were due as of the date of the request.

ARTICLE 11 DESIGN REVIEW BOARD

Section 11.1 Design Review Board and Guidelines. There is hereby established a Design Review Board (the "Design Review Board"), which will be responsible for the establishment and administration of Design Guidelines to facilitate the purpose and intent of this Declaration.

Section 11.2 Purpose and General Authority. The Design Review Board will review, study and either approve or reject proposed improvements on the Property, all in compliance with this Declaration and as further set forth in the Design Guidelines and such rules and regulations as the Design Review Board may establish from time to time to govern its proceedings. No improvement will be erected, placed, improved, reconstructed, replaced, repaired or otherwise altered, nor will any construction, repair or reconstruction be commenced until plans for the improvements shall have been approved by the Design Review Board; provided, however, that improvements that are completely within a dwelling structure may be undertaken without such approval. In addition, the Design Review Board shall have the authority to establish, cancel, modify and enforce rules and regulations relating to construction

activities undertaken within the Community.

Section 11.3 Board Discretion. The Design Review Board will exercise its reasonable judgment to see that all improvements conform and harmonize with any existing structures as to external design, quality and type of construction, sealants, stains, materials, color, location on the building site, height, grade and finished ground elevation, landscaping, and the schemes and aesthetic considerations set forth in the Design Guidelines and other Association Documents. The Design Review Board, in its sole discretion but in compliance with the Development Approvals and other restrictions and easements to which the Property is subject, may excuse compliance with such requirements as are not necessary or appropriate in specific situations and may permit compliance with different or alternative requirements. The approval by the Design Review Board of improvements on the Property shall carry no precedential weight when reviewing subsequent requests for approvals, and the Design Review Board shall not be required to approve requests for the same or similar improvements.

Section 11.4 Design Guidelines. The Design Guidelines may include, among other things, at the sole discretion of the Design Review Board, the restrictions and limitations set forth below:

11.4.1 Procedures and necessary fees for making application to the Design Review Board for design review approval, including the documents to be submitted and the time limits in which the Design Review Board must act to approve or disapprove any submission.

11.4.2 Time limitations for the completion, within specified periods after approval, of the improvements for which approval is required under the Design Guidelines.

11.4.3 Designation of the building site on a Unit and establishing the maximum developable area of the Unit.

11.4.4 Minimum and maximum square foot areas of living space that may be developed on any Unit.

11.4.5 Landscaping regulations, with limitations and restrictions prohibiting the removal or requiring the replacement of existing trees, the type and use of plants, and other practices benefiting the protection of the environment, conservation of water (including regulations required to enforce the Design Guidelines and any rules and regulations adopted pursuant thereto), exterior color schemes, aesthetics and architectural harmony of the Community. Landscaping materials which discourage wildlife should be utilized.

11.4.6 Fire mitigation requirements, including, without limitation, fire resistant landscaping and the creation of wildfire defensible zones, as described in the Design Guidelines. Wildlife education materials provided by CPW shall be distributed to each Owner.

11.4.7 General instructions for the construction, reconstruction, refinishing or alteration of any improvement, including any plan to excavate, fill or make any other temporary or permanent change in the natural or existing surface contour or drainage or any installation or utility lines or conduits on the Property, addressing matters such as trash removal, equipment and materials storage, grading, transformers and meters. All trash must be contained within an approved bear proof container. Trash and debris must be cleaned from a Lot daily and placed in a trash receptacle to assure cleanliness. Trash receptacles must be placed for pickup the morning of

trash pickup and removed from the street no later than 5:00 pm MST of the same day.

The Design Review Board may amend, repeal and augment the Design Guidelines from time to time, in the Design Review Board's sole discretion. The Design Guidelines will be binding on all Owners and other Persons governed by this Declaration. Notwithstanding the foregoing, the Design Review Board is empowered in its discretion to grant variances from the requirements of the Design Guidelines under unique or unusual circumstances. The Design Review Board is authorized to adopt different Design Guidelines to apply to different portions of the Community or Neighborhoods within the Community at the discretion of the Design Review Board.

Section 11.5 Design Review Board Membership. The Design Review Board will be composed of three (3) persons. The Design Review Board need not include any Member of the Association. All of the members of the Design Review Board will be appointed, removed and replaced by Declarant, in its sole discretion, until all the Units comprising the Property have been conveyed by Declarant and Declarant no longer has the right to create additional Units within the Property, or such earlier time as Declarant may elect to voluntarily waive this right by notice to the Association, and at that time the Executive Board will succeed to Declarant's right to appoint, remove or replace the members of the Design Review Board.

Section 11.6 Organization and Operation of Design Review Board.

11.6.1 The term of office of each member of the Design Review Board, subject to Section 11.5, will be one year, commencing January 1 of each year, and continuing until his successor shall have been appointed. Should a Design Review Board member die, retire or become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed as provided below.

11.6.2 So long as Declarant appoints the Design Review Board, Declarant will appoint the chairman. At such time as the Design Review Board is appointed by the Executive Board, the chairman will be elected annually from among the members of the Design Review Board by a majority vote of such members. In the absence of a chairman, the party responsible for appointing or electing the chairman may appoint or elect a successor, or if the absence is temporary, an interim chairman.

11.6.3 The Design Review Board chairman will take charge of and conduct all meetings and will provide reasonable notice to each member of the Design Review Board prior to any meeting. The notice will set forth the time and place of the meeting, and notice may be waived by any member.

11.6.4 The affirmative vote of majority of the members of the Design Review Board will govern its actions and be the act of the Design Review Board.

11.6.5 The Design Review Board may avail itself of other technical and professional advice and consultants as it deems appropriate, and the Design Review Board may delegate its plan review responsibilities, except final review and approval, to one or more of its members or to consultants retained by the Design Review Board.

Section 11.7 Expenses. Except as provided in this Section below, all expenses of the Design Review Board will be paid by the Association and will constitute a Common Expense.

The Design Review Board will have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the Design Review Board from time to time, and such fees will be collected by the Design Review Board and remitted to the Association to help defray the expenses of the Design Review Board's operation. Further, the Design Review Board may retain the services of a third-party consultant, architect or other professional as reasonably necessary or customary to assist the Design Review Board in reviewing a particular application. In such event, the Design Review Board may charge the applicant for the professional fees incurred in retaining such consultant, architect or other professional.

Section 11.8 Other Requirements. Compliance with the Association's design review process is not a substitute for compliance with the development approvals applicable to the Property and building, zoning and subdivision regulations, and each Owner is responsible for obtaining all approvals, licenses, and permits as may be required prior to commencing construction.

Further, the establishment of the Design Review Board and procedures for architectural review will not be construed as changing any rights or restrictions upon Owners to maintain and repair their Units and improvements as otherwise required under the Association Documents.

Section 11.9 Limitation of Liability. The Design Review Board will use reasonable judgment in approving or disapproving all plans and specifications submitted to it. Neither the Design Review Board nor any individual Design Review Board member will be liable to any Person for any official act of the Design Review Board in connection with submitted plans and specifications, except to the extent the Design Review Board or any individual Design Review Board member acted with malice or wrongful intent. Approval by the Design Review Board does not necessarily assure approval by any other applicable governmental or quasi-governmental body. Notwithstanding that the Design Review Board has approved plans and specifications, neither the Design Review Board nor any of its members will be responsible or liable to any Owner, developer or contractor with respect to any loss, liability, claim or expense which may arise by reason of such approval of the construction of the improvements. Neither the Executive Board, the Design Review Board, nor any agent thereof, nor Declarant, nor any of its partners, employees, agents or consultants will be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of this Declaration and the Design Guidelines, nor for any structural or other defects in any work done according to such plans and specifications. In all events the Design Review Board will be defended and indemnified by the Association in any such suit or proceeding which may arise by reason of the Design Review Board's decisions. The Association, however, will not be obligated to indemnify each member of the Design Review Board to the extent that any such member of the Design Review Board is adjudged to be liable for malice or wrongful intent in the performance of his duty as a member of the Design Review Board, unless and then only to the extent that the court in which such action or suit may be brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such Person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

Section 11.10 Enforcement.

11.10.1 Any member or authorized consultant of the Design Review Board, or any authorized officer, Director, employee or agent of the Association may enter upon any Unit at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect improvements constructed or under construction on the Unit to determine whether the improvements have been or are being built in compliance with this Declaration, the Design Guidelines and the plans and specifications approved by the Design Review Board.

11.10.2 Before any improvements on a Unit may be occupied, the Owner of the Unit will be required to request and obtain a temporary or final certificate of compliance issued by the Design Review Board indicating substantial completion of the improvements in accordance with the plans and specifications approved by the Design Review Board, and imposing such conditions for issuance of a final certificate of compliance issued by the Design Review Board as the Design Review Board may determine to be appropriate in its reasonable discretion. Without limiting the generality of the preceding sentence, the Design Review Board may require that the Owner deposit with the board at any time (including prior to commencement of construction) such sums as may be necessary to complete the construction and landscaping on the Unit by a specified date. If the construction and landscaping is not completed as scheduled, the Design Review Board may apply the deposit to cover the cost of completing the work and enforce such other remedies as are available to the Association for the failure of the Owner to comply with these covenants, including without limitation the remedies set forth in this Section.

11.10.3 Upon completion of construction, the Design Review Board will issue an acknowledged certificate of compliance at the request of Owner setting forth generally whether, to the best of the Design Review Board's knowledge, the improvements on a particular Unit are in compliance with the terms and conditions of the Design Guidelines.

11.10.4 Every violation of these covenants is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed for such violation by law or equity against an Owner will be applicable. Without limiting the generality of the foregoing, these covenants may be enforced as provided below:

11.10.4.1 The Design Review Board may adopt a schedule of fines for failure to abide by the Design Review Board rules and the Design Guidelines, including fines for failure to obtain any required approval from the Design Review Board.

11.10.4.2 The Association, upon request of the Design Review Board and after reasonable notice to the offender and, if different, to the Owner, may enter upon any Unit at any reasonable time after notice to the Owner, without being deemed guilty of trespass, and remove, repair, replace or reconstruct any improvement constructed, reconstructed, refinished, altered or maintained in violation of these covenants or take such other action as is necessary to cure the violation. The Owner of the improvement will immediately reimburse the Association for all expenses incurred in connection with such action by the Association. If the Owner fails to reimburse the Association within thirty (30) days after the Association gives the Owner notice of the expenses, the sum owed to the Association will bear interest at the default rate from the date of the advance by the Association through the date of reimbursement in full, and all such sums and interest will be a Default Assessment enforceable as provided in Article 10.

11.10.4.3 All improvements commenced on the Property will be prosecuted diligently to completion and will be completed within two (2) years after commencement unless an exception is granted in writing by the Design Review Board. If an improvement is commenced and construction is then abandoned for more than ninety (90) days, or if construction is not completed within the required two (2) year period, then after notice and opportunity for hearing, the Association may impose a fine of \$1,000 per day (or such other reasonable amount as the Association may determine) to be charged against the Owner of the Unit until construction is resumed, or the improvement is completed, as applicable, unless the Owner can prove to the satisfaction of the Executive Board that such abandonment is for circumstances beyond the Owner's control. Such charges will be a Default Assessment and lien as provided in Article 10.

Section 11.11 Binding Effect. The actions of the Design Review Board in the exercise of its discretion by its approval or disapproval of plans and other information submitted to it or with respect to any other matter before it, will be conclusive and binding on all interested parties.

ARTICLE 12 DAMAGE OR DESTRUCTION

Section 12.1 The Role of the Executive Board. Except as provided in Section 12.6, in the event of damage to or destruction of all or part of any Common Area improvement, or other property covered by insurance written in the name of the Association under Article 9, the Executive Board shall arrange for and supervise the prompt repair and restoration of the damaged property (the property insured by the Association pursuant to Article 9 is sometimes referred to as the "Association-Insured Property").

Section 12.2 Estimate of Damages or Destruction. As soon as practicable after an event causing damage to or destruction of any part of the Association-Insured Property, the Executive Board shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction. "Repair and reconstruction" as used in this Article 12 shall mean restoring the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction. Such costs may also include professional fees and premiums for such bonds as the Executive Board or the insurance trustee, if any, determines to be necessary.

Section 12.3 Repair and Reconstruction. As soon as practical after the damage occurs and any required estimates have been obtained, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Association-Insured Property. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction of any damage to the Association-Insured Property, and no consent or other action by any Owner shall be necessary. Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

Section 12.4 Funds for Repair and Reconstruction; Insufficient Funds. The proceeds received by the Association from any hazard insurance carried by the Association shall be used for the purpose of repair, replacement, and reconstruction of the Association-Insured Property. If the proceeds of the Association's insurance are insufficient to pay the estimated or actual cost of

such repair, replacement, or reconstruction, or if upon completion of such work the insurance proceeds for the payment of such work are insufficient, the Association may (in addition to applying replacement reserve funds, at its discretion), pursuant to Section 10.7, levy, assess, and collect in advance from the Owners, without the necessity of a special vote of the Owners, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair, replacement, or reconstruction.

Notwithstanding the foregoing or any contrary provision in this Article 12, in the event that insurance proceeds are insufficient to pay the estimated cost of repair, replacement or reconstruction of the Association-Insured Property based on the estimate or estimates of the costs to complete same, then Owners representing at least sixty-seven percent (67%) of the total allocated votes in the Association (other than Declarant) and sixty-seven percent (67%) of all directly adversely affected Owners may agree in writing not to repair and reconstruct the damaged improvements or may adopt a plan for the construction of alternative improvements. Any Association-Insured Property not reconstructed shall be restored to its natural state and maintained by the Association in a neat and attractive condition. Any remaining insurance proceeds shall be distributed in accordance with the Act.

Section 12.5 Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for above, constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as Special Assessments, then in equal shares per Unit, first to the Mortgagees and then to the Owners, as their interests appear.

Section 12.6 Repairs. All repairs and reconstruction contemplated by this Article shall be performed substantially in accordance with this Declaration, the Plat of the Community and the original plans and specifications for the Community, unless other action is approved by the Association in accordance with the requirements of this Declaration and the other Association Documents.

Section 12.7 Notice of Damage or Destruction. In the event that any portion of the Community is substantially damaged or destroyed by fire or other casualty, then written notice of the damage or destruction shall be given by the Association to each Owner and First Mortgagee of the affected Units within a reasonable time following the event of casualty damage.

ARTICLE 13 CONDEMNATION

Section 13.1 Rights of Owners. Whenever all or any part of the Common Area shall be taken by any authority having power of condemnation or eminent domain or whenever all or any part of the Common Area is conveyed in lieu of a taking under threat of condemnation by the Executive Board acting as attorney-in-fact for all Owners under instructions from any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking or conveying. The Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 13.2 Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as trustee for those Owners for whom use of the Common Area was conveyed and, unless otherwise required under the Act, the award shall be disbursed as follows:

13.2.1 If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty (60) days after such taking Declarant and Owners who represent at least two-thirds (2/3rds) of the votes of all of the Owners shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available for such restoration or replacement in accordance with plans approved by the Executive Board. If such improvements are to be repaired or restored, the provisions in Article 12 above regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be distributed in equal shares per Unit among the Owners, first to the Mortgagees and then to the Owners, as their interests appear.

Section 13.3 Complete Condemnation. If all of the Property is taken, condemned, sold, or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Common Area shall be distributed as provided in Section 12.5 above.

Section 13.4 Notice of Condemnation. In the event that any portion of the Community shall be made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then timely written notice of such condemnation shall be given by the Association to each Owner and First Mortgagee.

ARTICLE 14
EXPANSION AND WITHDRAWAL

Section 14.1 Reservation of Expansion and Withdrawal Rights.

14.1.1 Declarant reserves the right for itself and any Successor Declarant to subject all or any part of the Expansion Property to the provisions of this Declaration and thereby expand the Property to include up to a maximum of twenty (20) Units and to expand the Common Area.

14.1.2 Subject to those restrictions set forth in Section 38-33.3-222 of the Act, Declarant reserves the right for itself and any Successor Declarant at any time and from time to time to subject unspecified real property to Tailwaters and the provisions of this Declaration.

14.1.3 Declarant reserves the right for itself and any Successor Declarant at any time and from time to time to withdraw from Tailwaters and from the provisions of this Declaration any real property subjected to this Declaration by a duly recorded Supplemental Declaration and, if necessary, Supplemental Plat prior to the time of a sale of a Unit comprising a portion of the real property described in said Supplemental Declaration and, if necessary, Supplemental Plat.

14.1.4 Supplemental Declarations and Supplemental Plats. Such expansion may be accomplished by the filing for record by Declarant in the Office of the Clerk and Recorder for Routt County, Colorado, of one or more Supplemental Declarations and, if the real property being subject to this Declaration by such Supplemental Declaration has not been previously platted in a plat recorded in the Office of the Clerk and Recorder for Routt County, Colorado, of a Supplemental Plat depicting such Expansion Property recorded concurrently with the applicable Supplemental Declaration. The Supplemental Declaration shall set forth the Lots and other real property, if any, to be included in the expansion, together with any covenants, conditions, restrictions and easements particular to such property. The expansion may be accomplished in stages by successive supplements or in one supplemental expansion. Declarant may exercise such rights for expansion on all or any portion of the Expansion Property in whatever order of development Declarant in its sole discretion, determines. Declarant shall not be obligated to expand Tailwaters beyond the number of Units initially submitted to this Declaration.

Section 14.2 Expansion of Definitions. In the event of such expansion, the definitions used in this Declaration shall be expanded automatically to encompass and refer to the Property subject to this Declaration as so expanded. For example, "Unit" shall mean the Units comprising part of the Property plus any additional Units added by a Supplemental Declaration or Declarations and, if necessary, Supplemental Plat or Plats, and reference to this Declaration shall mean this Declaration as supplemented. All conveyances of Units shall be effective to transfer rights in the Property as expanded.

Section 14.3 Declaration Operative on New Units.

14.3.1 The new Units shall be subject to all of the terms and conditions of this Declaration and of any Supplemental Declaration, upon placing the Supplemental Declaration(s) describing the Expansion Property and, if necessary, Supplemental Plat(s) of public record in the real estate records of County of Routt, Colorado.

14.3.2 It is contemplated that additional Units on the Property will be committed to this Declaration, but Declarant and any Successor Declarant shall have no affirmative obligation to incorporate any additional Units. In the event that a portion of the Expansion Property is submitted to the provisions of this Declaration, Declarant shall retain the right to, but shall not be obligated to, submit any additional portion of the Expansion Property to the provisions of this Declaration. The rights of Declarant and any Successor Declarant, as described herein, shall apply to all Units which are added to this Declaration in accordance with these provisions relating to enlargement thereof.

14.3.3 No rights of any character of any owner in Units in the Expansion Property shall attach until a Supplemental Declaration and, if necessary, Supplemental Plat is filed of record annexing the Units constructed in such area to Tailwaters. Upon the recording of such Supplemental Declaration and, if necessary, Supplemental Plat, the Units constructed in the area shall be deemed to be governed in all respects by the provisions of this Declaration.

Section 14.4 Effect of Expansion.

14.4.1 Upon the inclusion of additional Units under this Declaration and the filing of the Supplemental Declaration(s) and, if necessary, Supplemental Plat(s) thereof, the allocation of Assessments and votes applicable to a Unit shall automatically be revised to reflect an appropriately revised allocation among all of the Residences then subject to this Declaration.

14.4.2 Notwithstanding any inclusion of additional Units under this Declaration, each Owner (regardless of whether such Owner is the owner of a Unit that is part of the original definition of the Property or is the owner of a Unit later incorporated into this Declaration) shall remain fully liable with respect to his obligation for the payment of the Common Expenses of the Association, including the expenses for such new Common Area, costs and fees, if any. The recording of a Supplemental Declaration or Supplemental Plat shall not alter the amount of the Common Expenses assessed to a Unit prior to such recording.

Section 14.5 Termination of Expansion and Development Rights. The rights reserved to the Declarant for itself, its successors and assigns for the expansion and development of the Expansion Property ("Expansion and Development Rights") shall expire twenty (20) years from the date of recording this Declaration, unless the Expansion and Development Rights are (i) extended as allowed by law or (ii) reinstated or extended by the Association, subject to whatever terms, conditions, and limitations the Executive Board may impose on the subsequent exercise of the Expansion and Development Rights by Declarant.

ARTICLE 15 USE RESTRICTIONS

Section 15.1 Residential Use. All Units shall be used for residential dwelling purposes only, in conformity with all zoning laws, ordinances and regulations; provided, however, a Unit may be used for business activities if, and only if, any such activity (a) is incidental to the Unit's residential use and is lawful and complies with all zoning requirements and other applicable laws and ordinances, (b) employs no outside employees, (c) is conducted entirely within the Unit, with no visible signage whatsoever, (d) is not detectable to any extent from outside the Unit by sight, sound, smell or otherwise, (e) requires no parking or the physical presence of clients or customers and requires no repeated or continual delivery or shipping services, and (f) conforms to any rules and regulations adopted by the Board of Directors from time to time. Uses described as "day care" or "child care" facilities (licensed or unlicensed) are expressly prohibited. Notwithstanding the foregoing, Units owned, leased or controlled by Declarant may be used as a sales office, management office, rental management office, storage facility, and/or such other uses as may be permitted under the Act.

Section 15.2 Restrictions on Leasing; Prohibition on Timesharing. An Owner shall have the right to lease his or her Unit upon such terms and conditions as the Owner may deem advisable, subject to the following limitations and requirements (which limitations and requirements shall similarly apply to any subleases by tenants of any Owner):

15.2.1 Compliance with Laws. Any lease, sub-lease or rental agreement related to a Unit must be in compliance with all laws, ordinances and regulations of Routt County and the Tailwaters Covenants and Approvals.

15.2.2 Nuisances. Each Owner of a Unit providing overnight rental services is advised of the restrictions of Section 15.8 hereof (Nuisances), which restrictions and associated remedies as set forth in this Declaration are enforceable against the Owner.

15.2.3 Prohibition on Short Term Rentals No Unit may be used for short term rentals or the rental of a unit for a period of less than 30 consecutive days. Short Term Rentals includes the nightly or weekly rental of a residential dwelling unit, or portion thereof, with or without a morning meal, ancillary to a primary living use, excluding hotels, motels, bed and breakfasts, for less than thirty (30) days, including but not limited to, a single family dwelling, duplex, townhome, condominium, or similar dwelling. The term short term rental also includes and applies to "vacation rentals."

15.2.4 Prohibition on Timesharing. No Unit may be used for the creation of "time share estates" as defined in C.R.S. § 38-33-110 or any other time share, fractional interest or similar real estate interest in a Unit. The foregoing prohibition shall not prohibit or restrict equity or non-equity vacation clubs or similar programs or arrangements by which use of a Unit is shared among participants, provided that such program does not involve the division of real estate and creation of a time share or similar fee estate.

15.2.5 Owner and Tenant Liability. Any lease or rental agreement shall be in writing and shall provide that the lease or rental agreement is subject to the terms of this

Declaration and all governing documents of the Association (copies of which are to be furnished to the lessee of the Unit by the Owner thereof). Both the Unit Owner and the tenant(s) shall be jointly and severally liable to the Association for any and all violations caused by said tenants. Leasing of a Unit shall not relieve the Unit Owner of his or her rights, responsibilities and obligations under this Declaration and other governing documents, including, but not specifically limited to, the duty to pay Assessments, and the same shall be as fully enforceable as to such Unit Owner as though such Unit Owner were itself occupying such Unit.

Section 15.3 Conveyance of Units. All Units, whether or not the instrument of conveyance or assignment shall refer to this Declaration, shall be subject to the covenants, conditions, restrictions, easements, reservations, rights-of-way, and other provisions contained in this Declaration, as the same may be amended from time to time.

Section 15.4 Use of Common Area. There shall be no obstruction of the Common Area nor shall anything be kept or stored on any part of the Common Area by any Owner without the prior written approval of the Association. Notwithstanding the foregoing, patio furniture, planters and other items appropriate for use and display on patios, porches and front walkways may be kept in those portions of the Common Area designed for such uses, unless the Association requests that such items be moved or removed. Nothing shall be altered on, constructed in, attached to or removed from the Common Area by any Owner without the prior written approval of the Association.

Section 15.5 Prohibition of Increases in Insurable Risks and Certain Activities. Nothing shall be done or kept in any Unit or in or on the Common Area, or any part thereof, which would result in the cancellation of the insurance on all or any part of the Community or in an increase in the rate of the insurance on all or any part of the Community over what the Association, but for such activity, would pay, without the prior written approval of the Association. Nothing shall be done or kept in any Unit or in or on the Common Area which would be in violation of any statute, rule, ordinance, regulation, permit, or other imposed requirement of any governmental body having jurisdiction over the Property. No damage to or waste of the Common Area shall be committed by any Owner, or by any member of the Owner's family, or by any guest, lessee, invitee, or contract purchaser of any Owner, and each Owner shall indemnify and hold the Association and the other Owners harmless against all loss resulting from any such damage or waste caused by him, the members of his family, or his guests, lessees, invitees, or contract purchasers. Failure to so indemnify shall be a default by such Owner under this Section, and such amount to be indemnified shall automatically become a Default Assessment determined and levied against such Unit. At its own initiative or upon the written request of any Owner (and if the Association determines that further action by the Association is proper), the Association shall enforce the foregoing indemnity as a Default Assessment as provided in Sections 10.8, 10.9, and 10.10 above.

Section 15.6 Restriction on Signs. Except as otherwise provided in Section 15.10 and subject to applicable law, no signs or advertising of any kind shall be erected or maintained anywhere within the Community, including, without limitation, signage advertising a Unit being for sale, rent or lease placed in the windows of a Unit or otherwise inside such Unit where the same is visible from outside of the Unit, or placed on any other portion of the exterior of an Owner's Unit or in any portion of the Common Area, except for those signs permitted by law or otherwise specifically approved by the Executive Board.

Section 15.7 Regulation of Pets. Subject to applicable law, the Executive Board shall have full and absolute authority to adopt and enforce rules and regulations related to pets within Tailwaters, including, without limitation, the prohibition of pets by tenants or of pets deemed dangerous, exotic or a threat to the well-being of people or other animals or otherwise being possessed of a disposition that is unreasonably annoying to other residents. Habitually barking, howling or yelping dogs shall be deemed a nuisance and shall be subject to permanent removal from the Community. No dogs, cats and other customary household animals are allowed to be raised, bred or maintained for any commercial purpose. A permitted dog must be fenced or restrained at all times upon the Owner's or Occupant's Lot, and shall not be permitted outside such Lot, except when on a leash or undergoing obedience training under the direct control of the pet's owner or the owner's representative. All owners must pick up pet waste from their animal. Pet food shall not be kept outdoors overnight. Bird feeders, including hummingbird feeders, shall not be kept outdoors overnight except during bear hibernation season. With the exception of bird feeders as provided herein, the feeding, baiting, salting, or other means of attracting wildlife to Lots or development facilities is prohibited. Raising Poultry, waterfowl and bees will be prohibited. The Executive Board has the right to determine in its sole discretion whether any animals are being kept for commercial purposes or are being kept in violation of any of the rules and regulations adopted by the Executive Board with respect to pets. The Executive Board may take such action or actions as it deems reasonably necessary to correct any violation, including, after notice and the opportunity for a hearing as provided in the Responsible Governance Policies of the Association, directing permanent removal of the animal(s) from the Community and/or the imposition of fines during any period of violation.

Section 15.8 Nuisances and Unsightliness. No noxious or offensive activity shall be carried on within the Community, nor shall anything be done or maintained thereon that may be or become an annoyance or nuisance to others, endanger the health or safety of other Owners, violate the law or any other provision of this Declaration or the governing documents of the Association, or otherwise detract from the Community's value as an attractive residential community. Subject to applicable law, the Executive Board and the Design Review Board shall each have full and absolute authority to adopt and enforce rules and regulations related to nuisances, unsightliness and/or hazardous activities or conditions within Tailwaters, including, without limitation, the regulation or prohibition of storage, trash receptacles, trailers and campers, recreational vehicles, sports and playground equipment or improvements, exterior lighting and light bulb color, exterior sound devices and other activities or items deemed unsightly or a nuisance by the Executive Board. The Executive Board may take such action or actions as it deems reasonably necessary to correct any violation, including, after notice and the opportunity for a hearing as provided in the Responsible Governance Policies of the Association, directing permanent removal of the offending item(s) from the Community and/or the imposition of fines during any period of violation.

15.8.1 Garbage, Trash, Containers. No garbage, or debris of any kind shall be kept, stored, maintained, or allowed to accumulate or remain on any Lot or on Community Property except temporarily within an enclosed bear-proof structure. Outdoor Composting is prohibited. Any container containing such materials may be placed next to the street not earlier than 6:00 a.m. on the designated morning of garbage collection and must be returned to its enclosed structure that same day. Notwithstanding the foregoing, trash or garbage shall not be kept outdoors unless it is within a locked, roofed, bear-proof enclosure or in a bear-proof garbage container approved by CPW.

Section 15.9 Antennas and Satellite Dishes. No satellite dishes, antennas and similar devices for the transmission or reception of television, radio, satellite or other signals of any kind (hereinafter, a "Reception Device") shall be permitted upon the exterior of any Unit within Tailwaters except as otherwise expressly provided herein and except with the express prior written consent of the Executive Board. In addition, subject to the review and prior written approval of the Executive Board with respect to the location, configuration and any potential negative impacts upon the Community arising from the same, any Unit Owner may be permitted to locate a satellite dish on the exterior of the Residence so long as such satellite dish is 18" or less in diameter or diagonal measurement and is designed to receive direct broadcast satellite services, video programming services via multi-point distribution or television broadcast signals ("Permitted Devices"). Any such Permitted Devices so approved by the Executive Board pursuant to the foregoing shall be placed in the least conspicuous location possible on the exterior of the Residence, shall be screened from view and not visible from the street or neighboring Units, all in a manner approved in writing by the Executive Board. This Section is intended to comply with the Telecommunications Act of 1996 and the rules and regulations promulgated by the Federal Communications Commission (FCC). Specifically, this Section is not intended to unreasonably delay or prevent installation, maintenance or use of Permitted Devices, unreasonably increase the cost of installation, maintenance or use of Permitted Devices, or preclude reception of an acceptable quality signal. In the event that any portion of this Section is found to violate such Act or any rule or regulation of the FCC the portion of this Section that is found to be in violation shall be stricken and the remaining provisions of this Section shall remain in full force and effect.

Section 15.10 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent (i) the exercise by Declarant of any special declarant rights (as that term is defined in the Act); or (ii) the erection or maintenance by Declarant or its duly authorized agents, of temporary structures, trailers, improvements or signs necessary or convenient to the development, marketing or sale of property within Tailwaters; provided, however, that Declarant shall comply with all applicable laws in the exercise of the rights in this Section.

ARTICLE 16
MISCELLANEOUS MATTERS AND OWNER ACKNOWLEDGEMENTS

Section 16.1 Attorney-In-Fact. Each Owner hereby irrevocably appoints the Association as the Owner's true and lawful attorney-in-fact for the purposes of dealing with any improvements covered by insurance written in the name of the Association pursuant to Article 9, upon their damage or destruction as provided in Article 12, or a complete or partial taking as provided in Article 13. Acceptance by a grantee of a deed or other instrument of conveyance or any other instrument conveying any portion of the Property shall constitute appointment of the Association as the grantee's attorney-in-fact, and the Association shall have full authorization, right, and power to make, execute, and deliver any contract, assignment, deed, waiver, or other instrument with respect to the interest of any Owner which may be necessary to exercise the powers granted to the Association as attorney-in-fact. The Association may exercise its authority as attorney-in-fact for any purpose permitted pursuant to this Declaration only if, in each and every instance where such exercise is so permitted, the Executive Board approves the exercise of such authority by the affirmative vote of a majority of the voting Directors. If the Executive Board fails to so approve any exercise of authority as attorney-in-fact, the Association shall have such authority as it may have pursuant to the Act.

Section 16.2 General Reservation. Subject to any applicable restrictions under the Act, Declarant reserves the right to dedicate any access roads, streets and/or sidewalks serving the Community for and to public use and to allow such improvement to be used by owners of adjacent land.

Section 16.3 No Use of Trademark. The term "Tailwaters" is a service mark and trade name of Declarant. Each Owner, by accepting a deed to a Unit, covenants and agrees that such Owner shall not use the terms "Tailwaters" without the prior written permission of Declarant.

Section 16.4 Acknowledgements. Each Owner is hereby advised of, and acknowledges and understands, the following matters affecting Tailwaters and the Owners' use and enjoyment thereof:

16.4.1 Public Parking. Owners acknowledge that Parking along the side or shoulders of all roadways is prohibited, vehicles parked in these areas are subject to immediate fines or towing off of the Tailwaters Site.

16.4.2 Ongoing Construction. Construction may be ongoing within the Community or in other projects being developed in the neighborhood and Owners may experience construction-related impacts, inconveniences and disruptions, such as, but not limited to: traffic, noise, detours, congestion, dust, and dirt during the course of ongoing construction within the Community and surrounding areas.

16.4.3 Lighting. Owners may experience light entering the Unit from street lighting, commercial lighting, LED signs and displays, and other lighting in the vicinity of Tailwaters.

16.4.4 Amenities. No interest in or right to use any amenity located on or near Tailwaters shall be conveyed to an Owner pursuant to this Declaration. The owners of

nearby facilities shall have the right, in their sole discretion, to remove, relocate, discontinue operation, restrict access to, charge fees for the use of, sell interests in or otherwise deal with such assets in their sole discretion without regard to any prior use of or benefit to any residents of Tailwaters.

16.4.5 No View Easement. Owners acknowledge and accept that there is no easement or other right, express or implied, for the benefit of an Owner or a Unit for light, view or air included in or created by this Declaration or as a result of Owner owning a Unit.

16.4.6 Other Property Uses. Owner acknowledges that other properties located in the vicinity of Tailwaters may be developed pursuant to the land uses and restrictions set forth in the applicable zoning and land use documentation, which zoning and/or land use documentation may be amended from time to time, with no representation being made herein concerning the planned uses of such other properties. Purchaser further acknowledges that certain nearby developments contain or may contain certain rental or for-sale restrictions intended to maintain the affordability of units within such developments, which restrictions may include, without limitation, income limits, residency and owner-occupancy requirements and limits on price appreciation.

16.4.7 Rules and Regulations. All Owners are given notice that use of their Units and the Common Area is limited by the rules and regulations as modified from time to time. By acceptance of a deed, each Owner acknowledges and agrees that the use and enjoyment and marketability of the Owner's Unit can be affected by this provision and that the rules and regulations may change from time to time.

16.4.8 Access Road. The main access roads within the Community are private, are maintained by the Association and is subject to rules and regulations of the Association.

16.4.9 Declarant Solely Responsible for Obligations. Declarant is part of the family of related but independent companies affiliated with Tailwaters Land Company, LLC. "Tailwaters Land Company" is a service mark of Tailwaters Land Company, LLC. Declarant is a separate, single-purpose entity that is solely responsible for all of its obligations and liabilities, and it is not the agent of any other entity. Any obligation or liability of Declarant shall be satisfied solely from the assets of Declarant.

16.4.10 Radon Gas. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Colorado. Additional information regarding radon and radon testing may be obtained from the applicable county public health unit.

16.4.11 Mold. Mold, mildew, fungi bacteria and microbiologic organisms (collectively, "Molds") are present in soil, air and elsewhere in the environment. Molds can proliferate in various environments, including, without limitation, damp areas such as crawl spaces, attics, bathrooms, within walls and partitions and in basements. Certain parties have expressed concerns about the possible adverse effects on human health from exposure to molds. Due to various reasons, including the varying sensitivities of different individuals to various

types of Molds, there currently exist no state or federal standards regarding acceptable levels of exposure to Molds. Owners are advised to perform their own investigation regarding the presence or potential presence of Molds within the Unit and acknowledge that Declarant will not be responsible for damage caused by Mold.

16.4.12 Development Plans. Declarant may at its discretion at any time, and from time to time without notice, elect for whatever reasons it deems appropriate in its sole and absolute discretion to (a) notwithstanding any proposed development or site plan for the Community, change such development plan or the style, design, size, price, materials, specifications, number of units, or any other feature or attribute of lots or residences Declarant owns or may build within the Community or in the vicinity of the Project, (b) change the timing of its construction of any other residences or decide not to build at all any or all other residences contemplated by any development plan related to the Community, and/or (c) use any method of marketing to sell, lease or otherwise dispose of any or all of its remaining or future inventory of lots or residences within the Community, including the use of incentives, concessions, price reductions, lot sale programs, bulk sales, or other promotions and techniques without any obligation to offer any comparable benefits to Owner. Declarant cannot be responsible for fluctuations in the market for the price of homes or for other market conditions affecting the Community, and Declarant has the absolute right to respond to market demands.

16.4.13 No Environmental Representation. OWNERS ACKNOWLEDGE AND AGREE THAT DECLARANT HAS NOT MADE, AND OWNERS HEREBY SPECIFICALLY DISCLAIM, ANY WARRANTY OR REPRESENTATION CONCERNING ANY GEOLOGICAL OR ENVIRONMENTAL MATTERS PERTAINING TO THE LOT, THE RESIDENCE OR THE COMMUNITY.

ARTICLE 17
DECLARANT'S RIGHTS REGARDING TRANSFER

Any right or any interest reserved or contained in this Declaration for the benefit of Declarant may be transferred or assigned by Declarant, either separately or with one or more other such rights or interests, to any person, corporation, partnership, association or other entity, by written instrument executed by both Declarant and the transferee or assignee and recorded in the Office of the Clerk of Routt County, Colorado. Upon such recording, Declarant's rights and obligations under this Declaration shall cease and terminate to the extent provided in such instrument.

ARTICLE 18
ALTERNATIVE DISPUTE RESOLUTION

Section 18.1 **IMPORTANT NOTICE: Agreement to Encourage Resolution of Disputes; Exclusive Procedures; Statutes of Limitation.** Declarant, the Association, its officers and directors, all Owners, and any Person not otherwise subject to the Declaration but who agree to submit to the procedures set forth in this Article (these "Procedures"), including all construction professionals, architects, contractors, subcontractors, developers, builders, builder vendors, engineers, inspectors and others who performed or furnished any engineering, design, planning, supervision, inspection, construction or observation of the construction of any improvement in the Community (each of the foregoing being referred to as a "Party"), hereby agree to encourage the amicable resolution of disputes involving the Community and all of its improvements without the emotional and financial costs of litigation. Accordingly, each Party covenants and agrees to submit all Claims, as defined below, each alleges to have to the Procedures set forth herein and not to a court of law. **All Parties hereby agree to the mandatory mediation and arbitration of all Claims as set forth in this Article and irrevocably waive any right to trial of any Claim by jury or otherwise in a court of law.**

Each Party agrees that these Procedures shall be the sole and exclusive remedy that each Party shall have for any Claim. Should any Party commence litigation or any other action against any Party in violation of the terms of this Article, such Party shall reimburse all costs and expenses, including attorneys' fees, incurred by the other Party in such litigation or action within ten (10) days after written demand.

The Parties understand and agree that no Claim may be initiated after the date when institution of legal or equitable proceedings based on such Claim would be barred by the applicable statute of limitation or statute of repose.

Section 18.2 **Statement of Clarification.** Without modifying or restricting the scope of these Procedures and as a statement of clarification only, the intent of these Procedures is to foster constructive dialogue between the Parties, to permit corrective measures to be implemented without the necessity of final settlement documentation, to inform Parties of implications related to certain Claims that may not otherwise be readily apparent to such Parties, and to assist the Parties in resolving Claims, if possible, *before* incurring significant legal and consultant expenses, particularly through the informal Procedures set forth in Section 18.4 below.

Section 18.3 Certain Definitions.

18.3.1 Definition of Claim. As used in this article, the term “Claim” shall mean all claims, disputes and other controversies between one Party and another Party, regardless of how the same may have arisen or on what it might be based, excepting only those matters identified as exclusions in this Section below. Without limiting the generality of the foregoing, “Claim” shall include all claims, disputes or controversies relating to or arising out of, in whole or in part, any of the following: (a) any Agreement for Sale and Purchase between Declarant and any Owner; (b) the Property or the Unit (as defined in any such Agreement); (c) the purchase of the Property or the Unit; (d) the interpretation, application or enforcement of any of the Association Documents; (e) the soils of any property that lie within the Community or the presence of radon and/or mold within any Unit or other areas within the Community; (f) land development, design, construction and/or alteration of any of the improvements within the Community and/or any alleged defect therein; (g) any rights, obligations or duties of any Party under any of the Association Documents or any warranty, whether express, implied or limited, owed by a Party; (h) any limited warranty agreement between Declarant and any Owner and/or the Association; or (i) any breach of any of the foregoing referenced documents.

Notwithstanding the foregoing, the following will not be considered “Claims” unless all parties to the matter otherwise agree to submit the matter to the Procedures set forth in this Article: (i) any suit by the Association to collect assessments or other amounts due from any Owner, (ii) any suit or other action by the Association or Declarant to act under or enforce any provisions of this Declaration relating to additions or alteration of improvements by Owners and/or any restrictive covenants or obligations of this Declaration, including any suit to obtain a temporary restraining order or injunction (or equivalent emergency equitable relief) or such other ancillary relief as the court may deem necessary, and (iii) any suit between Owners, which does not include Declarant or the Association as a party.

18.3.2 Definition of Defect Claim. Any Claim involving the development, design, construction and/or alteration of the Community or any improvement within the Community and/or any alleged defect therein, however arising, is referred to herein as a “Defect Claim” and the alleged defect, the “Alleged Defect.” The Association, its officers, directors and members, and Owners generally acknowledge, understand and agree that not every necessary repair or replacement of an improvement within the Community is due to a construction defect and, similarly, Declarant and other construction and design professionals that are Parties hereunder generally acknowledge, understand and agree that not every necessary repair or replacement of an improvement is due to faulty required maintenance of or damage to such improvement. Often, such repair and replacement issues arise from a combination of issues that may or may not include the original design and construction, the level of inspection and maintenance programs (or lack thereof) and the existence of other factors such as unusual weather events or conditions, improper use and/or unforeseen wear and tear. This Article supports a proper evaluation of all factors and encourages a collaborative and comparative approach to responsibility.

18.3.3 Association and Owner Responsibilities. The Association and its Executive Board and each Owner understand and acknowledge the importance of a regular inspection and maintenance program for the Community and the Units therein and shall comply

with all maintenance manuals and other documents and recommendations provided to the Association and/or Owners with respect to the inspection, operation and routine maintenance of all systems, equipment, and similar items (including, but not limited to, mechanical, electrical, plumbing, structural and exterior systems and improvements) made part of or serving the Community or its Units. The Association and each Owner shall perform such recommended inspection and maintenance and shall make all necessary repairs and maintenance called for to reasonably address the results of these inspections and to maintain the Community and its Units to a level consistent with its original quality. Further, the Executive Board and each Owner shall cooperate, at no cost or expense to them, with all inspections that may be undertaken by or at the request of the Declarant on or with respect to the Community or its Units and any improvement thereon or therein. The Association and each Owner understand, assume the risk and agree that, if the Association or such Owner fails to follow the inspection, maintenance and repair requirements and standards contained in such manuals or materials delivered to them and such failure causes, whether in whole or in part, damage to the Community or its Units, to any improvement within the Community or to other property, the resulting damage shall not be deemed to be the result of a design or construction defect.

Section 18.4 Informal Procedures.

18.4.1 Association Meetings. For a period of eight (8) years following the recording of this Declaration, notices of Association and director meetings (including notice of agenda items relating to potential Defect Claims) shall be given to Declarant, and Declarant and/or its representative(s) shall be entitled to attend and participate in at least one (1) meeting of the Association's members to discuss any potential Claim against Declarant. The Declarant and the Executive Board agree to use their respective good faith efforts to engage in constructive dialogue toward the goal of resolving any design or construction concerns.

18.4.2 Initial Notice. Any Party asserting a Claim ("Claimant") against another Party ("Respondent") shall give written notice to each Respondent and to the Executive Board stating Claimant's good faith description of: (i) the nature of the Claim, including the persons involved and the Respondent's role in the Claim, and (ii) the Claimants' desire to meet with the Respondent to discuss in good faith, ways to resolve the Claim. In that legal and professional fees are discouraged at this stage of these Procedures, no statement as to the legal basis of the Claim or of any proposed remedy is necessary.

18.4.3 Right to be Heard; Negotiation. Any Respondent shall have the right to be heard by the Claimant and, if any Claimant is the Association, by the Members, and the Claimant shall make itself reasonably available upon the request of Respondent to meet in person and to confer for the purpose of resolving the Claim by good faith negotiation. The Parties shall confer and negotiate in good faith toward such resolution for a minimum period of forty-five (45) days after the date that the Claimant has provided notice to each Respondent pursuant to Section 18.4.2 above. Notwithstanding such minimum negotiations period, the Parties are encouraged throughout these Procedures to attempt to resolve any differences between them through ongoing communications and informal dialogue. Any settlement of the Claim through discussion and negotiation shall be documented in writing and signed by the Parties in the manner described in Section 18.6.4 below.

18.4.4 Right to Inspect, Cure and Correct. Any Respondent shall have the right (without obligation), before the institution by the Claimant of binding arbitration below, to inspect, cure and correct any improvement or condition within the Community with respect to a Defect Claim, as follows:

18.4.4.1 In addition to other rights and obligations set forth in this Article, a Respondent may elect to inspect the Alleged Defect, in which event the Respondent shall complete the initial inspection and testing within thirty (30) days after the date that the Claimant has provided notice to each Respondent pursuant to Section 18.4.2 above, and at a mutually agreeable date and time. The Respondent shall bear all costs of inspection and testing, including any damage caused by the inspection and testing. Before entering onto the Community for the inspection, the Respondent shall supply the Claimant with proof of liability insurance coverage. The Respondent shall, upon request, allow the inspection to be observed and recorded or photographed. Nothing that occurs during a Respondent's inspection may be used or introduced as evidence to support a defense of spoliation of evidence by the Claimant or any potential party in subsequent litigation.

18.4.4.2 Within sixty (60) days of completion of the initial inspection or testing, the Respondent may elect to repair some or all of the Alleged Defects by sending a written notice of election to repair to the Claimant. Notwithstanding any tolling provided by law, the applicable statutes of limitation and repose on any and all Claims relating to the Alleged Defects shall be tolled (i) from the completion of the initial inspection and/or testing until (a) Respondent's written notice of election to repair, or (b) the expiration of sixty (60) days, whichever is sooner; and (ii) from the date of any written notice of election to repair by Respondent until sixty (60) days after substantial completion of the repairs. This tolling applies to any and all Claims relating to Alleged Defects for which Claimant has given written notice pursuant to subparagraph 18.4.2 (regardless of whether Respondent has elected to repair none, some or all of the Alleged Defects). If the Respondent elects to repair some or all of the Alleged Defects, then (i) Respondent has the right to do so and the Claimant may not, directly or indirectly, impair, impede or prohibit the Respondent from making repairs; and (ii) until after the substantial completion of the repairs (a) the Claimant shall not file or pursue final binding arbitration (but may pursue mediation), and (b) if the Claimant is the Association, the Claimant shall not undertake the procedures for a consensus vote for Association action set forth in subparagraph 18.5.4. With any notice of election to repair, Respondent shall provide to Claimant a list of the Alleged Defects that Respondent has elected to repair, a detailed explanation of the repair work to be performed and the reasonably expected completion date for the repairs. The notice shall also include the name of any contractors the Respondent intends to employ for the repairs. Claimant shall promptly cooperate with the Respondent to schedule the repairs and provide reasonable access to the Community (including Common Area, Exterior Maintenance Areas and Unit) for the repairs.

18.4.4.3 For the purpose of exercising the rights to inspect, cure, correct and repair set forth above in subparagraphs 18.4.4.1 and 18.4.4.2, Declarant reserves for itself, its designees, the Association and its designees, a perpetual nonexclusive easement of access throughout the Community (including Common Area, Exterior Maintenance Area and Units) to the extent reasonably necessary to exercise such rights.

18.4.4.4 Within ten (10) days after receipt of the Respondent's notice to repair, a Claimant may deliver to the Respondent a written objection to the proposed repair if the Claimant believes in good faith that the proposed repairs will not remedy the Alleged Defect. The Respondent may elect to modify the proposal in accordance with the Claimant's objection, or may proceed with the scope of work set forth in the original proposal.

18.4.4.5 If the Respondent fails to send a notice to repair or otherwise strictly comply with this Section 1.4.4 within the specified time frames, or if the Respondent does not complete the repairs within the time set forth in the notice to repair, the Claimant shall be released from the requirements of this Section 18.4.4 and may proceed with the formal procedures set forth in Section 18.5 below. Notwithstanding the foregoing, if the Respondent notifies the Claimant in writing before the stated completion date that the repair work will not be completed by the completion date, the Respondent shall be entitled to one reasonable extension of the completion date.

18.4.4.6 The Respondent shall notify the Claimant when repairs have been completed. The Claimant shall have ten (10) days following the completion date to have the work inspected to verify that the repairs are complete and satisfactorily resolved the Alleged Defect. A Claimant who believes in good faith that the repairs made do not resolve the Alleged Defect may proceed with the formal procedures set forth in Section 18.5 below.

18.4.4.7 The specific materials and workmanship related to the repair work performed by the Respondent shall be warranted against material defects for a period of one (1) year, which warranty shall be in addition to any express warranties on the original work and shall be subject to the same terms and conditions of the original express warranty, but which repair work shall not be construed to be an "improvement" to real property for purposes of C.R.S. § 13-80-104.

18.4.4.8 Any Alleged Defect discovered after repairs have been completed shall be subject to the same requirements of this Article if the Respondent did not have notice or an opportunity to repair the new Alleged Defect.

18.4.5 No Requirement for Final Settlement to Begin Repairs; Settlement Proposal. The informal Procedures set forth in this Section 18.4 are for the purpose of encouraging early resolution of Claims and no formal written settlement or other agreement shall be required for inspection and corrective work to occur pursuant to Section 18.4.4 above. No Party shall be deemed to have waived any rights or Claims by reason of such corrective work, and the Claimant shall be entitled to monitor the effectiveness of the corrective measures instituted. Alternatively, if the Respondent desires a formal settlement agreement before commencing corrective measures or other action to resolve the subject matter of the Claim, the following Procedures may be employed:

18.4.5.1 Within thirty (30) days following completion of the inspection process, the Respondent may give Claimant written notification of its settlement proposal, including, in the case of a proposal to remedy a Defect Claim, a report of the scope, findings and results of the inspection, the damage caused by the Alleged Defect and a description of and a timetable for the work necessary to remedy the Alleged Defect.

18.4.5.2 Within fifteen (15) days after its receipt of Respondent's settlement proposal, Claimant shall notify Respondent of its acceptance or rejection thereof. Failure to give such notice shall be deemed to be a rejection of the proposal.

18.4.5.3 If the settlement proposal for remedial work is accepted, Claimant and Respondent shall endeavor to document the settlement proposal in writing within thirty (30) days after acceptance, which settlement shall be signed by the Parties in the manner described in Section 18.6.4 below.

18.4.6 Effect of Corrective Work. It is acknowledged and agreed by all Parties and by any guarantors, insurers and/or indemnitors of the Parties that any work conducted pursuant to Section 18.4.4 above (a) is in the nature of corrective or repair work and does not constitute nor shall be asserted or construed to be an "improvement" to real property for purposes of C.R.S. § 13-80-104, and (b) unless part of a written settlement agreement signed by the Claimant and each Respondent, does not constitute nor shall be asserted or construed to be a voluntary payment or assumption of a voluntary obligation without insurer consent under any applicable commercial general liability insurance policy.

18.4.7 Broad Construction. The Procedures set forth in this Section 18.4 shall be designed to encourage the good faith resolution of a Claim or appropriate correction of improvements and the right of the Respondent to be heard and to inspect and correct shall be ongoing and construed liberally throughout all of the Procedures set forth in this Article so as to permit the same, for example but not limitation, as there arise new issues, legal theories, engineering opinions, developments with insurers, and other developments and information, even if after the formal dispute resolution procedures commence as described below. Accordingly, the informal and formal dispute resolution procedures are anticipated to run concurrently from time to time and the Parties agree to reasonably, timely and in good faith cooperate with each other to respond to requests, to permit the rights set forth in these Procedures and to facilitate the processes of these Procedures toward the goal of a successful and voluntary resolution of Claims.

Section 18.5 Formal Notice and Association Consensus.

18.5.1 Formal Notice. At any time following the forty-five (45) day negotiation period described in Section 18.4.3 above (or following such longer period as the Parties may agree), the Claimant may provide written formal notice to each Respondent stating (i) the nature of the Claim, including if applicable a list of any alleged construction defects and a description, in reasonable detail, of the type and location of such defects, the damages claimed to have been caused thereby, and Respondent's role in the Claim, (ii) the legal or contractual basis of the Claim (i.e., the specific authority out of which the Claim arises), (iii) the date on which the Claim first arose, and (iv) the specific relief and/or proposed remedy sought. Notwithstanding the foregoing or any contrary provision herein, the Claimant shall, in addition to complying with these Procedures, follow the alternative dispute resolution procedures set out in the Construction Defect Action Reform Act, Colo. Rev. Stat. § 13-20-801 et seq., as it may be amended from time to time ("CDARA") with respect to any Defect Claim, and the initial formal notice required under CDARA may be combined with the formal notice of Claim required by this Section 18.5.1.

Formal written notice as provided in this Section, following the satisfaction of the Association Consensus Vote (defined below), if applicable, is required as an express condition to commence the resolution Procedures set forth in Sections 18.6, 18.7 and the Sections following, below.

18.5.2 Association Defect Claims. Notwithstanding any contrary provision herein, no formal notice of Claim under Section 18.5.1 (including, without limitation, a Notice of Claim under CDARA) may be made by a Claimant (a) if the Claim is a Defect Claim which relates, in whole or in part, to the Common Area, to the Exterior Maintenance Area or to any portion of the Units that is the responsibility of the Association to maintain, repair, and replace or to any Defect Claim that the Association intends to assert on its own behalf or on behalf of Owners (referred to herein as an "Association Defect Claim"), and (b) unless and until the Procedures set forth in this Section 18.5 below are satisfied. The Parties understand and agree that the Procedures of this Section 18.5 are essential to the protection of individual Owners who may not understand the implications and effects of the assertion of an Association Defect Claim by the Association, including, without limitation, the possible impact of such Claim on sales of Units within the Community and/or the ability of Owners to borrow funds when an Owner's Unit is being pledged as collateral for the loan.

18.5.3 Power of Attorney to Association. The Association is hereby designated to act as the exclusive representative of all Owners in asserting any Association Defect Claim, and each Owner does hereby appoint the Association to exclusively act as its power of attorney (which power shall be irrevocable) with respect to any Association Defect Claims, including the right to compromise and settle the same. No Owner shall assert an Association Defect Claim except through the Association.

18.5.4 Consensus Vote for Association Action. Notwithstanding anything contained in these Procedures to the contrary and in addition to any requirements prescribed by law, before asserting a Claim the Association shall do the following:

18.5.4.1 The Executive Board of the Association, following the approval of an Association Defect Claim by a majority of all Directors, shall mail or deliver written notice to each Owner at the Owner's last-known address described in the Association's records containing the following: (a) the nature of the Association Defect Claim, the parties involved, and the relief sought, (b) the expenses and fees that the Executive Board anticipates will be incurred, directly or indirectly, in the prosecuting the Association Defect Claim, including attorney fees and consultant and witness fees and other costs of prosecution of the Claim, (c) the costs, if any, to the Association pursuant to an agreement with its attorney or otherwise that would be incurred if the Association elects at any time not to proceed with the Association Defect Claim, (d) the manner in which the Association proposes to fund the cost of the Association Defect Claim, including any proposed special assessments or use of reserves, (e) the anticipated duration of the Association Defect Claim, the likelihood of its success, and the risks to which the Association is exposed (e.g., an assessment of counter-claims and/or other potential liability to the Association), (f) a reasonable assessment and explanation of the anticipated impact of the Association Defect Claim on the marketability of Units for sale within the Community and the impact on the ability of Owners to refinance and buyers of Units to secure financing, explained for both during the pendency of the Association Defect Claim and

after its resolution, together with a prominent statement advising Owners if it is concluded that any such impact does exist, (g) a prominent statement advising Owners that the existence of the Association Defect Claim may represent a material matter requiring legal disclosure to lenders, purchasers, auditors and/or other appropriate parties, and (h) providing proper notice for a meeting of Owners to be held not sooner than thirty (30) days or longer than sixty (60) days after such mailing, at which Owners shall discuss and vote on the Association Defect Claim as described in Section 18.5.4.2 below.

18.5.4.2 The Association Defect Claim must be approved and authorized at the meeting of Owners held pursuant to the notice described in Section 18.5.4.1 above by the written affirmative vote, by ballot or by proxy directing the specific vote of the Owner (but not by proxy granting discretion to the proxy holder as to how to vote), of Owners holding at least sixty-seven percent (67%) of the total voting rights in the Association (the “Association Consensus Vote”).

18.5.4.3 The Association Consensus Vote must be obtained within sixty (60) days after the mailing to Owners; otherwise the Owners shall be deemed to have declined to provide their informed consent to the Association Consensus Vote.

18.5.5 Limit on Director and Officer Liability. No director or officer of the Association shall be liable to any person or entity for failure to institute or maintain or bring to conclusion a cause of action, mediation or arbitration for an Association Defect Claim if the following criteria are satisfied: (i) the director or officer was acting within the scope of his or her duties; (ii) the director or officer was not acting in bad faith; and (iii) the act or omission was not willful, wanton or grossly negligent.

18.5.6 Association Approval. Only after an Association Consensus Vote is successfully secured by the Association in the manner described in this Section 18.5 may the Association deliver a formal notice of the Association Defect Claim to each Respondent in the manner described in Section 18.5.1 above.

Section 18.6 Mediation.

18.6.1 Following the formal written notice discussed in Section 18.5.1 above, the Claimant shall have thirty (30) days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the County in which the Community is located, unless otherwise agreed by the Parties. A mediator shall be selected no later than forty-five (45) days after the Claimant has given notice to the Respondent of its submittal to mediation and, if the Association is a Party and the Parties are unable to agree on a mediator, one shall be chosen by the American Arbitration Association. Each Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all charges rendered by the mediator.

18.6.2 If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge

Respondent from any liability to any person other than the Claimant.

18.6.3 If the parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to submit the Claim to binding arbitration as provided below.

18.6.4 Any settlement of the Claim through mediation or through negotiation shall be documented in writing and signed by the Parties. If any Party thereafter fails to abide by the terms of such agreement, then any other Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the Procedures set forth in this Article. In such event, the Party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorney's fees and court costs.

Section 18.7 Final and Binding Arbitration. Upon termination of mediation as provided in Section 18.6.3 above, if Claimant desires to pursue the Claim, Claimant shall have forty-five (45) days to deliver an arbitration notice to Respondent(s) and to initiate final, binding arbitration of the Claim under the auspices of the American Arbitration Association ("AAA") in accordance with the AAA's Commercial or Construction Industry Arbitration Rules, as appropriate. If any Claim is not timely submitted to arbitration, or if Claimant fails to appear for the arbitration proceeding, then the Claim shall be deemed waived and abandoned, and Respondent(s) shall be released and discharged from any and all liability to Claimant arising out of any such Claim. The following arbitration procedures shall be applicable to each Claim that is arbitrated:

18.7.1 The arbitrator must be a person qualified, with applicable industry experience and/or legal experience, to consider and resolve the applicable Claim.

18.7.2 No person shall serve as the arbitrator where that person has any financial or personal interest in the result of the arbitration. Any person designated as an arbitrator shall immediately disclose in writing to all Parties any circumstance likely to affect the appearance of impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Arbitrator Disclosure"). If any Party objects to the service of any arbitrator with fourteen (14) days after receipt of the Arbitrator's Disclosure, such arbitrator shall be replaced in the same manner in which that arbitrator was selected.

18.7.3 The arbitration shall be presided over by a single arbitrator. Notwithstanding any other provision of this Section 18.7, if the Parties are unable to agree upon an arbitrator to resolve a Claim, they shall request from the AAA a list of qualified arbitrators. Promptly following their receipt of the list, the Parties shall meet in person or by telephone and shall follow the AAA procedures of ranking and striking names so as to determine the person who shall serve as the arbitrator. The cost of the list shall be split equally by the Parties.

18.7.4 The arbitrator shall hold at least one hearing in which the Parties, their attorneys and expert consultants may participate. The arbitrator shall fix the date, time and place

for the hearing. The arbitration proceedings shall be conducted in the County in which the Community is located unless otherwise agreed by the Parties.

18.7.5 Discovery shall be limited to document disclosures as provided by the AAA, and no other discovery shall be conducted in the absence of an order of the arbitrator or express written agreement among all the Parties. The manner, timing and extent of any discovery shall be committed to the arbitrator's sound discretion, provided that under no circumstances shall the arbitrator allow more depositions or interrogatories than permitted by the presumptive limitations set forth in Federal Rules Of Civil Procedure 30(a)(2)(A) and 33(a). The arbitrator shall levy appropriate sanctions, including an award of reasonable attorneys' fees, against any Party that fails to cooperate in good faith in discovery agreed to by the Parties or ordered by the arbitrator pursuant to this Section.

18.7.6 The arbitrator may, in his or her reasonable discretion, permit the Parties to submit pre-hearing briefs, post-hearings briefs and/or proposed findings of fact and conclusions of law. The arbitrator shall also have authority to establish reasonable terms regarding inspections, destructive testing and retention of independent consultants, if applicable.

18.7.7 The Parties agree that where any Claim, dispute or other controversy existing between them is submitted to arbitration, and any other Party may have liability with respect thereto, all Parties agree that the third parties may be joined as additional Parties in the arbitration, or if a separate arbitration exists or is separately initiated, to the consolidation of all such arbitrations. By way of example only and not by limitation, in the event of an Alleged Defect, Declarant would have the right to join in the arbitration any design professional, contractor, subcontractor or other third party whose acts or omissions allegedly caused or contributed to the damages alleged by the Claimant.

18.7.8 The arbitration award shall address each specific Claim to be resolved in the arbitration, provide a summary of the reasons therefore and the relief granted, and be rendered promptly after the close of the hearing and no later than thirty (30) days from the close of the hearing, unless otherwise agreed by the Parties. The arbitration award shall be in writing and shall be signed by the arbitrator.

18.7.9 Any issue about whether a Claim is covered by this Article shall be determined by the arbitrator. Notwithstanding anything to the contrary, if a Party contests the validity or scope of arbitration in a court of law, the arbitrator or the court shall award reasonable attorneys' fees and expenses incurred in defending such contests, including those incurred in trial or on appeal, to the non-contesting Party.

18.7.10 The arbitrator shall apply the substantive law of Colorado and may award injunctive relief or any other remedy available in Colorado.

18.7.11 The award rendered by the arbitrator shall be final and binding, may be filed with any court of competent jurisdiction in the County in which the Community is located in accordance with applicable law and judgment obtained thereon, and execution may issue. If any Party objects to entry of judgment upon any arbitration award entered pursuant to this Section 18.7, the Party that substantially prevails in any ensuing dispute concerning the entry

of judgment upon such award shall be entitled to all reasonable attorneys' fees and costs incurred in the enforcement of the award.

18.7.12 The fees and costs of the arbitration, including without limitation the arbitrator and its consultants, shall be borne equally by the Parties.

18.7.13 Except as may be required by law or for confirmation of an arbitration award, neither a Party nor an arbitrator may disclose the existence or contents of any arbitration or arbitration award without the prior written consent of all Parties to the Claim.

Section 18.8 Amendments to this Article; Standing to Enforce. Notwithstanding anything to the contrary contained in this Declaration or any of the Association Documents, the terms and provisions of this Article 18 inure to the benefit of Declarant, are enforceable by Declarant, and shall not ever be amended or nullified without the written consent of Declarant and without regard to whether Declarant owns any portion of the Community at the time of such amendment. BY TAKING TITLE TO A UNIT, EACH OWNER ACKNOWLEDGES AND AGREES THAT THE TERMS OF THIS ARTICLE 18 ARE A SIGNIFICANT INDUCEMENT TO THE DECLARANT'S WILLINGNESS TO DEVELOP AND SELL THE UNITS AND THAT IN THE ABSENCE OF THE PROVISIONS CONTAINED IN THIS ARTICLE, DECLARANT WOULD HAVE BEEN UNABLE AND UNWILLING TO DEVELOP AND SELL THE UNITS FOR THE PRICES PAID BY THE ORIGINAL PURCHASERS. Any amendment made without the requisite written consent of Declarant shall be null and void and shall have no effect. Further, all employees and agents of Declarant and all contractors, subcontractors, architects, engineers and other development professionals associated with the design or construction of any portion of the Community (each a "Third Party Beneficiary") are third-party beneficiaries of this Article and of the terms and conditions contained herein, including without limitation the requirement for binding arbitration, and any Third Party Beneficiary has standing to enforce the terms and conditions of this Article, including without limitation to compel binding arbitration.

Section 18.9 Reformation. The Parties agree that reliance upon courts of law and equity can add significant costs and delays to the process of resolving Claims. Accordingly, they recognize that an essential part of the Declaration is this Article and its agreement between and among the Parties to provide for the submission of all Claims to informal negotiation and correction efforts, mediation and final and binding arbitration. Therefore, if any court or arbitrator concludes that any provision of these Procedures is void, voidable or otherwise unenforceable, the Parties understand and agree that the court or arbitrator shall reform each such provision to render it enforceable, but only to the extent absolutely necessary to render the provision enforceable and only in view of the Parties' express desire that the merits of all Claims be resolved only by arbitration and, to the greatest extent permitted by law, in accordance with the principles, limitations and procedures set forth in these Procedures.

Section 18.10 Notices; Computation of Time. All notices given or required by these Procedures shall be in writing and shall be deemed given and received (a) when hand delivered to the intended recipient by whatever means; (b) three business days after the same is deposited in the United States mail, with adequate postage prepaid and sent by certified mail, return receipt requested, or (c) one business day after the same is deposited with an overnight courier service of national reputation, with the delivery charges prepaid. In the event any date called for herein

falls on a Saturday, Sunday or legal holiday for which U.S. mail service is not provided, such date shall be extended to the next business day following such Saturday, Sunday or holiday.

ARTICLE 19

MISCELLANEOUS

Section 19.1 Restriction on Declarant Powers. Notwithstanding anything to the contrary herein, no rights or powers reserved to Declarant hereunder shall exceed the time limitations or permissible extent of such rights or powers as restricted under the Act. Any provision in this Declaration in conflict with the requirements of the Act shall not be deemed to invalidate such provision as a whole but shall be adjusted as is necessary to comply with the Act.

Section 19.2 Term. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity, subject to the provisions of this Declaration and the termination provisions of the Act.

Section 19.3 Amendment. The provisions of this Declaration may be amended or terminated, in whole or in part, from time to time, upon approval of Owners representing sixty-seven percent (67%) or more of the total voting interest in the Association at a meeting of the Owners called for that purpose or by written consent; provided, however, any proposed amendment to this Declaration which affects any right of Declarant shall require the prior written approval of Declarant, in addition to the approval requirements otherwise set forth herein, including, without limitation, in the manner provided in Section 18.8 above. In addition, a majority of the voting Directors of the Executive Board may make, without the approval of the Owners, changes to any Association Documents to the extent necessary to correct a factual error.

Section 19.4 Unilateral Amendment Rights Reserved by Declarant. Notwithstanding any provision in this Declaration to the contrary, Declarant, acting alone, reserves to itself the right and power to modify and amend this Declaration to the fullest extent permitted under the Act including, without limitation, to correct clerical, typographical or technical errors, or to comply with the requirements, standards, or guidelines of recognized secondary mortgage markets, the Department of Housing and Urban Development, the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Federal National Mortgage Association.

Section 19.5 Recording of Amendments. Any amendment to this Declaration must be executed by the President of the Association and recorded in the Office of the Clerk and Recorder of County of Routt, Colorado, and approval of such amendment may be shown by attaching a certificate of the Secretary of the Association to the recorded instrument certifying the approval of a sufficient number of Owners of the amendment or that no approval of the Owners was necessary.

Section 19.6 Enforcement. Enforcement of the covenants, conditions, restrictions, easements, reservations, rights-of-way, liens, charges, and other provisions contained in this Declaration, the Articles, the Bylaws, and the rules and regulations of the Association, all as amended, shall be by any proceeding pursuant to Article 18 of this Declaration to the extent required by the terms of this Declaration, or otherwise at law or in equity, against any person or

persons, including the Association, violating or attempting to violate any such provision. The Association and any aggrieved Owner shall have the right to institute, maintain, and/or prosecute any such proceedings, and the Association shall further have the right (after notice and an opportunity to be heard) to levy and collect fines for the violation of any provision of the aforesaid documents. In any action instituted or maintained under this Section, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto, as well as any and all other sums awarded under Article 18 or by the Court, as applicable.

Section 19.7 Severability. Invalidation of any of the covenants, restrictions or other provisions contained in this Declaration by judgment or court order shall in no way affect or limit any other provisions which shall remain in full force and effect.

Section 19.8 Conflict of Provisions. In case of any conflict between this Declaration and the Articles or the Bylaws, this Declaration shall control. In case of any conflict between the Articles and the Bylaws, the Articles shall control.

Section 19.9 Nonwaiver. Failure by Declarant, the Association, or any Owner or First Mortgagee to enforce any covenant, condition, restriction, easement, reservation, right-of-way, or other provision contained in this Declaration shall in no way or event be deemed to be a waiver of the right to do so thereafter.

Section 19.10 Number and Gender. Unless the context provides or requires to the contrary, the use of the singular herein shall include the plural, the use of the plural shall include the singular and the use of any gender shall include all genders.

Section 19.11 Captions. The captions to the Articles and Sections and the Table of Contents at the beginning of this Declaration are inserted only as a matter of convenience and for reference, and are in no way to be construed to define, limit or otherwise describe the scope of this Declaration or the intent of any provision of this Declaration.

Section 19.12 Exhibits. All the Exhibits attached to and described in this Declaration are incorporated in this Declaration by this reference.

Executed as of the date first written above.

TAILWATERS AT STAGECOACH, LLC, a
Colorado limited liability company

By: _____

Name: _____

Title: _____

STATE OF COLORADO)

)ss.

COUNTY OF ROUTT)

The foregoing instrument was acknowledged before me this __ day of _____,
201_, by _____, as _____ of Tailwaters Development
Company, LLC, a Colorado limited liability company.

Witness my hand and official seal.

My commission expires: _____

Notary Public

EXHIBIT A

Property Description

LEGAL DESCRIPTION

89.17 ACRE PARCEL

Legal Description of parcel of land located in SW ¼ SW ¼ , Section 30, Township 4 North, Range 84 West, and in Lots 8 and 9 Section 5, Township 3 North, Range 84 West, of the 6th P.M., County of Routt, State of Colorado and more particularly described as follows,

Beginning at the W 1/4 corner of said Section 5, thence along the west line of Section 5 North 02° 18'33" East a distance of 1313.36 feet; thence continuing along the west line of Section 5 North 02° 18'33" East a distance of 1343.74 feet to the northwest corner of said Section 5; thence along the west line of Section 30 North 01° 27'08" East a distance of 1054.93 feet to the south line of SOUTH SHORE at STAGECOACH subdivision;

thence along the south line of SOUTH SHORE at STAGECOACH subdivision South 73° 30'47" East a distance of 1393.88 feet to the west line of a parcel of land as described at Book 672 Page 1997 of the Routt County Clerk and Recorders Records;

thence along the west line Book 672 Page 1997 South 30° 00'46" West a distance of 411.41 feet; thence continuing along the west line Book 672 Page 1997 South 0° 39' 14" East a distance of 632.00 feet; thence continuing along the west line Book 672 Page 1997 South 05° 00'46" West a distance of 113.00 feet; thence continuing along the west line Book 672 Page 1997 South 04° 50'46" East a distance of 579.00 feet; thence continuing along the west line Book 672 Page 1997 South 15° 10'46" west a distance of 1103.00 feet; thence continuing along the west line Book 672 Page 1997 South 03° 39' 11" East a distance of 604.00 feet to the south line of said Section 5;

thence along the south line of said Section 5 North 88° 09' 14" East a distance of 963.00 feet; To the Point of Beginning, containing 89.17 acres of land, more or less.

All bearings are based upon the west line said SW ¼ SW ¼ Section 5 marked with a GLO Brass cap at the W ¼ Section 5, and Alum. Cap RLS # 12881 at the northwest corner of Section 5 As being North 01°27'08" East - Assumed

EXHIBIT B

Expansion Property

EXHIBIT C
Easements and Licenses of Record

Exhibit A

Legal Description of the Properties

Exhibit B

Exhibit C