DECLARATION OF CONDITIONS, COVENANTS AND RESTRICTIONS
OF
RIDGWAY VILLAGE WEST,
A CONDOMINIUM AND SUBDIVISION OF A PART OF
LOT 2B, NORTHRIDGE SUBDIVISION
TOWN OF RIDGWAY, OURAY COUNTY, COLORADO

THIS DECLARATION, made on the date hereinafter set forth by Lot 2 Joint Venture, LLC with an address of P.O. Box 2098, Ridgway, CO 81432 (hereinafter referred to as "Declarant").

RECITALS:

a) Declarant is the owner of Lot 2B, Northridge Subdivision, according to the plat and any amendment thereof filed in the public records of the Ouray County Clerk and Recorder, County of Ouray, State of Colorado (hereinafter referred to as the "Property").

b) Declarant intends to delineate a portion of the Property into Units and to create a Condominium pursuant to the Colorado Common Interest Ownership Act of the State of Colorado (C.R.S. Sections §§38-33.3-101 et seq., "the Act"). To define and establish the rights, powers, duties, conditions and restrictions of Unit ownership in Ridgway Village West, Declarant hereby publishes and records this Declaration.

c) Declarant has caused "Ridgway Village West Homeowners Association, Inc." to be incorporated under the laws of the State of Colorado, for the purpose of exercising the functions as herein set forth.

d) The initial number of Condominium Units shall be twenty-four (24).

ARTICLE I
SUBMISSION/DEFINED TERMS

Section 1.01 Submission of Real Estate. The Declarant hereby submits the Property above and such additional real estate as may be subsequently added, pursuant to the expansion rights reserved in this Declaration, together with all easements, rights, and appurtenances thereto and the buildings and improvements erected or to be erected thereon (collectively, the "Real Estate") to the provisions of the Act as it may be amended from time to time and to the terms and conditions of this Declaration. In the event the Act is repealed, the Act on the effective date of this Declaration shall remain applicable. Further, Declarant hereby declares that all of the Real Estate described above, and as added by expansion, shall be held or sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of, and which shall run with, the Real Estate and be binding on all parties having any right, title or interest in the Real Estate or any part thereof, their heirs, legal representatives, successors, and assigns and shall inure to the benefit of each Unit Owner thereof. For purposes of the Act, the Common Interest Community shall be a Condominium.

Section 1.02 Defined Terms. Unless defined herein, each capitalized term in this Declaration or in the Map shall have the meaning specified or used in the Act.

(a) "Agency" means any agency or corporation such as Housing and Urban Development, Veteran's Administration ("VA"), Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC") that purchases or insures residential mortgages.

(b) "Allocated Interest" means the undivided interest in the Assessments, percentage ownership of the Common Elements, and votes in the Association allocated to each Unit as set forth in Section 5.02 hereof.

(c) "Articles" means the Articles of Incorporation for Ridgway Village West Homeowners Association, Inc., a Colorado non-profit corporation, currently on file with the Colorado Secretary of State and any amendments that may be made to those Articles from time to time.

(d) "Annual Assessment" means the Assessment levied pursuant to an annual budget.

(e) "Assessments" means the Annual, Special and Default Assessments levied pursuant to Article VI below. Assessments are also referred to as Common Expense Liability as defined under the Act.

(f) "Association" means the Ridgway Village West Homeowners Association, Inc., a Colorado non-profit corporation, and its successors and assigns.

(g) "Association Documents" or "Governing Documents" means this Declaration, the Articles, the Bylaws, the Map, and any procedures, rules, regulations or policies adopted under such documents by the Association. All provisions of the Association Documents or Governing Documents shall be given the same force and effect as if set forth in the Declaration.

(h) "Bylaws" means the Bylaws adopted by the Association, as amended from time to time.

(i) "Clerk and Recorder" means the office of the Clerk and Recorder in the County of Ouray, State of Colorado

(j) "Common Element" means all portions of the Project except the Units. The Common Elements are owned by the Owners in undivided interests according to the Allocated Interests as defined in Section 1.02(b) above and consist of General Common Elements and Limited Common Elements.

(1) "General Common Elements" means all tangible physical property of the Project except Limited Common Elements and the Units.

(2) "Limited Common Elements" means those parts of the Common Elements which are either limited to or reserved in this Declaration, on a Map, or by action of the Association, for the exclusive use of an Owner of a Unit or are limited to and reserved for the common use of more than one, but fewer than all Owners.

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

(l) "Declaration" means this Declaration and the Map, and any amendments and supplements to the foregoing.

(m) "Eligible Mortgagee" means a First Mortgagee (as hereinafter defined) who (i) is also a bank, savings and loan association, insurance company, real estate mortgage investment trust, pension fund, an agency of the United States Government, mortgage banker, the Federal National Mortgage Associations ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or any other lender generally recognized as an institutional lender, and (ii) has notified the Association, in writing, of its name and address, and that it holds the First Mortgage on one or more Units. The notice must include the Unit number and street address of the Unit on which is has such security interest. This notice shall be deemed to include a request that the Eligible Mortgagee be given the information and afforded the rights described in Articles X and XII below.

(n) "Executive Board" means the governing body of the Association.

(o) "First Mortgage" means any Mortgage the priority of which is not subject to any monetary lien or encumbrance except liens for taxes or other liens that are given priority by statute.

(p) "First Mortgagee" means any person named as a Mortgagee in any First Mortgage.

(q) "Manager" means 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.

(r) "Map" means the Condominium Map of the Project recorded with the Clerk and Recorder of Ouray County, Colorado, depicting a plan of all or a part of the Property subject to this Declaration and any supplements and amendments thereto.

(s) "Member" means every person or entity that holds membership in the Association.

(t) "Mortgage" means any mortgage, deed of trust or other document pledging any Unit or interest therein as security for payment of a debt or obligation.

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

(v) "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.

(w) "Owner's Agent" means members of the Unit Owner's family, or the Unit Owner's agent, employee, invitee, licensee or tenant.

(x) "Project" means the common interest community created by this Declaration and as shown on the Map consisting of the Property, the Units and the Common Elements.

(y) "Successor Declarant" means any person 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 with the Clerk and Recorder.

(z) "Supplemental Declaration" means an instrument which amends this Declaration.

(aa) "Supplemental Map" means a supplemental Map of the Project which depicts any change in the Project through a Supplemental Declaration.

(bb) "Unit" means, with respect to enclosed units intended for dwelling, one individual airspace which is contained within the perimeter windows, doors and unfinished surfaces of perimeter walls, floors and ceilings and as defined in Section 4.03 hereof, together with the appurtenant interest in the Common Elements as set out in Section 5.02 hereof.

(cc) "Ridgway USA Covenants" means the Declaration of Covenants, Conditions and Restrictions for The Ridgway USA Development, recorded on July 24, 1990, in Book 215, Pages 870-894, Reception No. 147105 in records of the Ouray County Clerk and recorder, and any supplements, modifications and amendments thereto.

Section 1.03 Subordinate to Ridgway USA Covenants. All terms and conditions of this Declaration are subject to and subordinate to the terms and conditions of the Ridgway USA Covenants, which are incorporated herein by this reference thereto.

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

ARTICLE II
NAMES/DESCRIPTION OF REAL ESTATE

Section 2.01 Name and Type.

(a) Common Interest Community. The type of Common Interest Community created hereunder is a Condominium pursuant to the Act. The name of the Condominium is RIDGWAY VILLAGE WEST.

(b) Association. The name of the Association is Ridgway Village West Homeowners Association, Inc. Declarant has caused the Association to be incorporated as a non-profit corporation under the laws of the State of Colorado.

Section 2.02 Real Estate. The Project is located in the Town of Ridgway, Ouray County, State of Colorado. The initial Real Estate within which the Project is located is described as Lot 2B, Northridge Subdivision, according to the plat and any amendment thereof filed in the public records of the Ouray County Clerk and Recorder, County of Ouray, State of Colorado.

Section 2.03 Utility Easements. Easements for utilities shall include a blanket utility easement over and across all of the Common Elements including both the General Common Elements and the Limited Common Elements and such other easements as shown upon the recorded Map and such other easements as may be established pursuant to the provisions of this Declaration, or granted by authority reserved in any recorded document. Also see Article XI hereof.

Section 2.04 Easements for the Executive Board. Each Unit shall be subject to an easement in favor of the Executive Board (including its agents, employees and contractors) to perform its obligations pursuant to this Declaration. The Association is granted the right to establish from time to time, by declaration or otherwise, utility and other easements, permits or licenses over the General Common Elements for the best interest of all the Owners and the Association. Also see Article XI hereof. All such easements in favor of the Executive Board shall be utilized in a reasonable and prudent manner.

ARTICLE III
THE ASSOCIATION

Section 3.01 General Purposes and Powers. The Association, through its Executive Board, shall perform functions and manage the Project as provided in this Declaration so as to further the interest of the residents, occupants, tenants and guests of the Project and Members of the Association. Any purchaser of a Unit shall be deemed to have assented to, ratified and approved such designation and management. The Association shall have all power necessary or desirable to effectuate such purposes.

Section 3.02 Authority of the Association. The business affairs of the Project shall be managed by the Association. The Association shall be governed by its Articles of Incorporation and Bylaws, as amended from time to time. The Executive Board may, by written resolution, delegate authority to a Manager or managing agent for the Association, provided no such delegation shall relieve the Executive Board of final responsibility.

Section 3.03 Specific Powers.

Except as provided in the Bylaws and the Act, the Executive Board may act in all instances on behalf of the Association, to:

a) Exercise all the powers, authority and duties as necessary and proper, to manage the business and affairs of the Project.

b) Exercise all of the powers, authority and duties permitted or set forth in the Act, the Association Documents, and the Colorado Nonprofit Corporation Act.

c) Assign its right to future income, including the right to assign its right to receive Common Expense Assessments, but only upon the affirmative vote of the Unit Owners of Units to which at least two-thirds of the votes in the Association are allocated at a meeting called for that purpose.

d) Hire and discharge employees, independent contractors and agents.

e) Control Owner's use and occupancy of their respective Units in order to assure Unit Owners of eligibility of the Project for any Agency. In this regard, the Association shall adopt rules and regulations with respect to rental of Units to non-Owners. Not less than seventy percent (70%) of the Units (or such lower percentage as may be allowed from time to time by all Agencies with jurisdiction over the Project) must be Owner-occupied (as a primary residence or second home) at all times. Any Owner wishing to lease a Unit shall be subject to this percentage occupancy requirement and must first apply for authorization from the Association for any non-Owner residential use. Allowance of a Unit Owner to rent a Unit shall be on a first-come, first-serve basis and the Association shall have the authority to permit or deny the use or leasing of any Unit within the Project, subject to the-current federal mortgage eligibility requirements. This section shall not prohibit leasing of any carport space which may be attributable to a Unit to another Unit Owner.

f) Adopt and amend bylaws and rules and regulations.

g) Adopt and amend budgets for revenues, expenditures and reserves and collect Assessments.

h) Institute, defend or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Unit Owners on matters affecting the Project.

i) Make contracts and incur liabilities, except that any contract providing for the services of Declarant may not exceed three years and must provide for termination by either party without cause and without payment of a termination fee on ninety days or less written notice.

j) Regulate the use, maintenance, repair, replacement and modification of the Common Elements.

k) Cause additional improvements to be made as part of the Common Elements.

l) Acquire, hold, encumber and convey in the name of the Association any right, title or interest to real or personal property, except that Common Elements may be conveyed or subjected to a security interest only if: (i) Owners entitled to cast at least two-thirds (2/3rds) of the votes agree to that action, (ii) the provisions of subsection 10.03 are followed with respect to approval of Eligible Mortgagees, and (iii) if all Owners of Units to which any Limited Common Element is allocated agree in order to convey that Limited Common Element or subject it to a security interest.

m) Grant easements, leases, licenses and concessions through or over the Common elements.

n) Impose and receive any payments, fees or charges for the use, rental or operation of the General Common Elements.

o) Impose charges for late payment of Assessments, recover reasonable attorney fees and other legal costs for collection of Assessments and other actions to enforce the power of the Association, regardless of whether or not suit was initiate, and after notice and opportunity to be heard, levy reasonable fines for violations of Association Documents.

p) Impose reasonable charges for the preparation and recordation of amendments to the Declaration or statements of unpaid Assessments.

q) Provide for indemnification of its officers and Executive Board and maintain directors' and officers' liability insurance.

Section 3.04 Inter-Association Agreements/Regulation of Common Elements. The Executive Board shall have the power and is hereby required to enter into contracts or agreements with the owner of the Northridge

Apartments Project, located on Lot 2A, Northridge Subdivision, according to the plat and any amendment thereof filed in the public records of the Ouray County Clerk and Recorder, County of Ouray, State of Colorado for the purpose of coordinating the maintenance of any driveway, parking and pedestrian infrastructure or other Common Element which is used in common with the Northridge Apartments Project. Said contracts or agreements shall provide for and insure that any recreational Common Elements within the Project shall be available for use by residents of the Northridge Apartments Project. Further, said contracts or agreements shall provide for an equitable pro rata cost sharing arrangement whereby the Association and the Northridge Apartments Project owner shall each pay its reasonable share for the maintenance and repair of said commonly-used infrastructure and Common Elements. Any maintenance costs due from the Association for its pro rata share of maintenance and repair of said commonly-used infrastructure and Common Elements shall be considered a Common Expense liability to be allocated in accordance Section 5.02 hereof. Copies of the fully executed Inter-Association contracts and agreements and any amendments thereto shall be provided to the Town of Ridgway. Once entered into by both parties, said Agreements may not be amended or rescinded by either party without prior approval of the Town of Ridgway, provided, however, upon the condominiumization of the Northridge Apartments, if same occurs, said contracts and agreements shall be assigned by the owner of the Northridge Apartments Project to any Owner Association formed in conjunction with said condominiumization of the Northridge Apartments Project, without the need for approval by the Town of Ridgway. Regulation of any Common Element located within the Project or the subject of an Inter-Association contract or Agreement shall be in accordance with applicable Town of Ridgway ordinances or regulations.

Section 3.05 Membership. Every person or entity who is a record Unit Owner of a fee interest in any Unit which is subject to this Declaration shall be a Member of the Association, including contract sellers. Membership shall be appurtenant to and may not be separated from ownership of any Unit. 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 3.06 Directors. The affairs of the Project and the Association shall be governed by an Executive Board of the Association which, until the first Unit is sold, shall consist of one person, and following such date shall consist of three (3) persons. All non-Declarant-appointed members of the Executive Board shall be Unit Owners.

Section 3.07 Books and Records. The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to Owners and to Mortgagees, current copies of the Association Documents and the books, records and financial statements of the Association prepared pursuant to the Bylaws. The Association may charge a reasonable fee for copying such materials. The Association shall maintain such books and records as may be required under the Act.

Section 3.08 Declarant Control.

a) The Declarant shall have the reserved powers, pursuant to Section 303(5) of the Act, to appoint and remove officers and members of the Executive Board during the term of Declarant Control. "Declarant Control" begins with the appointment of the initial Executive Board and continues until the earlier of (i) sixty (60) days after conveyance of seventy-five percent (75%) of all Units in the ordinary course of business to Unit Owners other than the Declarant; (ii) two (2) years after the last conveyance of a Unit by the Declarant in the ordinary course of business to a Unit Owner other than Declarant; or (iii) two (2) years after the right to add new Units was last exercised. Under the Act, Declarant Control is further extinguished, to the extent stated, sixty (60) days after the following events: (1) Declarant conveys twenty-five percent (25%) of the Units that may be created to Owners other than Declarant, to the extent of twenty-five percent (25%) of the members of the Executive Board (minimum of one), and (2) Declarant conveys fifty percent (50%) of the Units that may be created to Owners other than Declarant, to the extent of thirty-three and one-third percent (331/3%) of the members of the Executive Board.

b) The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of the period of Declarant Control, but, in that event, the Declarant may require, for the duration of the period of Declarant Control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

Section 3.09 Indemnification. To the full extent permitted by law, each officer and director of the Association shall be and is hereby indemnified by the Unit Owners and the Association against all expenses and liabilities including attorneys' fees, reasonably incurred by or imposed upon him/her in any proceeding to which he/she may be a party, or in which he/she may become involved, by reason of being or having been an officer or director of the Association, or any settlements thereof, whether or not he/she is an officer or director of the Association at the time such expenses are incurred; except in such cases wherein such officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his/her duties; provided that in the event of a settlement the indemnification shall apply only when the Executive Board approves such settlement and reimbursement as being for the best interest of the Association.

ARTICLE IV
UNITS, COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

Section 4.01 Number of Units

a) The initial number of Units in the Project is twenty-four (24).

b) Declarant reserves the right to expand the Project to a maximum number of sixty-four (64), provided, however, the Declarant reserves the right to subdivide Units (and thereby create additional Units up to the maximum number allowed by any governmental entity having jurisdiction over the Real Estate, and to combine Units, all as more particularly set forth in this Declaration.

Section 4.02 Identification of Units/Unit Descriptions. Each dwelling Unit, the appurtenant interest in the General Common Elements and the appurtenant use of the Limited Common Elements, shall comprise one Unit, shall be inseparable and may be transferred, leased, devised or encumbered only as one Unit. Any attempted transfer of the appurtenant interest in the General Common Elements or Limited Common Elements shall be void unless the dwelling Unit to which that interest is allocated is also transferred. The identification number or letter of each Unit is shown on the Map. Every contract for sale, deed, lease, Security Interest, will or other legal instrument may legally describe a Unit as follows:

" Unit _______, Filing ___ of Ridgway Village West, Town of Ridgway, County of Ouray, State of Colorado, together with the appurtenant interest in the Common Elements, as depicted on and in accordance with the Condominium Map thereof recorded on __________, 2006, at Reception No. __________ and the Declaration recorded on ________, 2006, at Reception No. ________, in the records of the County Clerk and Recorder of Ouray County, Colorado as amended from time to time."

The reference to the Declaration and Map in any instrument shall be deemed to include any supplement(s) or amendment(s) to the Declaration or Map, without specific references thereto.

Section 4.03 Boundaries of Units. The boundaries of each Unit are as depicted on the Condominium Map of the Project.

a) Inclusions. Together with the appurtenant interest in the Common Elements, each Unit includes the spaces and improvements lying within the boundaries described above, as depicted on the Map. Each Unit also includes the spaces and improvements within the spaces containing water heating facilities, all electrical switches, wiring, pipes, ducts, conduits, smoke detector systems and communications, television, telephone and electrical receptacles and boxes serving that Unit exclusively, the surface of these items being within the boundaries of that Unit, whether or not the spaces are contiguous.

b) Exclusions. Except when specifically included by other portions or this Declaration or by the Map, the following are excluded from each Unit: The spaces and improvements lying outside the boundaries described above.

c) Noncontiguous Portions. Certain Units may include special portions or pieces of equipment, such as air conditioning compressors, meter boxes, utility connection structures, air or gas pump and storage facilities and storage portions, which are situated in buildings or structures that are detached from the Unit. Such special equipment or storage portions are a part of the Unit, notwithstanding their non-contiguity with the principal portions.

Section 4.04 Limited Common Elements.

a) The areas depicted on the Map as Limited Common Elements, if any, are Limited Common Elements for the exclusive use of those Units as denoted on the Map. The expenses for these Limited Common Elements shall be the sole responsibility of the Units as denoted on the Map.

Section 4.05 General Common Elements.

a) All portions of the Real Estate described in Article II, Section 2.02 not designated on the Map as a Limited Common Element, all portions of structures and the Real Estate which are not designated as being within the Unit boundaries in Section 4.03 above, or are not listed as Limited Common Elements in Section 4.04 above, are General Common Elements. Said General Common Elements may be on the Map as "General Common Element" or "G.C.E." Without limiting the generality of the foregoing, the forty foot (40') wide access easement, delineated on the Map as Redcliff Circle is hereby designated as a General Common Element.

b) The Association shall be responsible for the maintenance, repair, improvement and replacement of any General Common Element as hereinafter set forth.

c) The Declarant reserves, through ten (10) years after the recording of this Declaration, the right to allocate areas as Common Elements. The Declarant may allocate or assign Common Elements (I) by making such an allocation in a recorded instrument, (ii) by recording an appropriate amendment or supplement to this Declaration, (iii) by recording a supplement to the map or plat, or (iv) by recording the allocation or assignment in the minutes or records of the Association. Such allocations by the Declarant may be made as a matter of reserved right by the Declarant.

Section 4.06 Unit Owners' Easements of Enjoyment. Every Unit Owner shall have a right and easement of enjoyment in and to any Common Elements and such easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

a) The right of the Association to promulgate and publish rules and regulations which each Unit Owner and their guests shall strictly comply with.

b) The right of the Association to suspend the voting rights and rights to use the Common Element by a Unit Owner for any period during which any assessment against his Unit remains unpaid; and for a period not to exceed sixty days for any infraction of its published rules and regulations.

c) The right, power and authority of the Association to grant any easement, right-of-way, license, lease, dedication, transfer or conveyance or grant of any similar interest affecting the Common Elements, to the extent permitted by the Act, if the grant is approved by the affirmative vote of a majority of all Unit Owners having votes appurtenant to all Units, and consented to, in writing, by the holders of first lien Security Interests in the Units whose Unit Owners vote affirmatively; provided, that the granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Elements shall not be deemed a transfer within the meaning of this clause. Any easement, right-of-way, license or similar interest granted by the Association pursuant to this Section shall state that the grant was approved by a majority all Unit Owners, and by the corresponding holders of first lien Security Interests.

d) The right of the Association to close or limit the use of the Common Elements while maintaining, repairing and making replacements in the Common Elements.

e) The Development and Special Declarant Rights of the Declarant reserved in this Declaration.

ARTICLE V
ALLOCATED INTERESTS

Section 5.01 Allocated Interest. The Common Expense liability and votes in the Association allocated to each Unit are calculated as set forth in Article V, Section 5.02 hereof.

Section 5.02 Determination of Allocated Interest. The interest allocated to each Unit has been calculated as follows:

(a) For each Unit, the percentage of liability for Common Expenses shall be equally allocated among all Units as reflected on the Map.

(b) For each Unit, the percentage of ownership of the Common Elements shall be equally allocated among all Units as reflected on the Map. For example, the percentage of ownership of the Common Elements for the twenty-four Units reflected on the Map is the percentage equivalent to the fraction, 1/24.

(c) The number of votes in the Association, on the basis of one vote for each Unit.

Section 5.03 Reallocation. If Units are added to or withdrawn from the Project or use rights are re-designated, pursuant to the provisions of this Declaration and the Act, the formulas set forth above shall be used to reallocate the Allocated Interest.

ARTICLE VI
COVENANT FOR COMMON EXPENSE ASSESSMENTS

Section 6.01 Creation of Association Lien and Personal Obligation to Pay Common Expense Assessments. Declarant, for each Unit, shall be deemed to covenant and agree, and each Owner, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association annual Common Expense Assessments, annual or special Limited Common Element Expense Assessments, insurance assessments (assessed in proportion to risk), utility assessments (assessed in proportion to usage), assessments imposed on the Project pursuant to the provisions of the Ridgway USA Covenants and such other assessments as may be imposed by the Association. Such assessments, including fees, charges, late charges, attorney fees, fines and interest charged by the Association shall also be the personal obligation of the Owner of such Unit at the time when the assessment or other charges became or fell due. The personal obligation to pay any past due sums due the Association shall not pass to a successor in title unless expressly assumed by them. No Owner may become exempt from liability for payment of the Common Expense Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the Common Expense Assessments are made. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Association or the Executive Board is not properly exercising its duties and powers under this Declaration.

The Association's annual or special Common Expense Assessments, annual or special Limited Common Element Expense Assessments, insurance assessments (assessed in proportion to risk), utility assessments (assessed in proportion to usage) and such other assessments as imposed by the Association, including fees, charges, late charges, attorney fees, fines and interest charged by the Association, shall be a charge on each Unit and shall be a continuing lien upon the Unit against which each such assessment or charge is made. If any Assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment becomes due.

Section 6.02 Apportionment of Common Expenses and Limited Common Element Expenses. Except as provided in this Declaration, all Common Expense Assessments shall be assessed against all Units in accordance with formula for liability for the Common Expenses as set forth in this Declaration.

Section 6.03 Purpose of Assessments. The assessments levied by the Association through its Executive Board shall be used exclusively for the purposes of promoting the health, safety, and welfare of the residents and guests of the Project and the Members of the Association. Such purposes shall include, but shall not be limited to the following: the improvement, maintenance, repair, upkeep and reconstruction of the Common Elements and for the painting, landscape care and snow removal and any other maintenance obligations which may be deemed desirable for the common benefit of the Unit Owners or for the maintenance of property values, or for the payment of expenses which may be incurred by virtue of agreement with or requirement of the Town of Ridgway, Ouray County or other government authorities. The assessments may also be used to provide insurance of various types, and in such amounts deemed appropriate by the Executive Board. Also, a portion of the assessments may be used to provide a reserve fund for the replacement, repair, and maintenance of Common Elements of the real estate which must be replaced on a periodic basis.

Section 6.04 Annual Assessment/Commencement of Common Expense. The Annual Assessment for Common Expenses may be made on an annual basis against all Units and shall be based upon the Association's advance budget of the cash requirements needed by it to provide for the administration and performance of its duties during such assessment year. Common Expense Assessments shall be due and payable in monthly, quarterly, or annual installments, or in any other manner, as determined by the Executive Board. Failure to make payment within thirty (30) days of the due date thereof shall cause the total amount of such Unit Owner's Common Expense Assessment for the remainder of that fiscal year to become immediately due and payable at the option of the Board. Any assessment not timely paid shall bear interest at the rate of 1.5% per month or portion thereof. Further, the Association may bring an action at law or in equity, or both, against any Unit Owner personally obligated to pay such overdue assessments, charges or fees, or monthly or other installments thereof, and may also proceed to foreclose its lien against such Unit Owner's Unit. An action at law or in equity by the Association against a Unit Owner to recover a money judgment for unpaid assessments, charges or fees, or monthly or other installments thereof, may be commenced and pursued by the Association without foreclosing, or in any way waiving, the Association's lien therefor. Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to estop or otherwise preclude the Association from thereafter again foreclosing or attempting to foreclose its lien for any subsequent assessment, charges or fees, or monthly or other installments thereof, which are not fully paid when due. The Association shall have the power and right to bid on or purchase the Association votes appurtenant to ownership thereof, convey or otherwise deal with the same. If a foreclosure action is filed to foreclose any Assessment Lien, and a Unit Owner abandons or leaves vacant his or her Unit, the Board may take possession and rent said Unit or apply for the appointment of a receiver for the Unit without prior notice to the Unit Owner. The rights of the Association shall be expressly subordinate to the rights of any holder of a first lien Security Interest as set forth in its deed of trust or mortgage (including any assignment of rents), to the extent permitted under the Act.

Section 6.05 Lien Priority. The lien of the Association under this Section is prior to all other liens and encumbrances on a Unit except: 1) liens and encumbrances recorded before the recordation of the Declaration; 2) a first lien Security Interest on the Unit (except as allowed by the Act with regard to the limited lien priority allowed to the Association); and 3) liens for real estate taxes and other governmental assessments or charges against the Unit. This Section does not affect the priority of mechanics' or materialmen's liens. The lien of the Association under this Article is not subject to the provision of any homestead exemption as allowed under State or Federal law. Sale or transfer of any Unit shall not affect the lien for said assessments or charges except that sale or transfer of any Unit pursuant to foreclosure of any first lien Security Interest, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture shall only extinguish the lien of assessment charges as provided by applicable State law. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, nor cancellation or forfeiture shall relieve any Unit from continuing liability for any assessment charges thereafter becoming due, nor from the lien thereof.

Section 6.06 Working Fund. The Declarant shall establish an initial working capital fund equal to one-twelfth (1/12) of the estimated Annual Assessments for Common Expenses for each Unit subject to the terms of this Declaration, which amount shall be reimbursed to the Declarant upon the transfer of title to a Unit when that Unit's Owner makes the required working capital contribution set forth in this section. The working capital fund may be used by the Association for emergencies, insurance deductibles in the event of casualty or other loss, capital expenditures for repair or replacement of Common Elements, and such other expenses which do not occur on a regular and on-going basis, as may be determined by a majority of the Executive Board. This initial working fund shall be established and Annual Assessments shall commence for the first phase submitted to the terms of this Declaration upon the conveyance of the first Unit in the first phase of the Project by Declarant to a third-party purchaser. Thereafter, upon the submission of each new phase of the Project to the condominium regime created by this Declaration, Annual Assessments shall begin and the working capital account shall be established for all Units added by the new phase. Upon acquisition of record title to a Unit from Declarant or any seller after Declarant, each Owner shall contribute to the working fund and reserves of the Association an amount equal to one-twelfth (1/12) of the Annual Assessment determined by the Executive Board for that Unit for the year in which the Owner acquired title. Such payments shall not be considered advance payments of Annual Assessments and such payments shall not relieve an Owner from making regular payments of assessments as the same become due. The working fund deposit made by an Owner shall be returned to each Owner including Declarant upon the sale of his Unit, provided that the new purchaser of the Unit has deposited the required working fund deposit with the Association. The working capital fund must be maintained by the Association in a segregated account, and may not be used by the Declarant to defray any of its expenses, reserve contributions, or construction costs, nor to make up any budget deficits during the period of Declarant control. This working fund account may be updated annually as of December 31st of each calendar year, and notice shall be given to all Owners whose individual account does not equal one-twelfth (1/12th) of the current Annual Assessment. Payment of any shortage shall be due with the next regular assessment payment, following written notice.

Section 6.07 Budget. The budget shall be submitted to the Owners, pursuant to Section 303(4) of the Act. Common Expense Assessments shall be due and payable annually or in periodic installments, or in any other manner as determined by the Executive Board. Common Expense Assessments may begin on the first day of the month in which conveyance of the first Unit to an Owner other than Declarant occurs. The omission or failure of the Executive Board to levy the Assessment for any period shall not be deemed a waiver, modification or a release of the Owners from their obligation to pay.

Section 6.08 Special Assessments. In addition to the Annual Assessments, 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 Elements or for any other expense incurred or to be incurred as provided in this Declaration. This Section 6.08 shall not be construed as an independent source of authority for the Association to incur expense, but shall be construed to prescribe the manner of assessing expenses authorized by other sections of this Declaration. Any amounts assessed pursuant to this Section shall be assessed to Owners according to their Allocated Interests for Common Expenses, subject to the right of the Association to assess only against the Owners of affected Units 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 Unit or the actions of a particular Owner or Owner's Agents shall be borne by that Owner. 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 ten (10) days after such notice shall have been given.

Section 6.09 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, 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 ten (10) days prior to the due date.

Section 6.10 Payment by Mortgagee. Any Mortgagee holding a lien on a Unit may pay any unpaid Assessment payable with respect to such Unit, together with any and all costs and expenses incurred with respect to the lien, and upon such payment that Mortgagee shall have a lien on the Unit for the amounts paid with the same priority as the lien of the Mortgage.

Section 6.11 Statement of Status of Assessment Payment. Upon payment of a reasonable fee set from time to time by the Executive Board and upon fourteen (14) days' written request to the Association's registered agent by personal delivery or certified mail, first-class postage prepaid, return receipt, any Owner, designee of Owner, Agency, Mortgagee, prospective Mortgagee or prospective purchaser of a Unit shall be furnished with a written statement setting forth the amount of the unpaid Assessments, if any, with respect to such Unit. Unless such statement shall be issued by personal de1ive:ry 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) within fourteen (14) days after receipt of the request, the Association shall have no right to assert a lien upon the Unit over the inquiring party's interest for unpaid Assessments which were due as of the date of the request.

ARTICLE VII
RESTRICTIONS ON USE, ALIENATION AND OCCUPANCY

Subject to the Development Rights and Special Declarant Rights reserved by the Declarant, the following use restrictions apply to all Units and to the Common Elements:

Section 7.01 Use/Occupancy.

(a) No Unit within the Project shall be used for any purpose other than single-family residential purposes. No Improvements located upon a Unit shall be occupied in any manner at any time prior to being fully completed in accordance with approved plans nor shall any Improvements when completed, be in any manner occupied until there is compliance with all requirements, conditions, covenants, and restrictions herein set forth;

(b) No activity shall be conducted which will increase the rate charged for or cause the cancellation of any insurance maintained by the Declarant or the Association, or which would violate any law;

(c) No animals shall be kept which bother or constitute a nuisance to any other Owner, Declarant or adjoining landowner, with such additional restrictions as may be imposed by Association-promulgated rules and regulations;

(d) No activities shall be conducted within the Project and no improvements may be constructed within the Project which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged within the Project; and no open fires shall be lighted or permitted within the Project except (i) in a contained barbecue unit while attended and in use for cooking purposes, (ii) within a safe and well-designed interior stove or fireplace, or an exterior patio fireplace or stove;

(e) No activity shall be conducted which generates noises which are excessively loud, odors which are offensive, nor any activity be conducted which is or may become a nuisance or cause significant disturbance or annoyance to others;

(f) There shall be no storage of waste and garbage except in covered sanitary containers shielded from the public view and the view of neighboring Owners. Refuse piles shall not be permitted;

(g) No above ground utilities or radio, television or cable receivers, antennas, satellite dishes or transmitters shall be permitted, except for antennas or satellite dishes, if any, not to exceed eighteen inches in diameter;

(h) All exterior lighting shall comply with any applicable Town of Ridgway ordinance. In any event, no light shall be emitted from any location with the Project which is unreasonably bright or causes unreasonable glare. Seasonal decorative lighting such as Christmas lighting shall be permitted, subject to Association promulgated rules and regulations. Under no circumstances are mercury vapor or similar lights permitted;

(i) No junk vehicle, inoperative vehicle, or vehicle under repair shall be parked, stored or maintained in the Project.

(j) No structures or other improvement of any type shall be constructed within any Common Element without the consent of the Association.

(k) All use, maintenance, repair, replacement and modification of the General Common Elements shall be subject to regulation by the Association.

(l) No Unit or any interest therein may be offered or sold under any "timesharing" or "interval ownership" plan, or any similar plan.

(m) Subject to the provisions of Section 3.03(e) hereof, an Owner shall have the right to lease his Unit in its entirety upon such terms and conditions as the Owner may deem advisable; provided however, that (i) no leases shall be made for less than a three-month period; (ii) any permitted rental or lease of a Unit to a non-Owner shall be in writing and shall provide that the lease is subject to the terms of this Declaration, the Articles, Bylaws and any rules and regulations promulgated by the Association. Any failure of a lessee of a Unit to comply with the terms of this Declaration or any other Association Documents shall be a default under the lease enforceable by the Association as a third party beneficiary, whether or not the lease contains such a provision.

(n) No alteration or additions to the Common Elements or the exterior of any Unit of any kind (including, without limitation, change in color, texture, street number signage, doors or windows) shall be made unless first approved in writing by the Executive Board. The Executive Board shall exercise reasonable judgment to the end that all modifications to the Common Elements or Unit exteriors conform to and harmonize with existing surroundings and structures, including the Northridge Apartments. The Executive Board has the absolute right to deny any requested changes which the Executive Board reasonably determines do not conform to and harmonize with said existing surroundings and structures. All construction activities shall be planned and carried out with a minimum of disruption, unsightliness and noise.

Section 7.02 Maintenance.

a) Maintenance by Owners. Each Owner shall maintain and keep in repair the interior of his Unit, including the fixtures thereof to the extent current repair shall be necessary in order to avoid damaging other Unit Owners, and the surfaces (excluding the roofing and structural support elements) of Limited Common Elements allocated to the Unit. All fixtures and equipment installed with the Unit commencing at a point where the utilities enter the Unit shall be maintained and kept in repair by the Owner of such Unit. An Owner shall do no act or any work that will impair the structural soundness or integrity of the Common Elements or impair any easement. Each Owner shall be responsible for the maintenance of the interior non-supporting walls of his Unit, and the surface materials thereon such as plaster, drywall, paneling, wallpaper and paint, and of the perimeter walls, ceilings, floors, tile and carpeting within the Unit, including Unit doors, windows and screens. The Association reserves the right to grant the maintenance responsibility to the Unit Owner of certain areas of each Unit and other Limited Common Elements, and the Unit Owner is obligated to accept said maintenance responsibility, provided said assignment is done in a uniform and nondiscriminatory manner.

b) Owner's Failure to Maintain or Repair. In the event that a Unit (including the allocated Limited Common Elements) is not properly maintained and repaired, and if the maintenance responsibility for the unmaintained portion of the Unit lies with the Owner of the Unit, or in the event that the Unit is damaged or destroyed by an event of casualty and the Owner does not take reasonable measures to diligently pursue the repair and reconstruction of those portions of the damaged or destroyed Unit for which the Owner is responsible 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 (after a determination by the Executive Board that the condition of such Unit negatively impacts other Owners or the value of other Units within the Project) shall have the right to enter upon the Unit to perform such work as is reasonably required to restore the Unit to a condition of good order and repair. 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 VI of this Declaration.

c) Maintenance by Association. The Association shall be responsible for the maintenance and repair of the Common Elements, whether located inside or outside of Units (except as set forth in Section 7.02(a) above and unless necessitated by damage caused by the negligence, misuse or tortious act of a Unit Owner or Owner's Agent as set forth in Section 7.02(d) below), which shall be the Common Expense of all Owners. The Association shall also be responsible for the Project's pro rata share of costs incurred in the maintenance and repair of all Common Elements located on the Northridge Apartment Project located on Lot 2A, Northridge Subdivision, according to the plat and any amendment thereof filed in the public records of the Ouray County Clerk and Recorder, County of Ouray, State of Colorado, to the extent that said Common Elements are used or available or use by Owners. The details of said pro rata cost sharing obligation shall be set out in more detail in the contracts and agreements provided for in Section 3.04 hereof. This maintenance shall include, but shall not be limited to, upkeep, repair and replacement, subject to any insurance then in effect, of all landscaping and walls which Owner is not required to maintain as set forth in Section 7.02(a), gates, signage, irrigation systems, sidewalks, driveways and improvements, if any (which shall include without limitation snow removal services unless performed by another private or public organization formed for such purposes), located in the Common Elements. In the event the Association does not maintain or repair the Common Elements, Declarant shall have the right, but not the obligation, to do so at the expense of the Association.

d) Association Maintenance as Common Expense. The cost of maintenance and repair by the Association shall be a Common Expense of all of the Owners, to be shared by each Unit Owner according to the Allocated Interests therefore as set forth in Article V of this Declaration. Damage to the interior or any part of a Unit resulting from the maintenance, repair, emergency repair or replacement of any of the Common Elements or as a result of emergency repairs within another Unit at the instance of the Association shall also be a Common Expense of all of the Owners. However, if such damage is caused by negligent or tortious acts of a Unit Owner or Owner's Agent, then such Unit Owner shall be responsible and liable for all of such damage and the cost thereof, to the extent that Owner or Owner's Agent's negligence caused such damage, which must be timely paid.

e) Easement for Maintenance. Each Owner and the Association shall have the irrevocable right, to be exercised by the Manager, the Executive Board or officers or employees of the Association, to have access to each Unit from time to time during reasonable hours (and, if reasonably feasible, upon reasonable advance notice) as may be necessary for the maintenance, repair or replacement of any of the Common Elements therein or accessible therefrom, or at any hour for making emergency repairs, maintenance or inspection therein necessary to prevent damage to the Common Elements or another Unit. In the event insurance proceeds under Article IX 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.

f) Limited Common Element Damage. In the event of damage or destruction of a Limited Common Element from any cause other than the negligence or tortious acts of an Owner or Owner's Agent, the then Owners of the Units to which the Limited Common Element is attributable shall bear equally the expense to repair or rebuild the Limited Common Element to its previous condition. The Owner shall bear the cost of such damage to the extent of such Owner's or Owner's Agent's negligence.

g) Association Power. The Association shall be the right and power to prohibit storage or other activities deemed unsafe, unsightly, unreasonably noisy or otherwise offensive to the senses and perceptible from another Unit or the Common Elements. No Owner shall make any addition or other alteration to any portion of the Common Elements, no matter how minor, without the express written consent of the Executive Board.

Section 7.03 Nuisances. No Nuisance shall be permitted within the

Project, nor any use, activity or practice which is the source of unreasonable annoyance or embarrassment to, or which unreasonably offends or disturbs, any Unit Owner or which may unreasonably interfere with the peaceful enjoyment or possession or the proper use of a Unit or Common Element, or any portion of the Project by Unit Owners. Further, no unlawful use shall be permitted within the Project or any portion thereof. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction over the Project or a portion thereof shall be observed. As used herein, the term nuisance shall not include any activities of Declarant which are reasonably necessary to the Project and construction of improvements within the Project provided, however, that such activities of the Declarant shall not unreasonably interfere with any Unit Owner's use and enjoyment of his Unit, or any Unit Owner's ingress and egress to or from their Unit and a public way.

Section 7.04 No Restrictions on Mortgaging of a Unit. There are no restrictions on the right of the Unit Owners to mortgage or otherwise encumber a Unit. There is no requirement for the use of a specific lending institution or particular type of lender.

Section 7.05 Rules and Regulations. In furtherance of the provisions of this Declaration, and the general plan, rules and regulations concerning and governing the Project any portion thereof may be adopted, amended, or repealed, from time to time, by the Executive Board, or its successors and assigns. The Executive Board may establish and enforce penalties for the infraction thereof.

ARTICLE VIII
RESERVED DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS

Section 8.01 Reserved Development Rights and Special Declarant Rights. Subject to applicable Town of Ridgway Ordinances, Regulations, Plat Notes and Conditional Use Permits, the Declarant reserves, through ten (10) years after the recording of this Declaration, the following Development Rights and Special Declarant Rights:

a) the right to relocate boundaries between unsold adjoining Units, enlarge Units, enlarge the Common Elements, reduce or diminish the size of unsold Units, subdivide Units or complete or make improvements, as the same may be indicated on Maps filed of record or filed with the Declaration;

b) the right to create or construct additional Units, Common Elements and Limited common Elements (the "Additional Improvements") to subdivide

Units and to Convert Units into Common Elements;

c) the right to withdraw all or any portion of the property; provided, however, that no portion of the Property may be withdrawn after a Unit in that portion of the Property has been conveyed to a purchaser;

d) the right to exercise any development rights reserved or allowed in the Act;

e) the right to use, and to permit others to use, easements through the Common Elements as may be reasonably necessary;

f) the right to make the Project subject to a master association and master declaration;

g) the right to merge or consolidate the Project with another Common Interest Community or Condominium;

h) the right to appoint or remove any officer of the Association or any Director during the Declarant Control period;

i) the right to add Units and to subject all or any part of the unspecified real estate (the "Development Property") to the provisions of this Declaration upon the substantial completion of improvements on the Development Property;

j) the right to amend the Declaration in connection with the exercise of any development right.

k) the right to amend the Declaration or Map in connection with the exercise of any development right or to correct typographical or other errors to bring the Declaration or Map into conformance with applicable law.

Section 8.02 Additional Reserved Rights. In addition to the rights set forth above, subject to applicable Town of Ridgway Ordinances, Regulations, Plat Notes and Conditional Use Permits, Declarant also reserves the following additional rights (the "Additional Reserved Rights"):

a) Sales. The right to maintain sales offices, management offices and models in Units or on the Common Elements.

b) Signs. The right to maintain signs and advertising in the Project to advertise the Project or other communities developed, managed or affiliated with the Declarant.

c) Dedications. The right to establish, from time to time, by dedication or otherwise, public ways, utility and other easements for purposes including but not limited to public access, access, paths, walkways, drainage, recreation areas, parking areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions.

d) Use Agreements. The right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulations of parking and/or recreational facilities and/or Common Elements, and/or the maintenance of the exterior of Units and appurtenant landscaping, which may or may not be a part of the Project.

e) Construction Easement. Declarant expressly reserves the right to perform warranty work, and repairs and construction work and to store materials in secure areas, in Units and in Common Elements, and the future right to control such work and repairs, and the right of access thereto, until completion. All work may be performed by Declarant without the consent or approval of any Unit Owner or holder of a Mortgage. Declarant has such an easement through the Common Elements as may be reasonably necessary for exercising Declarant's reserved rights in this Declaration. Such easement includes the right to construct underground utility lines, pipes, wires, ducts, conduits, and other facilities across the Property.

f) Other Rights. The right to exercise any additional reserved right created by any other provision of this Declaration.

Section 8.03 Rights Transferable/Right Transferred.

(a) Any rights created or reserved under this Article or the Act for the benefit of Declarant may be transferred to any person by an instrument describing the rights transferred recorded in the real property records of Ouray County. Such instrument shall be executed by the transferor Declarant and the transferee.

(b) Notwithstanding the foregoing, the Development Rights and Special Declarant Rights of Declarant to relocate the boundaries of Units, to create new Units or Common Elements, and/or to further subdivide Units and the right of the Declarant to designate the type of use allowed in Units, shall be transferred and assigned to the title Owner of those Units within those levels for the maximum period of time reserved to the Declarant. The foregoing rights are subject to the following additional terms and conditions: (i) the Unit Owners of the Units affected must comply with the requirements of C.R.S. §38-33.3-210 and C.R.S. §38-33.3-209(6); (ii) the authority of the Owners of the specified Units to make these changes is not limited by or subject to the consent of the Association or any other person; and (iii) the express written consent may be required of the Declarant, or, alternatively, the Declarant may veto and reject the proposed changes as it determines in its sole discretion, which powers of the Declarant to require approval by it or to veto the change shall exist as long as the above rights exist.

Section 8.04 No Further Authorizations Needed. The consent of Unit Owners or holders of Mortgages shall not be required for the Declarant to exercise any reserved rights, and Declarant may proceed without limitation at its sole option. Declarant may exercise any reserved rights on all or any portion of the property in whatever order Declarant, in its sole discretion, determines. Declarant shall not be obligated to exercise any reserved rights or to expand the Project beyond the number of Units initially submitted.

Section 8.05 Amendment of the Declaration or Map. If Declarant elects to exercise any reserved rights, Declarant shall comply with the Act.

Section 8.06 Interpretation. Recording of amendments by the Declarant to the Declaration and the map or plat in the office of the Clerk and Recorder of Ouray County, Colorado shall automatically effectuate the terms and provisions of that amendment. Further, such amendment shall automatically:

i) vest in each existing Unit Owner the reallocated Allocated Interests appurtenant to their Unit; and

ii) vest in each existing Security Interest a perfected security interest in the reallocated Allocated Interests appurtenant to the encumbered Unit.

Further, upon the recording of an Amendment to the Declaration, the definitions used in this Declaration shall automatically be extended to encompass and to refer to the property, as expanded and, the Development Property, or any part thereof, or the Additional Improvements, shall be added to and become a part of the Property for all purposes. All conveyances of Units after such amendment is recorded shall be effective to transfer rights in all Common Elements, whether or not reference is made to any Amendment of the Declaration or plat or map. Reference to the Declaration and plat or map in any instrument shall be deemed to include all Amendments to the Declaration, and the plat and/or map without specific reference thereto.

Section 8.07 Maximum Number of Units. The maximum number of

Units shall not exceed the greater of the maximum number of Units allowed by any governmental entity having jurisdiction, for the Property and the Development Property.

Section 8.08 Construction. The buildings, structures and types of improvements to be placed on the Property or the Development Property or any part thereof shall be of a quality equal to or better than the Improvements previously constructed on the Property, and to the extent reasonably feasible shall be of similar size, style or configuration. Except as otherwise restricted in this Declaration or by the Act, the Improvements may be located anywhere on the property reserved for future development or on the Development Property.

Section 8.09 Reciprocal Easements. If all or part of any property is withdrawn ("Withdrawn Property"):

i) the Unit Owner(s) of the property and/or Withdrawn Property shall have whatever easements are necessary or desirable, if any, for access, utility service, repair, maintenance and emergencies over and across the Project; and

ii) The Unit Owner(s) shall have whatever easements are necessary or desirable, if any, for access, utility service, repair, maintenance and emergencies over and across the Property and Withdrawn Property.

Section 8.10 Termination of Reserved Rights. The rights reserved to Declarant, for itself, its successors and assigns, shall expire as set forth above or in the Act, unless (i) 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 rights by Declarant, or (ii) extended as allowed by law.

ARTICLE IX
INSURANCE/CONDEMNATION

Section 9.01 Insurance Carried. Out of the assessments levied under this Declaration, the Association shall obtain and maintain in full force and effect to the extent reasonably available, and at all times, the insurance coverage set forth herein and as set forth in the Act, which insurance coverage shall be provided by financially responsible and able companies duly authorized to do business in the State of Colorado. Commencing not later than the time of the first conveyance of a Unit to a person other than a Declarant, the Association shall maintain, to the extent reasonably available, policies with the following terms or provisions;

a) All policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Unit Owner and shall provide that such policies may not be canceled or modified without at least twenty (20) days prior written notice to all of the Unit Owners, holders of first lien Security Interests and the Association.

b) If requested, duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all holders of first lien Security Interests at least ten (10) days prior to expiration of the then current policies.

c) All liability insurance shall be carried in blanket form naming the Association, the Board, the manager or managing agent, if any, the officers of the Association, the Declarant, holders of first lien Security Interests, their successors and assigns and Unit Owners as insured.

d) Prior to obtaining any policy of casualty insurance or renewal thereof, pursuant to the provisions hereof, the Board may obtain an appraisal from a duly qualified real estate or insurance appraiser, which appraiser shall reasonably estimate the full replacement value of the Common Elements, without deduction for depreciation, review any increases in the cost of living, and/or consider other factors, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions hereof. In no event shall any casualty insurance policy contain a co-insurance clause for less than one hundred percent (100%) of the full insurable replacement cost.

e) Unit Owners may carry and are advised to carry other insurance for their benefit and at their expense, provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished by reason of any such additional insurance carried by Unit Owners and provided, further, that the policies of insurance carried by the Association shall be primary, even if a Unit Owner has other insurance that covers the same loss or losses as covered by policies of the Association. In this regard, Declarant discloses that the Association's insurance coverage, as specified hereunder and under the Act, does not obviate the need for Unit Owners to obtain insurance for their own benefit.

f) All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Unit Owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to the Unit Owner's interest, or who permits or fails to prevent the happening of any events, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy, as to the interests of all other insured Unit Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

Section 9.02 Hazard Insurance on the Common Elements. Insurance of fire, with extended coverage, vandalism, malicious mischief, all-risk, replacement cost, agreed amount (if the policy includes co-insurance), special condominium, building ordinance and inflation guard endorsements attached, in amounts determined by the Executive Board to represent not less than the full then current insurable replacement cost of the building located on the Property including all of the Units and Common Elements, including all fixtures, interior and perimeter walls and floors, partitions, decorated and finished surfaces of interior and perimeter walls, floors, and ceilings, doors, windows and other elements or materials comprising a part of the Units and including any fixtures, equipment or other property within the Units which are to be financed by a Mortgage to be purchased by an Agency including FNMA and FHLMC, and excluding any betterments and improvements made by Unit Owners and building excavations and foundations. Maximum deductible amounts for such policy shall be determined by the Executive Board, provided, however, that if an Agency requires specific deductibles, the Executive Board shall follow such Agency's requirements. In the event the Project has central heating or cooling or contains a steam boiler, coverage for loss or damage resulting from steam boiler and machinery equipment accidents in an amount equal to the lesser of $2,000,000.00 or the insurable value of the buildings housing the boiler or machinery shall also be obtained. The Association shall obtain insurance covering the original specifications of each Unit. Each Unit Owner shall be responsible for obtaining additional or supplemental insurance covering any additions, alterations, or improvements to his Unit which increase the replacement value of his Unit. In the event that satisfactory arrangement is not made for additional insurance by the Unit Owner, the Unit Owner shall be responsible for any deficiency in any resulting insurance loss recovery and the Association shall not be obligated to apply any insurance proceeds to restore the affected Unit to a condition better than the condition existing prior to the making of such additions, alterations or improvements. Any additional premiums attributable to the original specifications of a Unit for which the insurance is increased as herein provided may be the subject of a lien for nonpayment as provided in Article VI hereof in the event the Association pays such premium for a Unit Owner.

All policies shall contain a standard non-contributory mortgage clause in favor of each holder of first lien Security Interests, and their successors and assigns, which shall provide that the loss, if any thereunder, shall be payable to the Association for the use and benefit of such holders of first lien Security Interests, and their successors and assigns, as their interests may appear of record in the records of the office of the Clerk-and Recorder of the County of Ouray, Colorado. If obtainable, the Association shall also obtain the following and any additional endorsements deemed advisable by the Executive Board: (a) an Inflation guard endorsement by a Construction Code endorsement, (c) a demolition cost endorsement, (d) a contingent liability from operation of building laws endorsement, and (e) an increased cost of construction endorsement.

Section 9.03 Comprehensive Liability Insurance. Comprehensive general public liability and property damage insurance for the Project in such amounts as the Executive Board deems desirable, provided that such coverage shall be for at least $1,000,000 for bodily injury, including deaths and property damage arising out of a single occurrence insuring the Association, the Executive Board, the Manager or managing agent, or both, if any, and their respective agents and employees, and the Unit Owners from liability in connection with the operation, maintenance and use of Common Elements and must include a "severability of interest" clause or specific endorsement. Such coverage shall also include legal liability arising out of contracts of the Association and such other risks as are customarily covered with respect to condominiums similar to the Project in the Ouray County, Colorado including automobile liability insurance if appropriate. The Executive Board shall not enter into employment contracts or independent contractor contracts of any kind unless the contracting party provides evidence (such as a Certificate of Insurance) to the Executive Board that such party has current and satisfactory insurance, including workers compensation insurance, commercial general liability insurance and automobile insurance on all of which the Association is named as an additional insured.

The insurance policies may be carried in blanket policy form naming the Association as the insured, for the use and benefit of and as attorney-in-fact for the Unit Owners. Each Unit Owner shall be an insured person under the policy with respect to liability arising out of such Unit Owner's interest in the Common Elements or membership in the Association. Each Mortgagee and its successors or assigns shall be a beneficiary of the policy in the percentages of Common Expenses for the Unit, which the Mortgage encumbers. The insurance company shall waive its rights of subrogation under the insurance policy against any Unit Owner or member of the Unit Owner's household. No act or omission by any Unit Owner, unless acting within the scope of such Unit Owner's authority on behalf of the Association, shall void the insurance policy or be a condition to recovery under the insurance policy. If, at the time of a loss under an insurance policy described above there is other insurance in the name of the Unit Owner covering the same risk covered by the policy, the Association's policy shall provide primary insurance.

Insurance coverage on the furnishings and other items of personal property belonging to an Owner and any additions and alterations to a Unit which increase the Unit's replacement value above that of the original specifications for the Unit (unless financed by a Mortgage to be purchased by FNMA or FHLMC), casualty and public liability insurance coverage for each Unit and the Limited Common Elements associated therewith and workman's compensation insurance covering work within each Unit or on the Limited Common Elements associated therewith shall be the responsibility of the Owner of the Unit.

Section 9.04 Fidelity Insurance. The Association may obtain adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the parts of its officers, directors, trustees and employees and on the part of all others who handle or are responsible for handling the funds of the Association, including persons who serve the Association with or without compensation. The clause "officers, directors, trustees and employees" shall not include any officer, director, agent or employee of Declarant or any officer, director, agent or employee of any independent, professional manager or managing agent theretofore or hereafter employed by the Association. The fidelity coverage or bonds should be in an amount sufficient to cover the maximum funds that will be in the control of the Association, its officers, directors, trustees and employees.

Section 9.05 Worker's Compensation and Employer's Liability Insurance. If applicable, the Association shall obtain worker's compensation and employer's liability insurance and all other similar insurance with respect to its employees in the amounts and forms as may now or hereafter be required by law.

Section 9.06 Officers' and Directors' Personal Liability Insurance. The Association may obtain officers' and directors' personal liability insurance to protect the officers and directors from personal liability relation to their duties and responsibilities in acting as officers and directors on behalf of the Association.

Section 9.07 Flood Insurance. The Association, if required by holders of the first lien Security Interests, or by a governmental agency, shall purchase and maintain flood insurance.

Section 9.08 Other Insurance. The Association may obtain insurance against such other risks, of similar or dissimilar nature, including flood insurance, as it shall deem appropriate with respect to the Association responsibilities and duties.

Section 9.09 Insurance Premium. Except as assessed in proportion to risk, if permitted under the terms of this Declaration, insurance premiums for the above provided insurance shall be a Common Expense to be included a part of the annual assessments levied by the Association.

Section 9.10 Managing Agent Insurance. The manager or managing agent, if any, shall be insured to the same extent as the Association, as herein provided, and as provided in the Act, for the benefit of the Association, and shall maintain and submit evidence of such coverage to the Association.

Section 9.11 Waiver of Claims Against Association. As to all policies of insurance maintained by or for the benefit of the Association and Unit Owners, the Association and the Unit Owners hereby waive and release all claims against one another, the Board and Declarant, to the extent of the insurance proceeds available, whether or not the insurance damage or injury is caused by the negligence of or breach of any agreement by and of said persons.

Section 9.12 Annual Insurance Review. The Board shall review the insurance carried by and on behalf of the Association at least annually, for the purpose of determining the amount of insurance required.

Section 9.13 Adjustments by the Association. Any loss covered by an insurance policy described above shall be adjusted by the Association, and the insurance proceeds for that loss shall be payable to the Association, and not to any holder of a first lien Security Interest. The Association shall hold any insurance proceeds in trust for the Association, Unit Owners and holders of first lien Security Interests as their interests may appear. The proceeds must be distributed first for the repair or restoration of the damaged property and the Association Unit Owner and holders of first lien Security Interests 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.

Section 9.14 Duty to Repair. Any portion of the Project for which insurance proceeds are available under this Article which damaged or destroyed must be repaired or replaced promptly by the Association, except as provided in the Act.

Section 9.15 Condemnation and Hazard Insurance Allocations and Distributions. In the event of a distribution of condemnation proceeds or hazard insurance proceeds to the Unit Owners, the distribution shall be as the parties with interests and rights are determined or allocated by record, and pursuant to the Act.

ARTICLE X
SPECIAL RIGHTS OF HOLDERS OF FIRST LIEN SECURITY INTERESTS

Section 10.01 General Provisions. The provisions of this article are for the benefit of holders, insurers, or guarantors of holders of first lien Security Interests recorded within the Common Interest Community. To the extent applicable, necessary or proper, the provisions of this Article apply to both this Declaration and to the Articles and Bylaws of the Association. A holder, insurer or guarantor of a first lien Security Interest who has delivered a written request to the Association containing its name, address, the legal description and the address of the Unit upon which its holds a Security Interest, shall be considered an "Eligible Holder". Eligible insurers and guarantors of a first lien Security Interest shall have the same rights as Eligible Holder.

Section 10.02 Special Rights. Eligible Holders shall be entitled to: (a) timely written notice from the Association of any default by a mortgagor of a Unit in the performance of the mortgagor's obligations under this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations, which default is not cured within sixty (60) days after the Association learns of such default; b) examine the books and records of the Association during normal business hours; c) receive a copy of financial statements of the Association, including any annual audited financial statement; (d) receive written notice of all meetings of the Executive Board or Members of the Association; (e) designate a representative to attend any such meetings; (f) written notice of any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; g) written notice of abandonment or termination of the Association of the plan contemplated under this Declaration; (h) thirty (30) days written notice prior to the effective date of any proposed, material amendment to this Declaration, the Articles of Incorporation, or the Bylaws; (i) thirty (30) days written notice prior to the effective date of termination of any agreement for professional management of the Association or the Common Elements, when professional management had been required previously under the terms of any Lien or Insurance Agreement for the

Project or by an Eligible Holder; and (ii) immediate written notice as soon as the Association receives notice or otherwise learns of any damage to the Common Elements or a Unit if the cost of reconstruction exceeds Twenty Thousand Dollars ($20,000) and as soon as the Association receives notice or otherwise learns of any condemnation or eminent domain proceedings or other proposed acquisition with respect to any portion of the Common Elements or any Units.

Section 10.03 Special Approvals. Unless at least all of the Eligible Holders of first lien Security Interests (based on one vote for each mortgage owned) of Units in the Association and requisite Unit Owners have given their written approval, neither the Association nor any Member shall (a) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements or any improvements thereon which are owned, directly or indirectly, by the Association (except that the granting of access easements, utility easements, drainage easements and water facilities easements or easements for other public proposes consistent with the intended use of such real estate by the Association shall not be deemed within the meaning of this provision); (b) change the method of determining the obligations, Assessments or other charges which may be levied against Members or the method of allocating distributions of hazard insurance policy proceeds or condemnation awards; (c) by act or omission change, waive or abandon any scheme or regulation, or enforcement thereof, pertaining to architectural approval of improvement of Units, including the architectural design of the exterior appearance of Units, or the upkeep of the Common Elements; (d) fail to maintain the casualty, fire and extended coverage insurance as elsewhere provided in this Declaration; (e) use hazard insurance proceeds for losses other than the repair, replacement or reconstruction of the improvements which were damaged or destroyed; (f) take action to terminate the legal status of the Project after substantial destruction or condemnation occurs; (g) amend any material provision of this Declaration; and (h) establish self management by the Association when professional management has previously been required by the legal documents for the Project or by an Eligible Holder. An amendment shall not be deemed material if it is for the purpose of correcting technical errors, or for clarification only. If an Eligible Holder of a first lien Security Interest receives written request for approval of the proposed act, omission, change or amendment by certified or registered mail, with a return receipt requested, and does not deliver or post to the requesting party a negative response within 30 days, it shall be deemed to have approved such request.

Section 10.04 Payment of Insurance Premiums. Any holder of a first lien Security Interest shall be entitled to pay any taxes or other charges which are in default and which may or have become a lien against a Unit or any of the Common Elements and may pay any overdue premiums on hazard insurance policies or secure new hazard insurance coverage for the Common Elements or Units, and the holder of a first lien Security Interest making such payments shall be entitled to immediate reimbursement therefor from the Association.

ARTICLE XI
EASEMENTS

Section 11.01 Recorded Easements. The Property shall be subject to all easements as shown on any Map or plat, those of record, those provided in the Act (including easements for encroachment set forth in Section 214 of the Act and an easement for maintenance of any such encroachment), and otherwise as set forth in this Declaration.

Section 11.02 Declarant 's Rights Incident to Construction. Declarant, for itself and its successors and assigns, the Association and/or for Owners in all future phases of Ridgway Village West, hereby reserves an easement for construction, utilities, drainage, ingress and egress over, in, upon, under and across the Common Elements, together with the right to store materials on the Common Elements, to build and maintain temporary walls, and to make such other use of the Common Elements as may be reasonably necessary or incident to any construction of the Units, or improvements on the Property or Expansion Property or other real property owned by Declarant, or other properties abutting and contiguous to the Property or 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 he Project by the Owners.

Section 11.03 Utility Easements. There is hereby created a blanket easement upon, across, over, in and under the Property for the benefit of the Common Elements and the Units and the structures and improvements situated on the Property for ingress and egress, installation, replacing, repairing and maintaining all utilities, including, but not limited to, water, sewer, gas, telephone, cable TV 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 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, conduits and pipes on, above, across and under the roofs and exterior walls of the improvements, all in a manner customary for such companies in the area surrounding the Property, subject to approval by the Association as to locations.

Section 11.04 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 Elements for the best interest of all the Owners and the Association. Each Owner is hereby granted a perpetual non-exclusive right of ingress to and egress from the Owner's Unit over and across the General Common Elements and Limited Common Elements appurtenant to that Owner's Unit, which right shall be appurtenant to the Owner's Unit, and which right shall be subject to limited and reasonable restriction on the use of Common Elements set forth in writing by the Association, such as for closure for repairs and maintenance.

Section 11.05 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 11.06 Support Easement. Each Unit is subject to a blanket easement for support and a blanket easement for the maintenance of structures or improvements presently situated or to be built in the future on the Property or any Expansion Property.

ARTICLE XII
GENERAL PROVISIONS

Section 12.01 Enforcement; Arbitration. In the event of a violation of any of the terms of this Declaration, the Association or a Unit Owner or Unit Owners of any of the Units may enforce the restrictions, conditions, covenants and reservations imposed by the provisions of this Declaration. The Association may promulgate rules and regulations for notice and other procedures for dealing with any alleged violation of the terms of this Declaration or of any of the Association Documents. Such procedures or remedies as established by the Association shall be cumulative and in addition to the enforcement provisions as contained in this Declaration. Declarant, for each Unit, shall be deemed to covenant and agree, and each Unit Owner, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and voluntarily agree, on their own behalf and on behalf of their heirs, successors and assigns, to submit any such enforcement action to arbitration under the provisions of the Uniform Arbitration Act, C.R.S. § 13-22-201 *et. seq.,* either to recover damages for such violation, including reasonable attorneys fees incurred in enforcing these covenants, or to restrain such violation or attempted violation. The process for designating an arbitrator shall be as follows: A party demanding arbitration of a dispute under this provision shall, in writing, submit a name of an arbitrator to the other parties to the dispute. The other parties shall have ten days from the date of the receipt of notice of designation of the arbitrator to object and name an alternate Arbitrator. Failure to object and designate an alternate arbitrator in writing within ten days shall be deemed to be an acceptance of the arbitrator so designated. If an alternate arbitrator is designated within the ten days, the initial party who designated the original arbitrator shall have ten days to object to the alternate arbitrator. If no such objection is received, the alternate arbitrator shall be the arbitrator of the dispute. If there is a timely written objection to the alternate arbitrator, the original and the alternate arbitrator shall jointly select a third arbitrator who shall be the sole arbitrator of the dispute. In the event the original and alternate arbitrators are not able to agree upon a third arbitrator, one shall be appointed by any court of competent jurisdiction. The parties agree that any arbitration held pursuant to this section shall be binding upon the parties and shall not be appealable to the courts except for the reasons listed in the Uniform Arbitration Act as cited above. The arbitrator shall award to the prevailing party, if any, as determined by the arbitrator, all of its costs and expenses including reasonable attorney's fees, arbitrator's fees and reasonable out-of-pocket expenses. "Prevailing party" shall mean the party whose position is most nearly upheld in arbitration. If a dispute involves the Declarant or the Association, no Person shall file a memorandum of *lis pendens* or similar instrument that would encumber, create a lien upon or otherwise cloud the title to land owned by either the Declarant or the Association. Failure of the Association, the Declarant or of any Unit Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Executive Board may post on a bulletin board at a conspicuous place on the Common Area notices of any covenant violations by members and copies of any recorded statements. Failure to post shall not affect the validity of any lien or action to redress any covenant violation.

Section 12.02 Severability. Each of the provisions of this Declaration shall be deemed independent and severable. If any provision of this Declaration or the application thereof to any person or circumstances is held invalid, the invalidity shall not affect other provisions or applications of this Declaration which can be given effect without the invalid provisions or applications.

Section 12.03 Term of Declaration. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity.

Section 12.04 Amendment of Declaration by Declarant. Until the first Unit has been conveyed by Declarant by deed recorded in the office of the County Clerk and Recorder of the County of Ouray, Colorado, any of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration may be amended or terminated by Declarant by the recordation of a written instrument, executed by Declarant, setting forth such amendment or termination. Thereafter if Declarant shall determine that any amendments to this Declaration shall be necessary in order to make non-material changes, such as the correction of a technical, clerical or typographical error or clarification of a statement, then, subject to the following sentence of this Section, Declarant shall have the right and power to make and execute any such amendments without obtaining the approval of any Unit Owners. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to make or consent to an amendment under this section on behalf of each Unit Owner and holder of a Security Interest. Each deed, Security Interest, other evidence of obligation or other instrument affecting a Unit and the acceptance thereof shall be deemed to be a grant and acknowledgment of, and a consent to the reservation of, the power of Declarant to make, execute and record an amendment under this Section.

Section 12.05 Amendment of Declaration by Unit Owners. Except as otherwise provided in this Declaration, and subject to provisions elsewhere contained in this Declaration requiring the consent of Declarant or others, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration may be amended or repealed at any time and from time to time upon approval of seventy-five percent (75%) of all of the votes in the Association and with the written consent of the Association. The amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of Ouray County, State of Colorado, of a certificate, setting forth the, amendment in full and certifying that the amendment has been approved as set forth above, and containing the written consent and approval of the Association.

Section 12.06 Amendment Required by Government Mortgage Agencies. Prior to ten (10) years after recording of this Declaration, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration which FHA, VA, FHLMC, GNMA, FNMA or any similar entity authorized to insure, guarantee, make or purchase mortgage loans requires to be amended or repealed may be amended or repealed by Declarant or the Association. Any such amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of Ouray County, State of Colorado, of a certificate, setting forth the amendment or repeal in full.

Section 12.07 Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration shall not be effective unless Declarant has given its written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant of any certificate of amendment or repeal. The foregoing requirement for consent of Declarant to any amendment or repeal shall terminate ten (10) years after the recording of this Declaration, or upon conveyance of 100% of the Units to an Owner other than Declarant, whichever occurs first.

Section 12.08 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development of the Units and of promoting and effectuating the fundamental concepts as set forth in the recitals of this Declaration. This Declaration shall be construed and governed under the laws of the State of Colorado.

Section 12.09 Singular Includes the Plural. Unless the context otherwise requires, the singular shall include the plural, and the plural shall include the singular, and each gender referral shall be deemed to include the masculine, feminine and neuter.

Section 12.10 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any paragraph, section of article hereof.

Dated this 23 day of May, 2006.

Lot 2 Joint Venture, LLC

By: Wendy Lawler Sisler, Manager

STATE OF COLORADO)
) ss.
COUNTY OF OURAY)

The foregoing document was acknowledged before me this 23 day of May, 2006 by as Manager of Lot 2 Joint Venture, LLC, Declarant.
Witness my hand and official seal.
My commission expires: Jan 27, 2009

Karin Pittman
Notary Public

KARIN A. PITTMAN
NOTARY
(SEAL)
PUBLIC
STATE OF COLORADO

My Commission Expires 01/27/2009