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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF
 BALTERRA CONDOMINIUMS**

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- Exhibit A - The Community
- Exhibit B - Allocated Interests
- Exhibit C - Title Exceptions
- Exhibit D - Annexable Area

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
BALTERRA CONDOMINIUMS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF BALTERRA CONDOMINIUMS is made and entered into by D.R. HORTON, INC. - DENVER, a Delaware corporation ("Declarant").

WITNESSETH:

WHEREAS, the Declarant is the owner of the real property situated in the County of Arapahoe, State of Colorado, which is described in Exhibit A, attached hereto and incorporated herein by this reference; and

WHEREAS, the Declarant desires to subject and place upon that certain property described on Exhibit A attached hereto and incorporated herein by this reference ("Community"), certain covenants, conditions, restrictions, easements, reservations, rights-of-way, obligations, liabilities and other charges set forth herein for the purpose of protecting the value and desirability of the Community and for the purpose of furthering a plan for the improvement, sale and condominium ownership of the Community, to the end that a harmonious and attractive development of the Community may be accomplished and the health, comfort, safety, convenience and general welfare of the Declarant, its successors and assigns in the Community, or any portion thereof, may be promoted and safeguarded; and

WHEREAS, a common interest community may be created pursuant to the Act (as hereinafter defined) only by recording a declaration executed in the same manner as a deed. The declaration must be recorded in every county in which any portion of the common interest community is located and must be indexed in the grantee's index in the name of the common interest community and in the name of the Association, and in the grantor's index in the name of each person executing the declaration. No common interest community is created until the plat or map for the common interest community is recorded.

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

ARTICLE I
DEFINITIONS

1. "Act" means the Colorado Common Interest Ownership Act, §38-33.3-101 to -319, C.R.S. 1973, as amended.

2. "Agencies" collectively means the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Department of Housing and Urban Development (HUD), the Veterans Administration (VA) or any other governmental or quasi-governmental agency or any other public, quasi-public or private entity which performs (or may in the future perform) functions similar to those currently performed by any of such entities.

3. "Allocated Interests" means the undivided interest in the Common Elements or Garage Common Elements, and the Common Expense Liability and votes in the Association allocated to each Unit and to each Garage Unit. The Allocated Interest of each Unit at any time shall be equal to a fraction, the numerator of which is one (1) and the denominator of which is the total number of Units within the Community. The Allocated Interest of each Garage Unit at any time shall be equal to a fraction, the numerator of which is one (1) and the denominator of which is the total number of Garage Units within the Community. The Allocated Interest of each Unit and each Garage Unit which is included in the property described on the attached Exhibit A and which will become a "Unit" or a "Garage Unit" under this Declaration upon recording of a Condominium Map for such Unit, is set forth on Exhibit B attached hereto and incorporated herein by this reference. However, the Allocated Interest for each Unit and for each Garage Unit is subject to decrease with the annexation of additional property to this Community as provided in Article XIV, Section 5 hereof.

4. "Architectural Review Committee" or "Committee" means the committee appointed by the Declarant or by the Association to review and approve or disapprove plans for Improvements, as more fully provided in this Declaration.

5. "Association" means Balterra Condominium Association, Inc., a Colorado nonprofit corporation, and a unit owners' association organized under section 38-33.3-301 of the Act.

6. "Board of Directors" or "Board" means the body, regardless of name, designated in this Declaration and the Bylaws of the Association to act on behalf of the Association.

7. "Common Elements" means the totality of:

(a) The real property which is part of the Community; and

(b) The Condominium Buildings (including, but not by way of limitation, the foundations, columns, girders, beams, supports, perimeter and supporting walls, flues, hallways, roofs, stairs, stairways, and the mechanical installations of the Condominium Buildings consisting of the equipment and materials making up any services such as power, light, gas, hot and cold water,

heating, air conditioning, and exterior security lighting, which exist for common uses, including the pipes, vents, ducts, flues, chutes, conduits, wires, and other similar utility installations used in connection therewith), except for the Individual Air Space Units and Garage Units; and

(c) Any amenities and amenity areas, if any, sidewalks, walkways, paths, fences, grass, shrubbery, trees, driveways, parking areas and spaces, landscaping, irrigation systems, and gardens, if any, now or hereafter located in the Community; and

(d) All apparatus, installations and equipment of the Condominium Buildings existing for common use of some or all of the Owners; and

(e) In general, all other parts of the Community including, without limitation, the Common Elements depicted on the Condominium Map and any items designated by Declarant as Common Elements under other provisions of this Declaration, including General Common Elements and Limited Common Elements, and all other parts of the Community necessary or convenient to its existence, maintenance or safety, or normally in common use.

8. "Common Expense Liability" means the liability for Common Expenses allocated to each Unit and to each Garage Unit, as provided in this Declaration, based on its Allocated Interest.

9. "Common Expenses" means expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

10. "Community" means the property, also known as Balterra Condominiums, described on the attached Exhibit A, as supplemented and amended from time to time, with respect to which a Person, by virtue of such Person's ownership of a Unit or a Garage Unit, is obligated to pay for real estate taxes, insurance premiums, maintenance, or improvement of other real estate described in this Declaration. The Community is a condominium under the Act.

11. "Condominium Building" means any building (including all fixtures and Improvements therein contained) located in the Community and within which one or more Individual Air Space Units or Garage Units are located.

12. "Condominium Map" means the condominium map(s) of the Community and Improvements thereon that are subject to this Declaration, and which are designated as the Condominium Map of Balterra Condominiums, recorded or to be recorded in the office of the Clerk and Recorder of the County of Arapahoe, Colorado. More than one Condominium Map or supplement thereto may be recorded, and, if so, then the term "Condominium Map" collectively means all of such condominium maps and supplements thereto. The Condominium Map shall depict all or a portion of the Community in three dimensions, and shall be executed by a Person who is authorized by the Act to execute a declaration relating to this Community. Further, the Condominium Map shall include a certificate executed by a registered land surveyor stating that all Improvements shown on the Condominium Map have been substantially completed and stating that the Condominium Map contains all the information required by Section 38-33.3-209 of the Act.

13. "Declarant" means D.R. Horton, Inc. - Denver, a Delaware corporation, and any other Person or group of Persons acting in concert to whom the Declarant, by recorded document, expressly assigns one or more of the Declarant's rights under this Declaration (which shall be the extent of the Declarant's rights to which such assignee succeeds), and who:

(a) as part of a common promotional plan, offers to dispose of to a purchaser such Declarant's interest in a Unit not previously disposed of to a purchaser; or

(b) reserves or succeeds to any Special Declarant Right.

14. "Declaration" means this Declaration of Covenants, Conditions and Restrictions of Balterra Condominiums and any other recorded instruments, however denominated, that create this Community, including any supplements and amendments to those instruments and also including, but not limited to, the Condominium Map.

15. "Development Rights" means any right or combination of rights reserved by a Declarant in this Declaration to:

(a) add real property to this Community and create Units, Garage Units or Common Elements within this Community in connection with the addition of such real estate, and subdivide Units or convert Units or Garage Units to Common Elements; and/or

(b) withdraw real property from this Community and thereby decrease the number of Units, Garage Units and/or Common Elements; and/or

(c) those rights granted to or reserved by Declarant as set forth in this Declaration or the Act.

16. "First Security Interest" means a Security Interest (as hereinafter defined) that has priority of record over all other recorded liens except those liens made superior by statute (such as general ad valorem tax liens and special assessments).

17. "Garage Common Element" means any Condominium Building constructed to house Garage Units, except for the Garage Units, and the equipment contained within the building intended to serve more than one (1) Garage Unit.

18. "Garage Unit" means the air space contained within the enclosed garage space occupying part of the floor of a Condominium Building constructed as a parking garage, and bounded by the interior surface of the perimeter walls (or the adjoining walls if two or more Garage Units adjoin each other), the unfinished interior surface of the floor, the unfinished interior surface of the ceiling, and including the garage door of a Garage Unit, which is separately identified on the Condominium Map as a Garage Unit, together with the undivided interest in the Garage Common Elements appurtenant to the Garage Unit as shown on the attached Exhibit B. In the case of walls, floors and ceilings that are designated as boundaries of a Garage Unit, all furring, wallboard, drywall, plaster, paneling, tiles, paint, surface finish and finish flooring, garage door and any other materials

constituting any part of the finished surfaces thereof are a part of the Garage Unit, and all other portions of the walls, floors or ceilings are a part of the Garage Common Elements. A Garage Unit shall be deemed a "unit," as defined in the Act.

19. "General Common Elements" means all of the Common Elements except the Limited Common Elements.

20. "Improvements" means all improvements, structures, and any appurtenances thereto or components thereof of every type or kind, and all landscaping features, including, but not limited to, buildings, outbuildings, swimming pools, tennis courts, patios, patio covers, awnings, solar collectors, painting or other finish materials on any visible structure, additions, walkways, irrigation systems, parking facilities and garages, driveways, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, plantings, trees, shrubs, flowers, vegetables, sod, gravel, bark, light fixtures, poles, signs, tanks, and air conditioning, cooling, heating and water softening equipment.

21. "Individual Air Space Unit" means the air space contained within the enclosed rooms occupying part of a floor or floors in a Condominium Building, and bounded by the unfinished interior surfaces of the perimeter walls (or the adjoining walls, if two or more Individual Air Space Units adjoin each other), unfinished interior surfaces of floors (or the lowermost floors, if it is an Individual Air Space Unit containing more than one level), unfinished interior surfaces of ceilings (or the uppermost ceilings, if it is an Individual Air Space Unit containing more than one level), and the unfinished interior surfaces of windows and window frames, doors and door frames of a Condominium Building, and which is separately identified on the Condominium Map.

22. "Limited Common Elements" means those parts of the Common Elements which are either limited to and reserved for the exclusive use of the Owner(s) of a particular Unit or a particular Garage Unit or are limited to and reserved for the common use of the Owners of more than one, but fewer than all, of the Units or Garage Units. Without limiting the foregoing, the Limited Common Elements shall include: the utility, heating, air conditioning and domestic hot water equipment, if any, associated with or providing service to a Unit or a Garage Unit; porches, patios, balconies and decks attached to Units, as designated on the Condominium Map; each parking space, if any, which is designated on the Condominium Map and/or which is conveyed by the Declarant as a Limited Common Element to the Owner of a Unit; and other areas or Improvements, if any, designated as Limited Common Elements on the Condominium Map. The Limited Common Elements shall be used in connection with the applicable Unit(s) or Garage Unit(s) to the exclusion of the use thereof by the other Owners, except by invitation. No reference to any Limited Common Elements need be made in any instrument of conveyance, encumbrance or other instrument. The Limited Common Elements allocated to Units or Garage Units as provided in this Section may not be reallocated without the consent of the Owners whose Units are affected and any Security Interest Holders of any such Units. Further, in order to reallocate Limited Common Elements between or among Units or Garage Units, the Owners of those Units, as the applicants, must submit an application for approval of the proposed reallocation to the Board of Directors, which application shall be executed by those Owners and shall include:

(a) The proposed form for an amendment to the Declaration as may be necessary to show the reallocation of Limited Common Elements between or among Units;

(b) A deposit against attorney fees and costs which the Association will incur in reviewing and effectuating the application, in an amount reasonably estimated by the Board of Directors; and

(c) Such other information as may be reasonably requested by the Board of Directors.

No reallocation shall be effective without the approval of the Board of Directors. The reallocation shall be effectuated by an amendment signed by the Association and by those Owners between or among whose Units the reallocation is made, which amendment shall be recorded as provided in C.R.S. §38-33.3-217(3). All costs and attorney fees incurred by the Association as a result of the application shall be the sole obligation of the applicants.

23. "Member" means each Owner; membership in the Association shall be appurtenant to, and may not be separated from, ownership of a Unit or a Garage Unit.

24. "Owner" means the Declarant or other Person who owns a Unit or Garage Unit, but does not include a Person having an interest in a Unit solely as security for an obligation.

25. "Period of Declarant Control" means a length of time expiring seven (7) years after initial recording of this Declaration in the County in which the Community is located; provided, that the Period of Declarant Control shall terminate no later than either sixty (60) days after conveyance of seventy-five percent (75%) of the Units that May Be Created to Owners other than a Declarant, two (2) years after the last conveyance of a Unit by the Declarant in the ordinary course of business, or two (2) years after any right to add new Units to the Declaration was last exercised.

26. "Person" means a natural person, a corporation, a limited liability company, a partnership, an association, a trust, or any other entity or any combination thereof.

27. "Security Interest" means an interest in real estate or personal property in the Community, or any portion thereof, created by contract or conveyance which secures payment or performance of any obligation. The term includes a lien created by a mortgage, deed of trust, trust deed, security deed, contract for deed, land sales contract, lease intended as security, assignment of lease or rents intended as security, pledge of an ownership interest in the Association, and any other consensual lien or title retention contract intended as security for an obligation. For purposes of Article IV, Section 10 hereof and, with respect to notice of cancellation or substantial modification of certain insurance policies, to Article VI, Section 2 hereof, "Security Interest" shall also mean and refer to any executory land sales contract wherein the administrator of Veterans Affairs, an officer of the United States of America, is the seller, whether such contract is recorded or not, and whether such contract is owned by the said administrator or has been assigned by the administrator and is owned by the administrator's assignee, or a remote assignee, and the land records in the office of the

Clerk and Recorder of the County in which the land is located, show the administrator as having the record title to the Unit or Garage Unit.

28. "Security Interest Holder" means any Person named as a mortgagee or beneficiary, or in a similar capacity, under any Security Interest (including, for purposes of Article IV, Section 10 hereof and, with respect to notice of cancellation or substantial modification of certain insurance policies, to Article VI, Section 2 hereof, the administrator of Veterans Affairs, an officer of the United States of America, and the administrator's assigns under any executory land sales contract wherein the said administrator is identified as the seller, whether such contract is recorded or not, and whether such contract is owned by the said administrator or has been assigned by the administrator and is owned by the administrator's assignee, or a remote assignee, and the land records in the office of the Clerk and Recorder of the County in which the land is located, show the said administrator as having the record title to the Unit), or any successor to the interest of any such Person under such Security Interest.

29. "Special Declarant Rights" means rights hereby reserved for the benefit of a Declarant to perform the following acts: To build and complete Improvements indicated on plats and maps filed with the Declaration; to exercise any Development Rights; to maintain sales offices, construction offices, management offices, signs advertising the Community, and models; to use easements through the Common Elements or Garage Common Elements for the purpose of making Improvements within the Community or within real property which may be added to the Community and to grant easements for access, utilities, drainage, water and other purposes incidental to development and sale of the Community located in or across Common Elements and Garage Common Elements, provided such easements do not create a permanent, unreasonable interference with the rights of any Owners at the time such easement is created; to make the Community subject to a master association; to merge or consolidate a common interest community of the same form of ownership; or to appoint or remove any officer of the Association or any Board of Directors member during any Period of Declarant Control; to allocate any of the Common Elements, Garage Common Elements or portions thereof as Limited Common Elements and to allocate such Limited Common Elements among particular Units or Garage Units; or to perform any other Declarant Rights set forth in this Declaration. Declarant also reserves the Special Declarant Right to convert any Unit, Garage Unit or other portion of the Community which is owned by Declarant into Common Elements, or Garage Common Elements, respectively. All of the Special Declarant Rights may be exercised by the Declarant with respect to any portion of the property now or hereafter within the Community. Declarant may exercise any or all of these Special Declarant Rights at any time and from time to time. Such rights shall terminate automatically on the earlier of the following events: (a) conveyance of the last Unit by Declarant to an Owner other than Declarant; or (b) seven (7) years from the date of recordation of this Declaration; except that such rights shall not terminate automatically with respect to the appointment of officers and directors, which may only be exercised in accordance with Article III hereof.

30. "Unit" means an Individual Air Space Unit, together with all fixtures and Improvements therein contained and together with the undivided interest in the Common Elements appurtenant to the Individual Air Space Unit (which shall be the Allocated Interest of such Unit) as shown on the attached Exhibit B. However, each of the Units listed on the attached Exhibit B shall

become a "Unit" under this Declaration only at such time as a Condominium Map is recorded in the county in which the Community is located with respect to such Unit. The number of Units, and the undivided interest in the Common Elements appurtenant thereto, are subject to change with each annexation to this Declaration as permitted by Article XIV, Section 5 of this Declaration, and/or the creation and addition of additional Units to the Community. The term "Unit" does not include any Garage Unit.

31. "Units that May Be Created" means two hundred sixty (260) Units and one hundred (100) Garage Units, which shall be the maximum number of Units and Garage Units that may be subject to this Declaration, including those Units and Garage Units which may be included if all of the property provided for in Article XIV, Section 5 hereof is annexed to this Declaration. However, the aforesaid number of Units and Garage Units that May Be Created is not a representation or a guarantee as to the actual number of units that will ultimately be included in or constructed as part of the Community.

ARTICLE II MEMBERSHIP AND VOTING RIGHTS

1. Association. The Association has been or will be formed as a Colorado corporation under the Colorado Revised Nonprofit Corporation Act. The Association shall have the duties, powers and rights set forth in this Declaration and in its Articles of Incorporation and Bylaws.

2. Membership. The membership of the Association at all times shall consist exclusively of all Owners or, following termination of the Community, of all former Owners entitled to distributions of proceeds under the Act or their heirs, personal representatives, successors or assigns. Membership shall be appurtenant to and may not be separated from ownership of any Unit.

3. Voting Rights.

(a) Each Unit shall be entitled to one vote to be exercised by the Owner or Owners thereof.

(b) Each Garage Unit shall be entitled to one (1) vote to be exercised by the Owner or Owners thereof solely on those matters on which Garage Unit Owners are expressly granted the right to vote pursuant to the following sections of this Declaration and their votes shall be considered part of the votes of the Association only with respect to such matters:

- (i) Article IV, Section 6 (Special Assessment); ✓
- (ii) Article IV, Section 18 (Assessment on Garage Units); ✓
- (iii) Article VII, Section 1 (Damage or Destruction); ✓
- (iv) Article VII, Section 2 (Use or Distribution of Insurance Proceeds); ✓
- (v) Article XIII, Section 1 (Approvals); ✓
- (vi) Article XIII, Section 2 (Termination of Legal Status); ✓
- (vii) Article XIV, Section 6 (Amendment); ✓
- (viii) Article XIV, Section 11 (Termination); and ✓

(ix) Article XIV, Section 18 (Mediation/ Arbitration). ✓

(c) No votes allocated to a Unit or a Garage Unit owned by the Association may be cast. Except as otherwise provided in Article III of this Declaration, during the Period of Declarant Control, the Declarant or Persons appointed by the Declarant may appoint and remove all officers and members of the Board of Directors which have been appointed by such Declarant. A Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors 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 Board of Directors, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

4. Management Agreements and Other Contracts. Any agreement for professional management of the Association's business or other contract providing for services of the Declarant shall have a maximum term of three (3) years and any such agreement shall provide for termination by either party thereto, with or without cause and without payment of a termination fee, upon not more than ninety (90) days' prior written notice; provided, however, that any such management agreement (s) entered into by the Association with a manager or managing agent prior to termination of the Period of Declarant Control may be subject to review and approval by HUD or VA if and to the extent required by HUD or VA, at the time such agreement is entered into, HUD has insurance or VA has a guarantee (s) on one or more Security Interests.

5. Power to Adopt Rules and Regulations. The Association may adopt, amend, repeal and enforce Rules and Regulations as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, the use and enjoyment of Common Elements, the Garage Common Elements and the use of any other property within the Community, including Units and Garage Units. Any such Rules and Regulations shall be reasonable and uniformly applied. Such Rules and Regulations shall be effective only upon adoption by resolution of the Board of Directors. Copies of the currently effective Rules and Regulations shall be made available to each Owner upon request and payment of the reasonable expense of copying the same. Each Owner shall comply with such Rules and Regulations and shall see that Persons claiming through such Owner comply with such Rules and Regulations. The Board of Directors may establish and enforce penalties for the infraction thereof, including, without limitation, the levying and collecting of fines for the violation of any such Rules and Regulations. Such Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration. In the event of a conflict between the Rules and Regulations and the provisions of this Declaration, the provision of this Declaration shall prevail.

ARTICLE III
BOARD OF DIRECTORS, MEMBERS AND OFFICERS

1. Authority of Board of Directors. Except as provided in this Declaration or the Association Bylaws, the Board of Directors may act in all instances on behalf of the Association.

2. Election of Part of Board of Directors During Period of Declarant Control. No later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units that May Be Created to Owners other than a Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board of Directors must be elected by Owners of Units other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that May Be Created to Owners other than a Declarant, not less than thirty-three and one-third percent (33 1/3%) of the members of the Board of Directors must be elected by Owners other than a Declarant.

3. Authority of Declarant During Period of Declarant Control. Except as otherwise provided in this Article, during the Period of Declarant Control, the Declarant or Persons appointed by the Declarant may appoint all officers and directors and may remove all officers and directors of the Board of Directors appointed by it.

4. Termination of Period of Declarant Control. Not later than termination of the Period of Declarant Control, the Owners of Units shall elect a Board of Directors (with the exact number of members of the Board of Directors to be set forth in the Bylaws of the Association), at least a majority of whom must be Owners other than the Declarant or designated representatives of Owners other than the Declarant. The Board of Directors shall elect the officers. The Board of Directors members and officers shall take office upon election.

5. Delivery of Property by Declarant. After the Owners other than the Declarant elect a majority of the members of the Board of Directors, the Declarant shall deliver to the Association all property of the Owners and of the Association held by or controlled by the Declarant, if and to the extent required by the Act.

6. Budget. Within thirty (30) days after adoption of any proposed budget for the Community, the Board of Directors shall mail, by ordinary first-class mail, or otherwise deliver, a summary of the Association budget to all the Owners and shall set a date for a meeting of the Owners to consider the budget not less than fourteen (14) days nor more than sixty (60) days after mailing or other delivery of the summary. The proposed budget does not require approval from Owners and is deemed approved by the Owners in the absence of a veto at the meeting by the Owners of Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated, whether or not a quorum is present. In the event that the proposed budget is vetoed, the periodic budget last proposed by the Board and not vetoed by the Owners must be continued until a subsequent budget proposed by the Board is not vetoed by the Owners.

7. Cooperation with other Associations.

(a) The Association shall have the right and authority at any time, from time to time, to enter into agreements and otherwise cooperate with other community association(s) and/or any district(s), to share facilities, to share the costs and/or responsibility for any maintenance, repair, replacement or other matters, to perform maintenance, repair or replacement for any person(s) in consideration of payment or reimbursement therefor, to utilize the same contractors, subcontractors, managers or others who may perform services for the Association, any other community

association(s) and/or any district(s), or to otherwise cooperate with any other community association(s) and/or any district(s) in order to increase consistency or coordination, reduce costs, or as may otherwise be deemed appropriate or beneficial by the Board of Directors in its discretion from time to time. The costs and expenses for all such matters, if any, shall be shared or apportioned between the Association and/or any other community associations and/or any districts, as the Board of Directors may determine in its discretion from time to time. Additionally, the Association shall have the right and authority at any time, from time to time, to enter into agreements and otherwise cooperate with any other community associations, and/or any districts to collect assessments, other charges or other amounts which may be due to such entity and to permit any such entity to collect assessments, other charges or other amounts which may be due to the Association; in any such instance, the Association shall provide for remittance to such entity of any amounts collected by the Association or to the Association of any amounts collected by such entity.

(b) The Association shall enter into an agreement with the Sterling Hills West Homeowners Association ("Sterling Hills HOA") with regard to the joint use, maintenance and repair of certain common elements of the Sterling Hills HOA. The Agreement shall permit the Members of the Association to use and enjoy the common elements of the Sterling Hills HOA which consist of landscape and open space tracts, parks, trails, gardens and other similar common elements and amenities. The Association shall be obligated to contribute annually (or such other periodic basis as set forth in the agreement) a prorata cost of the installation, maintenance, repair and replacements of the Sterling Hills HOA common elements. The prorata amount shall be assessed per Unit and shall be set at one third (1/3) of the amount assessed against Units within the Sterling Hills HOA. The assessment shall not be modified during the Period of Declarant Control, and thereafter, any amendment of this assessment obligation shall require the unanimous approval of the votes of the Association and the consent of the Executive Board of the Sterling Hills HOA.

due diligence

8. Notice and Comment. Whenever the provisions of this Declaration or of the other governing documents of the Association or the Act require that an action be taken after "Notice and Comment" or "Notice and Hearing," and at any other time the Board determines, the affected Owners have the right to receive notice of the proposed action and the right to comment orally or in writing. Notice shall be given to each affected Owner in writing delivered personally or by mail to all affected Owners at such address as appears in the records of the Association, or notice shall be published in a newsletter or similar publication which is routinely circulated to all Owners. The notice shall be given not less than three (3) days before proposed action is to be taken. The notice shall invite comment (orally or in writing) to the Board before or at the scheduled time of any meeting or hearing.

ARTICLE IV COVENANT FOR MAINTENANCE ASSESSMENTS

1. Creation of the Lien and Personal Obligation for Assessments. Each Owner, including Declarant, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees and shall be personally obligated to pay to the Association the following assessments (except that Owners of Garage Units shall be obligated to pay only Garage Assessments as defined below, and special assessments, and other charge fees and fines applicable to Garage

Units as set forth in this Declaration): (i) annual assessments or charges; (ii) special assessments; (iii) Garage Assessments, which shall be payable only by Owners of Garage Units, pursuant to Section 18 of this Article; and (iv) other charges, fines, fees, interest, late charges, and other amounts, all as provided in this Declaration; with such assessments and other amounts to be established and collected as hereinafter provided. The annual and special assessments, and other charges, fees and fines, together with interest, late charges, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Unit or Garage Unit against which each such assessment is made. The obligation for such payments by each Owner to the Association is an independent covenant with all amounts due, from time to time, payable in full when due without notice or demand (except as otherwise expressly provided in this Declaration), and without set-off or deduction. All Owners of each Unit and each Garage Unit shall be jointly and severally liable to the Association for the payment of all assessments, fees, charges and other amounts attributable to their Unit or Garage Unit during their ownership of such unit. Each assessment, charge, fee, and all other amounts under this Declaration, together with interest, late charges, costs, and reasonable attorney's fees, shall also be the personal obligation of the Person who was the Owner of such Unit or Garage Unit at the time when the assessment became due. In addition to the foregoing assessments, charges and fees, each Owner shall have the obligation to pay real property ad valorem taxes and special assessments imposed by Colorado governmental subdivisions against his/her Unit or Garage Unit, as well as all charges for separately metered utilities servicing the Owner's Unit. The charges for utilities which are not separately metered to an individual unit by the applicable utility company may be collected by the Association as part of the Monthly Assessments. However, the charges for such utilities shall be allocated among the Units and Garage Units based on actual usage, if such is measured. The personal obligation for delinquent assessments shall not pass to such Owner's successors in title unless expressly assumed by them. The Association's lien for assessments and other amounts shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Colorado or any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed to a Unit or Garage Unit subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against said lien.

2. Purpose of Assessments. The assessments levied by the Association shall be used for maintenance, repair, improvement and replacement of the Common Elements and Garage Common Elements, as provided in this Declaration, the maintenance, repair and replacement of other property maintained by the Association, common utility expenses and charges, furnishing garbage and trash pick-up if such service is furnished by or through the Association, obtaining and maintaining insurance in accordance with this Declaration, to promote the recreation, health, safety and welfare of the residents of the Units, and for all of those purposes and activities which may be required of the Association or which the Association may be empowered to pursue pursuant to this Declaration or the Articles of Incorporation or Bylaws of the Association, or by law; provided, however, that such assessments levied during the Period of Declarant Control may not be used for the purpose of constructing capital Improvements.

3. Initial Annual Assessment. Until the effective date of an approved Association budget with a different amount for the annual assessment, as provided above, the amount of the annual assessment against each Unit (exclusive of any assessments levied pursuant to Section 7(b) of Article III) shall be computed at a rate not in excess of Two Hundred Dollars (\$200.00) per Unit per

month; and the amount of the Garage Assessment against each Garage Unit shall be computed at a rate not in excess of Fifty Dollars (\$50.00) per Garage Unit per month..

4. Rate of Annual and Special Assessments. Annual and special assessments shall be fixed at a uniform rate for all Units sufficient to meet the expected needs of the Association. Garage Assessments shall be fixed at a uniform rate for all Garage Units sufficient to meet the expected needs of the Garage Unit budget, as provided in Section 18 of this Article. The annual assessments shall include an adequate reserve fund for the maintenance, repair and replacement of those items that must be maintained, repaired or replaced on a periodic basis, and for the payment of insurance deductibles. All annual and special assessments shall be assessed against all the Units and Garage Units in accordance with the Allocated Interests set forth in this Declaration, except as specifically elsewhere provided in this Declaration. If the Common Expense Liability is reallocated, annual assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense Liability.

5. Date of Commencement of Annual Assessments. Until the Association makes an annual assessment, which shall commence at such time as the Board of Directors may determine in its discretion, the Declarant shall pay all Common Expenses. After any annual assessment has been made by the Association, annual assessments shall initially not be greater than the amount set forth in Section 3 of this Article, and thereafter shall be based on a budget adopted by the Association as provided above. A budget shall be so adopted by the Association no less frequently than annually. The annual assessments shall be due and payable in monthly installments, in advance, or on such other dates, and with such frequency (which may be other than monthly, but not less frequently than annually), as the Board of Directors may determine in its discretion from time to time; provided that the first annual assessment shall be adjusted to reflect the time remaining in the first Association fiscal year. Any Owner purchasing a Unit or a Garage Unit between installment due dates shall pay a pro rata share of the last payment due.

6. Special Assessments. In addition to the annual assessments authorized in this Article, the Board of Directors may levy, in any fiscal year, with the approval of two-thirds (2/3) of the votes of a quorum (as provided below) of the Association votes cast by the Members voting in person or by proxy at a meeting duly called for this purpose, a special assessment applicable to that year only, for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital Improvement upon the Common Elements or any portion of real property for which the Association has repair and/or reconstruction obligations, including fixtures and personal property related thereto, or for repair or reconstruction of any damaged or destroyed Improvements, or for the funding of any operating deficit incurred by the Association. For special assessments solely involving Common Expenses relating to the Garage Units, approval of such special garage assessment shall only require the approval of two-thirds (2/3) of the votes of a quorum of the votes allocated to Garage Units at a meeting of the Owners of Garage Units called for this purpose; for special assessments solely involving Common Expenses relating to the Units, approval of such special assessment shall only require the approval of two-thirds (2/3) of the votes of a quorum of the votes allocated to Units at a meeting of the Owners of Units called for this purpose. Any such special assessment shall be set against each Unit or Garage Unit in accordance with the Allocated Interests therefor. A meeting of the Members called for the purpose of considering the

establishment of a special assessment shall be held in conformance with Section 7 of this Article IV. Notwithstanding the foregoing, special assessments levied during the Period of Declarant Control may not be used for the purpose of constructing capital Improvements.

7. Notice and Quorum for Any Special Assessments. Written notice of any meeting called for the purpose of taking any action authorized under Section 6 of this Article shall be sent to all Members entitled to vote not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the Membership votes shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

8. Charges for Services to Less than All of the Units. The Association may, at any time from time to time, provide services to less than all of the Units and Garage Units, and the Owners of such units shall pay the Association for such services as, when and in such manner as may be determined by the Board of Directors in its discretion from time to time, which amounts shall be in addition to the annual and special assessments, and which amounts shall include overhead expenses of the Association. The services which are provided for in this Section shall be provided, if at all, pursuant to an agreement in writing between the Association and the Owners of the Units or Garage Units for which such service(s) are to be provided, with such agreement to include a statement of the costs, fees and expenses reasonably expected to initially be incurred by the Association in providing such service(s). Services which may be provided by the Association pursuant to this Section include, without limitation, (a) the construction, care, operation, management, maintenance, upkeep, repair, replacement and renovation of Improvements or property owned or maintained by such Owner(s); (b) the provision of any services or functions to or for such Unit(s) or Garage Units(s); (c) the enforcement of the provisions of any document or agreement for, on behalf of, and in the name of the applicable Owners; (d) the payment of taxes or other amounts for Owners with funds provided by such Owners; and (e) the procurement of insurance for Owners. The Association may, at its election, at any time from time to time, collect the aforesaid costs, fees, expenses and other charges from Owners to whom such services are provided, in advance or arrears, in monthly or other installments, or as an addition to and on the same date for payment of, any assessments.

9. Lien for Assessments.

(a) The Association has a statutory lien on a Unit and a Garage Unit for any assessment levied against that Unit or Garage Unit or for fines imposed against its Owner. Fees, charges, late charges, attorney fees, fines and interest charged pursuant to this Declaration are enforceable as assessments under this Article. The amount of the lien shall include all those items set forth in this section from the time such items become due. If an assessment is payable in installments, each installment is a lien from the time it becomes due, including the due date set by any valid Association acceleration of installment obligations.

(b) Recording of the Declaration constitutes record notice and perfection of the lien. No further recordation of any claim of lien for assessments is required. However, the Board of Directors or managing agent of the Association may prepare, and record in the county in which the applicable Unit is located, a written notice setting forth the amount of the unpaid indebtedness, the name of the Owner of the Unit or Garage Unit, and a description of the Unit. If a lien is filed, the costs and expenses thereof shall be added to the assessment for the Unit or Garage Unit against which it is filed and collected as part and parcel thereof. The Association's lien may be foreclosed in like manner as a mortgage on real estate.

(c) A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within six (6) years after the full amount of assessments becomes due.

(d) If two (2) or more associations have liens for assessments created at any time on the same property, those liens have equal priority.

10. Priority of Association Lien.

(a) A lien under this Article IV is prior to all other liens and encumbrances on a Unit or Garage Unit except:

(1) Liens and encumbrances recorded before the recordation of the Declaration;

(2) A First Security Interest, which was recorded or perfected before the date on which the assessment sought to be enforced became delinquent; and

(3) Liens for real estate taxes and other governmental assessments or charges against the Unit or Garage Unit.

(b) A lien under this Section is also prior to the First Security Interests described in the preceding subsection (a)(2) to the extent, if any, provided in the Act.

(c) This Section does not affect the priority of mechanics' or materialmen's liens or the priority of liens for other assessments made by the Association. A lien under this Article is not subject to the provisions of part 2 of Article 41 of Title 38, C.R.S., as amended, or to the provisions of Section 15-11-201, C.R.S. 1973, as amended.

11. Receiver. In any action by the Association to collect assessments or to foreclose a lien for unpaid assessments, the court may appoint a receiver of the Owner to collect all sums alleged to be due from the Owner prior to or during the pending of the action. The court may order the receiver to pay any sums held by the receiver to the Association during the pending of the action to the extent of the Association's assessments.

12. Certificate of Status of Assessments. The Association shall furnish to an Owner or such Owner's designee or to a Security Interest Holder or its designee, upon written request delivered

personally or by certified mail, first class postage prepaid, return receipt, to the Association's registered agent, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's Unit or Garage Unit. The statement shall be furnished within fourteen (14) calendar days after receipt of the request and is binding on the Association, the Board of Directors, and every Owner. If no statement is furnished to the Owner or Security Interest Holder or their designee, delivered personally or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party, then the Association shall have no right to assert a lien upon the Unit or Garage Unit for unpaid assessments which were due as of the date of the request. The Association shall have the right to charge a reasonable fee for the issuance of such certificates.

13. Effect of Non-Payment of Assessments; Remedies of the Association. Any assessment not paid within ten (10) days after the due date thereof may bear interest from the due date at the rate of twenty-one percent (21%) per annum, or at such other lawful rate as may be set from time to time by the Board of Directors, and the Board of Directors may assess thereon a late charge in an amount the Board determines from time to time to be sufficient to cover the extra costs and expenses involved in handling such delinquent payment. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Unit or Garage Unit. If a judgment or decree is obtained, including without limitation in a foreclosure action, such judgment or decree shall include a reasonable attorney's fee to be fixed by the court, together with the costs of the action, and may include interest and late charges as above provided. No Owner may be exempt from liability for payment of the assessments by waiver of the use or enjoyment of any of the Common Elements or by abandonment of the Unit or Garage Unit against which the assessments are made. This Article does not prohibit actions or suits to recover sums for which this Declaration creates a lien or to prohibit the Association from taking a deed in lieu of foreclosure.

14. Surplus Funds. Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of or provision for reserves shall be retained by the Association as reserves and need not be paid to the Owners in proportion to their Common Expense Liability or credited to them to reduce their future assessments.

15. Working Capital Fund. The Association or Declarant shall require the first Owner (other than Declarant) of any Unit or Garage Unit who purchases that Unit or Garage Unit from Declarant to make a non-refundable contribution to the Association in an amount equal to two (2) times the then current monthly installment of the annual assessment applicable to the Unit or Garage Unit at the time of closing (regardless of whether or not annual assessments have commenced as provided in Section 5 of this Article). Said contribution shall be collected and transferred to the Association at the time of closing of the sale by Declarant of each Unit or Garage Unit and shall, until used, be maintained in a segregated account with other such working capital funds for the use and benefit of the Association, including, without limitation, to meet unforeseen expenditures or to purchase additional equipment, property or services. Such contribution to the working capital fund shall not relieve an Owner from making regular payments of assessments as the same become due. Upon the transfer of his Unit, an Owner shall be entitled to a credit from his transferee (but not from the Association) for the aforesaid contribution to working capital fund.

16. Assessments for Misconduct. If any Common Expense is caused by the misconduct of any Owner, the Association may assess that Common Expense exclusively against such Owner and such Owner's Unit or Garage Unit.

17. Other Charges. The Association may levy and assess charges, costs and fees for the following matters, among others, in such reasonable amount(s) as the Board of Directors may determine in its discretion at any time from time to time, including charges to the Association by its managing agent or other Person: copying of Association or other documents; return check charges; charges for telefaxes; long distance telephone calls; transfer charges or fees upon transfer of ownership of a Unit or Garage Unit; charges for notices and demand letters; and other charges incurred by the Association for or on behalf of any Owner(s). All such charges, costs and fees shall be in addition to the assessments levied by the Association, but shall be subject to all of the Association's rights with respect to the collection and enforcement of assessments.

18. Assessments on Garage Units. Notwithstanding any other provisions of this Article IV, the Association shall establish a separate Garage Assessment to meet the expenses and reserve requirements related solely to Garage Units. Such Garage Assessment shall be limited to the direct costs incurred or expected to be incurred by the Association with respect to the maintenance, repair and replacement of the Garage Common Elements, an equitable share of insurance premiums, and a replacement reserve amount which is limited to the anticipated cost of repairing the Garage Common Elements due to the damage resulting from the long-term use thereof. The Declarant shall not use any of the replacement reserve funds to defray its expenses, reserve contributions or construction costs, or to make up any budget deficits, nor may it borrow or authorize borrowing from such funds. The Garage Assessment shall not include any allocated portion of general administrative costs of the Association or any costs incurred in connection with the maintenance, repair or replacement of any other portions of the Condominium Buildings containing Units. The Garage Assessment shall be adopted as a separate Garage Unit budget by the Board of Directors of the Association pursuant to the provisions of Article IV hereof and shall include the eligible costs for the Garage Units only, except that any veto of the Garage Unit budget shall be limited to a vote of the Owners of Garage Units, with the Owners of Garage Units being allocated one (1) vote for each Garage Unit owned solely for the purpose of any veto of the Garage Unit budget. In the event that a majority of the Owners of Garage Units veto the Garage Unit budget, the previous Garage Unit budget shall remain in effect and the Garage Unit portion of the Association's general budget shall be revised to equal the prior Garage Unit Assessment. Notwithstanding the procedures set forth in this Declaration for the allocation of Common Expenses, the Board of Directors of the Association, in determining the Garage Assessment, shall allocate the expenses of the Garage Unit budget (the "Garage Common Expenses") on an equal basis among all of the Garage Units according to each Garage Unit's Allocated Interest set forth on the attached Exhibit B.

ARTICLE V ARCHITECTURAL REVIEW COMMITTEE

1. Composition of Committee. The Architectural Review Committee shall consist of three (3) or more persons appointed by the Board of Directors; provided, however, that until all of the Units have been conveyed to the first Owner thereof (other than Declarant), Declarant may

appoint the Architectural Review Committee. The power to "appoint," as provided herein, shall include without limitation the power to: constitute the initial membership of the Architectural Review Committee; appoint member(s) to the Architectural Review Committee on the occurrence of any vacancy therein, for whatever reason; and remove any member of the Architectural Review Committee, with or without cause, at any time, and appoint the successor thereof. Each such appointment may be made for such term(s) of office, subject to the aforesaid power of removal, as may be set from time to time in the discretion of the appointor.

2. Review by Committee; Requirement for Approval by Governmental Entities.

(a) Other than as to the Declarant and the Association, no Improvements shall be constructed, placed, planted, applied or installed by an Owner on any General Common Elements or Garage Common Elements, nor shall any structural alteration be made to any Unit, Garage Unit or any Common Elements. Subject to the foregoing, no Improvements shall be constructed, erected, placed, planted, applied or installed on any Limited Common Elements unless complete plans and specifications therefor, including without limitation such information and materials as may be required by the Architectural Review Committee in its discretion from time to time, shall have been first submitted to and approved in writing by the Architectural Review Committee; provided, however, that the Declarant shall be exempt from seeking or obtaining Architectural Review Committee approval during Declarant's development of, construction on, or sales of any Unit or Garage Unit. The Architectural Review Committee shall exercise its reasonable judgment to the end that all Improvements conform to and harmonize with the existing surroundings, residences, landscaping and structures, and do not affect the structural integrity of any Unit, Garage Unit or other Improvement. The Architectural Review Committee may require that the applicant(s) of each submission pay a fee(s) to the Association for the review and approval process, with such fee(s) to be in such amount(s) as may be set by the Committee in its discretion from time to time; provided that such fee(s) shall be uniform for submissions of a similar nature or cost. Such amounts, if any, shall be levied in addition to the assessments against the Unit or Garage Unit for which the request for Architectural Review Committee approval was made, but shall be subject to the Association's lien for assessments and subject to all rights of the Association for the collection of assessments, as more fully provided in this Declaration.

(b) In addition to the required approvals by the Architectural Review Committee, as provided in this Article, the construction, erection, addition, deletion, change or installation of any Improvements on any Unit or Garage Unit shall also require the applicant to obtain the approval of all governmental entities with jurisdiction thereover, and issuance of all required permits, licenses and approvals by all such entities. Without limiting the generality of the preceding sentence, issuance of building permits by the governmental entity with jurisdiction shall be a precondition to commencement of any construction or alteration of any structure(s).

3. Procedures. The Architectural Review Committee shall approve or disapprove all requests for approval within forty-five (45) days after the complete submission of all plans, specifications, and other materials and information which the Committee may require in conjunction therewith. If the Architectural Review Committee fails to approve or disapprove any request within forty-five (45) days after the complete submission of all plans, specifications, materials and other

information with respect thereto, and if the applicant can prove that the complete submission was received by the Committee (with such proof to be in the form of a signed receipt or a signed return receipt from a registered or certified mail), approval shall not be required and this Article shall be deemed to have been fully complied with.

4. Vote and Appeal. A majority vote of the Architectural Review Committee is required to approve a request for approval pursuant to this Article, unless the Committee has appointed a representative to act for it, in which case the decision of such representative shall control. In the event a representative acting on behalf of the Committee approves or denies a request for architectural approval, any Owner shall have the right to an appeal of such decision to the full Committee, upon a request therefor submitted to the Committee within thirty (30) days after such approval or denial by the Committee's representative. If the Architectural Review Committee approves or denies a request for architectural approval (whether by original decision or on appeal), then any Owner shall have the right to an appeal of such decision to the Board of Directors, upon a written request therefor submitted to the Board of Directors within thirty (30) days after such decision by the Architectural Review Committee.

5. Architectural Standards. The Architectural Review Committee, with the advice of the Board of Directors, may, at any time from time to time, enact, issue, promulgate, modify, amend, repeal, re-enact, and enforce architectural standards for the Community, or other standards, to interpret and implement the provisions of this Article and the Declaration, including, without limitation, those relating to procedures, materials to be submitted, specifications of items, types or kinds of Improvements, and other matters. Any standards so adopted by the Committee shall be consistent, and not in conflict, with this Article and the Declaration.

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

7. Liability. Neither the Board of Directors, nor the Architectural Review Committee, nor any members thereof, nor any representative of the Committee appointed to act on its behalf, shall be liable in damages to any Person, or to any Owner, by reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove in regard to any matter within its jurisdiction hereunder.

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

9. Waivers; No Precedent. The approval or consent of the Architectural Review Committee or any representative thereof, or of the Board of Directors, to any application for

architectural approval shall not be deemed to constitute a waiver of any right to withhold or deny approval or consent by the Committee or any representative thereof, or by the Board of Directors, as to any application or other matters whatsoever as to which approval or consent may subsequently or additionally be required. Nor shall any such approval or consent be deemed to constitute a precedent as to any other matter.

ARTICLE VI INSURANCE

1. Insurance. The Association shall maintain insurance as required by the Act and other applicable law, including the following types of insurance on the Common Elements, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, and the cost of said coverage shall be paid by the Association as Common Expenses. In addition, the Association may maintain such insurance on such other property as the Board of Directors may determine in its discretion from time to time, or as may be hereinafter required. Notwithstanding any of the specific insurance requirements specified in this Article, the Association may also consider, in determining the types and amount of insurance it needs to obtain, the then-existing requirements of any of the Agencies with respect to their insurance, guaranty, or purchase of Security Interests.

(a) Property insurance for broad form covered causes of loss, including Units and Garage Units (but not the finished interior surfaces of the walls, floors and ceilings of the Units and Garage Units) Common Elements and Garage Common Elements; except that the total amount of insurance must not be less than the full insurable replacement cost of all the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, foundations, excavations, and other matters normally excluded from property policies.

(b) Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Common Elements and Garage Common Elements, insuring the Association in an amount not less than One Million Dollars (\$1,000,000.00) per occurrence, insuring the Board of Directors, the Association, any managing agent, and their respective employees, agents and all Persons acting as agents. The Declarant shall be included as an additional insured in such Declarant's capacity as an Owner and member of the Board of Directors. The Owners shall also be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Elements. The insurance shall cover claims of one or more insured parties against other insured parties.

(c) A policy providing comprehensive fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and/or any independent contractor employed by the Association for the purpose of managing the Community and/or any Owner who controls or disburses funds of the Association, in an amount at least equal to the estimated maximum of funds, including maintenance reserves, in the custody of the Association at any given time; provided, however, that such fidelity coverage or fidelity bonds shall not be in an amount less than two (2) months aggregate assessments on the Units

and Garage Units, plus such reserve funds as calculated from the current budget of the Association. The Association may carry fidelity insurance in amounts greater than required hereinabove and may require any independent contractor employed for the purposes of managing the Community to carry more fidelity insurance coverage than required hereinabove. In the event the Association has delegated some or all of its responsibility for the handling of funds to a managing agent, the Association may require the managing agent to purchase, at its own expense, a policy of fidelity insurance or bonds which fully complies with the provisions of this subparagraph (c).

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

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

(2) one hundred percent (100%) of current replacement cost of all Condominium Buildings and other insurable property located within a designated flood hazard area.

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

2. General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association as insured, or its designee as trustee and attorney-in-fact for all Owners, and each Owner shall be an insured person under such policies with respect to liability arising out of any Owner's membership in the Association. The policy or policies shall contain a standard non-contributory Security Interest Holder's clause in favor of each Security Interest Holder and a provision that it cannot be cancelled or materially altered by either the insured or the insurance company until at least thirty (30) days' prior written notice thereof is given to the insured and each Security Interest Holder, insurer or guarantor of a Security Interest. The Association shall furnish a certified copy or duplicate original of such policy or renewal thereof, with proof of premium payment and a certificate identifying the interest of the Owner in question, to any party in interest, including Security Interest Holders, upon request. Any such Owner's policy shall also contain waivers of subrogation. All policies shall contain waivers of any defense based on invalidity arising from any acts or neglect of an Owner where such Owner is not under the control of the Association.

3. Deductibles. The Association may adopt and establish written non-discriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment.

(a) To the extent the Association settles claims for damages, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration all deductibles paid by the Association. In the event that more than any one (1) Unit or Garage Unit is damaged by a loss, the Association, in its reasonable discretion, may assess each Owner a pro rata share of any deductible paid by the Association.

(b) Any loss to any Unit, Garage Unit or to any Common Elements which the Association has the duty to maintain, repair and/or reconstruct, which falls within the deductible portion of such policy, shall be borne by the Person who is responsible for the repair and maintenance of the property which is damaged or destroyed. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible may be apportioned among the Persons sharing in such joint duty or may be partly or wholly borne by the Association, at the election of the Board of Directors. Notwithstanding the foregoing, after notice and hearing, the Association may determine that a loss, either in the form of a deductible to be paid by the Association or an uninsured loss, resulted from the act or negligence of an Owner, the Owner's tenants, family members, guests or invitees. Upon said determination by the Association, any such loss or portion thereof may be assessed to the Owner in question and the Association may collect the amount from said Owner in the same manner as any assessment.

4. Payment of Insurance Proceeds. Any loss covered by an insurance policy described in Section 1 of this Article must be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any Security Interest Holder. The insurance trustee or the Association shall hold any insurance proceeds in trust for the Association, Owners and Security Interest Holders as their interests may appear. Subject to the provisions of Section 1 of Article VII of this Declaration, the proceeds must be disbursed first for the repair or restoration of the damaged property; and the Association, Owners and Security Interest Holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored or the Community is terminated.

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

6. Acceptable Insurance Companies. Each hazard insurance policy purchased by the Association must be written by a hazard insurance carrier which is authorized by law to do business

in the State of Colorado. The Association shall not obtain any policy where (a) under the terms of the insurance company's charter, bylaws, or policy, contributions or assessments may be made against the mortgagor or mortgagee's designee, or (b) under the terms of the carrier's charter, bylaws, or policy, loss payments are contingent upon action by the carrier's Board of Directors, policy holders or members, or (c) the policy includes any limiting clauses (other than insurance conditions) which could prevent mortgagees or any Owner from collecting insurance proceeds.

7. Insurance to be Maintained by Owners. An insurance policy issued to the Association does not obviate the need for Owners to obtain insurance for their own benefit. Insurance coverage on the furnishings and other items of personal property belonging to an Owner, and public liability insurance coverage on each Individual Air Space Unit and each Garage Unit, shall be the responsibility of the Owner of such unit.

8. Annual Review of Insurance Policies. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors to ascertain that the coverage provided by such policies adequately covers those risks intended to be insured by the Association. In making the aforesaid determination, the Board of Directors or the managing agent of the Association may obtain a written appraisal from a duly qualified real estate or insurance appraiser, or seek other advice or assistance. Any Security Interest Holder shall be furnished with a copy of such appraisal upon request.

9. Notice of Cancellation. If the insurance that is required to be carried by the Association, as provided in Section 1 of this Article, is not reasonably available, or if any policy of such insurance is cancelled or not renewed without a replacement policy therefor having been obtained, the Association promptly shall cause notice of that fact to be hand delivered, or sent prepaid by United States mail, to all Owners. If the insurance described in Section 1 of this Article is not reasonably available, the Association may carry any other insurance it considers appropriate.

ARTICLE VII DAMAGE OR DESTRUCTION

1. Damage or Destruction.

(a) Any portion of the Community which is covered by a policy of insurance which is required to be carried by the Association under this Declaration and which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- (1) The Community is terminated;
- (2) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;
- (3) Sixty-seven percent (67%) of the Owners, including every Owner of a Unit or Garage Unit that will not be rebuilt, vote not to rebuild; or

(4) Prior to the conveyance of any Unit or Garage Unit to a Person other than the Declarant, the holder of a deed of trust or mortgage on the damaged portion of the Community rightfully demands all or a substantial part of the insurance proceeds.

(b) The cost of repair or replacement that is covered by insurance carried by the Association, but which is in excess of insurance proceeds and reserves, is a Common Expense. If the entire Community is not repaired or replaced, the insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Community, and except to the extent that other Persons will be distributees, the insurance proceeds attributable to Units or Garage Units that are not rebuilt must be distributed to the Owners of those units or to lien holders, as their interests may appear, and the remainder of the proceeds must be distributed to all the Owners or lien holders, as their interests may appear, in proportion to the Allocated Interests of all the Units. If the Owners vote not to rebuild any Unit or Garage Unit, that unit's Allocated Interests are automatically reallocated upon the vote as if the Unit or Garage Unit had been condemned as provided in Article XIV, Section 10, hereof, and the Association promptly shall prepare, execute and record an amendment to the Declaration reflecting such reallocations.

2. Use or Distribution of Insurance Proceeds. In the event of damage or destruction to all or a portion of the Common Elements or Garage Common Elements, due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such damage or destruction are insufficient to repair and reconstruct the damaged or destroyed area, the Association shall levy a special assessment in the aggregate amount of such insufficiency pursuant to Article IV, Section 6 hereof, but without approval of the Owners, and shall proceed to make such repairs or reconstruction. The Garage Units shall be assessed a special assessment for only those expenses directly related to the repair and reconstruction of the Garage Units. No distributions of insurance proceeds shall be made unless made jointly payable to the Owners and any Security Interest Holders of their respective Units or Garage Units. The assessment provided for herein shall be a debt of each Owner and a lien on the Owner's Unit or Garage Unit and the Improvements thereon, and may be enforced and collected in the same manner as any assessment provided for in this Declaration.

3. Destruction of Units. If due to casualty, or for any other reason, an Individual Air Space Unit or Garage Unit shall be destroyed or damaged, then the Owner thereof shall, within a reasonable time thereafter, not to exceed 120 days after the event resulting in such damage or destruction, commence and diligently pursue repair and reconstruction, using any available personal insurance proceeds and personal funds of such Owner, unless the Common Elements or Garage Common Elements are not repaired and reconstructed as hereinabove provided

ARTICLE VIII MAINTENANCE

1. Management and Maintenance Duties. Subject to the rights of Owners as set forth in this Declaration:

(a) The Association shall be responsible for the management, control, maintenance, repair, replacement and improvement of the Common Elements and Garage Common Elements (including the Limited Common Elements except as hereinafter provided), and of any property owned by the Association, including facilities, furnishings and equipment related thereto, and shall keep the same in good, clean, attractive and sanitary condition, order and repair. The Association shall also provide snow removal from all driveways and sidewalks in the Community. The Association shall be responsible for the maintenance, repair and replacement of all fire lane signs installed in the Community. However, each Owner shall be responsible for exclusive maintenance, repair and replacement of all fixtures, equipment and utilities installed or located within such Owner's Individual Air Space Unit or Garage, the garage door, garage door opener, windows and interior finish of any Garage Unit, and any windows, window screens and doors, doors, to the Unit or Garage Unit (except painting or staining of exterior doors), and all other equipment providing exclusive service thereto or therefor and any service lines from such equipment to the Unit, including, without limitation, all utility, heating, plumbing, air conditioning and domestic hot water equipment and appurtenances (excluding any landscaping irrigation system), regardless of whether such fixtures, equipment and utilities are owned by said Owner or are Common Elements. Each Owner shall also keep the Limited Common Elements, or portions thereof, designated for use solely in connection with his Unit or Garage Unit, in a good, clean, sanitary and attractive condition, order and repair.]

(b) Further, the Association shall be responsible for maintenance, repair and replacement of any drainage structure or facilities, or other public Improvements required by the local governmental entity as a condition of development of the Community or any part thereof, and of any other property or Improvements that the Board of Directors may elect on behalf of the Association, unless such Improvements have been dedicated to and accepted by a local governmental entity for the purpose of maintenance, repair or replacement or unless such maintenance, repair or replacement has been authorized by law to be performed and accepted by a special district or other municipal or quasi-municipal entity.

(c) Finally, the Association shall collect as assessments, and expend, funds for the costs of the maintenance, repair and replacement to be performed by the Association under this Section, subject to Section 4 of this Article.

(d) Notwithstanding anything to the contrary contained in this Declaration, none of the responsibilities of the Association for management, control, maintenance, repair, replacement and improvement of the Common Elements, Garage Common Elements or Improvements thereon shall give rise to any interest of the Association in any Unit or Garage Unit or the quality of any Improvements therein or thereon, nor any right by the Association to pursue any claims against the Declarant, any member thereof, or any other Person, for negligence, breach of express or implied warranties, or any other matters, with respect to any such Improvements or the construction thereof.

(e) Except as otherwise provided in this Declaration, the Owner of each Unit and each Garage Unit shall be solely responsible for maintaining, repairing and replacing the Owner's Unit or Garage Unit and the Improvements therein or appurtenant thereto.

2. Association's Right to Repair, Maintain and Replace. In the event any Owner shall fail to perform the Owner's maintenance, repair and replacement obligations in a manner satisfactory to the Board of Directors, the Association may, if said failure continues for a thirty (30) day period after written notice to said Owners by the Board of Directors, enter upon said Unit or Garage Unit subsequent to the expiration of said thirty (30) day time period to perform any or all of such maintenance, repair or replacement. The cost of such maintenance, repair and replacement shall be the personal obligation of the Owner of the Unit or Garage Unit on which such work is performed, and shall be subject to all of the terms and provisions applicable to "assessments" as provided in Article IV hereof, including, without limitation, interest, late charges and lien rights.

3. Easement for Maintenance Access and Entry. Each Owner shall afford to the Association and the other Owners, and to their agents or employees, access through such Owner's Unit or Garage Unit reasonably necessary for maintenance, repair and replacement of any Common Elements and any other property or Improvements maintained, repaired or replaced by the Association. If damage is inflicted, or a strong likelihood exists that it will be inflicted, on the Common Elements, Garage Common Elements, any other property, or any Unit or Garage Unit, the Owner responsible for the damage or expense to avoid damage, or the Association if it is responsible, is liable for the cost of prompt repair or avoidance. Further, each Unit and each Garage Unit shall be subject to an easement in favor of the Association (including its agents, employees and contractors) for performing maintenance, repair and/or reconstruction as provided in this Article during reasonable hours after reasonable notice to the Owners or occupants of any affected Unit or Garage Unit, except that in emergency situations entry upon a Unit or a Garage Unit may be made at any time provided that the Owner or occupants of each affected Unit or Garage Unit shall be warned of impending emergency entry as early as is reasonably possible.

4. Owner's Negligence. Notwithstanding anything to the contrary contained in this Declaration, in the event that the need for maintenance, repair or reconstruction of the Common Elements, Garage Common Elements, any other property, a Unit, a Garage Unit or any Improvements located thereon, is caused by the willful or negligent act or omission of any Owner, any member of such Owner's family or by a guest or invitee of such Owner, the cost of such repair, maintenance, reconstruction or expense to avoid such damage shall be the personal obligation of such Owner to the extent that said Owner would be liable for the acts of such Persons under the laws of the State of Colorado; and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction shall be added to the assessment to which such Owner's Unit or Garage Unit is subject and shall be subject to all of the terms and provisions of Article IV of this Declaration. A determination of the negligence or willful act or omission of any Owner, or any member of an Owner's family or a guest or invitee of any Owner, and the amount of the Owner's liability therefor, shall be determined by the Association at a hearing after notice to the Owner, provided that any such determination which assigns liability to any Owner pursuant to the terms of this Section may be appealed by said Owner to a court of law.

ARTICLE IX
RESTRICTIONS

1. General Plan. It is the intention of the Declarant to establish and impose a general plan for the improvement, development, use and occupancy of the Units and Garage Units, all in order to enhance the value, desirability, and attractiveness of the Units and Garage Units and subserve and promote the sale thereof.

2. Restrictions Imposed. This Community is subject to the recorded easements, licenses and other matters listed on Exhibit C attached hereto and incorporated herein by this reference, as well as any easements set forth on the Condominium Map. In addition, the Declarant declares that all of the Units and Garage Units shall be held and shall henceforth be sold, conveyed, used, improved, occupied, owned, resided upon and hypothecated, subject to the following provisions, conditions, limitations, restrictions, agreements and covenants, as well as those contained elsewhere in this Declaration.

3. Residential Use.

(a) Subject to Section 4 of this Article, Units shall be used for residential use only, including uses which are customarily incident thereto, and shall not be used at any time for business, commercial or professional purposes; provided, however, that an Owner may use his Unit for professional or home occupation(s) so long as the applicable zoning permits such use, there is no external evidence thereof, and no unreasonable inconvenience to other residents of the Units is created thereby.

(b) Subject to Section 4 of this Article, Garage Units shall be used as set forth in Section 10 of Article X of this Declaration, and shall be further subject to the provisions thereof and to Section 2 of Article XI hereof.

4. Declarant's Use. Notwithstanding anything to the contrary contained in this Declaration, it shall be expressly permissible and proper for Declarant and its employees, agents and contractors, to perform such reasonable activities, and to maintain upon portions of the Community such facilities, as Declarant deems reasonably necessary or incidental to the construction and sale of Units, and development and construction of Improvements, specifically including, without limiting the generality of the foregoing, maintaining management offices, signs, model units, construction offices, trailers and sales offices, in such numbers, of such sizes, and at such locations as Declarant may determine from time to time in its reasonable discretion. Further, nothing contained in the Declaration shall limit the right of the Declarant or require Declarant to obtain approvals: (a) to excavate, cut, fill or grade any property owned by Declarant or to construct, alter, demolish or replace any Improvements; (b) to use any structure on any property owned by Declarant as a construction, management, model home or sales or leasing office in connection with the development, construction or sale of any property; and/or (c) to require Declarant to seek or obtain the approval of the Architectural Review Committee or of the Association for any such activity or Improvement by Declarant on any property owned by Declarant. Notwithstanding the foregoing, Declarant shall not perform any activity or maintain any facility on any portion of the Community in

such a way as to unreasonably interfere with or disturb any Owner, or to unreasonably interfere with the use, enjoyment or access of such Owner, the Owner's family members, guests or invitees, of and to the Owner's Unit and to a public right-of-way. Any real estate used as a sales office, management office, construction office or a model shall be a Unit or a Common Element.

5. Use of Common Elements. Subject to the rights of Declarant as provided in this Declaration, there shall be no obstruction of the Common Elements or Garage Common Elements, nor shall anything be kept or stored on any part thereof except as provided in this Declaration with respect to Limited Common Elements. Other than those Improvements erected or installed by Declarant in its completion of the Community, nothing shall be altered on, constructed in or removed from the Common Elements or Garage Common Elements by an Owner, except as provided in this Declaration with respect to Limited Common Elements.

6. Exterior Changes. Except for those Improvements erected, constructed or installed by Declarant in its completion of the Community, no exterior additions to, alterations or decoration of any Condominium Building or Units shall be commenced, erected, placed or maintained by an Owner, except as provided in this Declaration.

7. Household Pets. No animals, livestock, birds, poultry, reptiles or insects of any kind shall be raised, bred, kept or boarded in or on the Units or Garage Units; provided, however, that the Owners of each Unit may keep a reasonable number of dogs, cats, or other domestic animals which are bona fide household pets in or on a Unit only, so long as such pets are not kept for any commercial purpose and are not kept in such number or in such manner as to create a nuisance to any resident of the Units. Garage Units, balconies, terraces and patios shall not be used for the purpose of confining or keeping household pets overnight or during periods when the Owner or Occupant is not at home. The Association shall have, and is hereby given, the right and authority to determine - that dogs, cats or other household pets are being kept for commercial purposes or are being kept in such number or in such manner as to be unreasonable or to create a nuisance, or that an Owner is otherwise in violation of the provisions of this Section, and to take such action or actions as it deems appropriate to correct the same. An Owner's right to keep household pets shall be coupled with the responsibility to pay for any damage caused by such pets, as well as any costs incurred by the Association as a result of such pets, and any such costs and damages shall be subject to all of the Association's rights with respect to the collection and enforcement of assessments as provided in Article IV hereof.

8. Signs. No advertising or signs of any character shall be erected, placed, permitted, or maintained on any Unit except for the following: (i) a name plate of the occupant and a street number; or (ii) a "For Sale," "Open House" or "For Rent" or security sign of not more than five (5) square feet in a window of the Unit; or (iii) "political signs" as defined in the Act which are displayed on an Owner's Individual Airspace Unit. Notwithstanding the foregoing, reasonable signs, advertising, or billboards used by the Declarant in connection with the sale or rental of Units or Garage Units, or otherwise in connection with development of or construction in the Community, shall be permissible, provided that such use shall not interfere with the Owners' use and enjoyment of their Unit or Garage Unit or with their ingress or egress from a public way to their Unit or Garage Unit.

9. Miscellaneous Improvements. Except as may otherwise be permitted by the Architectural Review Committee, no exterior radio antenna, television antenna, or other antenna, satellite dish, or audio or visual reception devise of any type shall be placed, erected or maintained on any Unit, Garage Unit, Limited Common Elements, Garage Common Elements or Common Elements; provided, however that any such devices may be erected or installed by the Declarant during its sales or construction in the Community. Notwithstanding the foregoing, neither the restrictions nor the requirements of this Section shall apply to those antennae (which may include some satellite dishes and other devices) that are specifically covered by the Telecommunications Act of 1996, as amended from time to time. As to antennae which are specifically covered by the Telecommunications Act of 1996, as amended, the Association shall be empowered to adopt rules and regulations governing the types of antenna that are permissible hereunder and, to the extent permitted by the Telecommunications Act of 1996, as amended, establishing reasonable, non-discriminatory restrictions relating to appearance, safety, location and maintenance.

10. Vehicular Parking, Storage and Repairs.

(a) No house trailer, camping trailer, boat trailer, hauling trailer, boat, or accessories thereto, truck (rated larger than one ton), self-contained motorized recreational vehicle, or other type of recreational vehicle or equipment, nor any commercial vehicle, may be parked or stored in the Community unless such parking or storage is wholly within a Garage Unit or is in any area(s), if any, designated from time to time by the Board of Directors, except that any such vehicle may be otherwise parked as a temporary expedient for loading, delivery, or emergency. This restriction, however, shall not restrict trucks or other commercial vehicles which are necessary for construction or for the maintenance of the Units, Common Elements, other property, or any Improvements, and shall not restrict motor vehicles meeting the requirements of Section 38-33.3-106.5 of the Act (fire and emergency service vehicles).

(b) Except as hereinabove provided, no abandoned or inoperable automobiles or vehicles of any kind shall be stored or parked in the Community. An "abandoned or inoperable vehicle" shall be defined as any automobile, truck, motorcycle, or other similar vehicle, which has not been driven under its own propulsion for a period of one (1) week or longer, or which does not have an operable propulsion system installed therein, or which does not have a current license plate thereon; provided, however, that otherwise permitted vehicles parked by Owners while on vacation (for a maximum of two (2) weeks) or during a period of illness shall not be deemed to be abandoned.

(c) In the event the Association shall determine that a vehicle is parked or stored in violation of subsections (a) or (b) of this Section, then a written notice describing said vehicle shall be personally delivered to the owner thereof (if such owner can be reasonably ascertained) or shall be conspicuously placed upon the vehicle (if the owner thereof cannot be reasonably ascertained), and if the vehicle is not removed within a reasonable time thereafter, as determined by the Association in its discretion from time to time, the Association shall have the right to remove the vehicle at the sole expense of the owner thereof.

(d) No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting or servicing of any kind of vehicles, trailers or boats, may be performed or conducted within the Community unless it is done within a completely enclosed Garage Unit which screens the sight and sound of the activity from the street and from adjoining property. The foregoing restriction shall not be deemed to prevent washing and polishing of any motor vehicle, boat, trailer, motor-driven cycle, or other vehicle, together with those activities normally incident and necessary to such washing and polishing.

11. Nuisances. No nuisance shall be permitted on any Unit or Garage Unit nor any use, activity or practice which is a source of annoyance or embarrassment to, or which offends or disturbs, the resident of any Unit or which interferes with the peaceful enjoyment or possession and proper use of any Unit or Garage Unit, or any portion thereof, by its residents. As used herein, the term "nuisance" shall not include any activities of Declarant which are reasonably necessary to the development and construction of, and sales activities on, the Units or Garage Units; provided, however, that such activities of the Declarant shall not unreasonably interfere with any Owner's use and enjoyment of the Owner's Unit or Garage Unit, or with any Owner's ingress and egress to or from a public way. No noxious or offensive activity shall be carried on upon any Unit or Garage Unit, and no unsightly conditions, structures, facilities, equipment or objects shall be so located on any Unit or Garage Unit as to be visible from a street or from any other Unit. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction over the Community, or any portion thereof, shall be observed; provided, however, that the Association shall have no obligation or duty to take action to enforce such laws, ordinances and regulations.

12. No Hazardous Activities; No Hazardous Materials or Chemicals. No activities shall be conducted within the Community or within Improvements constructed therein which are unsafe or hazardous to any Person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any portion of the Community and no open fires shall be lighted or permitted on any portion of the Community, except in a contained barbecue unit while attended and in use for cooking purposes or within an interior fireplace; provided, however, that no charcoal or wood fueled barbecue units or fires shall be permitted on any balconies or decks. Further, no hazardous materials or chemicals shall at any time be located, kept or stored in, on or at any Unit or Garage Unit except such as may be contained in household products normally kept at homes for use of the residents thereof and in such limited quantities so as to not constitute a hazard or danger to person or property.

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

14. Restrictions on Trash and Materials. No refuse, garbage, trash, lumber, grass, shrubs or tree clippings, plant waste, metal, bulk materials, scrap or debris of any kind shall be kept, stored, or allowed to accumulate on any Unit or Garage Unit unless placed in a suitable container suitably located solely for the purpose of garbage, trash or recycling pickup. All equipment for the storage or

disposal of such materials shall be kept in a clean and sanitary condition. No garbage or trash cans or receptacles shall be maintained in an exposed or unsightly manner.

15. Rules and Regulations. Rules and regulations consistent with this Declaration concerning and governing the Units, Garage Units, Limited Common Elements, Garage Common Elements, Common Elements and/or this Community may be adopted, amended or repealed from time to time by the Board of Directors, and the Board of Directors may establish and enforce penalties for the infraction thereof, including, without limitation, the levying and collecting of fines for the violation of any such rules and regulations as provided in Section 5 of Article II of this Declaration..

16. Leases. The term "lease," as used herein, shall include any agreement for the leasing or rental of a Unit or Garage Unit, or any portion thereof, and shall specifically include, without limitation, month-to-month rentals and subleases. Any Owner shall have the right to lease his Unit or Garage Unit, but all leases shall be in writing and all leases shall provide that the terms of the lease and lessee's occupancy of the leased premises shall be subject in all respects to the provisions of this Declaration, and the Articles of Incorporation, Bylaws and rules and regulations of the Association.

17. Use of Common Elements. An easement is hereby granted to the Declarant through the Common Elements as may be reasonably necessary for the purpose of discharging any of Declarant's obligations or exercising any Special Declarant Rights. Subject to the immediately preceding sentence:

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

(b) No Owner shall engage in any activity which will temporarily or permanently deny free access to any part of the Common Elements to all Members, nor shall any Owner place any structure whatsoever upon the Common Elements.

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

(d) No use shall ever be made of the Common Elements which will deny ingress and egress to those Owners having access only over Common Elements, and the right of ingress and egress to said Units and Garage Units is hereby expressly granted.

18. Easement for Encroachments. To the extent that any Unit, Garage Unit or Common Element encroaches on any other Unit, Garage Unit or Common Element, a valid easement for the encroachment exists.

19. Drainage Easement. An easement is hereby granted to the Association, its officers, agents, employees, successors and assigns, to enter upon, across, over, in and under the Common

Elements for the purpose of changing, correcting or otherwise modifying the grade or drainage channels of the Community so as to maintain or improve the drainage of water in or from the Community.

20. Utilities. There is hereby created a blanket easement upon, across, over and under the Common Elements for utilities and the installation, replacement, repair and maintenance of utilities, including, but not limited to, water, sewer, gas, telephone, electricity, computer cable, and master television antenna or cable or satellite television systems, if any. By virtue of this blanket easement it shall be expressly permissible to erect and maintain the necessary facilities, equipment and appurtenances on the Common Elements and to affix, repair, and maintain water and sewer pipes, gas, electric, telephone, computer and television wires, cables, circuits, conduits and meters. In the event any utility or quasi-utility company furnishing a service covered by the general easement created herein requests a specific easement by separate recordable document, Declarant reserves and is hereby given the right and authority to grant such easement upon, across, over or under any part or all of the Common Elements without conflicting with the terms hereof; provided, however, that such right and authority shall cease and terminate upon the earlier of seven (7) years after recordation of this Declaration in the County in which the Community is located, or conveyance by Declarant of the last Unit to the first Owner thereof (other than Declarant), at which time said reserved right shall vest in the Association. The easement provided for in this Section shall in no way affect, avoid, extinguish or modify any other recorded easement(s) on the Common Elements.

21. Easement for Unannexed Property. The Declarant hereby reserves, for the use and benefit of the property described on Exhibit D attached hereto and incorporated herein by this reference (said area, plus the 10% referred to in Article XIV, Section 5 hereof, is herein referred to as the "Annexable Area"), a non-exclusive, perpetual easement and right-of-way for pedestrian and vehicular access, ingress and egress, on, over and across the roads, driveways, streets, sidewalks, and similar Common Elements, now or hereafter constructed, erected, installed or located in or on the Community, and on, over, across and under the Common Elements for utilities and the construction, location, erection, installation, storage, maintenance, repair, renovation, replacement and use of any utilities Improvements that may now or hereafter serve the Annexable Area or any portion thereof (collectively herein referred to as the "Annexable Area Easement"). By virtue of this Annexable Area Easement, the Declarant generally intends to provide for pedestrian and vehicular access and for utilities services, to those portion(s) of the Annexable Area which have not been included, from time to time, in the Community pursuant to Article XIV, Section 5 hereof. Hence, the Annexable Area Easement shall be in effect for each portion of the Annexable Area from and after recording of this Declaration, but shall cease to be effective as to each portion of the Annexable Area at such time as both of the following have occurred: annexation of such portion of the Annexable Area to this Declaration pursuant to the aforesaid Section; and expiration of the Declarant's right to withdraw such portion of the Annexable Area from this Declaration.

22. Restrictions on Storage. Balconies, terraces and patios shall not be used for hanging bicycles or other objects as a means of storage.

23. Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and all other similar emergency agencies or persons to enter upon

all streets, driveways, parking areas and upon any other portion of the Community in the proper performance of their duties.

ARTICLE X
PROPERTY RIGHTS IN THE COMMON ELEMENTS

1. Owners' Easements. Subject to the provisions of Section 2 and Section 10 of this Article, every Owner shall have a non-exclusive right and easement of enjoyment in and to the General Common Elements and those Limited Common Elements appurtenant to such Owner's Unit or Garage Unit, plus a right and easement of ingress and egress over, across and upon the General Common Elements and those Limited Common Elements appurtenant to such Owner's Unit or Garage Unit, for the purpose of getting to and from such Owner's Unit or Garage Unit and public ways, for both pedestrian and vehicular travel, which rights and easements shall be appurtenant to and pass with the transfer of title to every Unit or Garage Unit.

2. Extent of Owners' Easements. The rights and easements created hereby shall be subject to the following:

(a) The terms, provisions, covenants, conditions, restrictions, easements, reservations, uses, limitations, and obligations contained in this Declaration and the Condominium Map; and

(b) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Elements and to mortgage said property as security for any such loan; provided, however, that the Association may not subject any portion of the Common Elements to a Security Interest unless such is approved by Members casting at least sixty-seven percent (67%) of the votes in the Association, including sixty-seven percent (67%) of the votes allocated to Units not owned by the Declarant, and unless such is approved by all of the Owners of Units to which is allocated the right to use any Limited Common Element that will be subject to a Security Interest; and

(c) The right of the Association to take such steps as are reasonably necessary to protect the Common Elements against foreclosure; and

(d) The right of the Association to promulgate, amend, repeal, re-enact and publish rules and regulations with which each Member shall strictly comply; and

(e) The right of the Association to regulate and/or restrict vehicular parking, storage and repairs; and

(f) The right of the Association to suspend the voting rights of a Member for any period during which any assessment against the Member's Unit or Garage Unit or any other amount due from such Member to the Association remains unpaid and, for a period not to exceed sixty (60) days, for any infraction of the Bylaws of the Association or the Association's rules and regulations; and

(g) The right of the Association to dedicate or transfer all or any part of the Common Elements to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such dedication or transfer shall be effective unless first approved by the Members entitled to cast at least sixty-seven percent (67%) of the votes in the Association, including sixty-seven percent (67%) of the votes allocated to Units not owned by the Declarant, and unless first approved by all of the Owners of Units to which is allocated the right to use any Limited Common Element that will be dedicated or transferred, and unless written notice of the proposed agreement and the proposed dedication or transfer is sent to every Member at least thirty (30) days in advance of any action taken. Notwithstanding the foregoing, the granting of permits, licenses and easements for public utilities, roads or for other purposes reasonably necessary or useful for the proper maintenance or operation of the Community shall not be deemed a transfer within the meaning of this subsection (g); and

(h) The right of the Association, through its Board of Directors, to enter into, make, perform or enforce any contracts, leases, agreements, licenses, easements and rights-of-way, for the use of real property or Improvements by Owners, other Persons, their family members, guests and invitees, for any purpose(s) the Board of Directors may deem to be useful, beneficial or otherwise appropriate; and

(i) 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.

3. Delegation of Use. Any Owner may delegate his rights of use of and access over the Common Elements to the members of the Owner's family, the Owner's tenants, or contract purchasers who reside on the Owner's Unit.

4. Limited Common Elements. (a) Subject to the terms and provisions of this Declaration, every Owner shall have the right to use and enjoy the Limited Common Elements appurtenant to his Unit, and such right shall be exclusive except as to those other Owners with a right to use such Limited Common Elements; and (b) Declarant hereby reserves the right to assign or convey, as Limited Common Elements appurtenant to a particular Unit, with or without consideration, the exclusive right to use any parking space designated on the Condominium Map. The parking space so assigned or conveyed shall be a Limited Common Element of the Unit to which it is assigned or with which it is conveyed. Upon such disposition, the parking space shall be appurtenant to the Unit and shall pass with title thereto, regardless of whether or not specifically referenced in the deed or other instrument of conveyance of a Unit.

5. New Additions to Common Elements. The Association shall have the right to construct new additions to the Common Elements. Ownership of any such additions to the Common Elements shall be apportioned among all Units in proportion to the respective undivided interest in the Common Elements appurtenant thereto, as shown on the attached Exhibit B, which shall be subject to modification as provided in this Declaration. The Common Expenses for any such additions to the Common Elements shall be apportioned among all Units as provided in Article IV

hereof. The construction of new additions to the Common Elements shall not affect an Owner by way of modification of the Owner's voting power in the Association.

6. Conveyance or Encumbrance of Common Elements.

(a) Portions of the Common Elements may be conveyed or subjected to a Security Interest by the Association only if Persons entitled to cast at least sixty-seven percent (67%) of the votes in the Association, including sixty-seven percent (67%) of the votes allocated to Units not owned by a Declarant, agree to that action; and all Owners of each Unit to which the right to use any Limited Common Element is allocated must agree in order to convey that Limited Common Element or subject it to a Security Interest.

(b) An agreement to convey Common Elements or subject them to a Security Interest must be evidenced by the execution of an agreement, or ratification thereof, in the same manner as a deed, by the requisite number of Owners. The agreement must specify a date after which the agreement will be void unless recorded before that date. The agreement and all ratifications thereof must be recorded in every county in which a portion of the Community is situated and is effective only upon recordation.

(c) The Association, on behalf of all Owners, may contract to convey an interest in the Community pursuant to subsection (a) of this section, but the contract is not enforceable against the Association until approved, executed and ratified. Thereafter, the Association has all powers necessary and appropriate to effect the conveyance or encumbrance, including the power to execute deeds or other instruments.

(d) Unless in compliance with this section, any purported conveyance, encumbrance, judicial sale or other transfer of Common Elements is void.

(e) A conveyance or encumbrance of Common Elements pursuant to this section shall not deprive any Unit or Garage Unit of its rights of ingress and egress to the Unit or Garage Unit and support of the Unit or Garage Unit.

(f) A conveyance or encumbrance of Common Elements pursuant to this section does not affect the priority or validity of preexisting encumbrances.

7. Allocation of General Common Elements As Limited Common Elements. General Common Elements may be allocated as Limited Common Elements and pursuant to C.R.S. §38-33.3-205(1)(g), any real estate comprising the General Common Elements as described herein or in the Condominium Map may be allocated subsequently as Limited Common Elements. Any such allocations must be made by amendments to the Declaration prepared, executed and recorded by the Declarant.

8. Acquiring and Disposing of Real and Personal Property. The Association may acquire, own and hold for the use and benefit of all Owners tangible and intangible personal property and real property for such uses and purposes as the Board of Directors may in its discretion deem

appropriate from time to time, and may dispose of the same by sale or otherwise. The beneficial interest in any such property shall be deemed to be owned by the Owners in the same undivided proportion as their respective undivided interests in the Common Elements. Such beneficial interest of an Owner shall not be transferable except with the transfer of that Owner's Unit. Transfer of a Unit, including transfer pursuant to foreclosure, shall transfer to the transferee ownership of the transferor's beneficial interest in such personal and/or real property without any reference thereto. Each Owner may use such personal and/or real property in accordance with the purposes for which such property is intended and in accordance with such conditions, limitations, restrictions, and rules and regulations as may be placed on any such property by the Board of Directors in its sole discretion from time to time, provided that such use of any Owner shall not hinder or encroach upon the lawful rights of other Owners.

9. Payment of Taxes or Insurance by Security Interest Holders. Security Interest Holders shall have the right, jointly or singly, to pay taxes or other charges or assessments which are in default and which may or have become a lien against the Common Elements and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Elements, and any Security Interest Holders making any such payments shall be owed immediate reimbursement therefor from the Association.

10. Garage Units. The Association shall have the right and authority to reasonably regulate the use of Garage Units. Each Garage Unit may be used for the purpose of parking or storage of any type of motor vehicle; provided, however, that no Garage Unit may be used for the purpose of storing or parking any snowmobile, trailer, recreational vehicle, bicycle or vehicle deemed to be too large for the garage space by the Association, or for storing any gasoline or other flammable materials or noxious or hazardous wastes or materials of any kind, which restrictions on use may be enforced by the Association. The Association shall also be responsible for the maintenance, repair and replacement of the Garage Common Elements. The Association and its officers, contractors and representatives shall have an easement for access to each Garage Unit for the purpose of maintaining, repairing and replacing Garage Common Elements. The Owner of each Garage Unit shall be responsible for paying only a Garage Assessment with respect to such Owner's Garage Unit, as well as other charges assessed against such Owner's Garage Unit to reimburse the Association for any costs, expenses, fees, reserves and other charges incurred by the Association for the purpose of responding to an emergency to prevent damage to the Common Elements or the Garage Common Elements from the use of such Owner's Garage Unit, whether as a result of fire, spillage of gasoline, oil or other materials onto the surface of the Garage Unit or for any other reason. Such Garage Assessment and charges shall be enforced and collected in accordance with the provisions of this Declaration. Any Owner of a Garage Unit shall have the right to enforce the provisions of this Section 10 as they related to his or her Garage Unit or any other Garage Unit. Such enforcement action shall be brought in accordance with the provisions of Article XIV of this Declaration, with any Owner of a Garage Unit deemed to be an aggrieved Owner for the purposes of Article XIV hereof.

Declarant expressly reserves the right to convert portions of the air space within Garage Units and the Garage Common Elements within which the Garage Units are located to storage spaces which shall be limited Garage Common Elements appurtenant to the Garage Units,

install windows and openings in the exterior walls of the Garage Units and make other changes to Garage Units, provided that the written approval of the Owners of the Garage Units affected by such changes and modifications is first obtained. Any structural changes to the building shall not impair the structural integrity of the building or adversely affect any Common Elements or Garage Common Elements and shall be so certified by a licensed engineer. A copy of such certification shall be provided to the Board of Directors of the Association prior to commencement of such work. Such special Declarant rights may be assigned to a successor Declarant which owns one or more Garage Units and shall terminate at such time as either the Declarant or a successor Declarant no longer owns any Garage Units.

ARTICLE XI
CONVEYANCES, OWNERSHIP AND TAXATION OF UNITS

1. Contracts Entered into Prior to Recording of Condominium Map and Declaration. A contract or other agreement for the sale of a Unit or Garage Unit entered into prior to the filing for record of the Condominium Map and/or this Declaration in the office of the Clerk and Recorder of the County in which the Community is located, may legally describe such Unit or Garage Unit in the manner set forth in Section 2 of this Article and may indicate that the Condominium Map and/or this Declaration are to be recorded. Upon recordation of the Condominium Map and this Declaration in the County in which the Community is located, such description shall be conclusively presumed to describe the corresponding Unit or Garage Unit shown on the Condominium Map and such Unit or Garage Unit shall be subject in all respects to this Declaration.

2. Contracts Entered into Subsequent to Recording of Condominium Map and Declaration.

(a) Subsequent to the recording of the Condominium Map and this Declaration, every contract, deed, lease, mortgage, deed of trust, will and every other instrument affecting title to a Unit may legally describe that Unit substantially as follows:

Unit _____, Condominium Building _____, Balterra Condominiums, according to the Condominium Map for Balterra Condominiums recorded on _____, _____, at Reception No. _____, in the records of the office of the Clerk and Recorder of the County of Arapahoe, Colorado, and as defined and described in the Declaration of Covenants, Conditions and Restrictions of Balterra Condominiums, recorded on _____, _____ [year], at Reception No. _____ in said records.

(b) The Declarant has the right to convey Garage Units to Owners of Condominium Units and to other persons or entities, whether or not they are Owners of Units. Each Owner of a Garage Unit, other than Declarant, shall have the right to convey Garage Units to Owners of Units only, and to no other persons or entities. A Garage Unit shall be conveyed by a deed in which the Garage Unit is legally described substantially as follows:

Garage Unit _____, Condominium Building _____, Balterra Condominiums, according to the Condominium Map of Balterra Condominiums recorded _____, 200____, at Reception No. _____ in the records of the office of the Clerk and Recorder of the County of Arapahoe, State of Colorado, and as defined and described in the Declaration of Covenants, Conditions and Restrictions of Balterra Condominiums recorded _____, 200____, at Reception No. _____ in said records.

3. Legal Effect of Description.

(a) Every contract, deed, lease, mortgage, deed of trust, will and every other instrument affecting title to a Unit which legally describes said Unit substantially in the manner set forth in Section 2 of this Article shall be good and sufficient for all purposes to sell, convey, transfer, encumber or otherwise affect the Unit, including the undivided interest in the Common Elements appurtenant thereto and all other appurtenant properties and property rights, and to incorporate all of the rights, limitations and burdens incident to ownership of a Unit as described in this Declaration and the Condominium Map. Each such description shall be construed to include a non-exclusive easement for ingress and egress to and from each Unit and the use of all the General Common Elements, as well as all of the Limited Common Elements appurtenant to said Unit, all as more fully provided in this Declaration.

(b) Every contract, deed, lease, mortgage, deed of trust, will and every other instrument affecting title to a Garage Unit which legally described said Garage Unit substantially in the manner set forth in Section 2(b) of this Article shall be good and sufficient for all purposes to sell, convey, transfer, encumber or otherwise affect the Garage Unit, including the undivided interest in the Garage Common Elements appurtenant thereto and all other appurtenant properties and property rights, and to incorporate all of the rights, limitations and burdens incident to ownership of a Garage Unit as described in this Declaration and the Condominium Map. Each such description shall be construed to include a non-exclusive easement for ingress and egress to and from each Garage Unit across the General Common Elements and Garage Common Elements; provided, however, the Owner of a Garage Unit who is not also the Owner of a Unit shall have a right of ingress and egress to and from such Owner's Garage Unit only across the portions of the Common Elements identified as the drive lanes on the Condominium Map and not across any other Common Elements.

(c) It shall not be necessary to use the term "unit" as a part of the legally sufficient description of a Unit or Garage Unit.

4. Taxation. Each Unit and each Garage Unit shall be assessed separately for all taxes, assessments and other charges of the State of Colorado, any political subdivision thereof, any special improvement district, and any other taxing or assessing authority, in accordance with the Act. For the purpose of such assessments, the valuation of the General Common Elements and the Garage

Common Elements shall be apportioned among the Units and Garage Units in proportion to the undivided interest in the Common Elements or Garage Common Elements appurtenant thereto. The Association shall furnish to the Tax Assessor of the County in which the Community is located, and to all other appropriate persons and authorities, all necessary information with respect to such apportionment. No forfeiture or sale of any Unit or Garage Unit for delinquent taxes, assessments or other governmental charges shall divest or in any way affect the title to any other Unit.

5. Inseparability. Each Unit and each Garage Unit, as well as all other appurtenances, rights and burdens connected therewith, shall be inseparable and may be transferred, conveyed, leased, devised, encumbered or otherwise disposed of only as a Unit or Garage Unit. Every conveyance, transfer, devise, lease, encumbrance or other disposition of a Unit or Garage Unit shall be deemed to be a conveyance, transfer, devise, lease, encumbrance or other disposition, as the case may be, of the entire unit, together with all appurtenant rights, interests, duties and obligations created by law or by this Declaration.

6. Non-Partitionability. The Common Elements shall be owned in common by all of the Owners and shall remain undivided and not subject to partition. The Garage Common Elements shall be owned in common by all of the Garage Unit Owners and shall remain undivided and not subject to partition. By the acceptance of his deed or other instrument of conveyance or assignment, each Owner specifically waives his right to institute and/or maintain a partition action or any other action designed to cause a division of the Common Elements or Garage Common Elements, as the case may be. Furthermore, each Owner agrees that this Section may be pleaded as a bar to the maintenance of such an action. Any violation of this Section shall entitle the Association to collect, jointly and severally, from the parties violating the same, the actual attorneys' fees, costs, expenses and all damages which the Association incurs in connection therewith.

ARTICLE XII MECHANIC'S LIENS

1. Mechanic's Liens. No labor performed and/or materials furnished for use and incorporated in any Unit or Garage Unit with the consent or at the request of the Owner thereof, his agent, contractor or subcontractor, shall be the basis for the filing of a lien against a Unit or Garage Unit of any other Owner not expressly consenting to or requesting the same, or against any interest in the Common Elements or Garage Common Elements except as to the undivided interest therein appurtenant to the Individual Air Space Unit or Garage Unit of the Owner for whom such labor shall have been performed or such materials furnished. Each Owner shall indemnify and hold harmless each of the other Owners and the Association from and against any liability or loss arising from the claim of any mechanic's lien against the Unit or Garage Unit of any other Owner, the Common Elements, Garage Common Elements, or any part thereof, for labor performed and/or materials furnished in work on the first Owner's Unit or Garage Unit.

2. Enforcement by the Association. At its own initiative or upon the written request of any Owner or any Security Interest Holder, if the Association determines that further action by it is proper and the mechanic's lien(s) are not disputed claims with a reasonable basis for such dispute, the Association, after notice and hearing, shall enforce the indemnity provided by Section 1 of this

Article by collecting from the Owner of the Unit or Garage Unit on which the labor was performed and/or materials furnished, the amount necessary to discharge any such mechanic's lien, including all costs and reasonable attorney's fees incidental thereto, and obtain a discharge of such lien. In the event that the Owner of the Unit or Garage Unit on which the labor was performed and/or materials furnished refuses or fails to so indemnify within seven (7) days after the Association shall have given notice to such Owner of the total amount, or any portions thereof, from time to time, to be indemnified, then the failure to so indemnify shall be a default by such Owner under the provisions of this Section 2 and such amount to be indemnified shall be and constitute an additional assessment for collection by the Association subject to all of the provisions of Article IV hereof.

3. Effect of Part Payment. In the event a lien attributable to labor performed and/or materials furnished on the Community, or any portion thereof, is effected against two or more Units or Garage Units, the Owner(s) of any of the affected Units or Garage Units may pay to the lien holder the amount of the lien attributable to such Owner's Unit or Garage Unit and the lien holder shall release such Unit or Garage Unit from the lien. The amount required to be paid by any such Owner in order to obtain release of his Unit or Garage Unit from any such lien shall be equal to the quotient of (i) the amount of the lien divided by (ii) the total number of Units affected by the lien. Partial payment and release of any such lien with respect to any Unit(s) or Garage Unit(s) shall not prevent the lien holder from enforcing his rights against the Unit(s) or Garage Unit(s) for which payment has not been received.

ARTICLE XIII SECURITY INTERESTS

1. Approval by Members and Security Interest Holders of First Security Interests. Notwithstanding any provisions of this Declaration to the contrary, the Association shall not:

(a) except as provided by statute, in case of condemnation or substantial loss to the Units and/or Common Elements, unless it has obtained the prior written approval of the Owners (other than the Declarant) casting at least sixty-seven percent (67%) of the votes in the Association (including the Owners of Garage Units on matters affecting the Garage Units or Garage Common Elements) and of those Security Interest Holders holding at least sixty-seven percent (67%) of the First Security Interests (based upon one vote for each First Security Interest owned):

(1) by act or omission seek to abandon or terminate the Community;

(2) change the pro rata interest or obligations of any Unit or Garage Unit in order to levy assessments or charges, allocate distribution of hazard insurance proceeds or condemnation awards, or determine the pro rata share of ownership of each Unit in the Common Elements or the pro rata share of ownership of each Garage Unit in the Garage Common Elements (however, this requirement will be deemed waived to the extent necessary to allow phasing, add-ons, or annexations in accordance with this Declaration);

(3) partition or subdivide any Unit or Garage Unit;

(4) seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Elements or Garage Common Elements by act or omission. The granting of easements for public utilities or other public purposes consistent with the intended use of the Common Elements or Garage Common Elements by the Community is not a transfer within the meaning of this clause. (However, this requirement will be deemed waived to the extent necessary to allow phasing, additions, or annexations, in accordance with this Declaration);

(5) use hazard insurance proceeds for losses to any condominium property (whether Units, Garage Units, Common Elements or Garage Common Elements) for other than the repair, replacement, or reconstruction of such condominium property.

(b) Unless it has obtained the consent of Owners who represent at least sixty-seven percent (67%) of the total allocated votes in the Association (including the Owners of Garage Units on matters affecting the Garage Units or Garage Common Elements), and of Security Interest Holders of First Security Interests who represent at least fifty-one percent (51%) of the votes of Units that are subject to such First Security Interests (and who have submitted a written request that the Association notify them of any proposed action requiring the consent of a specified percentage of Security Interest Holders of First Security Interests), add or amend any material provisions of this Declaration, the Articles of Incorporation or Bylaws of the Association which govern any of the following, provided that the implied approval of any Security Interest Holder of a First Security Interest shall be assumed if such Security Interest Holder fails to submit a response to any written proposal for an amendment within thirty (30) days after such Security Interest Holder receives proper notice of the proposal delivered by certified or registered mail with a "return receipt" requested:

- (1) voting rights;
- (2) increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens, or the priority of assessment liens;
- (3) reductions in reserves for maintenance, repair, and replacement of Common Elements;
- (4) responsibility for maintenance and repairs;
- (5) reallocation of interests in the General Common Elements, Limited Common Elements, Garage Common Elements or rights to their use;
- (6) redefinition of any Unit boundaries;
- (7) convertibility of Units into Common Elements or vice versa;
- (8) expansion or contraction of the Community, or the addition, annexation or withdrawal of property to or from the Community;
- (9) hazard or fidelity insurance requirements;

- (10) imposition of any restrictions on the leasing of Units;
- (11) imposition of any restrictions on an Owner's right to sell or transfer his or her Unit or Garage Unit;
- (12) a decision by the Association (if the Community consists of fifty (50) or more Units) to establish self-management if professional management had been required previously by the Declaration, the Articles of Incorporation, or Bylaws of the Association, or by a Security Interest Holder of a First Security Interest who has submitted a written request that the Association notify them on any proposed action requiring the consent of a specified percentage of Security Interest Holders of First Security Interests;
- (13) restoration or repair of the Community (after a damage or partial condemnation) in a manner other than that specified in the Declaration, the Articles of Incorporation, or Bylaws of the Association; or
- (14) any provisions that expressly benefit Security Interest Holders, or insurers or guarantors of Security Interests.

2. Termination of Legal Status. Any action to terminate the legal status of the Community after substantial destruction or condemnation occurs shall be agreed to by Owners who represent at least sixty-seven percent (67%) of the total allocated votes in the Association and by Security Interest Holders of First Security Interests who have submitted a written request that the Association notify them on any proposed action requiring the consent of a specified percentage of Security Interest Holders of First Security Interests and who represent at least fifty-one percent (51%) of the votes of the Units that are subject to such First Security Interests. Termination of the legal status of the Community for reasons other than substantial destruction or condemnation of the Community shall be permitted if agreed to by Security Interest Holders of First Security Interests who have submitted a written request that the Association notify them of any proposed action requiring the consent of a specified percentage of such Security Interest Holders of First Security Interests and who represent at least sixty-seven percent (67%) of the votes of the Units subject to First Security Interests.

3. Notice of Action. Upon written request to the Association, identifying the name and address of the Security Interest Holder of a First Security Interest or insurer or guarantor of the First Security Interest, and the residence address of the Unit which is subject to such First Security Interest, each Security Interest Holder of a First Security Interest, or insurer or guarantor of a First Security Interest, shall be entitled to timely written notice of:

- (a) any condemnation loss or casualty loss which affects either a material portion of the Community or any Unit or Garage Unit subject to a First Security Interest held, insured or guaranteed by such Security Interest Holder, insurer or guarantor of a First Security Interest;

(b) any delinquency in the payment of assessments or charges owed to the Association by an Owner subject to a First Security Interest held, insured or guaranteed by such Security Interest Holder, insurer or guarantor, when such delinquency remains uncured for a period of sixty (60) days;

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

(d) any proposed action that requires the consent of a specified percentage of Security Interest Holders of First Security Interests as provided in this Article.

4. Audit. If at any time the Community includes at least fifty (50) Units, the Association shall thereafter provide an audited statement for the preceding fiscal year to any Security Interest Holder of a First Security Interest, insurer or guarantor of any First Security Interest, who submits a written request for such audit; and such audit shall be made available within one hundred twenty (120) days of the Association's fiscal year end. When the Community consists of fewer than fifty (50) Units and there is not an audited statement available, any Security Interest Holder will be allowed to have an audited statement prepared at its own expense.

5. Confirmation of Rights of Security Interest Holders of First Security Interests. No provision of this Declaration, the Articles of Incorporation, or Bylaws of the Association give (or are intended to give) any Owner, or any other party, priority over any rights of the Security Interest Holder of a First Security Interest, pursuant to its First Security Interest, in the case of payment to the Owner of insurance proceeds or condemnation awards for losses to or taking of Units and/or Common Elements.

ARTICLE XIV GENERAL PROVISIONS

1. Enforcement and Arbitration. Subject to the provisions of Section 18 of this Article XIV regarding the mediation, arbitration and resolution of certain disputes, enforcement of the covenants, conditions, restrictions, easements, reservations, rights-of-way, liens, charges and other provisions contained in this Declaration, the Articles of Incorporation, Bylaws or rules and regulations of the Association, as supplemented and amended, may be by any proceeding at law or in equity against any Person(s) (including, without limitation, the Association) violating or attempting to violate any such provision. Subject to the provisions of Section 18 of this Article XIV, the Association and any aggrieved Owner shall have the right to institute, maintain and prosecute any such proceedings, and the Association shall further have the right to levy and collect fines for the violation of any provision of any of the aforesaid documents. In any action instituted or maintained under this Section, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto, as well as any and all other sums awarded by the Court. Failure by the Association or any Owner to enforce any covenant, restriction or other provision herein contained, or any other provision of any of the aforesaid documents, shall in no event be deemed a waiver of the right to do so thereafter.

2. Severability. All provisions of the Declaration, the Articles of Incorporation and Bylaws of the Association are severable. Invalidation of any of the provisions of any such documents, by judgment, court order or otherwise, shall in no way affect or limit any other provisions which shall remain in full force and effect.

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

4. Conflict with Act. In the event that any of the terms or provisions of this Declaration are in conflict or inconsistent with the Act, the terms and provisions of the Act shall control and govern. In case of any such conflict or inconsistency, the applicable terms and provisions contained in this Declaration shall, to the extent possible, be construed in accordance with the Act, and any conflict with or violation of the Act by any terms or provisions of this Declaration shall not affect, void, or render unenforceable any other term or provision of this Declaration (which shall be in full force and effect in accordance with their terms).

5. Annexation/Creation of Units.

(a) Annexation.

(1) Additional property may be annexed to this Declaration with the consent of two-thirds of the Members. Notwithstanding the foregoing, the Declarant may annex to this Declaration additional property within the lands described on Exhibit D, attached hereto and incorporated herein by this reference until that date which is seven (7) years after the date of recording of this Declaration in the County in which the Community is located, without consent of any other Owners, Security Interest Holders, or any other Person; however, such annexation is subject to a determination by HUD or VA (if the Declarant desires to attempt to obtain HUD or VA approval of the property being annexed) that the annexation is in accord with the general plan approved by them and that the structures to be located thereon will be of comparable style, quality, size and cost to the existing Improvements. Each such annexation shall be effected, if at all, by recording of a Condominium Map of the property to be annexed (unless such Condominium Map has previously been recorded), and by recording in the office of the Clerk and Recorder of the County in which the Community is located an Annexation of Additional Land, which document shall provide for annexation to this Declaration of the property described in such Annexation of Additional Land, shall state that the Declarant (or other Person) is the Owner of the Units or Garage Units thereby created, shall assign an identifying number to each new Unit or Garage Unit, shall describe any Common Elements within the property being annexed, shall reallocate the Allocated Interests and undivided ownership interest in the Common Elements among all Units or Garage Units, as the case may be, shall set forth the effective date of such annexation and reallocation of interests, and may include such other provisions as Declarant deems appropriate. If any of the Units created within the property to be annexed contain horizontal unit boundaries, the Annexation of Additional Land shall include a certificate of completion executed by an independent licensed or registered engineer, surveyor, or architect stating that all structural components of all buildings containing or comprising

any Units or Garage Units thereby created are substantially completed. All provisions of this Declaration, including, but not limited to, those provisions regarding obligations to pay assessments to the Association and any right to cast votes as Members, shall apply to annexed property, as provided for in the recorded Annexation of Additional Land with respect thereto. Such Annexation of Additional Land shall be deemed an amendment to the Declaration for purposes of the Act. In addition to the foregoing, the Declarant may amend this Declaration at any time during the seven (7) year period noted hereinabove, in order to add additional real estate to the Community from such locations as the Declarant may elect in its sole discretion, so long as the total additional real estate so annexed to the Community pursuant to this sentence, and not described in the attached Exhibit D, does not exceed ten percent (10%) of the total area described in the attached Exhibits A and D. The maximum total number of Units and Garage Units that may be added by all annexations, together, shall not exceed the Units that May Be Created less the number of Units and Garage Units listed on the attached Exhibit B.

(2) Upon any such annexation which adds Units or Garage Units, the Allocated Interest, and the undivided ownership interest in the Common Elements or Garage Common Elements, appurtenant thereto (including all such common elements located on the property described on Exhibit A attached hereto, all common elements located on the additional property contained in such annexation and all common elements contained in any other property annexed to this Declaration prior to such annexation) shall automatically be reduced to a fraction, the numerator of which shall be one (1) and the denominator of which shall be the total number of Units or Garage Units, as the case may be, then subject to this Declaration; and the Allocated Interests, and undivided ownership interests in the Common Elements or Garage Common Elements, of each Unit or Garage Units, as the case may be, so annexed shall be the same fraction. Such reduction of Allocated Interests and undivided ownership interests shall be automatic and no further documentation need be filed of record or further action need be taken by the Declarant, any Unit Owner or Garage Unit Owner, or any Security Interest Holder to reflect such modifications.

(3) Each portion of the Community which is annexed to this Declaration by a Condominium Map and an Annexation of Additional Land, as provided in the preceding subsection (1), shall be subject to a right of withdrawal by the Declarant. Such withdrawal may be accomplished, if at all, in accordance with the Act. However, the Declarant's right to withdraw each such portion of the Community shall expire and terminate, as to each portion of the Community which has been annexed to this Declaration, upon the first conveyance of any Unit in such portion of the Community to any Person other than the Declarant.

(4) The Declarant may exercise its Development Rights in all or any portion of the property described in the attached Exhibit D over which such rights have not already been exercised, and no assurances are made as to the boundaries or order of exercise of any such Development Rights.

(b) Creation of Units. Declarant hereby reserves, as a Development Right, the right to further subdivide any Unit owned by Declarant, and the right to create additional Units or Garage Units within the property subject to this Declaration, including without limitation construction of additional Condominium Buildings in the Community and the creation of Units,

Garage Units, Garage Common Elements and/or Common Elements, so long as such creation of Units or Garage Units and/or subdivision complies with applicable law, and the total number of Units and Garage Units subject to this Declaration does not exceed the maximum number of Units that May Be Created. The rights of Declarant set forth in this subsection 5(b) shall expire seven (7) years from the date of recording of this Declaration, unless terminated earlier pursuant to the terms and provisions of the Act, or unless such rights are (i) extended as allowed by law; or (ii) reinstated or extended by the Association, subject to whatever terms, conditions and limitations the Board may impose on the subsequent exercise of such rights by Declarant. The Declarant may exercise this Development Right in all or any portion of the property described in this Declaration, and no assurances are made as to the boundaries or order of exercise of any such Development Right.

6. Duration, Revocation, and Amendment.

(a) Each and every provision of this Declaration shall run with and bind the land in perpetuity. Except as provided in Article XIII above, this Declaration may be amended by a vote or agreement of Owners holding at least sixty-seven percent (67%) of the Allocated Interests.

(b) Declarant reserves the right and is granted the power to make amendments to this Declaration or a Condominium Map prior to the expiration of the period of Special Declarant Rights to correct clerical, typographical or technical errors.

(c) No action to challenge the validity of an amendment adopted by the Association pursuant to this Section may be brought more than one (1) year after the amendment is recorded.

(d) Every amendment to the Declaration must be recorded in every county in which any portion of the Community is located, and is effective only upon recordation.

(e) Except to the extent expressly permitted or required by other provisions of this Declaration, no amendment may create or increase Special Declarant Rights, increase the number of Units or Garage Units, or change the boundaries of any Unit or Garage Unit or the Allocated Interests therein, or the uses to which any Unit or Garage Unit is restricted, in the absence of a vote or agreement of Owners of Units or Garage Units to which at least sixty-seven percent (67%) of the votes of the Association, including sixty-seven percent (67%) of the votes allocated to Units or Garage Units not owned by a Declarant are allocated.

(f) Amendments to the Declaration that are required by this Declaration to be recorded by the Association may be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

7. Registration of Mailing Address. Each Owner and each Security Interest Holder, insurer or guarantor of a Security Interest, shall register his mailing address with the Association. Except as expressly required otherwise by this Declaration, annual statements and all other notices or demands intended to be served upon an Owner, or upon a Security Interest Holder, insurer or

guarantor of a Security Interest, shall be sent by first class mail, postage prepaid, addressed in the name of such Person at such registered mailing address. However, if any Owner fails to notify the Association of a registered address, then any notice or demand may be delivered or sent, as aforesaid, to such Owner at the address of such Owner's Unit. All notices, demands, or other notices intended to be served upon the Board of Directors or the Association during the Period of Declarant Control shall be sent by registered or certified mail, postage prepaid, to c/o D.R. Horton, Inc.-Denver, 9555 South Kingston Court, Suite 200, Englewood, Colorado 80112, unless such address is changed by the Association during the Period of Declarant Control; subsequent to termination of the Period of Declarant Control, the Association shall notify the Owners of a different address for notices.

8. HUD or VA Approval.

(a) During the Period of Declarant Control, the following actions shall require the prior approval of HUD or VA if, at the time any such action is taken, HUD has insurance or VA has a guarantee(s) on one or more First Security Interests: annexation of additional real property; amendment of this Declaration; termination of this Community; or merger or consolidation of the Association.

(b) Notwithstanding the provisions hereof, any provisions, covenant, condition, restriction or equitable servitude contained in this Declaration which any Government Mortgage Agency (Agencies) requires to be amended or repealed as a condition to making, purchasing, insuring or guaranteeing Mortgages, or is required in order to comply with the requirements, standards or guidelines of recognized secondary mortgage markets or the Agencies, may be amended or repealed solely by Declarant and no approval, consent or vote of any other person or entity shall be required. Any such amendment or repeal shall be effective upon the Recordation of a certificate, executed by Declarant, setting forth the amendment or repeal in full.

9. Transfer of Special Declarant Rights. A Special Declarant Right created or reserved under this Declaration may be transferred only by an instrument evidencing the transfer recorded in every county in which any portion of the Community is located, and in accordance with the Act.

10. Eminent Domain. The taking by eminent domain of a Unit(s) or Common Element(s), or any portion thereof, shall be done in accordance with applicable law, including without limitation the Act.

11. Termination of Community. The Community may be terminated only in accordance with the Act. Both Owners of Units and Owners of Garage Units shall be entitled to vote on matters of termination.

12. Association as Trustee. With respect to a third Person dealing with the Association in the Association's capacity as a trustee, the existence of trust powers and their proper exercise by the Association may be assumed without inquiry. A third Person is not bound to inquire whether the Association has the power to act as trustee or is properly exercising trust powers. A third Person, without actual knowledge that the Association is exceeding or improperly exercising its powers, is fully protected in dealing with the Association as if it possessed and properly exercised the powers it

purports to exercise. A third Person is not bound to assure the proper application of trust assets paid or delivered to the Association in its capacity as trustee.

13. Dedication of Common Elements. Declarant in recording this Declaration has designated certain areas of land as Common Elements or Garage Common Elements intended for the common use and enjoyment of Owners for recreation and other related activities. The Common Elements and Garage Common Elements are not dedicated hereby for use by the general public but are dedicated to the common use and enjoyment of the Owners as more fully provided in this Declaration.

14. Run with Land; Binding upon Successors. The benefits, burdens and all other provisions contained in this Declaration shall be covenants running with and binding upon the Community and all real property and Improvements which are now or hereafter a part thereof. The benefits, burdens and all other provisions contained in this Declaration shall be binding upon, and inure to the benefit of the Declarant, the Association and all Owners, and upon and to their respective heirs, personal representatives, successors and assigns.

15. Limitation on Liability. The Association, the Board of Directors, the Architectural Review Committee, the Declarant, and any member, agent or employee of any of the same, shall not be liable to any Person for any action or for any failure to act unless the action or failure to act was not in good faith and was done or withheld with malice.

16. No Representations or Warranties. No representations or warranties of any kind, express or implied, shall be deemed to have been given or made by Declarant or its agents or employees, in connection with any portion of the Community, or any Improvement, its or their physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof, unless and except as shall be specifically set forth in writing.

17. Disclaimer Regarding Safety. DECLARANT AND THE ASSOCIATION HEREBY DISCLAIM ANY OBLIGATION REGARDING THE SECURITY OF ANY PERSONS OR PROPERTY WITHIN THE COMMUNITY. BY ACCEPTING A DEED TO PROPERTY WITHIN THE COMMUNITY, EACH OWNER ACKNOWLEDGES THAT DECLARANT AND THE ASSOCIATION ARE ONLY OBLIGATED TO DO THOSE ACTS SPECIFICALLY ENUMERATED HEREIN, OR IN THE ARTICLES OF INCORPORATION, BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION, AND ARE NOT OBLIGATED TO DO ANY OTHER ACTS WITH RESPECT TO THE SAFETY OR PROTECTION OF PERSONS OR PROPERTY WITHIN THE COMMUNITY.

18. Mediation/Arbitration.

(a) Mediation/Arbitration of Disputes. For the purposes of this Section 18, "Dispute" shall mean any dispute, action, claim or controversy, whether sounding in law, equity, contract or tort (excluding, however, tort claims arising from physical bodily injury) between the Declarant, the Association and/or any one or more Owners that: (i) concerns or requires the

application of any provision of this Declaration, the Bylaws, or any related agreements or documents (collectively the "Arbitration Documents"); (ii) concerns or requires the application of any provision of the Act; (iii) arises from any act, omission, transaction or occurrence in any Unit, Garage Unit or in or on any Garage Common Element or Common Element; or (iv) concerns any Unit, Garage Unit Garage Common Element or Common Element or any improvement or item of tangible personal property in or on a Unit, Garage Unit, Garage Common Element or Common Element, but shall expressly exclude: (v) any action by any party to seek or obtain a temporary restraining order, preliminary injunction or similar equitable order or decree; (w) any action by any party to compel arbitration or enforce a temporary restraining order, preliminary injunction, permanent injunction or similar equitable order or decree, or any award or decision of any arbitration conducted pursuant to this Section 18; (x) any action by the Association to assess or collect any Assessments or to enforce or foreclose any lien for such Assessments; (y) any action by the Association to enforce the provisions of Article V concerning architectural review; or (z) any action pursuant to the provisions of Article XII concerning mechanics liens. Upon the written demand of any Owner, Declarant or the Association (for purposes of this Section 18, each of which is called a "party" and any two or more of which are called "parties"), any Dispute shall be resolved by mediation, or if mediation is not successful, by binding arbitration in accordance with the terms of this Section 18, but in the case of a Construction Dispute (as defined below), only after compliance with the requirements of subsection (b) of this Section 18.

A written demand for mediation shall be made within a reasonable time after the Dispute has arisen, or in the case of a Construction Dispute, within sixty (60) days after the party becomes entitled to submit the Construction Dispute to mediation. The Dispute shall be mediated by a mutually acceptable mediator to be chosen by the parties within ten (10) days after the demand for mediation. No party may unreasonably withhold consent to the selection of a mediator, and each party shall share the cost of mediation equally. If the parties are unable to resolve the Dispute by mediation within ninety (90) days after the demand for mediation, then any party may make a demand for the resolution of the Dispute by arbitration in accordance with the terms of this subsection (a).

No proceedings for arbitration of a Dispute, or a Construction Dispute as hereinafter defined in subsection (b) of this Section 18, (or litigation of the same in the event that any judicial proceeding is allowed or had) shall be commenced by the Association unless prior to the initiation of the arbitration, such action is approved by the vote of Members holding at least sixty-seven (67%) of the voting power of the Members of the Association entitled to vote.

A demand for the resolution of a Dispute by arbitration must be made in writing within a reasonable time after the party becomes entitled to submit the Dispute to arbitration. The demand for arbitration shall be delivered to the other party(ies) and the American Arbitration Association (the "AAA") before the date when commencement of legal or equitable proceedings based on the Dispute would be barred by the applicable statute of limitations. In no event shall the demand for arbitration of a Dispute be made after the date when institution of legal or equitable proceedings based on such Dispute would be barred by the applicable statute of limitations. Any party who fails to submit to binding arbitration regarding a Dispute following a lawful demand by the opposing party shall bear all costs and expenses, including reasonable attorneys' fees, incurred by the opposing party in

compelling arbitration of such Dispute. Except as otherwise provided in this Section 18 or by the express written agreement of the parties, the AAA shall administer all aspects of arbitrations conducted pursuant to this Section 18, including selection of arbitrators, pursuant to the AAA's Commercial Arbitration Rules. Except as provided below with respect to enforcing the decision of the arbitrator(s), once a Dispute is submitted to arbitration, the claims involved cannot later be brought, filed or pursued in any court. Nothing herein shall be construed to prevent or limit the ability of the parties to the arbitration from mutually agreeing to the select and use the rules of an arbitrator or arbitration organization other than the AAA.

All arbitration of Disputes shall be conducted in the greater Denver, Colorado metropolitan area. Except with respect to any Dispute involving, in the aggregate, claims and counterclaims of less than Ten Thousand Dollars (\$10,000.00) or unless the parties agree to a lesser number of arbitrators, arbitration hereunder shall be before a three (3) person panel of neutral arbitrators consisting of persons from either of the following categories, but at least one (1) from each category: (i) an attorney who has practiced in the area of real estate transactional law for at least ten (10) years or a retired judge at the district court or an appellate court level; or (ii) a person with at least ten (10) years experience in the residential construction industry. Any Dispute involving, in the aggregate, claims of less than Ten Thousand Dollars (\$10,000.00) shall be resolved before a single arbitrator meeting the qualifications set forth in clause (i) of the preceding sentence. The AAA shall submit a list of persons meeting the criteria outlined above for each category of arbitrator, and the parties shall select one (1) person from each category in the manner established by the AAA. Arbitrations conducted pursuant to the terms of this Section 18 will be governed by Colorado law.

Multiple Disputes or party claims not consolidated or administered as a class action pursuant to the following sentence will be subject to, and will be arbitrated individually pursuant to the terms of, this Section 18. Only with the written request of all parties involved, but not otherwise, the arbitrator(s) may (i) consolidate in a single arbitration proceeding any multiple Disputes or party claims that are substantially identical; and (ii) arbitrate multiple Disputes as a class action in accordance with Rule 23 of the Colorado Rules of Civil Procedure. A party will state as a counterclaim any claim that relates in any way to a Dispute and does not require the presence of a third party who could not be joined as a party in the proceeding. The arbitrator(s) shall be in writing and shall specify the factual and legal basis for the decision. No party shall be entitled to receive any award of damages in connection with the arbitration of a Dispute, other than such party's actual damages, and Declarant, the Association and any Owner shall be deemed to have waived their right to receive any damages in a Dispute, other than actual damages, including without limitation special damages, consequential damages and punitive or exemplary damages. With respect to Construction Disputes as defined in subsection (b) below, "actual damages" means the lesser of: (i) the fair market value of the real property without the alleged construction defect; (ii) the replacement cost of the real property; or (iii) the reasonable cost to repair the alleged construction defect together with relocation costs, if any.

BY TAKING TITLE TO A UNIT OR A GARAGE UNIT, EACH OWNER ACKNOWLEDGES AND AGREES THAT SUCH OWNER HAS WAIVED AND SHALL BE DEEMED TO HAVE WAIVED THE RIGHT TO ANY AWARDS OF DAMAGES IN

CONNECTION WITH THE ARBITRATION OF A DISPUTE, OTHER THAN SUCH OWNER'S ACTUAL DAMAGES.

The results of any arbitration conducted pursuant to this Section 18 shall be binding and final, and the decision of the arbitrator(s) may be filed, converted and enforced as a judgment, order or decree in the District Court of the County.

(b) Construction Disputes. Any Dispute which relates to or arises out of the physical condition of the Common Elements, Garage Common Elements, Garage Units or the Units and involves the Declarant in a position adverse to the Association and/or any Owner(s) shall be deemed a "Construction Dispute," and shall be subject to the provisions of this subsection (b), in addition to the provisions of subsection (a) of this Section 18 above. Prior to invoking binding arbitration under subsection (a) above, the Association or the Owner, as applicable (the "Initiating Party") shall deliver written notice (a "Dispute Notice") to the Declarant specifying the particular defects that are the subject of the Construction Dispute, together with copies of all studies, surveys, reports and other documents relating thereto. The Dispute Notice shall contain the current mailing address for the Initiating Party.

Within forty-five (45) days after receiving the Dispute Notice, the Declarant may deliver to the Initiating Party a written notice (the "Response Notice") designating a time and place for a meeting between the Declarant and the Initiating Party to discuss the Construction Dispute; provided, however, that such meeting shall take place within the Community or at the Declarant's principal place of business, and shall occur not less than seven (7) nor more than thirty (30) days after delivery of the Response Notice. The Declarant may make on-site inspections of the Project, including investigative testing of those areas and components identified in the Notice. Upon delivery of the Response Notice, all statutes of limitations applicable to the claim against the Declarant shall be tolled. If the Declarant does not deliver the Response Notice within the forty-five (45) day period, as provided in this subsection (b) of this Section 18, the Initiating Party may institute mediation and then binding arbitration, if necessary, pursuant to subsection (a) above. Within thirty (30) days after receipt of the Response Notice, the Association and the Owners shall make available for inspection and testing all Common Elements and units identified in the Dispute Notice. The Declarant shall pay all costs to restore any portions of the Community damaged by Declarant's inspection and/or testing to its original condition and shall indemnify the Association for any damages arising from the inspection and/or testing. All inspections and testing shall be completed within one hundred fifty (150) days after delivery of the Response Notice, unless otherwise mutually agreed upon by the parties.

Within two hundred ten (210) days after delivery of the Response Notice, the Declarant may submit a written statement to the Association setting forth the Declarant's proposed settlement of the Construction Dispute (an "Offer") and stating whether the Declarant proposes to perform the remedial work or to pay the Initiating Party a cash sum, or a combination thereof. If the Offer is accepted, the Declarant and its agents, employees and subcontractors shall be provided full access to the Community, including the Units and Garage Units, to take and complete the corrective action set forth in the Offer. If the Declarant does not deliver an Offer within two hundred ten (210) days after

delivery of the Response Notice or if the Offer is rejected, the Initiating Party may proceed to Binding Arbitration pursuant to subsection (a) of this Section 18.

At any time after delivering the Response Notice the Declarant may terminate the tolling of the statute of limitations provided in this subsection (b) by delivery of thirty (30) days prior written notice thereof (the "Termination Notice") to the Initiating Party. Upon delivery of the Termination Notice, the Initiating Party shall be relieved of all further obligations to satisfy the conditions of this subsection (b) and may initiate Arbitration pursuant to subsection (a) of this Section 18. Notwithstanding the provisions of this subsection (b), the tolling of any statute of limitations pursuant to this subsection (b) shall automatically cease two hundred forty (240) days following the delivery of the Response Notice. If the Initiating Party desires to assert another Dispute not set forth in any prior Dispute Notice delivered to the Declarant by the Initiating Party, the Initiating Party shall be required to satisfy all of the conditions and requirements of this subsection (b) with respect thereto.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set his hand this 29th day of September, 2005.

DECLARANT:

D.R. HORTON, INC.- DENVER,
a Delaware corporation

By: Sandra R. Hope
Its: Vice President

STATE OF COLORADO)
) ss.
_____ COUNTY OF Douglas)

The foregoing instrument was acknowledged before me this 29th day of September, 2005, by Sandra R. Hope as Vice President of D.R. HORTON, INC.-DENVER, a Delaware corporation.

Witness my hand and official seal.
My Commission expires: May 25, 2009

(SEAL)

Cheryl K. Siegle
Notary Public



My Commission Expires 05/25/2009

EXHIBIT A
TO
DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF
BALTERRA CONDOMINIUMS

The Community:

LEGAL DESCRIPTION OF CONDOMINIUM MAP OF BALTERRA CONDOMINIUMS,
BUILDING 6:

PROPERTY DESCRIPTION:

A parcel of land located in Lot 1, Block 1, Sterling Hills Subdivision Filing No. 13 recorded at Reception No. B2141264 Arapahoe County Clerk and Recorder, being in the South Half of Section 27, Township 4 South, Range 66 West of the 6th Principal Meridian, County of Arapahoe, State of Colorado, being more particularly described as follows;

COMMENCING at the South Quarter Corner of said Section 27;
WHENCE the Southwest Corner of said Section 27 bears N89°41'36"W;
THENCE N00°16'08"E, a distance of 155.00 feet to an angle point on the southerly line of said Sterling Hills Subdivision Filing No. 13;
THENCE N37°54'35"W, a distance of 213.81 feet to the POINT OF BEGINNING;

THENCE N67°31'30"W, a distance of 307.49 feet;
THENCE N13°08'56"W, a distance of 67.99 feet;
THENCE N22°28'30"E, a distance of 100.82 feet;
THENCE S67°31'30"E, a distance of 347.09 feet;
THENCE S22°28'30"W, a distance of 156.08 feet to the POINT OF BEGINNING.

Containing 53079 Square Feet, (1.219 Acres), more or less.

LEGAL DESCRIPTION OF CONDOMINIUM MAP OF BALTERRA CONDOMINIUMS,
GARAGE BUILDINGS 1, 2, 5 AND 6:

PROPERTY DESCRIPTION:

GARAGE NO. 1 AND 2

A parcel of land located in Lot 1, Block 1, Sterling Hills Subdivision Filing No. 13 recorded at Reception No. B2141264 Arapahoe County Clerk and Recorder, being in the South Half of Section 27, Township 4 South, Range 66 West of the 6th Principal Meridian, County of Arapahoe, State of Colorado, being more particularly described as follows;

COMMENCING at the South Quarter Corner of said Section 27;
WHENCE the Southwest Corner of said Section 27 bears N89°41'36"W;
THENCE N00°16'08"E, a distance of 155.00 feet to an angle point on the southerly line of said Sterling Hills Subdivision Filing No. 13;
THENCE N12°54'26"W, a distance of 321.03 feet to the POINT OF BEGINNING;

THENCE N67°31'30"W, a distance of 627.21 feet;
THENCE N22°28'30"E along a northwesterly line of said Lot 1, a distance of 53.00 feet;
THENCE S67°31'30"E along a northeasterly line of said Lot 1, a distance of 627.21 feet;
THENCE S22°28'30"W, a distance of 53.00 feet to the POINT OF BEGINNING.

Containing 33,241 Square Feet, (0.763 Acres), more or less.

GARAGE NO. 5 AND 6

A parcel of land located in Lot 1, Block 1, Sterling Hills Subdivision Filing No. 13 recorded at Reception No. B2141264 Arapahoe County Clerk and Recorder, being in the South Half of Section 27, Township 4 South, Range 66 West of the 6th Principal Meridian, County of Arapahoe, State of Colorado, being more particularly described as follows;

COMMENCING at the South Quarter Corner of said Section 27;
WHENCE the Southwest Corner of said Section 27 bears N89°41'36"W;
THENCE N00°16'08"E, a distance of 155.00 feet to an angle point on the southerly line of said Sterling Hills Subdivision Filing No. 13;
THENCE N62°26'51"W, a distance of 447.81 feet to the POINT OF BEGINNING;

THENCE N89°41'36"W, a distance of 146.26 feet;
THENCE N39°18'28"W, a distance of 84.13 feet;
THENCE N64°22'46"E, a distance of 183.67 feet;
THENCE S13°08'56"E, a distance of 149.22 feet to the POINT OF BEGINNING.

Containing 18,120 Square Feet, (0.416 Acres), more or less.

EXHIBIT B
TO
DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF
BAL TERRA CONDOMINIUMS

UNITS:

<u>Building No.</u>	<u>Unit No.</u>	<u>Allocated Interests and Undivided Interest in the Common Elements Attributable to the Unit*</u>
Building 6 2662 S. Cathay Way	101	1/12
	102	1/12
	103	1/12
	104	1/12
	105	1/12
	106	1/12
	107	1/12
	108	1/12
	109	1/12
	110	1/12
	111	1/12
	112	<u>1/12</u>
	100%	

GARAGE UNITS:

<u>Garage Building No.</u>	<u>Garage Unit No.</u>	<u>Allocated Interests and Undivided Interest in the Common Elements Attributable to the Garage Unit*</u>
Garage Building 1 2611 E. Cathay Way	A	1/28
	B	1/28
	C	1/28
	D	1/28
	E	1/28
	F	1/28
	G	1/28
	H	1/28
	I	1/28

GARAGE UNITS:

<u>Garage Building No.</u>	<u>Garage Unit No.</u>	<u>Allocated Interests and Undivided Interest in the Common Elements Attributable to the Garage Unit*</u>
Garage Building 2 2621 E. Cathay Way	A	1/28
	B	1/28
	C	1/28
	D	1/28
	E	1/28
	F	1/28
	G	1/28
	H	1/28
	I	1/28
Garage Building 5 2665 E. Cathay Way	A	1/28
	B	1/28
	C	1/28
	D	1/28
	E	1/28
Garage Building 6 2655 E. Cathay Way	A	1/28
	B	1/28
	C	1/28
	D	1/28
	E	<u>1/28</u>
		100%

*The Allocated Interest, and undivided interest in the Common Elements and Garage Common Elements, that are attributable to each Unit and Garage Unit are subject to change as more fully provided in the Declaration, including without limitation Article XIV, Section 5 thereof.

EXHIBIT C
TO
DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF
BALTERRA CONDOMINIUMS

The following documents, if they are recorded, are recorded in the office of the Clerk and Recorder of the County of Arapahoe, Colorado:

All taxes and Assessments for the year in which recording of this Declaration occurs, and for subsequent years, not yet due and payable.

All notes, terms, provisions, easements, and other matter set forth on the plat of Sterling Hills Subdivision Filing No 13, recorded August 5, 2002, at Book 224, Page 38-41 under Reception No. B2141264.

Reservations by the Union Pacific Land Company of (1) All coal and other minerals within or underlying said lands, (2) The exclusive right to prospect in and upon said land for coal and other minerals therein, or which may be supposed to be therein, and to mine for and remove from said land all coal and other minerals which may be found thereon by anyone, (3) The right of ingress, egress and regress upon said land to prospect for, mine and remove any and all coal or other minerals and the right to use so much of said land, or may be convenient or necessary for the right-of-way to and from such prospect places or mines and for the convenient and proper operation of such prospect places, mines and for reads and approaches thereto or for removal therefrom of coal, mineral, machinery or other material, and (4) The right to maintain and operate its railroad in its present form of construction and to make and change in the form of construction or method of operation of said railroad as contained in Deed recorded June 9, 1904, in Book 2 at Page 282 and Quitclaim Deeds given in connection with the above reservation recorded April 16, 1971, in Book 1920 at Page 247 and recorded March 14, 1977, in Book 2560 at Page 725.

NOTE: Request for Notification of Surface Development recorded May 16, 2002, at Reception No. B2090801

Terms, conditions, provisions, agreements and obligations specified under the Agreement, which was recorded January 14, 1972, in Book 1987 at Page 307, Agreement recorded August 6, 1975, in Book 2360 at Page 398, Addendum recorded January 17, 1978, in Book 2712 at Page 729 and instrument recorded January 27, 1992, in Book 6359 at Page 150.

Terms, conditions, provisions, agreements and obligations specified under the Ordinance No. 72-41, which was recorded May 24, 1972, in Book 2021 at Page 156.

Easements, notes, terms, conditions, provisions, agreements and obligations as shown on the General Development Plan Hutchinson Heights Amendment recorded July 20, 1979, at Reception No. 1870810 and Amended General Development Plan for Hutchinson Heights recorded October 15, 1991, at Reception No. 0086121 and recorded February 6, 1996, at Reception No. A6014321.

Terms, conditions, provisions, agreements and obligations specified under the Air Rights Covenant and Avigation Easement between the City of Aurora, State of Colorado and the United States of America, which was recorded July 14, 1989 in Book 5730 at Page 396 and Notice recorded October 16, 1989 in Book 5795 at Page 169.

Easements, notes, terms, conditions, provisions, agreements and obligations as shown on the plat of Sterling Hills Subdivision Filing No. 9 recorded December 15, 1999 at Reception No. A9195909.

The effect of the inclusion of the subject property in the Sterling Hills West Metropolitan District, as disclosed by the instrument recorded December 29, 1999, at Reception No. A9202471 and Expedited Order for Inclusion recorded March 14, 2000, at Reception No. B0030225 and Order of Inclusion recorded June 6, 2000, at Reception No. B0067420 and Memorandum of Resolution of Sterling Hills West Metropolitan District establishing Development Fee recorded September 27, 2001, at Reception No. B1165158.

NOTE: General Disclosure and Common Questions Regarding Sterling Hills West Metropolitan District and Homeowner's Associations, which was recorded June 6, 2002, at Reception No. B0067421.

Easements, notes, terms, conditions, provisions, agreements and obligations as shown on the plat of Sterling Hills Subdivision Filing No. 13 recorded August 5, 2002, at Reception No. B2141264.

Easements, notes, terms, conditions, provisions, agreements and obligations as shown on the Site Plan of Balterra at Sterling Hills recorded August 5, 2002, at Reception No. B2141265.

Rights of way and rights of others to use sidewalk along northerly lot line as set forth on the Surveyor's Certificate dated December 16, 2003, by Carroll & Lange, Inc.

Terms, conditions, provisions, agreements and obligations specified under the Memorandum of Agreement with Respect to Post-Closing Commitments recorded March 4, 2004, at Reception No. B4040679.

Reservations and Relinquishments as set forth in Special Warranty Deed recorded March 4, 2004, at Reception No. B4040680.

Terms, conditions, provisions, agreements and obligations specified under the Grant of Easement, which was recorded November 30, 2004, under Reception No. B4206259.

EXHIBIT D
TO
DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS OF
BALTERRA CONDOMINIUMS

Annexable Land:

All or any portion of the following land:

Lots 1, Block 1
Sterling Hills Subdivision Filing No. 13,
County of Arapahoe, State of Colorado.

EXCEPTING AND EXCLUDING the property described on Exhibit A attached to this Declaration.