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Montrose, CO Tressa Guynes, Clerk and Recorder

DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS, AND RESTRICTIONS FOR SANCTUARY AT VALLEY RANCH

This Declaration of Covenants, Conditions, Easements, and Restrictions ("Declaration") is made as of the date executed below by **VALLEY RANCH MONTROSE, LLC,** a Colorado limited liability company ("Declarant").

RECITALS

A. Declarant is the owner of the following described real property:

Lots 1 through 15, inclusive, Tract 1 and Tract 2, Valley Ranch Subdivision – Filing 1, County of Montrose, State of Colorado.

(the "Property").

B. Declarant desires for the Property to be developed and improved as a planned community under the name and style of Sanctuary at Valley Ranch ("the Community"), and to subject the same to the covenants, conditions, and restrictions set forth herein and established hereby for the purpose of creating a common and general plan of development for the Property to enhance and protect the value, desirability, and attractiveness of the Property, and to exempt the Community from the Colorado Common Interest Ownership Act ("CCIOA") to the maximum extent permitted by law, except as otherwise specifically provided in this Declaration, as a small community with fewer than twenty (20) lots pursuant to Section 38-33.3-116, C.R.S.

C. Declarant desires to, in furtherance of a common plan of development and improvement of the Property, to create certain covenants, conditions, restrictions, and easements upon and for the Property and the improvements therein and thereon, to run with the land and to be binding upon the owner(s) thereof and upon anyone having an interest in the Lots, and, whether the Lots are under common ownership or not, for the Property to be held, owned, sold, conveyed, developed, used, transferred, hypothecated, leased, and otherwise used subject to this Declaration, which is for the purpose of enhancing, perfecting, and preserving the value, desirability, and attractiveness of the Property and the improvements thereon in a manner that is beneficial to all Owners.

D. Declarant deems it desirable to set aside a portion of the Property as Common Areas for the benefit and use of the owners of Lots within the Community, and to establish a Colorado nonprofit corporation ("Association") to which such Common Areas from time to time shall be conveyed and which shall be responsible for the ownership and maintenance of such Common Areas and administration of the funds and business of the Association and the Community.

NOW THEREFORE, for the purpose of enhancing, perfecting, and preserving the value, desirability, and attractiveness of the Property and the improvements thereon in a manner that is beneficial to all Owners, Declarant does hereby subject the Property to the provision of this Declaration, and declares the covenants, conditions, and restrictions set forth herein. All easements, restrictions, conditions, covenants, reservations, liens, charges, rights, benefits, and privileges granted, created, reserved, or declared by this Declaration shall be deemed to be

covenants appurtenant to, touching and concerning, and running with the land and shall at all times inure to the benefit of and be binding upon any Person having at any time any interest or estate in the Property, and their respective heirs, successors, representatives, or assigns. The foregoing Recitals are substantive provisions of this Declaration.

ARTICLE 1
DEFINITIONS

Unless the context requires otherwise, the following terms shall have the following meanings:

1.1 "Architectural Control Committee" or "ACC" shall mean the committee of three or more persons appointed by the Declarant or the Board to review and approve the plans for all improvements constructed on the Property.

1.2 "Articles of Incorporation" shall mean the Articles of Incorporation of the Association, as they may be amended from time to time.

1.3 "Assessment" shall mean and refer to any assessment levied against one or more Owner(s) or Lot(s) as permitted by this Declaration or applicable law, including without limitation any of the following:

(a) "Regular Assessment" or "Annual Assessment" shall mean and refer to a charge against each Lot representing that portion of the Common Expenses attributable to such Lot, including all fees, charges, late charges, attorney fees, fines and interest arising from failure to pay when due the principal amount of such assessment.

(b) "Special Assessment" shall mean and refer to a charge against any Lot for certain costs incurred by the Association for:

(i) Emergency repairs to or replacement of Common Areas or improvements therein or of improvements within the Association Maintenance Areas that were not budgeted in a given fiscal year and for which there are insufficient capital reserves available;

(ii) Common expenses that exceed budgeted amounts and for which there are insufficient funds in Association accounts, including capital reserves; or

(iii) For any other purpose for which this Declaration or applicable law permits the imposition of a Special Assessment, or justifies, in the reasonable discretion of the Board of Directors, the imposition of a Special Assessment.

(c) "Capital Assessment" shall mean and refer to a charge against any Lot representing a portion of the Association's cost for the purchase, installation, construction, or expected or unexpected repair or replacement, of any capital improvement (including the necessary fixtures and personal property related to it) that is a Common Expense of the Association, and/or reserves for repair or replacement of existing capital items, and acquisition,

construction, and installation of new capital improvements.

(d) "Individual Purpose Assessment" shall mean and refer to a charge against fewer than all of the Lots related or as a result of any Owner failing to maintain any portion of his or her Lot in accordance with the provisions of this Declaration, or to materials or services furnished to the Owner or his or her Lot at the request of or on behalf of such Owner. See also Section 5.8.

(e) "Reimbursement Assessment" shall mean and refer to any assessment related to expenses incurred as a result of the negligence, recklessness, or willful misconduct of any Owner or his or her employees, guests, or invitees, or for excessive use or special use of the services or facilities, if any, provided by the Association. See also Section 5.9.

1.4 "Association" shall mean and refer to the nonprofit corporation incorporated under Colorado law to manage the affairs of the Community and in which the Lot Owners shall be members. It is intended that the name of the Association shall be the Sanctuary Homeowners Association.

1.5 "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

1.6 "Bylaws" shall mean the Bylaws of the Association, as they may be amended from time to time.

1.7 "CCIOA" means the Colorado Common Interest Ownership Act, presently codified at C.R.S. §38-33.3-101, *et seq.*, as it may subsequently be amended from time to time.

1.8 "Common Areas" shall mean any and all real property, and the improvements and fixtures on it owned, leased, or controlled by the Association for the common use and enjoyment of the Members, including but not limited Tract 1 and Tract 2 and all other Tracts appearing on any plat of the Property, the boundaries of which shall be as shown and defined on such Plat, and any Irrigation Facilities, Drainage Facilities, retention area, detention area, fence, wall, pedestrian path, landscaping, lighting fixture, or easement owned or controlled by the Association for the general benefit of the Community or Owners, whether or not located on the real property owned or leased by the Association.

1.9 "Common Expenses" shall mean and include expenditures made, and liabilities incurred, by or on behalf of the Association for the benefit of, and to operate, maintain, manage, and govern the Community.

1.10 "Community" shall mean and refer to the Sanctuary at Valley Ranch, a common interest community created pursuant to and by this Declaration and the plat of Valley Ranch Subdivision – Filing 1 recorded in the land records of Montrose County, State of Colorado.

1.11 "Conveyance" shall mean and refer to the transfer of a fee simple title by deed, installment land purchase contract, or otherwise of any part of the Property.

1.12 "Declarant" shall mean and refer to Valley Ranch Montrose, LLC, a Colorado limited liability company, and successors and assigns designated in writing to be the successor, assignee, or transferee of Declarant.

1.13 "Drainage Facilities" shall mean and refer to all improvements, equipment, facilities, and other real and personal property owned, operated or maintained by the Association for the purpose of conducting, containing, detaining, retaining, or filtering stormwater runoff from or through or within the Subdivision, including without limitation ditches, swales, ponds, pipes, intake and outfall structures, and related materials.

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

1.15 "First Mortgage" shall mean a Mortgage upon a Lot having priority of record over all other recorded encumbrances and liens thereon, except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments).

1.16 "First Mortgagee" means a mortgagee whose encumbrance is a First Mortgage. Nothing contained in this Declaration shall prohibit a mortgagee under a single mortgage from being a "First Mortgagee" upon more than one Lot and from maintaining and exercising all First Mortgagee voting rights, approvals, and/or consents with respect to each applicable Lot for which it is First Mortgagee.

1.17 "Irrigation Facilities" shall mean and refer to all improvements, equipment, facilities, and other real and personal property owned, operated, or maintained by the Association for the purpose of delivering water to the Property or any portion thereof for irrigation purposes, and shall include, but not be limited to, all pumps, pipes, pipelines, connectors, controls, siphons, filters, valves, and related parts and materials located in, under, or upon Common Areas or easements within the Subdivision, or elsewhere outside of the Subdivision.

1.18 "Irrigation Water" shall mean and refer to the acre shares of Uncompahgre Valley Water Users Association ("UVWUA") water allocated to the Property or any portion thereof.

1.19 "Lot" shall mean and refer to each numbered lot of the Property depicted on the Plat as recorded, supplemented and amended, the boundaries of which shall be as shown and defined on such Plat.

1.20 "Member" shall mean and refer to every person or entity that holds a membership in the Association.

1.21 "Owner" shall mean and refer to the record owner, whether a person, persons, firm, corporation, trust/trustee, estate or personal representative, partnership or association, or other legal entity, or any combination thereof, owning a fee simple title to a Lot, and does not include any such person having an interest herein merely as a mortgagee or beneficiary under a deed of trust, unless such mortgagee or beneficiary under a deed of trust has acquired fee simple title hereto pursuant to foreclosure or any conveyance in lieu thereof. A person ceases to be an Owner upon conveyance of its Lot by deed or upon entering into a binding installment land contract.

1.22 "Property" shall mean and refer to that certain real property in Montrose County, Colorado, described in Recital Paragraph A and as further shown and described on the Plat, together with such additions, if any, as may subsequently be brought within the jurisdiction of the Association by expansion or amendment of this Declaration.

1.23 "Plat" shall mean and refer to the approved final plat of Badger Trail Filing One that is recorded in the land records of Montrose County, and any recorded re-plat thereof.

1.24 "Property" shall mean the real property described in Recitals Paragraph A.

1.25 "Residential Structure" shall mean and include the structures constructed upon the Property and consisting of attached residential Lots (including attached garage but excluding any outbuildings or detached structures).

1.26 "Subdivision" shall mean all of the Property, and improvements thereon, subject to this Declaration or any amendment to this Declaration.

ARTICLE 2
ASSOCIATION MANAGEMENT

Section 2.1 Membership. Every Owner of one or more Lots in the Property shall be entitled and required to be a Member of the Association, subject to the voting rights provisions of this Article 2. No person or entity other than an Owner of one or more Lots in the Property may be a Member of the Association. No Owner shall be entitled to sever his or her or its ownership interest in a Lot from membership in the Association, provided, that this shall not be construed as precluding the Owner of a Lot from creating or severing a co-tenancy, joint tenancy, or any other form of co-ownership with any other person or persons.

Section 2.2 Allocation of Votes. Each Lot that may be created shall be allocated one vote in the Association. If only one of the multiple Owners of a Lot is present at a meeting of the Association, such Owner is entitled to cast the vote allocated to that Lot. If more than one of the multiple Owners is present, the vote allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of such Owners. There is majority agreement if any one of the multiple Owners casts the vote allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot. If the Owners of the Lot are unable to reach a majority, their vote shall not be counted.

Section 2.3 No Cumulative Voting. In the election of directors of the Association, cumulative voting shall not be allowed.

Section 2.4 Membership Appurtenant. By accepting a deed to a Lot or other instrument the acceptance of which would render the holder an Owner, membership in the Association shall be appurtenant to and inseparable from a Lot. Membership in the Association may not be transferred except in connection with the transfer of ownership of a Lot and shall be automatically transferred by Conveyance of a Lot without additional action or documentation.

Section 2.5 Directors of the Association. While Declarant maintains control of the Board of Directors, all directors and officers shall be appointed by Declarant; however, Declarant may voluntarily surrender the right to appoint and remove directors of the Association and members of the Board before termination of the period of Declarant's control; but in that event Declarant may require, for the duration of the period of Declarant's control, that specified actions of the Association or the Board (as described in a recorded instrument executed by Declarant) be approved by Declarant before they become effective. When Declarant relinquishes control of the Board to the Owners pursuant to Section 2.6, the Board shall be comprised of three (3) directors elected by the Members.

Section 2.6 Management of the Association. Declarant may maintain control of the Association until the last Lot in the Community is conveyed by Declarant to someone other than Declarant, or, in Declarant's sole discretion, may cede control sooner than that. During the period of Declarant control, all members of the Board of Directors shall be appointed by the Declarant. Upon the termination of the period of Declarant control, the Owners shall elect a Board of Directors.

Section 2.7 Removal of Directors. During the period of Declarant control, Declarant may remove any director in Declarant's discretion. Following the period of Declarant control, by a vote of 67% of all persons present and entitled to vote at any meeting of the Owners at which a quorum is present, any member of the Board of Directors may be removed with or without cause, other than a member appointed by Declarant.

Section 2.8 Quorum. Quorum requirements are specified in the Bylaws.

Section 2.9 Officers of the Association. The officers of the Association are specified in the Bylaws.

Section 2.10 Authority. The Association shall have all rights, powers, and authority specified or permitted by this Declaration, the Articles of Incorporation, the Bylaws, the Colorado Nonprofit Corporation Act, C.R.S. Section 38-33.3-302,, or any other applicable law.

Section 2.11 Duties and Obligations. The Association shall perform all duties and obligations specified in this Declaration, the Articles of Incorporation, and the Bylaws, including but not limited to maintenance and upkeep of all Common Areas.

Section 2.12 Actions Against Owners. The Association acting by and through its Board

of Directors may take judicial action against any Owner to enforce compliance with any provision of this Declaration, obtain mandatory or injunctive relief, or obtain damages for noncompliance, and may exercise any other right or remedy for enforcement of this Declaration permitted by law; provided, however, that the parties shall first informally meet and correspond in an attempt to resolve the dispute. If the dispute is not resolved within thirty (30) days after the initial notice of the dispute from one party to the other, the parties may proceed to mediation, if both parties agree, or directly to court. If the dispute is mediated, each party shall bear an equal share of the mediator's fees and costs, but shall bear its own attorneys' fees and other costs. If the dispute is litigated in court, the losing party in the litigation shall pay the prevailing party's attorney fees and costs.

Section 2.13 Conveyance or Encumbrance. The Association shall have the right to encumber, dedicate, or convey all or any part of any Common Areas or the Association interest in any other Association asset. However, no such encumbrance, dedication, or conveyance shall be effective unless approved by 67% of the Owners entitled to vote agreeing to such encumbrance, dedication, or transfer has been recorded in the real property records of Montrose County, Colorado. The conveyance instrument need not include the signatures of the members, but shall include a certification of the vote authorizing the conveyance.

Section 2.14 Management Agreement and Other Contracts. The Association may utilize professional management in performing its duties.

Section 2.15 Books and Records. Association policies and regulations regarding records, retention of records, and Member access to records are specified in the Bylaws.

Section 2.16 Annual Budget. The Board of Directors shall cause an operating budget, balance sheet, and cash flow statement for the Association to be prepared no less frequently than annually.

Section 2.17 Delivery, Ratification, and Rejection of Budget. Within ninety (90) days after adoption of any proposed budget, the Board of Directors shall mail by ordinary first-class mail or otherwise deliver a summary of the budget to all Owners and shall set a date for a meeting of the Owners to consider ratification of the budget which shall be within a reasonable time after mailing or other delivery of the summary. Unless at the meeting Owners representing a majority of all Lots veto the budget, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is vetoed, the budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors.

Section 2.18 Reserve Fund. As part of each annual budget, the Board of Directors may include an amount that, in its reasonable business judgment, will at least establish and maintain an adequate reserve fund for the repair or replacement of any personal property, fixtures and improvements required to be operated or maintained by the Association based upon age, remaining life, replacement cost, and any other relevant factors. Any reserve funds may be deposited in such interest-bearing account(s) as the Board of Directors deems appropriate.

Section 2.19 Audit and Review. At intervals in the Board's discretion, or upon the request of at least one-third of the Owners, the books and records of the Association shall be subject

to a review or audit by an independent and qualified person selected by the Board. Such person need not be a certified public accountant (except in the case of an audit) but shall have at least a basic understanding of the principles of accounting from prior business experience, education above the high school level, or bona fide home study. The audit or review report shall cover the Association's financial statements, which shall be prepared using generally accepted accounting principles or the cash or tax basis of accounting.

Section 2.20 Fiscal Year. The fiscal year of the Association shall initially be the calendar year, but the Association may adopt a different fiscal year, for Assessments or otherwise, by resolution or majority vote of the Board.

ARTICLE 3
LOTS AND COMMON AREAS – PROPERTY RIGHTS AND MAINTENANCE

Section 3.1 Title to the Common Areas. Within sixty (60) days of end of the period of Declarant control, Declarant shall convey to the Association fee simple title to Tract 1 and Tract 2 free and clear of all liens and encumbrances except this Declaration, then current real property taxes (prorated to the date of Conveyance), and liens and encumbrances and other title exceptions of record on the date of recording of this Declaration. The Board may, in its reasonable discretion and without a vote of the Members, create, grant, or reserve easements, licenses or other rights of use in favor of third parties, including without limitation neighboring homeowners' associations, over, in, and to the Common Areas of the Association, provided that such neighboring association is required to contribute a fair share of the maintenance costs of the Common Area or facilities therein.

Section 3.2 Members' Easements of Enjoyment in Common Areas. Every Member shall have a non-exclusive right and easement of enjoyment in and to the Common Areas which shall be appurtenant to and pass with the title to every Lot, including but not limited to an easement for ingress and egress over and through the Common Areas. Each such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) Common Areas may be created for a primary purpose in order to comply with the local land use jurisdiction's zoning, development, building or stormwater management regulations. The right of the Members to use these Common Areas is subject to the primary purpose thereof and such use by Members shall not interfere with, obstruct or compromise the primary purpose. In addition, the right of the Members to use such Common Areas is subject to the easements, covenants, and restrictions reserved, conveyed, or created by or with this Declaration. The right of the Members to use the Tracts is also subject to the rules and regulations adopted from time to time by the Association pertaining to the use and enjoyment thereof.

(b) The right to use Limited Common Areas shall be limited to the Owners of the Lots to which such Limited Common Element(s) is/are attached. The expenses of maintaining, repairing, replacing, and upgrading Limited Common Areas shall be allocated only to such designated Lots.

Section 3.4 Delegation of Use. Any Member may delegate his or her right of enjoyment to the Common Areas and Association Water to his or her family members, licensees and invitees, or tenants or contract purchasers who are in possession of such Member's Lot.

Section 3.5 Waiver of Use. No Member may, by waiver of the use and enjoyment of the Common Areas or the facilities on it, or by abandonment of his or her Lot, exempt himself or herself from personal liability for Assessments duly levied by the Association or release the Lot(s) owned by such Member from the liens and charges created by this Declaration or other applicable law.

Section 3.6 Common Areas – Undivided Nature and Access.

(a) All Owners of Lot(s), by their acceptance of their respective deeds or other instruments causing them to become Owners, covenant and agree that the Common Areas shall remain undivided, and no Owner shall bring any action for partition (which right is expressly waived), it being agreed that this restriction is necessary to preserve the rights of Owners with respect to the operation and management of the Property.

(b) No Owner shall engage in any activity that will temporarily or permanently deny free access to any part of the Common Areas, if any, to all Members, nor shall any Owner place any structure, fence, or other improvement upon the Common Areas, except as provided in subsection (c) of this Section 3.6.

Section 3.7 Maintenance of Common Areas. Declarant and its successors and assigns shall maintain all Common Areas until transfer to the Association, after which the Association shall maintain all Common Areas and all improvements thereon and therein. All landscaping, walls, fencing, Irrigation Facilities, drainage facilities, driveways, sidewalks, signage and other improvements within the Common Areas shall be maintained in good condition by the Association.

The Association shall maintain the landscaping, drainage, irrigation systems (including sprinklers, drip lines, and other irrigation means) within the Common Areas in such a manner that the soil surrounding the foundations of the Residential Structures and other improvements shall not become so saturated that they cause expansion or shifting of the soils supporting the improvements or other damage to the improvements, and so that they do not impede the proper functioning of drainage. The Association shall at all times maintain the original site grading and drainage upon the Property that was performed by the Declarant. If the Association desires to modify the site grading or drainage, it shall do so only in accordance with a stamped and certified engineered design. The Association shall not do anything which would cause or permit poor drainage or other damage to the Residential Structures. Lot Owners shall not do anything which would change the approved final grading or the landscaping.

Section 3.8 Lot Owner Responsibility. Notwithstanding any obligation or responsibility imposed by this Declaration upon the Association or the Declarant to maintain, repair, replace, or improve any portion of the Property or improvement thereon, where damage is caused by the action of a Lot Owner or guest, tenant, or invitee of a Lot Owner, such Lot Owner shall be solely responsible for the costs of repair necessitated by such action, and the Association or Declarant

shall have a right to recover such damages and costs through Assessment as provided in the provisions of this Declaration governing Assessments.

Section 3.9 Maintenance of Lot. Each Owner of a Lot shall be responsible for maintenance of the Lot at such Owner's expense. In the maintenance of a Lot, no Owner shall do any act or work that will impair any easement or utility service or adversely affect the use and enjoyment of the other Lots or the provision of utility services to such Lots.

Section 3.10 Lot Boundaries. The boundaries of each Lot shall be as shown on the recorded plat(s) of the Property.

Section 3.11 Easements for Foundations and Encroachments. If any part of the Common Areas or any improvements therein encroach upon a Lot or Lots, a valid easement for such encroachment and for the maintenance of the same so long as it stands, shall and does exist. If any portion of a Lot or other structure related thereto encroaches upon the Common Areas, or upon any adjoining Lot or Lots, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall and does exist. In the event that a Residential Structure is partially or totally destroyed and then rebuilt, then any minor encroachment of parts of the Lots or Residential Structure due to such construction shall be permitted and a valid easement for such encroachments and the maintenance thereof shall exist. Encroachments referred to herein include, without limitation, those caused by error in the original construction of any Residential Structure or Lot; by error in the Plat; by settling, rising, or shifting of the earth; or by changes in position caused by repair or reconstruction. Such encroachments and easements shall not be considered or construed to be title defects or encumbrances either on the Common Areas or on the Lots. In interpreting any and all provisions of this Declaration, subsequent deeds, mortgages, or other security instruments relating to Lots, the actual location of Lot shall be deemed conclusively to be the property intended to be conveyed, reserved, or encumbered, notwithstanding any minor deviations, either horizontally, vertically, or laterally, from the location of such Lot as indicated on the Plat.

Section 3.12 No Public Rights in Common Areas. The Common Areas are not dedicated for use by the general public and no rights are hereby granted, conveyed, or given to, or reserved for, the general public by this Declaration or any provision hereof.

Section 3.13 Use of Common Areas. Use of the Common Areas shall be subject to the reasonable rules and regulations of the Association, as duly promulgated and amended from time to time by the Board of Directors. No use shall be made of the Common Areas that will in any manner violate the statutes, laws, rules, regulations, permits, or conditions of land use or development approval of any governmental entity or agency with authority. No Lot Owner shall use any Common Element, except for Limited Common Areas dedicated to such Lot, in any manner that restricts, impedes, or inhibits the use of, access to, or ingress and egress through, the Common Areas by other Lot Owners. The restrictions in this Section shall not apply to Declarant. Easements. In addition to the easements created pursuant to other provisions of this Declaration or created or conveyed pursuant to reserved Declarant rights, the following easements are hereby created in furtherance of the common and general plan of development for the Community.

Section 3.14 Easements Shown on Plat. There are hereby created the following easements over the Property:

(a) Utilities. Easements for the installation and maintenance of utilities and irrigation, detention, and other Water Facilities are reserved as shown on the Plat. Within these easements no improvement, structure, planting, or other material (excluding fences capable of being readily removed for the purposes of the easement) shall be placed or permitted to remain that may damage or interfere with the installation and maintenance of such utilities or facilities, or which may change the direction of flow of drainage channels in the easements. Declarant and the Association shall have the right (but assume no obligation) to enter upon the Property to correct any flow of water and to establish and re-establish drainage channels.

(b) Other Easements Shown on the Plat (if any). All easements shown on the Plat are hereby reserved unto and for the Association for the purposes described on the Plat, which may include but are not limited to the following: access, open space, right-of-way, pedestrian easements, and/or installing, maintaining, repairing, using, replacing, and upgrading the facilities and uses described on such Plat such as utilities, walkways, trails, irrigation facilities, drainage facilities, signage, and landscaping.

Section 3.15 Other Easements. There is hereby created, granted, conveyed and reserved easements for abutting real property legally described as Outlot A, Valley Ranch Subdivision – Filing 1, County of Montrose, State of Colorado, as such property may be developed and subdivided in the future, over the Common Areas of the Association, including without limitation Tract 1, Tract 2, and all irrigation and drainage easements benefitting the Association, for drainage and irrigation.

Section 3.16 Easements Appurtenant. The easements granted, reserved, or otherwise created by this Declaration shall in each instance burden and/or benefit the Property as the purpose of such easements are described, and be appurtenant to the Property where applicable, and in each instance shall be non-exclusive and for the use and benefit in common with the other Owners, and their heirs, successors, and assigns, and not for the benefit of any real property other than the Property, and not for the benefit or use of the general public. No rights of the general public are created, reserved or conveyed by this Declaration.

ARTICLE 4
ARCHITECTURAL CONTROL COMMITTEE AND LOT USE RESTRICTIONS

Section 4.1 Architectural Control Committee. No improvement of any kind, including buildings/structures, landscaping and fencing, shall be constructed, remodeled, or altered in any fashion on any Lots within the Subdivision, nor may any vegetation be altered or destroyed, without the prior written approval of the Architectural Control Committee (ACC). Two (2) complete sets of plans and specifications for such construction, alteration, installation, or landscaping must be submitted to and approved by the ACC prior to the commencement of such work. If the ACC fails to take any action within thirty (30) days after complete architectural plans and specifications for such work have been submitted to it, then all of such submitted plans and

specifications shall be deemed to be approved. The ACC may adopt rules and regulations for processing of such applications, including a reasonable processing fee. A majority vote of the ACC is required to approve a request for architectural approval pursuant to this Article. An Owner may appeal the decision of the ACC to the Board of Directors if the Board is composed of different members than the ACC, and, in such event, the decision of the Board shall be final.

The ACC shall review the application as to quality of workmanship and materials, harmony of exterior design, location with respect to topography and finished grade elevation, conformity with this Declaration including, but not limited to, the requirements set forth in Article 4 of this Declaration, and conformity with the architectural guidelines and standards promulgated by the Board and/or the ACC.

Declarant shall not be required to obtain ACC approval for any construction, installation, remodel or alteration; however, Declarant shall comply with architectural restrictions and standards of this Declaration as well as the Association's duly adopted architectural standards and guidelines.

Section 4.2 Composition of Committee. The ACC shall initially be the Board. When the Declarant relinquishes control of the Board pursuant to Section 2.6 herein, the ACC shall consist of not less than three (3) persons to be appointed by the Board. The method and manner of the ACC's appointment, replacement, and removal, as well as method of operation, to the extent not provided herein, shall be as set forth in the Bylaws.

Section 4.3 Plans. Plans and specifications submitted hereunder shall show the nature, kind, shape, height, materials, floor plans, location, exterior color scheme, alterations, grading, drainage, erosion control, and all other matters necessary for the ACC to properly consider and make a determination thereon. Submittals shall include samples of roof and external materials along with field, trim, and accent colors for principal and accessory buildings. Landscape plans shall include plant quantity and types, fencing, drainage, irrigation, and other site improvements. The ACC shall disapprove any plans and specifications submitted to it which are not sufficient for it to exercise the judgment required of it by these covenants.

Section 4.5 Best Judgment. The ACC shall exercise its best judgment to see that all improvements, structures, landscaping, and all alterations on the land within the Subdivision conform and harmonize with the natural surroundings and with existing structures as to external design, materials, color, siding, height, topography, grade, drainage, erosion control, and finished ground elevations.

Section 4.6 Liability. The ACC, the Declarant, or any Owner shall not be liable in damages to any person, corporation, or association submitting any plans and specifications or to any Owner by reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove any such plans and specifications. Any Owner submitting or causing to be submitted any plans and specifications to the ACC agrees and covenants that he will not bring any action or suit to recover damages against the ACC, the Declarant or any Owner collectively, its members individually or its advisors, employees, or agents.

Section 4.7 Waivers. The approval or consent of the ACC to any application for

architectural approval shall not be deemed to constitute a waiver of any right to withhold or deny approval or consent by the Committee as to any application or other matters whatsoever subsequently or additionally submitted for approval or consent hereunder.

ARTICLE 5

USE RESTRICTIONS

Section 5.1 Vehicle Parking, Storage and Repair.

(a) Owner's Motor Vehicles. All vehicles owned by the Owner or occupant(s) of a Lot or provided by the Owner or Occupant's employer shall be parked within the driveway or garage situated on the Lot when said vehicles are not in use. No other portion of a Lot shall be used for the parking or storage of vehicles except to the extent expressly permitted under Section 38-33.3-106.5(1)(d), C.R.S.

(b) Other Operational Vehicles. Golf carts, motorcycles, recreational vehicles, ATVs, campers, trailers, boats, snowmobiles, and vehicles used for business (other than passenger automobiles) that are operational and/or licensed for use on Colorado roadways may be stored on a Lot only if placed within the garage or driveway or behind a privacy fence that is situated behind the front façade of the primary residence, except temporarily during loading and unloading.

(c) Unlicensed or inoperable vehicles. At no time shall any unlicensed, unregistered, inoperable, or junk vehicle, trailer, boat, snowmobile, or recreational vehicle, or a registered vehicle for which the registration has expired, be parked anywhere on a Lot except within a garage.

Section 5.2 Trash and Materials. No refuse, garbage, trash or scrap lumber, clippings of grass, trees or shrubs, plant waste, metal, bulk materials, scrap or debris of any kind shall be dumped, kept, stored, or allowed to accumulate on any Lot. Garbage and trash shall be stored in a suitable, tightly covered trash container. Trash containers shall not be placed in the street except on the designated garbage pick-up day in a manner that is properly situated for garbage pickup.

Section 5.3 Fences, Planters and Hedges. For the safety of vehicles and pedestrians, no planter or hedge in excess of two and one-half (2½) feet above ground level shall be allowed within any front yard setback.

Section 5.4 Animals. No animals shall be allowed other than domestic pets. No horses, cows, chickens, roosters, or other livestock or exotic animals of any type shall be kept on any Lot. No birds of any kind shall be kept as pets or personal property outdoors on any Lot and no bird coops are permitted on any Lot (pet birds inside the Residence are allowed). Domestic pets shall be limited to no more than three kept at any Residence. No animal may be kept on a Lot that is a nuisance to other Owners or that runs at large or endangers residents in the Subdivision. All dogs shall be maintained on the Owner's Lot or on a leash. All dogs shall be kept within the Owner's control at all times. At the request of any Owner, the Board of Directors shall determine whether a particular animal shall be considered a nuisance, or whether the number of any such animals on any Lot is a nuisance. Habitually barking and/or vicious dogs are prohibited at the reasonable

discretion of the Board. The breeding, boarding and/or sales of animals are prohibited in the Subdivision.

Section 5.5 Air Conditioning/HVAC Units, Solar Panels, Antennae, and Towers. Window mounted air conditioning or HVAC (refrigeration, evaporative or other) units are not allowed. All HVAC and air conditioning units shall be ground mounted on a concrete pad. Solar panels are allowed, but the installation plans and design must be submitted to the ACC and approved prior to installation. Solar panels shall be installed so as to have a desirable appearance and shall be as flush to the roof line as possible, so long as the foregoing requirements do not significantly increase the cost of the solar panels or significantly decrease the performance or efficiency of the solar panels. Notwithstanding the foregoing, solar installations by Declarant or on any Lot owned by Declarant or in any Common Area shall not be subject to ACC review or approval. No exterior satellite dishes, radio antennae, television antennae or audio/visual reception devices of any type shall be erected, placed, or maintained on any Lot or Residence without prior approval of the ACC, unless such satellite dishes, radio antennae, television antennae, or visual reception devices are in accordance with size and dimension set forth in Title 47 Code of Federal Regulations §1.4000, and approval of the location of such is granted by the ACC.

Section 5.6 Nuisance and Hazardous Activities. No obnoxious or offensive activity shall be conducted on any Lot, nor shall any activity be permitted that becomes an annoyance or nuisance within the Subdivision. Light fixtures shall have no bulb visible from the street or any other Lot, Common Area, or property. Dark Sky compliant fixtures are strongly encouraged. No light shall be permitted from any Lot that causes glare when viewed from any street, Lot, Common Area or adjacent property. No sound shall be emitted from any Lot that is unreasonably loud or annoying and no odor shall be permitted from any Lot that is noxious or unreasonably offensive to others, as determined by the Board in its reasonable discretion. No open burning shall be allowed anywhere in the Subdivision. Outdoor fire pits shall be gas only; no outdoor burning of wood, paper, trash or any other materials, in a fire pit or elsewhere/otherwise, shall be allowed anywhere in the Subdivision. No activities shall be conducted on the Property or within the improvements constructed on or within the Property that are or might be unreasonably hazardous to any person or property. No firearms, explosives, air rifles, BB guns, crossbows or similar devises shall be discharged on the Property. In no event shall activities of Declarant that are reasonably necessary for the development and construction of the Property be considered a nuisance or hazard under this Section.

ARTICLE 6
COVENANT FOR ASSESSMENTS

Section 6.1 Creation of the Lien and Personal Obligation of Assessments.

(a) Each and every Owner of any Lot, by acceptance of a deed or other conveyance for that Lot, whether or not it shall be so expressed in that instrument, is deemed to covenant and agree to pay to the Association: (a) all Assessments and charges levied against that Lot; and (b) all fees, charges, late charges, attorney fees, fines, collection costs, interest, and other sums charged pursuant to this Declaration or allowed by C.R.S. § 38-33.3-316(1) or any other applicable law. The Association shall have the right to impose reasonable charges for late payment of Assessments, recover reasonable attorney fees and other legal

costs for collection of Assessments and other actions to enforce the powers of the Association, regardless of whether or not suit was initiated, and to levy fines for violations of this Declaration, the Bylaws, or the rules and regulations of the Association.

(b) Any charge set forth in this Section 6.1, from the time such charge becomes due, shall be a charge on and covenant running with the land, and shall be a continuing lien on the Lot against which each such item is assessed. 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. Acceleration of assessment obligations may be made by the Board at any time any Assessment or Assessment installment is at least thirty (30) days overdue. Each such charge, together with interest, costs, and reasonable attorney fees, shall also be the joint and several personal obligation of each person and entity who was the Owner of the Lot at the time when the item became due, provided, that this personal obligation shall not pass to an Owner's successors-in-interest unless expressly assumed by them.

(c) The Association's lien on a Lot for Assessments shall be superior to any homestead exemption now or later 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 Lot subject to this Declaration shall constitute a waiver of the homestead and any other such exemption as against such Assessment lien. In addition, The lien for Assessments shall have the priority specified in C.R.S. § 38-33.3-316(2), or other applicable law.

Section 6.2 Purpose of Assessments. The Assessments levied by the Association shall be used for the following: to pay the Common Expenses of the Association; to promote the health, safety, or welfare of the residents of the Property; to promote and protect the value of the Property and improvements therein; for the benefit of and/or to maintain, repair or replace the Common Areas, Irrigation Water, Irrigation Facilities or Drainage Facilities; for the maintenance of easements or other property of the Association; for any other purpose of the Association, as those purposes (as amended from time to time) are specified in this Declaration, the Bylaws, or the Articles of Incorporation; or as otherwise authorized or permitted by applicable law.

Section 6.3 Initial Administrative Contribution. The Board shall have the authority to charge each Owner who purchases a Lot (whether from Declarant or any subsequent Owner) a one-time, non-refundable payment to the Association in an amount determined by the Board that shall be used by the Association to cover administrative costs related to the change in ownership. This payment shall be collected and transferred to the Association at the time of closing of each sale of a Lot and shall not relieve an Owner from making regular payments of Assessments when due. The Board shall publish a schedule of such Administrative Contributions, which shall at any given time be uniform across all Lots, but may be amended from time to time.

Section 6.4 Initial Assessment. The initial Regular Assessment for each Lot shall be determined by Declarant. When Declarant relinquishes control of the Board to the Owners pursuant to Section 2.6, the Board shall determine the amount of the Regular Assessments based on a budget adopted by the Association as described in this Declaration, subject to the applicable provisions of this Declaration. Until the Board of Directors makes the initial Assessment, all expenses of the Association shall be paid by Declarant.

Section 6.5 Date of Commencement of Assessments; Due Dates. Annual assessments shall be fixed annually by a majority vote of the Board. All assessments shall be prorated according to the number of months remaining in the calendar year for which the Assessment is made, if less than a full year. Thereafter, the Board shall fix the amount of such annual Assessments against each Lot, subject to this Article, at least thirty (30) days in advance of each annual Assessment period. Written notice of the annual Regular Assessment shall be sent to every Owner subject to the Assessment. The due date(s) shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments on a specified Lot have been paid. Special Assessments and Capital Assessments may be made by the Board at any time, except as limited by this Declaration, CCIOA, or other applicable law.

Section 6.6 Expense Allocation. Except as otherwise stated in this Article 5, or as otherwise provided by CCIOA or other applicable law, each Lot shall be allocated a fraction of the Common Expenses of the Association in which the numerator is one and the denominator is the number of platted Lots then in the Subdivision. Despite anything to the contrary stated in this Section, if permitted or required by this Declaration, CCIOA, or other applicable law, any Common Expense or portion of any Common Expense or other cost or expense to the Association benefiting or caused by fewer than all Lots shall be assessed exclusively against the Lots benefited by or causing the Common Expense or other cost or expense.

Section 6.7 Individual Purpose Assessment. an Individual Purpose Assessment. By way of example, but not by way of limitation, the costs of maintenance, repair, and replacement of optional exterior upgrades to a Lot shall be assessed against that particular Lot as an Individual Purpose Assessment. At the Board's discretion, an Individual Purpose Assessment may be levied for a contingency reserve (thereby increasing such Lot's Annual Assessment) to provide for the future maintenance, repair, and replacement of such upgrade items. Such funds shall be segregated from the general reserve funds. Or, the Association may levy the Individual Purpose Assessment against the applicable Lot as a Special Assessment at the time the expenditure is made or the expense is incurred.

Section 6.8 Reimbursement Assessment - Owner's Negligence. Association expenses related to repair or replacement of any Common Element due to damage or harm caused by a Lot Owner or its guest, tenant, or invitee may be assessed exclusively against that Owner's Lot as a Reimbursement Assessment. In the event that the need for maintenance, repair, replacement, reconstruction, or reconfiguration of Common Areas, or any other Common Expense, is caused by the willful or negligent act or omission of any Owner, or by the willful or negligent act or omission of any family or household member, guest, or invitee of such Owner, such expense and all related fees, costs, and expenses of or to the Association shall be the personal obligation of such Owner

and may be made part of any Assessment against such Owner and that Owner's Lot(s). Negligence or the willful act or omission of any Owner or any family or household member, guest, or invitee of such Owner, and the amount of the Owner's liability therefor, shall be determined by the Board of Directors at an informal hearing after notice to the Owner, provided that any such determination that assigns liability to any Owner pursuant to the terms of this Section may be appealed by such Owner to a court of law.

Section 6.9 Rate of Assessment. Except as otherwise specifically provided herein, Assessments shall be set at the Owner's allocated interest in an amount sufficient to meet the expected needs of the Association.

ARTICLE 7
NONPAYMENT OF ASSESSMENTS

Section 7.1 Delinquency. Any Assessment provided in this Declaration that is not paid when due is delinquent. If any such Assessment is not paid within thirty (30) days after the due date without additional notice or demand, the Assessment shall bear interest from the due date at a rate not to exceed 8%, or the maximum rate of interest permitted by CCIOA or other applicable law, as determined by the Board. In the Board's discretion, a late fee not to exceed 10% of the past due Assessment may be added to the past due amount each month the past due Assessment remains unpaid, beginning thirty (30) days after the original due date. The Association may, at its option, exercise any right or remedy available to the Association under applicable law, including without limitation bringing an action at law against the Owner personally obligated to pay the same or foreclosing the lien against the Lot(s) as to which the Assessment has not been paid; and in any case there shall be added to the amount of such Assessment interest and all costs that may be incurred by the Association in its collection of the Assessment, including reasonable attorney fees. Each Owner vests in the Association or its assigns the right and power to bring all actions or proceedings at law or in equity or to institute judicial foreclosure proceedings against such Owner or other Owners for the collection of such delinquent Assessments.

Section 7.2 Nature of Obligation and Lien.

(a) The obligation for such payments by each Owner to the Association is an independent covenant, with all amounts due from time to time payable in full without notice (except as otherwise expressly provided in this Declaration) or demand, and without setoff or deduction. The Board or managing agent of the Association may prepare a written notice setting forth the amount of such unpaid indebtedness and the name of the Owner of the Lot and description of the Lot. Such a notice shall be signed by one member of the Board or by the managing agent of the Association and may be recorded in the real property records of Montrose County, Colorado. The lien for each unpaid Assessment attaches to each Lot at the beginning of each Assessment period and shall continue to be a lien against such Lot until paid. The costs and expenses for filing any notice of lien shall be added to the Assessment for the Lot against which it is filed and collected as part and parcel thereof. Each Assessment, together with interest, late charges, costs, and reasonable attorney fees, shall also be the personal obligation of each person who was the Owner of such Lot at the time when the Assessment became due. The personal obligation for delinquent

Assessments shall not pass by Conveyance of a Lot.

(b) The statutory lien for Assessments is prior to all other liens and encumbrances on a Lot except: (i) liens and encumbrances recorded before the recordation of this Declaration; and (ii) liens for real estate taxes and other governmental assessments or charges against the Lot. Notwithstanding the foregoing, the statutory lien for Assessments is also prior to the lien of a First Mortgage to the extent of an amount equal to the Assessments based on a periodic budget adopted by the Association that would have become due, in the absence of any acceleration, during the six (6) months immediately preceding institution by the Association of an action or a non-judicial foreclosure either to enforce or to extinguish the lien.

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

Section 7.3 Foreclosure Sale. Any foreclosure sale related to an Assessment lien is to be conducted in accordance with those provisions of the laws and rules of the courts of the State of Colorado applicable to the foreclosure of mortgages, or in any other manner then permitted or provided by applicable law. The Association, through its duly authorized agents, shall have the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same in the name of the Association.

Section 7.4 Curing of Default. Upon the timely curing of any Assessment delinquency, the Association is authorized to file or record a certificate setting forth the satisfaction of such claim and release of such lien upon payment by the defaulting Owner of a fee determined by the Association to cover the costs of preparing and filing or recording such release, and other expenses incurred.

Section 7.5 Cumulative Remedies. The Assessment lien and the rights of foreclosure and sale under it shall be in addition to, and not in substitution of, all other rights and remedies that the Association and its assigns may have under this Declaration and then applicable law, including without limitation a suit to recover a money judgment for unpaid Assessments, as provided above, all of which rights and remedies shall be cumulative.

ARTICLE 8
IRRIGATION WATER AND FACILITIES

Section 8.1 Management of Irrigation Water. Certain acre-shares of water are allocated to the land comprising the Community by UVWUA ("Irrigation Water"). The Association shall have the exclusive authority to allocate, deliver, manage, and control the use of the Irrigation Water, and shall own, operate, repair, and maintain the Irrigation Facilities and manage the delivery of Irrigation Water to the Lots and Common Areas. The Association's authority shall include (without limitation) the promulgation of rules, regulations, policies, and procedures, not

inconsistent with this Declaration, concerning the application and use of Irrigation Water, including conservation measures and measures to reduce peak demand. If an Owner violates any such rule or regulation or fails to pay when due all Regular and Special Assessments, the Association may restrict or terminate the delivery of Irrigation Water to such Owner's Lot, in addition to any other rights the Association may have under this Declaration or at law. The Association also may restrict or temporarily pause the delivery of Irrigation Water to an Owner's Lot in the event of any necessary repairs to the Irrigation Facilities or in the event of any emergency involving Irrigation Water or water shortage beyond the control of the Association.

Section 8.2 Easements for Ingress and Egress. Each Owner, by acquiring or accepting conveyance of a Lot, grants to the Association reasonable ingress and egress upon, along, over, under, and across said Owner's Lot for the purpose of performing maintenance, repairs, or any other work necessary to ensure delivery of Irrigation Water to any portion of the Property operating, repairing, or maintaining Irrigation Facilities and performing any Association Maintenance Services. No Owner shall construct, erect, or maintain any improvement or structure that unreasonably interferes with the Association's ownership, operation, maintenance, or repair of the Irrigation Facilities or with Association's performance of Association Maintenance Area obligations. The Association shall have the authority to remove or alter any structure or improvement that interferes with the ownership, operation, or maintenance of the Irrigation Facilities, the costs of such removal to be borne by the Owner of the interfering improvement or structure.

Section 8.3 Irrigation Assessments. Any billings by any person or entity associated with Association Water shall be a Common Expense.

Section 8.4 Hazardous Drainage. Release of contaminants or hazardous materials, as defined in CERCLA, RCRA, FIFRA, the Toxic Substances Control Act, or any other applicable federal or state environmental law, into the Property is prohibited.

Section 8.5 Maintenance and Water Assessments. The Association shall maintain in good repair the Irrigation Facilities and any ditch laterals, and all expenses related to the delivery of Irrigation Water to the Community shall be borne by the Association as a Common Expense.

Section 8.6 Transfer to Association; Limitations. Not later than the deadline for conveyance of the Common Areas pursuant to Section 3.1, Declarant shall convey the Irrigation Facilities to the Association free and clear of all liens and encumbrances other than this Declaration. Because the Irrigation Water consists of certain rights associated with and/or held by UVWUA , in whose service area the Property is located, Declarant is not responsible for availability of or restrictions upon the Irrigation Water that are governed and controlled by UVWUA.

ARTICLE 9
INSURANCE

Section 9.1 Insurance. The Association may obtain and maintain, to the extent reasonably obtainable, insurance policies covering risks including the following, and the costs of

such insurance shall be common expenses of the Association:

(a) Casualty. Association may procure and maintain a policy of property insurance covering the Common Areas and all insurable Improvements thereon, except for the value of the land, foundation, excavation, and other items normally excluded; all insurable personal property owned by the Association, in an amount not less than the full insurable replacement cost of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies, to the extent such coverages are reasonably and cost-effectively available, in the judgment of the Board. Such insurance as maintained by the Association pursuant this Section shall afford protection against loss or damage by fire and other hazards covered by the standard all risk form, including without limitation endorsements for vandalism and malicious mischief.

(b) Liability. Association may procure and maintain comprehensive general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Areas, in an amount deemed sufficient in the judgment of the Board of Directors.

(c) Officer and Director Liability Insurance. If reasonably and cost-effectively available, in the judgment of the Board, the Association may maintain director and officer liability insurance.

(d) Fidelity Insurance. The Association may purchase and maintain fidelity insurance in an amount deemed appropriate by the Board to cover losses resulting from dishonest or fraudulent acts or omissions committed by the Association's directors and managers and any person employed or contracted by the Association to manage the funds collected and held for the benefit of the Community. Such fidelity coverage or bonds shall name the Association as a named insured.

Section 9.2 Policy Requirements. To the extent possible, all insurance policies shall:

(a) Be obtained from companies duly authorized and licensed to do business in the state of Colorado having at least a B rating or better;

(b) Provide for a waiver of subrogation by the insurer as to claims against the Association or its directors, officers, employees, agent and Lot Owners and Members of their households;

(c) Provide that insurance cannot be canceled, invalidated, or suspended on account of the conduct of the Association or its officers, directors, employees or agents;

(d) Provide for a waiver of any defense based on co-insurance;

(e) Provide that the policy of insurance shall not be permitted to lapse, be terminated, canceled or materially or substantially changed or modified without at least thirty (30) days' prior written notice to the Association; and

(f) Provide that if, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

Section 9.3 Assessment of Members. To the extent the Association settles claims for damages to real property, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration, and for all deductibles paid by the Association. In the event that multiple properties are 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.

Section 9.4 Waiver of Subrogation. The Association and the Owners each waive any and all rights of recovery against the other, their officers, Members, agents and employees, occurring on or arising out of the use and occupancy of the Property to the extent such loss or damage is covered or indemnified by proceeds received from insurance carried by the other party, or for which such party is otherwise reimbursed.

Section 9.5 Independent Contractors. Any person employed as an independent contractor by the Association for the purposes of managing the Association may be required by the Board to obtain a fidelity bond in an amount deemed appropriate by the Board, unless the Association names such a person as an insured employee in a contract of fidelity insurance described above.

Section 9.6. Additional Insurance. The Association may carry any other insurance or endorsements as it considers appropriate to protect the Association or the members, including insurance on property it is not obligated to insure.

ARTICLE 10
CASUALTY, DAMAGE OR DESTRUCTION OF LOTS, COMMON AREAS OR ASSOCIATION MAINTENANCE AREAS

Section 10.1 In the event of damage or destruction to a Lot due to fire or other insured disaster or casualty, the Owner of such Lot shall promptly authorize the necessary repair and reconstruction work, and the insurance proceeds will be applied by that Owner to defray the cost thereof. "Repair and reconstruction" of a Lot, as used herein, means restoring the Lot and other improvements to substantially the same condition in which they existed prior to the damage, with the Lot having the same boundaries as before. Notwithstanding the foregoing, in the event that insurance proceeds maintained by the Owner of a Lot are not sufficient to repair or reconstruct such Owner's Lot, or in the event that the holder of any First Mortgage encumbering such Owner's Lot determines not to make insurance proceeds available to such Owner for repair and reconstruction of his Lot, then the Owner of such damaged or destroyed Lot shall use other funds to repair and reconstruct his Lot or cause the same to be demolished, to cause a11 debris and rubble caused by such demolition to be removed, and to landscape the Owner's Lot. The cost of such demolition and landscaping work shall be paid for by any and all insurance proceeds available, and to the extent insurance proceeds are unavailable, by the Owner.

Section 10.2 Appointment of Association as Attorney-in-Fact. This Declaration constitutes each Owner's appointment of the Association as his or her attorney-in-fact to administer repairs, receive and apply insurance funds, and to ensure compliance with this Declaration upon the damage, destruction, or obsolescence of the Common Areas. Any grantee's acceptance of a deed or other conveyance rendering that person an Owner shall constitute the irrevocable appointment of the Association as the grantee's attorney-in-fact, to act with all the powers as provided in this Article 10. Attorney-in-Fact. All of the Owners and First Mortgagees irrevocably constitute and appoint the Association as insurance trustee under C.R.S. § 38-33.3-313(5) and (9) and under this Declaration and as their true and lawful attorney in their name, place, and stead, for the purpose of dealing with the Property in the event of their destruction, damage, condemnation, or liquidation of all or a part of the Project or from the termination of the Project, including, without limitation, the repair, replacement, and improvement of any buildings, fixtures, improvements, and service equipment located on the Property (but excluding any furniture, furnishings, or other personal property installed by the Owners). Title to any Lot is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a deed or other instrument of conveyance from the Declarant or from any Owner or grantor shall constitute appointment of the attorney-in-fact herein provided. As attorney-in-fact, the Association, by its president and secretary or assistant secretary or its other duly authorized officers and agents, shall have full and complete authorization, right, and power to make, execute, and deliver any contract, deed, or other instrument with respect to the interest of an Owner which is necessary and appropriate to exercise the power herein granted and to represent the Owners in any proceedings, negotiations, settlements, or agreements. The proceeds of any insurance collected shall be payable to the Association, for the benefit of the Association, the Owners and their First Mortgagee as their interests appear, for the purpose of repair, restoration, reconstruction, or replacement as provided in this Declaration. In the event that the Association is dissolved or becomes defunct, a meeting of the Owners shall be held within thirty (30) days after either such event. At such meeting a new attorney-in-fact to deal with the Project upon its destruction, damage, or condemnation shall be appointed. Said appointment must be approved by vote or agreement of Owners to which at least sixty-seven percent (67%) of the votes in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, and at least sixty-seven percent (67%) of the Eligible Mortgagees. Notwithstanding any contrary provision of this Declaration, the Association's Articles of Incorporation, and Bylaws, no Owner or any other party shall have priority over any rights of the First Mortgagee of the Lot pursuant to its Mortgage in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of any portion of Property.

Section 10.3 Rights of Association as Attorney-in-Fact. As attorney-in-fact, the Association, acting by and through its Board of Directors, shall have full and complete authority, right, and power to make, execute, and deliver any contract, deed, or any other instrument with respect to the interest of an Owner that is necessary and appropriate to exercise the powers granted in this Declaration. Repair and reconstruction of the Common Areas means restoring the same to substantially the same condition in which it existed prior to the damage. The obsolescence of any Common Areas shall be determined by the Board, in its sole and absolute discretion. Except as otherwise provided in this Declaration, any insurance proceeds collected shall be paid to the Association for the purpose of repair, restoration or replacement.

Section 10.4 Damage or Destruction of Common Areas. Any damaged or destroyed portion of the Common Areas for which insurance proceeds are obtained must be repaired or replaced promptly by the Association.

Section 10.5 Condemnation. In the event proceedings are initiated by any government or agency thereof, seeking to take by eminent domain the Common Areas, any part thereof or any interest therein, with a value (including loss of value to the balance of the Common Areas thereon), as reasonably determined by the Association, in excess of $5,000.00, the Association shall give prompt notice thereof, including a description of the part of or the interest in the Common Areas sought to be so condemned, to all Owners. The Association shall have full power and authority to defend in said proceedings, but the Association shall not enter into proceedings pursuant to which the Common Areas or any part thereof or any interest therein, is relinquished without giving all Eligible Mortgagees of Lots and all Owners at least fifteen (15) days' prior written notice thereof.

In the event there is such a taking in condemnation or by eminent domain of a part or all of the Common Areas, following such proceedings, the award made for such taking shall be paid to the Association as provided by C.R.S. § 38-33.3-107(3) and after the approval described below, the award shall be applied toward the repair and restoration of the Common Areas, the Association shall arrange for the same and shall disburse the proceeds of such award to the contractors engaged in such repair and restoration in appropriate progress payments. In the event that sixty-seven percent (67%) or more of the Owners and at least fifty-one percent (51%) of Eligible Mortgagees do not duly and promptly approve the repair and restoration of such Common Areas, the Association shall disburse the net proceeds of such award jointly to the Owners and their respective First Mortgagees at the rate of one (1) equal share per Lot, except that any award attributable to the acquisition of a Limited Common Element shall be paid solely to the Owner thereof and that Owner's First Mortgagee.

Section 10.6 Application of Insurance Proceeds. In the event of damage or destruction to any improvement installed by the Association within the Common Areas due to an insured loss, the Association shall apply the insurance proceeds to the reconstruction and repair of the damaged improvement. If the insurance proceeds are insufficient, the Association may levy a Capital Assessment in the aggregate amount of such deficiency and shall proceed to make such repairs or reconstruction, unless:

(a) The planned community is terminated;

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

(c) Members entitled to cast 67% of the votes vote not to repair or rebuild; or

(d) Prior to the Conveyance of any Lot to a person other than Declarant, the holder of a deed of trust or mortgage on the damaged portion of the Common Areas rightfully demands all or a substantial part of the insurance

proceeds.

Distributions of insurance proceeds shall be made to the Association unless made jointly payable to the Owners and First Mortgagees of their respective Lots, if any. The Capital Assessment described in this Section shall be a debt of each Owner and a lien on his or her Lot and the improvements on it and may be enforced and collected in the same manner as any Assessment lien provided for in this Declaration.

Section 10.7 Repair and Reconstruction. Unless otherwise agreed by sixty-seven percent (67%) of the Eligible Mortgagees (based on one (1) vote for each First Mortgage held) and by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are attached, who are voting in person or by proxy at a meeting duly called for that purpose, any restoration or repair of the Common Areas after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and with the original plans and specifications, and shall restore any Improvement within the Common Areas partially condemned or damaged by an insurable hazard to substantially the same condition in which it existed prior to such condemnation or damage.

Section 10.8 Excess Insurance Proceeds. Any insurance proceeds remaining after any repairs or reconstruction are completed shall be either held by the Association in reserve for future repair or reconstruction of Common Areas or, at the discretion of the Board, paid to each Owner at the rate of one (1) equal share per Lot.

ARTICLE 11
DECLARANT RESERVED RIGHTS

Section 11.1 Statement of Interest. Declarant hereby reserves to itself and its successors and assigns the special declarant rights ("Reserved Rights") set forth herein, any one or more of which rights may be exercised, in the sole and absolute discretion of Declarant, at any time and from time to time during the period commencing upon the recording of this Declaration and ending on the date of termination of such rights established under Section 11.10 below. Declarant shall not be obligated to exercise any of these Reserved Rights, and no consent shall be required from any Owner, Mortgagee, or the Association for the effective exercise of any of the Reserved Rights.

The Reserved Rights set forth in this Article 11 and elsewhere in this Declaration or in any Amended or Supplemental Declaration, shall be prior and superior to any other provisions of this Declaration and may not be amended, modified, terminated, or otherwise altered in any way without the express prior written consent of Declarant. All conveyances of Lots, whether by Declarant or otherwise, shall be deemed and construed to reserve to Declarant and/or to grant to Declarant all of the Reserved Rights reserved by, for, or to Declarant in this Article 11 and elsewhere in this Declaration, even though no specific reference to such rights appears in the conveying instruments.

Section 11.2 Rights of Declarant Incident to Construction. An easement is hereby reserved by and for Declarant, its agents, employees, successors, and assigns, for access, ingress, and egress over, in, upon, under, within and across the Common Areas for the exercise of any

Reserved Right hereunder, including, without limitation, the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to Declarant's development of the Property in accordance with this Declaration and Declarant's construction of improvements on the Property or any portion thereof.

Section 11.3 Sales and Construction Facilities and Activities of Declarant. Notwithstanding any provision to the contrary contained in this Declaration, Declarant, its agents, employees, contractors, and assigns shall have all rights set forth in C.R.S. § 38-33.3-215 and shall be permitted to maintain upon such portion of the Common Areas as Declarant may choose such uses and facilities as may be reasonably required, convenient, or incidental to the construction, sale, or rental of Lots, and to the development of the project, including, without limitation, the installation of infrastructure, the storage of equipment and vehicles, the use of the Common Areas or one or more Lots for sales offices, management offices, construction offices, storage areas, construction yards, model Lots, parking areas, and the use of flags and signs of any size and type. In addition, Declarant, its agents, employees, contractors, lenders, and officers and any other person involved in the construction or sale of Lots or Residential Structures, or installation of any infrastructure, as in Declarant's discretion may be necessary to complete the project. However, notwithstanding the foregoing in this Section, no right under this Section shall be exercised by Declarant in such a manner as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner or Lot.

The Declarant shall have the right to construct, locate, or operate, and to maintain upon, and to remove from any part of the Property, in the discretion of Declarant, and in such number, size, and location as may be reasonably required by Declarant in connection with the completion of improvements, the management of the development, and/or the promotion, marketing, sale, or rental of Lots, the following:

(a) A sales office, management office, and/or construction office, and structure containing or relating to the same, including without limitation mobile home, office trailer, and construction trailer. Such office, facility, and structure, to the extent it is not situated on a Lot or is removable therefrom, is hereby declared to be personal property of the Declarant and shall in any case be removable by Declarant or their successors or assigns upon the Declarant or Declarant's successors or assigns ceasing to be a Lot Owner;

(b) Signs identifying, advertising, and marketing the Property and the Lots therein or related to development or construction thereon;

(c) Model residences constructed or to be constructed on Lots;

(d) Parking areas and facilities and lighting necessary or desirable in the marketing of the Property and the Lots; and

(e) Employees, equipment, vehicles, and marketing and construction materials.

Section 11.4 Construction of Improvements on the Common Areas. The Declarant reserves the right, but not the obligation, to construct additional improvements on the Common Areas at any time and from time to time for the improvement and enhancement thereof for the

benefit of the Association or the Lot Owners. The right to complete improvements indicated on the Plat or this Declaration may be amended from time to time. The right to construct and complete improvements required by the terms of any development improvements agreement with applicable governmental entity may be amended from time to time. The Declarant shall have the right to create, grant, and/or use and enjoy additional nonexclusive easements, and to relocate existing platted or other easements, upon or across any portion of the Property (including Lots and Common Areas), as may be reasonably required for the construction by Declarant of improvements to the Common Areas or the effective exercise by Declarant of any of the other Reserved Rights described in this Declaration.

Section 11.5 Declarant's Control of Association and Construction Activities by Declarant. Declarant shall have the right to appoint or remove any Board member or officer of the Association as more specifically set forth in Article 2 above. Declarant and Declarant's assignees, successors, or contractors, and all the activities of Declarant and Declarant's assignees, successors, or contractors, shall not at any time be subject to the review and approval of construction or development plans by the ACC set forth in Article 4 of this Declaration.

Section 11.7 Transfer of Declarant Reserved Rights and Obligations. Any or all rights or obligations (or both) of Declarant may be transferred by Declarant to any person by an instrument describing the right or rights transferred and recorded in the Montrose County records, including without limitation those rights described in this Article 11, and elsewhere in this Declaration or in any Amended or Supplemental Declaration. Such instrument shall be executed by the Declarant and the transferee.

Section 11.10 Termination and Extension of Declarant's Reserved Rights. With the exception of Declarant's right to appoint or remove Board members and officers of the Association, the rights reserved to Declarant in this Article 11 shall terminate and expire upon the first to occur of (i) the date that is twenty-five years from the date of recordation of this Declaration, as extended in accordance with this Declaration, an amendment thereto, or applicable law, or (ii) Declarant's relinquishment and surrender of such rights by recorded instrument. The Association is authorized and empowered to extend the time period for Declarant's exercise of the development rights, or reinstate a lapsed development right, without requiring Lot Owner or Mortgagee approval thereof. The extension or renewal of a development right shall be made as an amendment to the Declaration or Plat, as the circumstances require, and shall be executed by Declarant and the Association.

Section 11.11 Owner Acceptance and Waiver of Rights Regarding Declarant's Reserved Rights. Each Owner, by his/her/its acceptance of a deed to a Lot, acknowledges that the Owner has read and understands the Declarant's Reserved Rights as set forth in this Article 11 or elsewhere in this Declaration; that the Owner accepts, approves, and understands the Declarant's Reserved Rights; and waives and releases any rights the Owner may have to object to or to interfere with the implementation or the exercise of the Reserved Rights by the Declarant.

Section 11.12 Exercise of Reserved Development Rights. The Reserved Rights of Declarant pursuant to this Declaration may be exercised at different times and as to different portions of the Property. Declarant is not required to exercise any Reserved Rights to any and all

portion of the Property. Any portion of the Property may be designated and conveyed to the Association as Common Areas or Limited Common Areas as shown by the plat and/or described in the declaration that has been or will be recorded regarding that portion.

ARTICLE 12
GENERAL PROVISIONS

Section 12.1 Transfer of Interest in a Lot – Continuing Obligations. Transfer of an Owner's interest in a Lot and the cessation of ownership necessitated thereby does not extinguish or otherwise void any unsatisfied obligation of such former Owner existing or arising at or prior to the time of such conveyance.

Section 12.2 Assignment. The assignment by an Owner of its rights and obligations under this Declaration and the lease of an Owner's Lot or any part thereof or improvement thereon shall not release that Owner from any liability that has arisen under this Declaration.

Section 12.3 Right to Encumber. Each Owner of any Lot shall, at all times have the right to mortgage or encumber its Lot, as well as all of its right, title and interest hereunder in favor of and as additional security to the holder of such mortgage or deed of trust, provided that provisions of this Declaration shall not be impaired by any foreclosure or deed in lieu of foreclosure of such security interest.

Section 12.4 Merger. The Association may merge with one or more associations in the surrounding area on such terms and conditions as may be agreed to by vote or agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Associations are attached, who are voting in person or by proxy at a meeting duly called for that purpose, and by sixty-seven percent (67%) of all Eligible Mortgagees. The surviving entity in any such merger or affiliation shall be the Association for purposes of this Declaration.

Section 12.5 Term. The provisions of this Declaration shall each constitute covenants, running with the land applicable to all of the Property and Lots, binding Declarant and all persons and entities claiming by, through, or under it for a period of twenty (20) years from the date of recording of this Declaration in the real property records of Montrose County, Colorado, which shall be automatically extended for successive periods of twenty (20) years each, without action by or notice to any person or entity unless amended or terminated as provided in Section 12.7.

Section 12.6 Amendment and Termination.

(a) Subject to the provisions of C.R.S. § 38-33.3-217(1), (5), (6), and (7), all or any portion of this Declaration may be supplemented, changed, or canceled in whole or in part at any time by the vote or agreement of the Owners of 67% of the Lots that may be created, except as otherwise provided in this Declaration, and except as to any Reserved Rights of Declarant. Such agreement may be in any number of counterparts. Such amendment shall be effective when duly recorded in the real property records of Montrose County, Colorado.

(b) Declarant reserves and is granted the right and power to record technical

amendments to this Declaration, the Articles of Incorporation, or the Bylaws at any time prior to the termination of Declarant's control of the Association, for the purposes of correcting spelling, grammar, dates, typographical and clerical errors, or as may otherwise be necessary to clarify the meaning of any provisions of any such document.

Section 12.7 Conflict of Provisions. In case of any conflict between this Declaration, the Articles of Incorporation, or Bylaws, this Declaration shall control. In case of any conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control.

Section 12.8 Severability. Invalidation of any of the covenants, restrictions, or other provisions contained in this Declaration shall in no way affect or limit any other provisions, which shall remain in full force and effect. To the extent feasible, any non-complying provision and the remainder of this Declaration shall be reformed to comply with applicable law and to preserve the intent of this Declaration, including the invalidated provision.

Section 12.11 Waiver. The failure of Declarant, the Association, or any Owner to enforce any right under this Declaration upon any occasion shall not be deemed a waiver of such right on any subsequent occasion(s). The waiver, either express or implied, by Declarant, the Association, or any Owner of any of the rights, terms, or conditions in this Declaration shall not be deemed as or constitute a waiver of any other rights, terms or conditions in this Declaration. Any waiver, in order to be valid and effective, must be in writing.

Section 12.12 Notice. Any notice or demand required or permitted by this Declaration shall be in writing and shall be hand-delivered or sent by United States first class mail, postage prepaid, to the address of the Owner of the Lot(s) to receive notice at the address provided by the Owner for that purpose to the secretary of the Association. If the Owner fails to provide an address to the secretary, notice shall be sent to the address of the Owner specified in the deed recorded in the real property records of Montrose County, Colorado by which that Owner took title and to the street address of that Lot, if any.

Section 12.13 Section Headings. The article and section titles and headings used in this Declaration are for identification purposes only and shall not be utilized to interpret or construe the provisions of this Declaration, which shall remain in full force and effect.

Section 12.14 Binding Effect. The provisions of this Declaration shall be binding upon and for the benefit of Declarant, each Owner, and each and all of their heirs, personal representatives, successors in interest, and assigns.

Section 12.15 No Rights Given to the Public. Nothing contained in this Declaration shall be deemed to be a gift or dedication of any portion of the Property to the general public or for any public use or purpose, except for the easements dedicated to the public on any plat of the Property and the right of any local governmental entity with proper jurisdiction to access, repair, or maintain, if necessary, drainage facilities.

Section 12.16. Applicability of Governmental Regulations. The covenants, conditions and restrictions contained in this Declaration are separate and distinct from any zoning, building or

other law, ordinance, rule, or regulation of any governmental authority having land use jurisdiction over the Property that now or in the future may contain different requirements from or in addition to those contained in this Declaration or that may prohibit uses permitted in it or permit uses prohibited in it. In the event of any conflict between the provisions of this Declaration and the provisions of any such law, ordinance, rule, or regulation, the Owner must first comply with all governmental laws, ordinances, rules, and regulations and then, to the extent possible, the Owner must comply with the provisions of this Declaration, unless such compliance would result in a violation of such law, ordinance, rule, or regulation, in which case, upon a finding that compliance with this Declaration would result in such a violation, the Board shall waive any such covenant, condition, or restriction to the extent it results in such a violation, and in connection with such waiver, the Board may impose such conditional covenants, conditions, and restrictions as may be necessary to carry out the intent of this Declaration.

Section 12.17 Covenant Goes With Title. Each provision of this Declaration is incorporated in each deed or other instrument by which any right, title, or interest in any Lot is granted, devised, or conveyed, whether or not set forth or referenced in such deed or instrument.

Section 12.18 Liens. Neither the Association nor any Lot Owner shall cause, allow, or permit, by act or omission, any mechanic's or other lien or order or liability for the payment of money to be filed against an Owner's Lot. The Owner or Association whose act or omission forms the basis for such lien, order, or liability shall, at its own cost and expense, cause the same to be paid and discharged of record or, in applicable cases, bonded by a surety company reasonably acceptable to the other Owner within twenty (20) days after the date of filing thereof, and shall indemnify, defend, and save the other Owner harmless from and against any and all costs, expenses, claims, losses, or damages including, without limitation, reasonable attorneys' fees resulting therefrom. This indemnity provision shall survive termination of this Declaration. Nothing in this Section 12.18 shall be construed to nullify or diminish any right of contribution an Owner may have for expenses to be shared under this Declaration.

Section 12.19 Severability. The unenforceability of any provision of this Declaration shall not affect the enforceability or validity of any other provision hereof.

Section 12.20 Governing Law; Venue; Jury Waiver; Attorney Fees. The laws of the State of Colorado shall control the interpretation of this Declaration. Any claim or action of a Lot Owner pursuant to this Declaration shall be brought in a court of competent jurisdiction in Montrose County, Colorado; such claims and defenses thereto shall be determined by the Court without a jury. The prevailing party shall be entitled to recover its reasonable attorney fees and the court shall make an award of such fees.

Section 12.21 Recordation. This Declaration shall be recorded in the Montrose County property records and, once so recorded, it shall run with the land and be binding on each and every person with an interest in the land or any part thereof, including without limitation the owners of Lots within the property platted in the future.

SECTION 13
ACKNOWLEDGEMENTS AND RELEASES

Section 13.1 By acquiring and accepting title and possession of a Lot, the Owners acknowledge, accept, understand and agree as follows:

SOIL, ECOLOGICAL, HYDROLOGICAL, GEOPHYSICAL, AND/OR ENVIRONMENTAL CONDITIONS, INCLUDING BUT NOT LIMITED TO RADON GAS, HAZARDOUS OR TOXIC SUBSTANCES, WATER TABLE AND SOIL CONDITIONS, AND OTHER CONDITIONS ON THE PROPERTY MAY AFFECT THE PROPERTY AND THAT THE DECLARANT DOES NOT WARRANT THE FITNESS OF THE LAND FOR ANY PURPOSE AND DISCLAIMS ANY LIABILITY FOR ANY EXISTING OR FUTURE SOIL, ECOLOGICAL, HYDROLOGICAL, GEOPHYSICAL, AND/OR ENVIRONMENTAL CONDITIONS AFFECTING THE RPOPERTY. IN PARTICULAR BUT NOT BY WAY OF LIMITATION THE OWNERS UNDERSTAND THAT THE SOIL IN THE AREA OF MONTROSE COUNTY, COLORADO CONTAINS CLAY AND OTHER SUBSTANCES WHICH MAY CAUSE IT TO SWELL WHEN WET AND SO CAN CAUSE EARTH MOVEMENT AROUND A HOME'S FOUNDATION AND ACCEPT THE SOIL CONDITIONS, THE FOUNDATIONS AND THE BUILDINGS SO INSTALLED WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS BY DECLARANT.

THE U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA) STATES THAT EXPOSURE TO ELEVATED LEVELS OF RADON GAS CAN BE INJURIOUS, THAT ANY TEST TO MEASURE THE LEVEL OF RADON GAS CAN ONLY SHOW THE LEVEL AT A PARTICULAR TIME UNDER THE PARTICULAR CIRCUMSTANCES OCCURRING AT THE TIME OF TESTING, THAT DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS ARE NOT QUALIFIED TO MEASURE RADON GAS OR TO EVALUATE ALL ASPECTS OF THIS COMPLEX AREA OF CONCERN. DECLARANT MAKES NO WARRANTIES OR REPRESENTATIONS AS TO THE EXISTENCE OR EFFECTS OF RADON GAS ON THE PROPERTY OR ANY PART THEREOF. PRIOR OR SUBSEQUENT TO CLOSING OF THE OWNER'S PURCHASE OF A RESIDENCE, THE OWNER MAY WISH TO TEST FOR THE PRESENCE OF RADON GAS AND TO PURCHASE OR INSTALL DEVICES THAT MAY BE RECOMMENDED BY QUALIFIED RADON SPECIALIST. THE DELCLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS, EXPRESSLY DISCLAIM AND THE OWNER AND THE ASSOCIATION AGREE TO WAIVE AND RELEASE THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS, FROM ANY CLAIM, LIABILITY OR RESPONSIBILITY WITH RESPECT TO RADON GAS AND RELATED MATTERS AND TO HOLD HARMLESS FROM ANY CLAIMS OF LIABLITY AGAINST THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, OR ASSIGNS WITH RESPECT TO RADON GAS AND RELATED MATTERS.

FIBERGLASS INSULATION (ALSO KNOWN AS GLASS WOOL) IS COMMONLY USED FOR INSULATION OF HOMES, FIBERGLASS IN VARIOUS THICKNESSES AND VALUES IS USED IN THE AREAS OF WALLS, FLOOR TO CEILING ASSEMBLIES, AND CEILING TO ROOF ASSEMBLIES OF HOMES TO PREVENT MOVEMENT OF HEAT AND TO REDUCE NOISE. THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PRODUCED A REPORT THAT LISTS GLASS WOOL AS A SUBSTANCE "WHICH MAY

BE REASONABLY ANTICIPATED TO BE A CARCINOGEN," BUT THAT REPORT MERELY IDENTIFIES SUBSTANCES SELECTED FOR FURTHER STUDY BECAUSE OF POTENTIAL RISK. THE LISTING OF A SUBSTANCE IN THE REPORT IS NOT AN ASSESSMENT THAT THERE IS A CASUAL CONNECTION BETWEEN GLASS WOOL AND ILLNESS. THE OWNERS AND THE ASSOCIATION ACKNOWLEDGE THAT FIBERGLASS IS USED IN THE WALL, FLOOR TO CEILING ASSEMBLIES, AND CEILING TO ROOF ASSEMBLIES, AND WAIVE ANY CLAIMS AGAINST THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS, ARISING AS A RESULT OF THE USE OF FIBERGLASS INSULATION, AND AGREES TO HOLD DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS HARMLESS FROM ANY CLAIM OR LIABILITY RESULTING FROM THE EXISTENCE OF FIBERGLASS INSULATION IN THE RESIDENTIAL STRUCTURES OR THE PROJECT.

THE ASSOCIATION AND THE OWNERS ACCEPT THE SOIL CONDITIONS, LANDSCAPING, INSULATION, RADON, ECOLOGICAL, AND EVIRONMENTAL CONDITIONS, WHICH NOW OR HEREAFTER EXIST ON THE PROPERTY, AND RELEASE AND INDEMNIFY THE DECLARNAT FROM ANY LOSS, DAMAGE, AND EXPENSE RESULTING FROM OR RELATING TO ANY OF THE FOREGOING.

EXCEPT FOR ANY WRITTEN LIMITED WARRANTY, THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF ANY NATURE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE FITNESS, WORKMANLIKE CONSTRUCTION, MERCHANTABILITY, DESIGN, CONDITION, QUALITY, OR HABITABILITY OF THE RESIDENTIAL STRUCTURE, THE PROJECT, OR ANY IMPROVEMENTS RELATED THERETO OR ANY ELECTRICAL, PLUMBING, HEATING, GAS, WATER, SEWER, STRUCTURAL COMPONENTS, OR OTHER MECHANICAL OR UTILITY SYSTEMS OR COMPONENTS, APPLIANCES, OR FIXTURES RELATED THERETO. THE OWNERS SPECIFICALLY ACKNOWLEDGE THE EXISTENCE OF A NEARBY WATER PUMP FACILITY WITH A GENERATOR THAT MAY OCCASIONALLY EMIT FUMES AND LOUD NOISES DURING OPERATION. THE OWNERS AND THE ASSOCIATION ACCEPT THE FOREGOING DISCLAIMER OF WARRANTIES AND WAIVE, RELEASE, AND INDEMNIFY THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS FROM ALL CLAIMS RELATED THERETO, TOGETHER WITH ANY CLAIMS FOR BODILY INJURY, PROPERTY DAMAGE, AND INCIDENTAL OR CONSEQUENTIAL DAMAGES MADE BY ANY PERSON OR PARTY.

NO REPRESENTATION, PROMISE, OR WARRANTY IS OR HAS BEEN MADE BY DECLARANT REGARDING THE DEVELOPMENT OF ADJACENT PROPERTY TO THE INVESTMENT POTENTIAL OF A HOME, LOT, RESIDENCE, OR LOT. NO REPRESENTATION, PROMISE, OR WARRANTY IS OR HAS BEEN MADE BY DECLARANT REGARDING ANY ECONOMIC BENEFIT TO THE OWNERS, THEIR HEIRS, SUCCESSORS, AND ASSIGNS, TO BE DERIVED FROM THE MANAGERIAL OR OTHER EFFORTS OF DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND

ASSIGNS, OR ANY OTHER THIRD PARTY DESIGNATED OR ARRANGED BY THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS, RELATED TO THE OWNERSHIP OR RENTAL OF A HOME, LOT, RESIDENCE, OR LOT OR REGARDING THE CONTINUED EXISTENCE OF ANY VIEW FROM THE HOME, LOT, RESIDENCE, OR LOT. THE OWNERS, BY ACCEPTING TITLE AND POSSESSION TO A HOME, LOT, RESIDENCE, OR LOT, ACKNOWLEDGE AND UNDERSTAND THAT THE DECLARANT IS UNDER NO OBLIGATION WITH RESPECT TO FUTURE PLANS, ZONING, DEVELOPMENT, IMPROVEMENT, OR USE OF OTHER PROPERTY IN THE AREA, AND THAT THE SIZES AND TYPES OF HOMES MAY CHANGE AT THE SOLE DISCRETION OF THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS, AND THAT THE SALES PRICES OF OTHER LOTS MAY DECREASE OR INCREASE AT THE SOLE DISCRETION OF THE DECLARANT WITH RESPECT TO HOMES, LOTS, RESIDENCES, OR LOTS CONSTRUCTED, OWNED, OR DEVELOPED BY DECLARANT.

THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS, AND ASSIGNS SHALL NOT BE LIABLE FOR CLAIMS RELATING TO THE RESIDENTIAL STRUCTURE OR TO THE PROJECT AS TO ANY DEFECT IN WORKMANSHIP OR IN ANY MATERIAL USED IN CONSTRUCTION UNLESS OTHERWISE PROVIDED IN A SPECIFIC WRITTEN LIMITED WARRANTY SIGNED BY THE DECLARANT. THE OWNERS, THEIR HEIRS, SUCCESSORS, AND ASSIGNS, AND THE ASSOCIATION, EXPRESSLY WAIVE AND RELEASE ALL RIGHTS TO SUE FOR A DEFECT IN CONSTRUCTION OF THE RESIDENTIAL STRUCTURE OR THE PROJECT OR BOTH AND SHALL RELY SOLELY ON THE OWNER'S OWN INSPECTION AND EXAMINATION OF THE RESIDENTIAL STRUCTURE AND/OR PROJECT AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF THE DECLARANT, ITS AGENTS, CONTRACTORS, SUCCESSORS AND ASSIGNS. THE OWNERS, THEIR HEIRS, SUCCESSORS, AND ASSIGNS, COVENANT AND AGREE THAT THE SALES PRICES OF THE RESIDENTIAL STRUCTURES ARE BASED IN PART UPON THE RELEASES, WAIVERS, AND INDEMNIFICATIONS CONTAINED IN THIS SECTION AND THE OTHER PROVISIONS OF THE DECLARATION.

IN WITNESS WHEREOF, the Declarant has executed this Declaration as of the date set forth below:

DECLARANT: VALLEY RANCH MONTROSE, LLC

BY: _____ DATE: 8-10-26

TITLE: Manager

STATE OF COLORADO)
) ss.
COUNTY OF MONTROSE)

The foregoing instrument was acknowledged before me this 10 day of August, 2026, by David W. Coker as Manager of Valley Ranch Montrose, LLC.

Witness my hand and official seal.

My commission expires: 3/20/2029

Notary Public

4937-6694-2623, v. 2

KELLY YERGENSON
NOTARY PUBLIC - STATE OF COLORADO
NOTARY ID 19984020377
MY COMMISSION EXPIRES MAR 20, 2029