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RCPTN#

2004-0024524

03/16/2004

15:46:52

PAGES - 76

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DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND
EASEMENTS FOR
THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE

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DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS, AND EASEMENTS FOR
THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE

This Declaration of Covenants, Conditions, Restrictions, and Easements for The Patios at Highland Meadows Golf Course (this "Declaration") is made this 15th day of March, 2004, by Highland Meadows Golf Course LLC, a Colorado Limited Liability Company ("Declarant").

RECITALS

A. Declarant is the owner of certain real estate located in the County of Larimer, State of Colorado, legally described on Exhibit "A" attached hereto and incorporated herein by reference ("Property").

B. Declarant desires to create a Common Interest Community on the Property, pursuant to the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101, et seq., as it may be amended from time to time ("Act").

C. The name of the Common Interest Community to be created upon the Property shall be THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE (the "Project").

D. The Project shall be a Planned Community.

E. Portions of the Project shall be designated for separate ownership and the remainder will be owned by THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE HOMEOWNERS ASSOCIATION, a Colorado Nonprofit Corporation, established by Declarant for the purpose of exercising the functions set forth herein.

ARTICLE I
STATEMENT AND PURPOSE AND IMPOSITION OF COVENANTS

Section 1.1. Imposition of Covenants. Declarant hereby makes, declares, and establishes the following covenants, conditions, restrictions, and easements (collectively, these "Covenants") which shall affect all of the Property. From this day forward, the Property shall constitute a planned community known as "The Patios at Highland Meadows Golf Course" under the Colorado Common Interest Ownership Act, and shall be held, sold and conveyed subject to these Covenants. These Covenants shall run with the land and shall be binding upon all persons or entities having any right, title, or interest in all or any part of the Property (including Declarant) and their heirs, successors, and assigns, and their tenants, employees, guests, and invitees. These Covenants shall inure to the benefit of each owner of the Property or part thereof.

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Section 1.2. Declarant's Intent. The purpose of Declarant in making this Declaration is to create a planned community known as The Patios at Highland Meadows Golf Course on the Property in accordance with the Colorado Common Interest Ownership Act, C.R.S. Section 38-33.3-101 through Section 38-33.3-319, as amended and supplemented from time to time. Declarant intends to provide for the ownership, operation, administration, use, and maintenance of the Common Area (defined below) and other areas within the Property; to preserve, protect, and enhance the values and amenities of the Property; and to promote the health, safety and welfare of the Members (defined below) of the Association (defined below) established pursuant to this Declaration.

Section 1.3. Right to Expand. Declarant also reserves the right, but shall not be obligated, to incorporate that property described on the attached Exhibit "B" (the "Expansion Property"), in whole or in part in the regime established under this Declaration, all as provided in Article XVI, below, so that the Expansion Property if and when developed, shall be treated as an integral part of the Project.

Section 1.4. Development and Use. Upon completion, the Project shall consist of a maximum of four hundred and nine (409) Lots (defined below) for residential use. No Lots in excess of that number may be established on the Property or the Expansion Property by the subdivision of existing Lots or any other method.

ARTICLE II DEFINITIONS

When used in this Declaration, unless the context clearly indicates otherwise, capitalized terms not otherwise defined in the Act, the Plat or elsewhere in this Declaration, are defined as follows:

Section 2.1. "Act" shall mean the Colorado Common Interest Ownership Act, C.R.S. Section 38-33.3-101, et seq., as amended and supplemented from time to time.

Section 2.2. "Annual Assessments" shall mean the Assessments levied annually pursuant to Section 9.3.

Section 2.3. "Articles" or "Articles of Incorporation" shall mean the Articles of Incorporation of the Association which have been filed with the Secretary of State of Colorado to create The Patios at Highland Meadows Golf Course Homeowners Association, as such Articles may be amended from time to time.

Section 2.4. "Assessments" shall mean the Annual, Special, and Default Assessments levied pursuant to Article IX, below, to meet the estimated cash requirements of the Association.

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Section 2.5. "Association" shall mean The Patios at Highland Meadows Golf Course Homeowners Association, a Non-Profit Corporation, or any successor to said Association by whatever name, charged with the duties and obligations set forth in these Covenants.

Section 2.6. "Board of Directors" or "Board" shall mean the Board of Directors of the Association, which is the executive board, as defined in the Act, designated in this Declaration to act on behalf of the Association.

Section 2.7. "Bylaws" shall mean the bylaws of the Association, which establish the methods and procedures of its operation, as such bylaws may be amended from time to time.

Section 2.8. "Common Area" shall mean any real or personal property in which the Association owns or hereafter acquires an interest for the common use, benefit and enjoyment of some or all of the Members and such other persons as may be permitted to use the Common Area under the terms of this Declaration or any contract with the Association. Such interest owned by the Association may include, without limitation, leases, estates in fee, for terms of years, or easements. "Common Area" shall also include any street, curb and gutter improvements, sidewalks, storm water drainage, detention or retention ponds and other improvements, swales, structures or facilities, or other public improvements installed (or to be installed) within the planned community (but excluding any such improvements or facilities which are owned or maintained by the Town of Windsor or the Metro District). "Common Area" shall not include any open space, greenbelt or other tracts or parcels owned by the Metro District.

Section 2.9. "Common Expense" means (i) premiums for the insurance carried by the Association under Article XII; (ii) all expenses incurred relative to maintenance and repair of street, curb and gutter improvements, sidewalks, water detention pond(s) and/or related improvements or facilities dedicated to the public or Town pursuant to the Plat or any agreement entered into by and between the Declarant and the Town which expressly requires the Association to pay or perform any duties set forth in said Plat or agreement; (iii) all other expenses incurred by the Association in administering, servicing, conserving, managing, maintaining, repairing or replacing the Common Area and any Improvements located on it; (iv) all expenses expressly declared to be Common Expenses by the Project Documents; (v) all expenses lawfully determined to be Common Expenses by the Board of Directors; (vi) all expenses to be allocated among the Owners as provided in Article IX; (vii) all expenses for maintenance, repair and replacement of any entrance signage, landscaping and fencing within the Property for which the Association is responsible pursuant to these Covenants; (viii) fees, charges or expenses payable to the Metro District by the Association pursuant to this Declaration or any agreement between the Association and the Metro District; (ix) expenses agreed upon as Common Expenses by the

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Association; and (x) such reasonable reserves as may be established by the Association, whether held in trust or by the Association, for repair, replacement or addition to the Common Area or any other real or personal property acquired or held by the Association.

Section 2.10. "Declarant" shall mean Highland Meadow Golf Course LLC, a Colorado Limited Liability Company, or its successors or assigns, including any Successor Declarant to the extent the rights of Declarant are assigned to the Successor Declarant, as provided in Section 24.7, below.

Section 2.11. "Declaration of Annexation" shall mean a declaration prepared and recorded in accordance with the provisions of Article XVI, below, to incorporate Expansion Property within the Property governed by these Covenants.

Section 2.12. "Default Assessment" shall mean the Assessment levied by the Association pursuant to Section 9.9.

Section 2.13. "Default Rate" shall mean the lesser of (i) the rate per annum of five (5) points above the prime rate charged by the Association's bank, or such other rate as shall have been established by the Board of Directors, and (ii) the maximum rate allowed by law.

Section 2.14. "Design Guidelines" shall mean the guidelines and rules published and amended and supplemented from time to time by the Design Review Committee.

Section 2.15. "Design Review Committee" or "Committee" or "DRC" shall mean the committee formed pursuant to Article VI to maintain the quality and architectural harmony of Improvements in the Project.

Section 2.16. "Development Rights" is defined in Section 10.1.2, below.

Section 2.17. "Director" shall mean a member of the Board.

Section 2.18. "Eligible Mortgage Holder" shall mean a First Mortgagee or any insurer or guarantor of a First Mortgage which has notified the Association in writing of its name and address and status as a holder, insurer or guarantor of a First Mortgage. Such notice shall be deemed to include a request that the Eligible Mortgage Holder be given the notices and other rights described in Article XVII, below, regardless of whether such Article requires notice to such party.

Section 2.19. "Expansion Property" shall mean such additional real property, whether or not currently owned by Declarant or subject to an option to purchase held by Declarant, as Declarant may make subject to the provisions of this Declaration by duly recorded Declaration of Annexation. The real

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property identified as Expansion Property as of the date of this Declaration is more particularly described on Exhibit "B" attached to this Declaration, and may be supplemented as provided in Section 16.3.

Section 2.20. "First Mortgage" shall mean any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

Section 2.21. "First Mortgagee" shall mean the holder of record of a First Mortgage.

Section 2.22. "Improvement(s)" shall mean all buildings, structures, parking areas, fences, walls, decorative landscaping features, hedges, plantings, and other landscaping, lighting, poles, driveways, roads, ponds, irrigation facilities, swimming pools, recreational equipment, signs, changes in any exterior color or shape, excavation and all other site work, including, without limitation, grading, road construction, utility improvements, removal of trees or plantings, and any new exterior construction or exterior improvement which may not be included in the foregoing. "Improvement(s)" does not include turf, shrub, or tree repair or replacement of a magnitude which does not change exterior colors or exterior appearances. "Improvement(s)" does include both original improvements and all later changes and improvements.

Section 2.23. "Lot" shall mean a parcel of land designated as a lot on any Plat and reserved for any purpose other than use as streets, roads or Common Area. A Lot includes the Improvements, if any, located in it. Further, a Lot is a "unit" as defined in the Act.

Section 2.24. "Manager" shall mean such person or entity retained by the Board of Directors to perform certain functions of the Board pursuant to these Covenants or the Bylaws.

Section 2.25. "Member" shall mean any person holding membership in the Association.

Section 2.26. "Metro District" shall mean Windsor Highlands Metropolitan District.

Section 2.27. "Mortgage" shall mean any mortgage, deed of trust, or other document which is recorded in the office of the Clerk and Recorder of Larimer County, Colorado, and which encumbers any portion of the Property or interest therein as security for the payment of a debt or obligation.

Section 2.28. "Mortgagee" shall mean any person named as a beneficiary or mortgagee under a Mortgage, or any successor to the interest of any such person under such Mortgage.

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Section 2.29. "Owner" shall mean the owner of record (including Declarant, and including a contract purchaser), whether one (1) or more persons or entities, of fee simple title to any Lot, but shall not mean or refer to any person or entity who holds such interest merely as security for the performance of a debt or other obligation, including a Mortgage, unless and until such person or entity has acquired fee simple title pursuant to foreclosure or other proceedings.

Section 2.30. "Period of Declarant Control" shall mean the period during which Declarant (or a Successor Declarant) may appoint and remove Directors and officers of the Association as permitted under the Act. The Period of Declarant Control will begin on the date this Declaration is first recorded in the office of the Clerk and Recorder of Larimer County, Colorado, and will end no later than (i) sixty (60) days after conveyance of seventy-five percent (75%) of the Lots that may be created within the Property and the Expansion Property, to Owners other than Declarant (or any Successor Declarant), (ii) two (2) years after the last conveyance of a Lot by Declarant (or any Successor Declarant) in the ordinary course of business, or (iii) the date on which Declarant (or any Successor Declarant) voluntarily terminates the Period of Declarant Control by recording a notice to that effect in the office of the Clerk and Recorder of Larimer County, Colorado, whichever of the foregoing dates or events occurs first. Notwithstanding the foregoing, the Period of Declarant Control will be extended at the option of Declarant (1) if the Act is amended to allow for such extension beyond the limiting dates outlined in this Section above, or (2) if the Period of Declarant Control is reinstated or extended by agreement between Declarant and the Association. After the termination of the Period of Declarant Control, Declarant, if still an Owner, will have all the rights and duties ordinarily given to Members under this Declaration.

Section 2.31. "Person" shall mean an individual, corporation, business trust, estate, limited liability company, limited partnership, general partnership, association, joint venture, government, government subdivision or agency, or other legal or commercial entity.

Section 2.32. "Plat" shall mean any engineering survey or surveys of all or part of the Property, together with such other diagrammatic plans and information regarding the Property as may be required by the Act or other applicable law, or as may be included in the discretion of Declarant, as each such survey may be amended and supplemented from time to time, and all as recorded in the office of the Clerk and Recorder of Larimer County, Colorado.

Section 2.33. "Project" shall mean the planned community created by these Covenants, consisting of the Property (including any Expansion Property, after annexation in accordance with Article XVI) and all of the Improvements located on the Property.

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The Project is a common interest community under the definitions of the Act, and a planned unit development or "PUD" under the terms of the secondary mortgage marketing guidelines promulgated by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

Section 2.34. "Project Documents" shall mean the basic documents creating and governing the Project, including, but not limited to, this Declaration, the Articles of Incorporation and Bylaws, the Design Guidelines, the Project Rules, and any other procedures, rules, regulations or policies adopted under such documents by the Association.

Section 2.35. "Project Rules" shall mean the rules and regulations adopted by the Association as provided in Section 4.11, below.

Section 2.36. "Property" shall mean and include the property described on Exhibit "A" and initially subjected to this Declaration and any additional real property from time to time made subject to these Covenants.

Section 2.37. "Special Assessment" shall mean an Assessment levied pursuant to Section 9.4.

Section 2.38. "Special Declarant Rights" is defined as set forth in Section 10.1, below.

Section 2.39. "Special Declarant Rights Period" shall mean the period beginning the date this Declaration is first recorded in the office of the Clerk and Recorder of Larimer County, Colorado, and ending the date on which is ten (10) years following such recordation.

Section 2.40. "Successor Declarant" shall mean any person to whom Declarant assigns any or all of its rights, obligations or interest as Declarant, as permitted by Section 22.7 and evidenced by an assignment or deed of record in the office of the Clerk and Recorder of Larimer County, Colorado, designating such party as a Successor Declarant, signed by the transferor and the transferee, and otherwise complying with the requirements of the Act. Upon such recording, Declarant's rights and obligations under the Declaration shall cease and terminate to the extent provided in such document.

Section 2.41. "Supplemental Covenants" shall mean additional or further restrictive covenants imposed on a portion or portions of the Property from time to time.

Section 2.42. "Town" shall mean the Town of Windsor, Colorado.

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Section 2.43. Other Terms Defined in Act. Unless the context clearly indicates otherwise, other terms defined in the Act shall have the meanings attributable to such terms in the Act.

Section 2.44. Other Terms in Declaration. Other terms in this Declaration may be defined in specific provisions contained herein and shall have the meaning assigned by such definition.

ARTICLE III
COMMON INTEREST COMMUNITY

Section 3.1. Establishment of Planned Community. By this Declaration, the Project is established as a common interest community under the Act, consisting initially of twenty (20) Lots. Declarant reserves the Development Right to incorporate a total of up to four hundred and nine (409) Lots within the Project in accordance with Article XVI, below. The name of the Project is The Patios at Highland Meadows Golf Course. The Common Interest Community is a Planned Community.

Section 3.2. Declaration of Lot Boundaries. The boundaries of each Lot are designated on the Plat, and each Lot is identified by the number or address noted on the Plat.

Section 3.3. Plat. The Plat shall conform to the requirements of the Act and shall be filed for record in the office of the Clerk and Recorder of Larimer County, Colorado. The Plat may be filed as a whole or as a series of Plats from time to time. Any Plat filed subsequent to the first Plat shall be termed a supplement to the Plat, and the numerical sequence of each supplement shall be shown on it.

Section 3.4. Recorded Easements and Licenses. The recording data for recorded easements and licenses appurtenant to or included in the Property is set forth on the attached Exhibit "C."

Section 3.5. County. The name of every county in which any part of the Common Interest Community is situate is Larimer County, Colorado.

Section 3.6. Legal Description. The legal description of the Property included in the Common Interest Community is set forth on Exhibit "A" attached hereto and incorporated herein by reference.

Section 3.7. No Limited Common Elements. The Project does not include any Limited Common Elements nor may any real estate be subsequently allocated as Limited Common Elements.

Section 3.8. Notices. Notice of matters affecting the Common Interest Community may be given to Owners by the Association or by other Owners in the following manner: Notice shall be hand delivered or sent by United States mail, postage

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prepaid, to the mailing address of each Lot or to any other mailing address designated in writing by the Owner to the Association. Such notice shall be deemed given when hand delivered or when deposited in the United States mail, postage prepaid.

ARTICLE IV
THE ASSOCIATION

Section 4.1. Association Management Duties. Subject to the rights and obligations of Declarant as set forth in the Act and in this Declaration, and the rights and obligations of the Owners, the Association shall be responsible for the administration and operation of the Property. In addition, the Association may undertake contractual responsibilities relating to other property that is used by or available to the Owners in the Project under arrangements including, without limitation, those described in Section 4.12.

The Board of Directors shall exercise, for the Association, all powers, duties and authority vested in or obligated to be taken by the Association and not reserved to Declarant or the other Owners by this Declaration, the other Project Documents, the Act or other applicable law.

The business and affairs of the Project shall be managed by the Association. The administration of the Project shall be governed by this Declaration, the Act, the Articles of Incorporation, the Bylaws and the Project Rules. The Association shall have all of the powers, authority and duties permitted pursuant to the Project Documents and the Act which are necessary and proper to manage the business and affairs of the Common Interest Community.

Section 4.2. Association's Responsibility for Common Area. The Association, subject to the rights and obligations of the Owners set forth in this Declaration shall be responsible for the management and control of the Common Area conveyed pursuant to this Declaration, and all Improvements on the Common Area (including any equipment related thereto), and shall keep it in good, clean, and attractive condition and repair, pursuant to the terms and conditions of this Declaration.

The Association shall maintain, repair, replace, beautify and keep neat, attractive, sightly, and in good order, to the extent, that such functions are not expected to be performed by the Town or any other political subdivision thereof, or of the State of Colorado, all of the Common Area, any mailbox, street lighting and open space, wetlands and street tree planting and maintenance program adopted by the Association.

Any use of the Common Area by Owners and their families, tenants and guests, and such other persons permitted access to the Common Area shall be subject to any applicable Project Rules

governing the Common Area.

The Association, acting through the Board of Directors, may grant easements, rights-of-way, leases, licenses and concessions through or over the Common Areas without the independent approval by the Owners, subject, however, to the right of Declarant and the Owners to use the Common Area as provided in this Declaration. Without limiting the generality of the foregoing, the Association may grant such rights to suppliers of utilities serving the Property or property adjacent to the Property and to developers or owners of Property adjacent to the Property for the purposes of accommodating minor encroachments onto the Common Area or other purposes that do not unreasonably interfere with the use and enjoyment of the Common Area by the Owners.

Section 4.3. Membership. Every Owner, by virtue of being an Owner, and for so long as he is an Owner, shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. No Owner, whether one (1) or more persons, shall have more than one (1) membership per Lot owned, but all of the persons owning each Lot shall be entitled to rights of membership and of use and enjoyment appurtenant to such ownership. An Owner shall not transfer, pledge or alienate his membership in the Association in any way except upon the sale or encumbrance of a Lot, and then only to the purchaser or Mortgagee of the Lot.

Section 4.4. Classes of Membership and Voting Rights. The Association shall have one (1) class of voting membership composed of all Owners, including Declarant.

All Members shall be entitled to vote on Association matters on the basis of one (1) vote for each Lot, as each Lot is originally platted by Declarant. The number of votes shall be determined by reference to the Plat for the Lot in question, as recorded by Declarant.

When more than one (1) person is an Owner of any Lot, all such persons shall be Members. The vote for such Lot may be exercised by one (1) person or alternative persons as the Owners themselves determine. If more than one (1) of the multiple Owners are present at a meeting in person or by proxy, the vote allocated to their Lot may be cast only by agreement of a majority in interest of the Owners. There is a majority of agreement if any one (1) of the multiple Owners casts the vote allocated to the Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot.

Any Owner of a Lot which is leased may assign his voting right to the tenant, provided that a copy of the instrument of assignment is furnished to the Secretary of the Association prior to any meeting in which the tenant exercises the voting right.

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Any party, on becoming a Member, shall furnish to the Secretary of the Association a photocopy or certified copy of the recorded instrument, or a copy of the lease or sublease, or such other evidence as may be specified by the Board under the Bylaws or the Project Rules, vesting the party with the interest required to make it a Member of the Association. At the same time, the party shall provide the Association with the single name and address to which the Association shall send any notices given pursuant to the Project Documents. The Member shall state in such notice the number of votes in the Association to which the Member believes he is entitled and the basis for that determination. In the event of any change in the facts reported in the original written notice, including any change of ownership, the Member shall give a new written notice to the Association containing all of the information required to be covered in the original notice. The Association shall keep and preserve the most recent written notice received by the Association with respect to each Member.

Section 4.5. Allocated Interests. The liability for Common Expenses and votes in the Association allocated to each Lot are set forth as follows:

(a) The percentage of liability for Common Expenses shall be allocated on the basis of equal liability for each Lot; and

(b) The number of votes in the Association shall be allocated on the basis of one (1) vote for each Lot.

Section 4.6. Appointment of Officers and Directors by Declarant. Until the expiration of the Period of Declarant Control and subject to the limitations of the Act, Declarant shall retain the exclusive powers to appoint and remove the Board of Directors and officers of the Association.

Notwithstanding the foregoing, Declarant may voluntarily surrender the right to appoint and remove the Board of Directors and officers of the Association before the end of the Period of Declarant Control by providing a notice to that effect to the Association and otherwise complying with the procedures for termination of this Special Declarant Right, as set forth in the Bylaws. However, upon voluntarily terminating this Special Declarant Right in advance of the expiration of the Period of Declarant Control, Declarant may require that specified actions of the Association or the Board, as described in an instrument executed and recorded by Declarant in the office of the Clerk and Recorder of Larimer County, Colorado, be approved by Declarant before those actions become effective.

Section 4.7. Board of Directors Powers and Duties. The Board of Directors may act in all instances on behalf of the Association, except as provided in this Declaration or the Bylaws. The Board shall have, subject to the limitations contained in this Declaration and the Act, the powers and duties necessary for the

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administration of the affairs of the Association and of the Project, which shall include, but not be limited to, the following:

- (a) Adopt and amend Bylaws.
- (b) Adopt and amend rules and regulations regarding the use and enjoyment of the Common Area, and the activities of occupants thereon.
- (c) Adopt and amend budgets for revenues, expenditures and reserves.
- (d) Collect Assessments from Unit Owners.
- (e) Hire and discharge Managers.
- (f) Hire and discharge independent contractors, employees and agents, other than Managers.
- (g) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violation of the Project Documents in the Association's name, on behalf of the Association, or two (2) or more Owners on any matters affecting the Project or the Association.
- (h) Make contracts and incur liabilities (including, without limitation, contracting with the Metro District to provide maintenance service to Common Area or to any other areas for which the Association is responsible pursuant to the terms of this Declaration).
- (i) Regulate the use, maintenance, repair, replacement and modification of the Common Area.
- (j) Cause additional improvements to be made as a part of the Common Area.
- (k) Acquire, hold, encumber and convey in the Association's name, any right, title or interest to real estate or personal property, but the Common Area may be conveyed or subjected to a Mortgage only pursuant to this Declaration and applicable law.
- (l) Grant easements for any period of time, including permanent easements, leases, licenses and concessions through or over the Common Area.
- (m) Impose and receive a fee or charge for the use, rental or operation of the Common Area and for services provided to Owners.

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(n) Impose a reasonable charge for late payment of Assessments and levy fines for violation of this Declaration, the Bylaws and the Project Rules.

(o) Impose a reasonable charge for the preparation and recordation of supplements or amendments to this Declaration and for statements of unpaid Assessments.

(p) Provide for the indemnification of the Association's officers and the Board and maintain Directors' and officers' liability insurance.

(q) Assign the Association's right to future income, including the right to receive Assessments, only upon the affirmative vote of the Owners of Lots to which at least eighty percent (80%) of the votes in the Association are allocated, at a meeting called for that purpose.

(r) Exercise any other powers conferred by the Project Documents.

(s) Exercise any other power that may be exercised in the State of Colorado by a legal entity of the same type as the Association.

(t) Exercise any other power necessary and proper for the governance and operation of the Association.

(u) By resolution, establish permanent and standing committees of Directors to perform any of the above functions under specifically delegated administrative standards as designated in the resolution establishing the committee. All committees must maintain and publish notice of their actions to Owners and the Board. However, actions taken by a committee may be appealed to the Board by any Owner within forty-five (45) days of publication of a notice. If an appeal is made, the committee's action must be ratified, modified or rejected by the Board at its next regular meeting.

Section 4.8. Budget Process. To determine the amount required to be raised by assessments for any fiscal year, the Board shall prepare an annual budget for each such fiscal year showing, in reasonable detail, the various matters proposed to be covered by the budget, the estimated costs and expenses which will be payable, the estimated income and the funds which will be available in the fiscal year, and the estimated total amount of money required to be raised by assessments to cover such costs and expenses and to provide a reasonable reserve. A total amount of money required to be raised by assessments for that fiscal year shall be the amount as determined by the Board as necessary to satisfy the costs and expenses of fulfilling the functions and obligations of the Association in the coming fiscal year, including the payment of debts from prior fiscal years, providing reasonable reserves and providing a reasonable carryover reserve

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for the following fiscal year. Within thirty (30) days after adoption of any proposed budget for the common interest of the Association, the Board shall mail, by ordinary first class mail, or otherwise deliver, a summary of the budget, to all Owners, and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) days nor more than sixty (60) days after mailing or other delivery of the summary. Unless at that meeting a majority of all Owners present at the meeting, in person, or by proxy, rejects the budget, the budget is ratified, whether or not a quorum is present. In the event a proposed budget is rejected, the periodic budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

Section 4.9. Owners' and Association's Addresses for Notices. All Owners of each Lot shall have one (1) and the same registered mailing address to be used by the Association or other Owners for notices, demands and all other communications regarding Association matters. The Owner or Owners of a Lot shall furnish the registered address to the Secretary of the Association within five (5) days after receiving title to the Lot. The registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interests of all Owners of the Lot.

If no address is registered or if all of the Owners cannot agree, then the address of the Lot shall be deemed the registered address until another registered address is furnished as required under this Section.

If the address of the Lot is the registered address of the Owners, then any notice shall be deemed duly given if delivered to any person occupying the Lot or sent to the Lot by any other means specified for a particular notice in any of the Bison Ridge Documents, or if the Lot is unoccupied, if the notice is held and available for the Owners at the principal office of the Association.

All notices and demands intended to be served upon the Board of Directors shall be sent to the address of the Association or such other address as the Board may designate from time to time by a notice delivered to all Owners in accordance with this Section.

Unless any section of this Declaration or the Act expressly provides otherwise, all notices given under this Declaration shall be sent by personal delivery, which shall be effective upon receipt; by overnight courier service, which shall be effective one (1) business day following timely deposit with a courier service; or regular, registered or certified mail, postage prepaid, which shall be effective three (3) days after deposit in the United States mail.

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Section 4.10. Compliance with Documents. Each Owner shall abide by and benefit from the provisions, covenants, conditions, and restrictions contained in the Project Documents.

Section 4.11. Rules and Regulations. The Association, from time to time and subject to the provisions of the Project Documents, may adopt, amend and repeal rules and regulations, to be known as the "Project Rules," governing, among other things and without limitation:

4.11.1. The use of the Common Area and any Improvements now or hereafter located thereon; and

4.11.2. The use of easements now or hereafter created within the Project;

4.11.3. The use of Lots and Improvements thereon as contemplated and restricted by these Covenants; and

4.11.4. The use, if permitted, of any open space, greenbelt or other tract or parcel owned by the Metro District.

A copy of the Project Rules in effect shall be distributed to each Member of the Association, and any change in the Project Rules shall be distributed to each Member within a reasonable time following the effective date of the change. The Board of Directors of the Association shall provide for the enforcement of the Project Rules, as set forth in the Bylaws. Without limiting the generality of the foregoing, the Board may suspend voting rights of a Member after notice and hearing as provided in the Bylaws for an infraction of the Project Rules.

Section 4.12. Cooperation with Local Government. The Association will cooperate with local governmental and quasi-governmental authorities (including, without limitation, the Town and the Metro District) in all respects to enable the Association and such authorities to efficiently and economically provide their respective services to the Owners. It is contemplated that from time to time either the Association or any of those authorities may use the services of the other in furthering their respective obligations, and they may contract with each other to better provide for such cooperation.

Section 4.13. Manager. The Association may employ or contract for the services of a Manager or Managers to act for the Association and the Board and the officers according to the powers and duties delegated to the Manager pursuant to the Bylaws or resolution of the Board, provided that no such employment shall be by a contract having a term of more than three (3) years, and each such contract shall be subject to cancellation by the Association on ninety (90) days' or less prior notice without cause and without payment of a termination fee. The Manager shall not have the authority to make expenditures for additions or Improvements except upon specific prior approval and direction by the Board.

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The Board or any officer of the Association shall not be liable for any omission or improper exercise by a Manager of any such duty, power, or function so delegated by written instrument executed by or on behalf of the Board. Without limiting the foregoing, the Association may contract with the Metro District to act for the Association and the Board with respect to such matters as the Board may from time to time deem appropriate.

Section 4.14. Delegation by Association. The Association may delegate any of its rights, duties or responsibilities to any committee or other entity which it may choose to form. Any delegation by the Board under this Section is subject to compliance with the Act and the Bylaws and the requirement that the Board, when so delegating, shall not be relieved of its responsibilities under the Project Documents or the Act.

Section 4.15. Ownership of Personal Property and Real Property for Common Use. The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold, or other property interests within the Project and conveyed to the Association by Declarant.

Section 4.16. Books and Records. The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to Owners and Mortgagees, current copies of the Project Documents, and the books, records, and financial statements of the Association prepared pursuant to the Bylaws. Any Owner or Mortgagee may make a written request to the Association for a copy of the financial statements for the preceding year. The Association may charge a reasonable fee for copying such materials.

Section 4.17. Maintenance Reserves. The Association shall establish and maintain an adequate reserve fund from Annual Assessments levied pursuant to Article IX, below, for maintenance, repair or replacement of those Common Areas and Improvements located within such areas that must be replaced on a periodic basis.

Section 4.18. Reserve Fund. Upon the sale, transfer or conveyance of an individual Lot other than to a Declarant or Successor Declarant, the purchaser or transferee of the Lot shall deposit with the Association, as a reserve fund, an amount equal to one-third (1/3) of the annual Assessment established by the Board for the year in which the transfer occurs. If, at any time, an Owner is in default in the payment of any Assessments due to the Association or in the payment of any other sums due the Association herein, the Association shall have the right to use said reserve, or as much thereof as may be necessary, to pay any delinquent amount owed to the Association and to reimburse the Association for any expenses incurred by the Association in collecting delinquent assessments from the Owner. In such event,

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the Owner shall, upon written demand by the Association, promptly remit to the Association a sufficient amount of cash to restore the reserve to its original amount. In the event the reserve account is not used to make delinquent payments, then upon the sale of the Owner's Lot, the Owner shall collect the amount deposited in the reserve account from his or her purchaser as a part of the closing prorations for such Lot. The reserve account shall, as a result of the transfer of a Lot, be credited to the account of the new Owner of such Lot, and the former Owner shall have no claim against the Association for the crediting, such Owner's sole remedy being the collection of such reserve account balance from the new Owner in connection with the closing of a Lot. The Association shall have the right to commingle the reserve account with other funds of the Association and shall have no obligation to retain the reserve funds in a separate account or pay interest on the reserve funds. The reserve account shall not be deemed to be liquidated damages, and if claims of the Association against an Owner exceed the reserve account, the Owner shall remain liable for the payment of the balance of such claims to the Association.

Section 4.19. Implied Rights and Obligations. The Association shall perform all of the duties and obligations imposed on it expressly by the Project Documents, together with every other duty or obligation reasonably to be implied from the express provisions of the Project Documents or reasonably necessary to satisfy any such duty or obligation reasonably to be implied from the express provisions of the Project Documents or reasonably necessary to satisfy any such duty or obligation. The Association may exercise any other right or privilege (i) given to it expressly by the Project Documents, or (ii) reasonably to be implied from the existence of any right or privilege given expressly by the Project Documents or (iii) reasonably necessary to effectuate any such right or privilege.

Section 4.20. Litigation Matters. The Association and its officers and directors shall have no obligation, right, power or authority, to oversee, administer, manage, investigate, report, litigate, arbitrate, mediate or otherwise be involved in any claims or disputes asserted, or which might be assertable, by individual homeowners against any Declarant, owner, developer, contractor or other party with regard to alleged construction defects, express or implied construction warranties or similar claims or actions pertaining to any homes or other improvements constructed in or on any Lot within the Project (collectively, "Claims"). Without limiting the foregoing, the Association shall not be considered a proper party in interest in any such litigation, arbitration, mediation or other action or proceeding with respect to any Claims. Also, without limiting the foregoing, the Association shall not be involved in organizing, administering, supervising, managing or otherwise soliciting involvement in any class action or similar litigation in connection with any Claims.

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Notwithstanding any other terms or conditions of this Declaration to the contrary, the Association shall not have the right, power or authority to make any Assessment against any Lot for the purpose of covering the cost or expense of investigating, pursuing or otherwise being involved in any Claims or litigation, arbitration or mediation pertaining to same.

In recognition of the inadequacy of damages or other remedies which might otherwise be available to any Declarant, owner, developer, contractor or other party (all of whom are intended to be beneficiaries of this provision), any such party shall, without limiting any other remedy which might be available at law or in equity, be entitled to injunctive relief, dismissal of any proceeding by or on behalf of the Association seeking to enforce any Claims, and to reimbursement of all attorneys' fees and other costs of litigation, arbitration or other proceeding incurred by such party on account of any Claims asserted by or on behalf of the Association.

Nothing herein contained shall be construed as limiting the rights and obligations of the Association with respect to the assertion of Claims with respect to any Improvements located within or upon the Common Area, nor shall it preclude the assertion of any Claims directly by an individual affected Owner of a Lot.

Due to the foregoing restriction, neither the Board of Directors nor the Association will have any obligation, responsibility or liability to any Owner or Member on account of the existence of any Claims or refusal of the Association or the Board of Directors to pursue any such Claims.

ARTICLE V COMMON AREA

Section 5.1. Dedication of Common Area. Declarant hereby dedicates the Common Area to the common use and enjoyment of the Members, as hereinafter provided.

Section 5.2. Description of Common Area. The Common Area within the Project shall consist of any other real or personal property now or hereafter conveyed or dedicated to the Association, together with the other interests identified in paragraph 2.8 of this Declaration.

The Common Area shall be conveyed by Declarant to the Association by special warranty deed subject to all utility, drainage, open space and other easements in place or of record. The Common Area as designated by this Declaration are for the common use, benefit and enjoyment of the Owners and their families, tenants, employees, guests and invitees, and such other persons as may be permitted to use the Common Area, as Declarant may specify. Nothing in this Declaration shall be construed as a dedication to public use, or a grant to any public municipal or

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quasi-municipal authority or utility, or an assumption of responsibility for the maintenance of any Common Area by such authority or utility, absent an express written agreement to that effect.

Various open space, green belt and other parcels of real property owned by the Metro District are not Common Area.

Section 5.3. Regulation of Common Area. The Association may adopt such rules and regulations as it deems necessary or appropriate for the proper maintenance, repair, renovation, management, use and control of the Common Area.

Section 5.4. Owners' Easements of Enjoyment. Each Owner shall have a right and easement of enjoyment in and to the Common Area and such easement shall be appurtenant to and shall pass with title to every Lot, subject to the following provisions:

(a) The right of the Association to promulgate and publish reasonable rules and regulations as provided in this Declaration.

(b) The right of the Association to suspend voting rights and the right to use the Common Area by an Owner for any period during which any Assessment against his or her Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published Project Rules.

(c) The right of the Association to dedicate or transfer any part of the Common Area to any public agency, authority, utility or other entity for such purposes and subject to such conditions as may be agreed to by the Owners, provided that no such dedication or transfer shall be effective unless the Owners entitled to cast at least eighty percent (80%) of the votes of the Association, including eighty percent (80%) of the votes allocated to Lots not owned by Declarant, agree to such dedication, transfer, purpose or condition, and unless written notice of the proposed agreement and action thereunder is sent to every Owner at least thirty (30) days in advance of any action taken; and provided further that the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this clause. An agreement to dedicate, transfer or convey all or any part of the Common Area must be evidenced by execution and recordation of an agreement or ratification thereof, in the same manner as a deed by the requisite number of Owners. Such agreement must specify a date after which the agreement will be void unless recorded before that date.

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

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Section 5.5. Delegation of Use. An Owner may delegate, in accordance with the Bylaws, his or her right of enjoyment to the Common Area and facilities to the members of his or her family, tenants, or contract purchasers who reside on his or her Lot.

ARTICLE VI
DESIGN REVIEW COMMITTEE

Section 6.1. Committee and Guidelines. There is hereby established a Design Review Committee, which shall be responsible for the establishment and administration of Design Guidelines to facilitate the purposes and intent of this Declaration. The DRC may issue and enforce Design Guidelines applicable to a specific area within the Project, as well as Design Guidelines that relate to the Project generally. Further, the DRC may amend, vary, repeal and augment the Design Guidelines from time to time, in the DRC's sole discretion based on concerns for good planning and design, the aesthetic, architectural and environmental harmony of the Project or other factors as necessary or desirable to fulfill the intent of the Design Guidelines and implement the purposes of this Declaration as stated in Article I. The Design Guidelines shall be binding on all Owners and other persons governed by this Declaration.

The Design Guidelines may include, among other things, those restrictions and limitations set forth below:

6.1.1. Standards establishing and dictating an architectural theme and requirements pertaining to building style and design, construction materials and site planning.

6.1.2. Procedures for making application to the DRC for design review approval, including the documents to be submitted and the time limits in which the DRC must act to approve or disapprove any submission.

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

6.1.4. Designation of a building site on a Lot, establishing the maximum developable area of a Lot and set-back or view corridor requirements.

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

6.1.6. Limitations on the height of any building or other Improvement.

6.1.7. Specifications for the location, dimensions and appearance or screening of any permitted fences, accessory structures, antennae or other such Improvements.

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6.1.8. Landscaping regulations, including requirements for installing and maintaining landscaping on the entire Lot and, for certain Lots identified in the Design Guidelines, on parkways abutting the Lot and the street or road providing access to the Lot; time limitations within which all landscaping must be completed; limitations and restrictions prohibiting the removal or requiring the replacement of existing trees; and guidelines encouraging the use of plants indigenous to the locale and compatible with the design theme of the Project; and other practices benefitting the protection of the environment, aesthetics and architectural harmony of the Project.

6.1.9. Regulations for parking vehicles on or off of the street, within an enclosed garage or a designated area on a Lot.

6.1.10. General instructions for the construction, reconstruction, refinishing or alteration of any Improvement, including any plan to excavate, fill or make any other temporary or permanent change in the natural or existing surface contour or drainage or any installation of utility lines or conduits on the Property, addressing matters such as loading areas, waste storage, trash removal, equipment and materials storage, grading, transformers and meters.

6.1.11. Designation of front, side or rear entry garages.

Section 6.2. DRC Membership and Organization. The DRC shall be composed of not less than three (3) nor more than five (5) persons. The DRC may include one (1) or more professional design consultants, but need not include any Member of the Association. All members of the DRC shall be appointed, removed and replaced by Declarant, in its sole discretion until such time as Declarant no longer owns any Lots within the Project, unless Declarant earlier waives this right by notice to the Association recorded in the office of the Clerk and Recorder of Larimer County, Colorado. At such time, the Board of Directors shall succeed to Declarant's right to designate the number of and to appoint, remove or replace the Members of the DRC.

Section 6.3. Purpose and General Authority. The DRC shall review, study and either approve or reject proposed Improvements on the Property, all in compliance with this Declaration and as further set forth in the Design Guidelines and such rules and regulations as the DRC may establish from time to time to govern its proceedings. No Improvement shall be erected, placed, reconstructed, replaced, repaired or otherwise altered, nor shall any construction, repair or reconstruction be commenced until plans for the Improvements shall have been approved by the DRC; provided, however, that Improvements that are completely within a building may be undertaken without such approval. All Improvements shall be constructed only in accordance with approved plans.

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6.3.1. DRC Discretion. The DRC shall exercise its best judgment to see that all Improvements conform and harmonize with any existing structures as to external design, quality and type of construction, seals, materials, color, location on the Lot, height, grade and finished ground elevation, and the schemes and aesthetic considerations set forth in the Design Guidelines and the other Project Documents. The DRC, in its sole discretion based on concerns for good planning and design, the aesthetic, architectural and environmental interests of the Project, or other factors as necessary or desirable to fulfill the intent of the Design Guidelines, may excuse compliance with such requirements in specific situations and may permit compliance with different or alternative requirements.

6.3.2. Binding Effect. The actions of the DRC in the exercise of its discretion by its approval or disapproval of plans and other information submitted to it, or with respect to any other matter before it, shall be conclusive and binding on all interested parties.

Section 6.4. Organization and Operation of DRC.

6.4.1. Term. The term of office of each member of the DRC shall continue at the pleasure of the person or entity appointing such member pursuant to Section 6.2, and run until his successor shall have been appointed. Should a DRC member die, retire or become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed as provided in Section 6.2.

6.4.2. Chairman. The chairman of the DRC shall be elected annually from among the members of the DRC by a majority vote of such members. In the absence of a chairman, the party responsible for appointing or electing the chairman may appoint or elect a successor, or if the absence is temporary, an interim chairman.

6.4.3. Operations. The DRC chairman shall take charge of and conduct all meetings and shall provide for reasonable notice to each member of the DRC prior to any meeting. The notice shall set forth the time and place of the meeting, and notice may be waived by any member.

6.4.4. Voting. The affirmative vote of a majority of the then serving members of the DRC shall govern its actions and be the act of the DRC.

6.4.5. Review of Plans and Specifications. The DRC shall consider and act upon any and all requests submitted for its approval. The DRC shall approve plans and specifications submitted to it only if it determines that the construction, alteration, and additions contemplated thereby, and in the location as indicated, will comply with this Declaration; will

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serve to preserve and enhance the values of Lots within the Project; will be consistent with the spirit and intent of this Declaration; and will maintain a harmonious relationship among structures, vegetation, and topography within the Project. The DRC shall consider the quality of workmanship, type of materials, and harmony of exterior design with other dwellings, if any, located within the Project. Should the DRC fail to approve or disapprove the plans and specifications submitted to it by an Owner within thirty (30) days after complete submission of all required documents, the plans shall be resubmitted to the DRC by certified mail, return receipt requested, with a copy to the Declarant, by certified mail, return receipt requested, and, in the event that the DRC fails to approve or disapprove any plans and specifications as herein provided within thirty (30) days after such resubmission to the DRC and Declarant by certified mail, the same shall be deemed to have been approved, as submitted, and no further action shall be required; provided, however, that no building or other structure shall be erected or allowed to remain on any Lot which violates or is inconsistent with any of the covenants or restrictions contained in this Declaration. The issuance of a building permit or license for the construction of improvements inconsistent with this Declaration shall not prevent the Association or any Owner from enforcing the provisions of this Declaration.

6.4.6. No Waiver of Future Approval. The approval by the DRC of any proposals or plans and specifications for any work to be done on a Lot shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans, specifications, drawings, or other matters subsequently or additionally submitted for approval by the same Owner or by any other Owner.

6.4.7. Expert Consultation. The DRC may avail itself of other technical and professional advice and consultants as it deems appropriate, and the DRC may delegate its plan review responsibilities, except final review and approval, to one (1) or more of its members or to consultants retained by the DRC. Upon that delegation, the approval or disapproval of plans and specifications by such member or consultant shall be equivalent to approval or disapproval by the entire DRC.

Section 6.5. Expenses. Except as provided in this Section, all expenses of the DRC shall be paid by the Association and shall constitute a Common Expense. The DRC shall have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the DRC from time to time, and such fees shall be collected by the DRC and remitted to the Association to help defray the expenses of the DRC's operation. The members of the DRC shall not be entitled to any compensation for services performed pursuant to these Covenants.

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Section 6.6. Other Requirements. Compliance with the Project design review process is not a substitute for compliance with Town building, zoning and subdivision regulations, and each Owner is responsible for obtaining all approvals, licenses, and permits as may be required prior to commencing construction of Improvements.

Further, the establishment of the DRC and procedures for architectural review shall not be construed as changing any rights or restrictions upon Owners to maintain and repair their Lots and Improvements as otherwise required under the Project Documents.

Section 6.7. Limitation of Liability. Neither the DRC nor any individual DRC member shall be liable to any person for any official act of the DRC in connection with submitted plans and specifications, except to the extent the DRC or any individual DRC member acted in bad faith or with malice or wrongful intent. Approval by the DRC does not necessarily assure approval by the appropriate governmental board or commission for the Town. Notwithstanding that the DRC has approved plans and specifications, neither the DRC nor any of its members shall be responsible or liable to any Owner, developer or contractor with respect to any loss, liability, claim or expense which may arise by reason of such approval of the construction of the Improvements. Neither the Board, the DRC, nor any agent thereof, nor Declarant, nor any of its officers, directors, shareholders, employees, agents or consultants shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the Project Documents, nor for any structural or other defects in any work done according to such plans and specifications. In all events the DRC shall be defended and indemnified by the Association in any such suit or proceeding which may arise by reason of the DRC's decision. The Association, however, shall not be obligated to indemnify each member of the DRC to the extent any such member of the DRC is adjudged to be liable for negligence or misconduct in the performance of his duty as a member of the DRC, unless and then only to the extent that the court in which such action or suit may be brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

Section 6.8. Enforcement.

6.8.1. Inspection. Any member or authorized consultant of the DRC, or any authorized officer, Director, employee or agent of the Association may enter upon any Lot at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect Improvements constructed or under construction on the Lot to determine whether the Improvements have been or are being built in compliance with the Project Documents and the plans and specifications approved by the Design Review Committee.

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6.8.2. Completion of Construction. Before any Improvements on a Lot may be occupied, the Owner of the Lot shall be required to obtain a temporary certificate of compliance issued by the DRC indicating substantial completion of the Improvements in accordance with the plans and specifications approved by the DRC, and imposing such conditions for issuance of a final certificate of compliance as the DRC may determine appropriate in its reasonable discretion. Without limiting the generality of the preceding sentence, the DRC may require, as a condition to the issuance of the temporary certificate of compliance, that the Owner deposit with the DRC such sums as may be necessary to complete the landscaping on the Lot by a specified date. If the landscaping is not completed as scheduled, the DRC may apply the deposit to cover the cost of completing the work and enforce such other remedies as are available to the Association for the failure of the Owner to comply with this Declaration.

6.8.3. Deemed Nuisances. Every violation of this Declaration is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed for such violation by law or equity against a Member shall be applicable. Without limiting the generality of the foregoing, this Declaration may be enforced as provided below.

(a) Fines for Violations. The DRC may adopt a schedule of fines for failure to abide by the DRC rules and the Design Guidelines, including fines for failure to obtain any required approval from the DRC.

(b) Removal of Nonconforming Improvements with Court Order. The Association, upon request of the DRC and after first obtaining a court order from a Colorado court having jurisdiction thereof, may enter upon any Lot and remove any Improvement constructed, reconstructed, refinished, altered or maintained in violation of this Declaration. The Owner of the Improvement shall immediately reimburse the Association for all expenses incurred in connection with such removal. If the Owner fails to reimburse the Association within thirty (30) days after the Association gives the Owner notice of the expenses, the sum owed to the Association shall bear interest at the Default Rate from the date of the advance by the Association through the date of reimbursement in full, and all such sums and interest shall be a Default Assessment enforceable as provided in Article IX.

Section 6.9. Reconstruction of Common Area. The reconstruction by the Association after destruction by casualty or otherwise of any Common Area that is accomplished in substantial compliance with "as built" plans for such Common Area shall not require compliance with the provisions of this Article or the Design Guidelines.

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Section 6.10. Variances. The DRC may authorize variances from compliance with any provisions of this Declaration when circumstances such as natural obstructions, hardships, aesthetics or environmental considerations may require. Such variances must be evidenced in writing and shall become effective when signed by at least a majority of the members of the DRC. If any such variance is granted, no violation of the provisions of this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted; provided, however, that the granting of the variance shall not operate to waive any provisions of this Declaration for any purpose except as to the particular property and the particular provision hereof covered by the variance, nor shall the granting of a variance affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the property concerned, including, but not limited to, zoning ordinances and setback lines or requirements imposed by any governmental authority having jurisdiction.

Section 6.11. Color. All dwellings and other structures constructed on any Lot shall be stained or painted in such colors as are approved in writing by the Declarant (for a period of ten (10) years from the date of the recording of this Declaration) or thereafter by the DRC.

Section 6.12. Roof Material. The roofs on all dwellings and other structures shall be constructed of such roofing materials, the color, texture and composition of which are approved by the DRC.

Section 6.13. Building Size and Height Limitation. No dwelling shall be erected, altered or permitted to remain on any Lot unless the square footage contained within the dwelling, exclusive of basement, open porches and garages, is not less than one thousand five hundred (1,500) square feet for single story residence, or two thousand (2,000) square feet for two-story or multi-level residence. The square footage of basements, walk-outs and garden levels shall not be included in determining the square footage of a residence. For purposes of this provision, the terms "basement," "walk-out" and "garden level" shall mean any level, a portion of which is constructed below ground elevation. No residence shall be more than thirty-two (32) feet in height above the engineered top of foundation, and shall not have more than two (2) stories above grade.

Section 6.14. Address Signage. Each dwelling within the Project shall have a address sign/house number affixed, of a design and at a location established and/or approved by the DRC, which shall at all times endeavor to maintain uniformity of such signage.

Section 6.15. Garages. Each dwelling shall include an attached garage having space for not less than two (2), nor more than four (4), automobiles.

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Section 6.16. Fences. Any fence to be constructed on a Lot must be approved by The DRC. All fences shall be constructed of materials acceptable to the DRC, and shall conform in all respects to the standard subdivision design as adopted from time to time by the DRC. The DRC shall provide the fence detail information to any Owner requesting such information. This Section 6.16 shall not apply to entrance or "monument" fencing, or to entrance signage or to other signage that may or may not actually be incorporated into fencing, but that may be located on, adjacent to or in the vicinity of fencing. The DRC shall also designate those areas in which common fencing shall be required and the height, type and style of such common fencing, or areas in which fencing may be prohibited.

Without limiting the foregoing, no fence shall be erected, constructed, altered or maintained on a Lot nearer to the front Lot line than the front of the Dwelling Unit or garage constructed upon such Lot. No fence shall be erected, constructed, altered or maintained on a Lot in, on, over or in such a manner as will interfere with the operation of any swales or other drainage improvements constructed on or adjacent to such Lot. In addition, any rear yard fences shall be subject to approval of the DRC and any such fences which receive approval shall be installed subject to the condition that the Association shall have no responsibility for maintenance of any landscaping improvements or other items whatsoever inside the perimeter of such fence, and that the Owner of the Lot shall be fully responsible for same.

Section 6.17. Resubdivision. No Lot may be further subdivided without the approval of the Board of Directors of the Association, which approval shall be within its sole discretion. This provision shall not be construed to prohibit or prevent the dedication or conveyance of any portion of a Lot as an easement for public utilities.

ARTICLE VII
PROPERTY USE RESTRICTIONS

Section 7.1. General Restriction. The Property shall be used only for the purposes set forth in this Declaration, as permitted by the applicable ordinances of the Town, and the laws of the State of Colorado and the United States, and as set forth in the Project Documents or other specific recorded covenants affecting all or any part of the Property.

Section 7.2. Residential Use of Lots. Each Lot may be used only for residential purposes and developed by the construction of a single family residence. No business or commercial building may be erected on any Lot, and no business or commercial enterprise or other non-residential use may be conducted on any part of a Lot, except as provided in Section 7.3, below.

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Section 7.3. Home Occupations. In addition to any restrictions imposed upon Owners of Lots by the Town with regard to home occupations or businesses, no Owner shall conduct any home occupation or business activity upon his or her Lot unless said activity complies with the following requirements:

(a) Such home occupation shall be conducted only within the interior of the dwelling located on such Lot and shall not occupy more than fifteen percent (15%) of the total finished floor area within the dwelling.

(b) No signs or advertising devices of any nature whatsoever shall be erected or maintained on any Lot with respect to such home occupation, except those approved in writing by the DRC.

(c) Any trade or business conducted on a Lot shall be conducted only by the residents thereof.

(d) No noise or offensive activities shall be conducted on any Lot and no Lot shall be used, in whole or in part, for the storage of any property or thing that will cause the Lot to appear in an unclean or untidy condition or that will create an eyesore.

(e) No substance, thing or material which emits foul or obnoxious odors, or causes any noise that might disturb the peace, quiet, comfort or serenity of the occupants of the surrounding Lots shall be permitted on a Lot.

(f) No trade or occupation shall be conducted from a Lot unless one (1) or more of the Owners of such Lot reside within the dwelling on such Lot, and any such trade or occupation shall cease and terminate when the Owner(s) of such Lot ceases to reside thereon.

(g) No retail sales shall be conducted on any Lot and no customer parking shall be allowed.

(h) There shall be no evidence of a home occupation visible from the outside of a dwelling.

(i) Not more than four (4) additional vehicular trips shall be allowed each day on or to any Lot for deliveries or pick ups in connection with such trade or business, including deliveries or pick ups by commercial delivery services, such as Federal Express and United Parcel Service, and further provided that no such vehicle shall remain at the Lot for a period in excess of fifteen minutes per trip.

Section 7.4. Household Pets. No animals, birds or reptiles of any kind shall be raised, bred or kept on any portion of the Project, except that a reasonable number of dogs, cats and other household pets may be kept, provided that they are not kept,

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vehicle which is not capable of moving under its own propulsion, or is not so moved, for two (2) consecutive days shall be considered an "inoperative vehicle" subject to the terms of this Section 7.8.

Section 7.9. Repair. No activities such as, but not necessarily limited to, maintenance, repair, rebuilding, dismantling, repainting or servicing of any kind of vehicle, trailer or boat may be performed on any Lot unless performed entirely within a completely enclosed garage attached or associated with the dwelling located on such Lot. Without limiting the foregoing, no such activity shall be performed upon any of the Common Area. The foregoing restrictions shall not be deemed to prevent washing and/or polishing of any motor vehicle.

Section 7.10. Parking. No trailer, motor home, bus, camper, commercial-type vehicle, truck, commercial van, vehicle-mounted camper, whether chassis or slide-in, or pick-up coach, tent trailer, boat, truck trailer, machine, tractor, semi-tractor, tractor trailer, all terrain vehicles, motorcycles, or similar vehicles or equipment, shall be parked, placed, erected, maintained or constructed on any Lot or the Common Area for any purpose. However, trucks, vans, trailers, campers, motor homes, pick-up coaches, tents or boats which can be and are stored completely within an enclosed garage and are not used for living purposes will not be in violation of these restrictions.

Section 7.11. Trash. All Owners shall maintain their Lots in a clean and well maintained condition. No storage of trash will be permitted in or outside on any Lot in a manner which may permit the spread of fire, odors, seepage or encouragement of vermin. All equipment, garbage cans, service yards, woodpiles or storage piles shall be kept screened by adequate planting or fencing so as to conceal them from view of neighboring Lots and streets. All rubbish, trash, garbage or other unsightly items must be deposited in locations in containers on Lots approved or provided by the Association. The Association may adopt rules and regulations further defining the deposit of rubbish, trash or garbage and other matters related thereto. Without limiting the foregoing, the Association, acting through the Board, shall have the right to require that the trash collection within the Project be performed by one (1) company and that trash collected from all Lots by such company be on the same day of each week. Unless the Board expressly adopts a resolution to the contrary, such cost of trash collection shall be a Common Expense. In the event the Association so elects, all Owners shall make use of the trash collection service provided or contracted for by the Association. This Section 7.11 shall not apply to a contractor during construction of a dwelling or other improvements within the Project. Such contractor may dispose of trash, rubbish, debris and other construction materials either personally or by contracting with a trash collection company.

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Section 7.12. Screens, Awnings, Flags and Other Accessories. No pool cabanas, guest houses, gazebos, greenhouses, decks, screens, storm doors, awnings, flags, clothes lines, basketball goals (whether attached or movable) and similar exterior accessories shall be installed or used on or about any Lot without the prior written approval of the DRC. In considering whether to approve any such accessory, the DRC shall consider the location, size, visual impact on the Lot and proximity to adjacent Lots, aesthetic appeal and harmony of exterior design in relation to surrounding structures. Use or installation of any such accessory shall also be subject to such rules and regulations as may be adopted by the Association from time to time. In any event, if any such accessories are permitted by the DRC and the Association, the Owner installing same on its Lot shall be responsible to fully and properly maintain such accessories at all times.

Section 7.13. Storage. No tanks for the storage of gas, fuel, oil, chemicals or other matter shall be erected, placed or permitted above the surface on any Lot. No detached storage buildings, service yards, woodpiles or storage areas shall be permitted on any Lot without the approval of the DRC, which may require enclosure or screening, such as privacy fences, landscaping or berming, to conceal such area from the view of neighboring Lots.

Section 7.14. Radio and Television Antennae or Electrical or Cooling Devices. No exterior television antenna, radio antenna or satellite transmitting or receiving devices shall be placed, allowed or maintained upon any portion of any dwelling or other structure located upon a Lot or any other portion of the Project without the express written consent of the Association or the DRC. In addition, no electronic devices or systems causing unreasonable electrical interference with radio or television receivers located within a dwelling upon any Lot shall be placed or maintained on any Lot. Notwithstanding the foregoing, a single satellite dish with horizontal elements not in excess of twenty-four (24) inches in diameter will be allowed on a Lot, provided that the location thereof is approved by the DRC, and the Owner submits a plan to screen or otherwise conceal or minimize the visual impact of the satellite dish to the extent feasible, and such plan is approved by the DRC. No air conditioners shall be mounted on the exterior of any dwelling. The DRC may grant relief from the provisions of this Section for good cause shown.

Section 7.15. Electrical, Television, Natural Gas and Telephone Service. All electrical, television, natural gas and telephone service installations shall be placed underground.

Section 7.16. Water and Sanitation. Each structure designed for occupancy shall connect with water and sanitation facilities as are made available from time to time by the Town or any other approved utility supplier.

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Section 7.17. Wells. No well from which water, oil, or gas is produced shall be dug, nor shall storage tanks, reservoirs, or any installation of power, telephone or other utility lines (wire, pipe, or conduit) be made or operated anywhere on the Property except in connection with water wells and works operated by public agencies or duly certified public utility companies; provided, however, that the foregoing shall not prevent the drilling of or installation of water wells by the Association, or Declarant or its assigns, provided further that all required approval from appropriate governmental authorities shall first be obtained.

Section 7.18. Temporary Structures. No temporary structures shall be permitted except as may be determined to be necessary during construction and as specifically authorized by the DRC, and except as necessary for the exercise by Declarant of the Special Declarant Rights.

Section 7.19. Outside Burning. There shall be no exterior fires, except barbecues, outside fireplaces and braziers contained within facilities or receptacles and in areas designated and approved by the DRC. Incinerators and incinerator fires are prohibited. No Owner shall permit any condition upon its portion of the Property which creates a fire hazard or is in violation of fire prevention regulations.

Section 7.20. Noise. No exterior horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of the Property or Improvements, shall be placed or used on any portion of the Property.

Section 7.21. Lighting. All exterior lighting of the Improvements and grounds on the Property shall be subject to regulation by the Design Review Committee.

Section 7.22. Clotheslines. No clotheslines shall be installed within the Project.

Section 7.23. Nuisances. No obnoxious or offensive activity shall be carried on upon any Lot or the Common Area, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to any other Owner. Nothing contained herein shall be construed as prohibiting or restricting construction activities by Declarant at any time, seven (7) days per week.

Section 7.24. Drainage and Irrigation. No Owner shall modify or change the topography or contour of any drainage areas or easements, including swales, constructed on the Lots and other portions of the Property from the shape and outline established by Declarant or Persons or entities acting on behalf of the Declarant; provided, however, than an Owner shall be permitted to modify the drainage areas on his or her Lot upon receiving written approval therefor from the DRC. Any Owner who in any way materially modifies the drainage pattern on the land without such

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bred or maintained for any commercial purpose. The Board of Directors may adopt rules and regulations regarding the maintenance of animals upon the Property, including the maximum number and size thereof.

Section 7.5. Pet Runs. No pet runs or other fenced-in areas for the containment of dogs or other pets shall be permitted upon any Lot without the prior written approval of the DRC. In considering whether to approve any such pet run or other fenced-in areas, the DRC shall consider the location, size, concealment, proximity to surrounding structures and adjacent Lots, proposed building materials, aesthetic appeal and harmony of exterior design in relation to surrounding structures. Furthermore, no invisible fences or similar restraints shall be installed within or encroach upon any portion of the Common Area.

Section 7.6. Signage. No signs or advertising of any character shall be erected, placed or permitted or maintained within the Project unless the Board of Directors or the DRC has given consent to the same in writing. This provision shall not apply to permanent signs identifying the Project which are installed by Declarant as part of the development of the Project, nor shall this provision preclude Declarant or its agents, as long as Declarant is the Owner of any Lot within the Project, from placing such signs as Declarant deems appropriate, without limitation on size or location, offering the Property or Lots for sale. The Board of Directors may adopt rules and regulations permitting signs advertising Lots for sale at such location and of such character as the Board shall designate, provided that in no event shall individual Lot Owners be entitled to place advertising signs on the Common Area, nor shall any such Lot Owner be allowed to use more than one (1) sign to advertise such Owner's Lot for sale.

Section 7.7. Leases. No lease of a Lot or dwelling thereon shall be for a period of less than six (6) months and every lease shall be in writing. The written lease shall contain provisions requiring that the tenant comply with all provisions of this Declaration and the other Project Documents. The Board may require that all leases be submitted to it for approval before the lease will be effective and that all tenants meet with a person designated by the Board to review the requirements of the Declaration and other Project Documents. The Association shall have the power to enforce the provisions of the Declaration and the other Project Documents against any tenant regardless of the provisions of a lease. The Association shall have the power to levy fines and Assessments against a tenant based on such tenant's actions, the same as it would have against a Lot Owner.

Section 7.8. Storage of Inoperative Vehicles. Inoperative vehicles shall not be stored, parked or permitted to remain upon or adjacent to a Lot, except within a fully enclosed garage on the Lot. For purposes of this provision, any disassembled or partially disassembled car or other vehicle or any car or other

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consent shall be subject to sanctions contained herein for violations of this Declaration.

Section 7.25. Enforcement. The Association, or the Design Review Committee, acting on behalf of the Association, may take such action as it deems advisable to enforce this Declaration as provided in this Declaration. In addition, the Association and the Design Review Committee shall have a right of entry on any part of the Property for the purposes of enforcing this Article, and any costs incurred by the Association or the Design Review Committee in connection with such enforcement which remain unpaid thirty (30) days after the Association has given notice of the cost to the Owner and otherwise complied with the Act shall be subject to interest at the Default Rate from the date of the advance by the Association or the Design Review Committee through the date of payment in full by the Owner, and shall be treated as a Default Assessment enforceable as provided in Article IX.

ARTICLE VIII MAINTENANCE

Section 8.1. Maintenance of Common Area. The Association shall maintain all of the Common Area within the Project. The Association shall maintain all landscaping and other improvements and facilities installed in, on or under the Common Area and shall make repairs and replacements thereto as needed to permit the Common Area to serve the purpose for which they are created and installed in the Project. Any sidewalks or paths, landscaping, entry features and signage, storm drainage improvements and facilities and irrigation sprinkler systems located in on or under the Common Area, shall be maintained by the Association. All such facilities and any and all additional facilities and improvements which may be installed within Common Area shall be maintained, repaired and replaced by the Association as necessary so that the Common Area presents an aesthetically attractive appearance and serves the purpose for which such facilities were installed. In addition, to the fullest extent allowed or required by the provisions of § 307(1.5) of the Act, the Association shall maintain, repair and replace any and all drainage structures or facilities or other public improvements required by the Town as a condition to the development of the Project or any part thereof (unless and except to the extent that same are maintained by the Town).

Section 8.2. Damage by Owner. Notwithstanding anything to the contrary contained herein, in the event the need for the Association to maintain, repair or replace any portion or component of the Common Area is caused by the willful act or gross negligence or misconduct of an Owner or a member of such Owner's family, or a guest, invitee or tenant of an Owner or a member of such tenant's family, the costs of such repair, replacement or maintenance, to the extent not covered by the Association insurance, shall be a personal obligation of such Owner, and any costs, expenses and fees incurred by the Association for the same

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shall be assessed to such Owner as a Default Assessment. The Association shall have a lien for the payment of such Default Assessment as provided in the Act and in this Declaration.

Section 8.3. Residence Exteriors. Each Owner shall provide routine upkeep and maintenance of the exterior paint and trim of his or her individual Residence. The nature and type of any painting or refinishing, including the color thereof, shall be determined by the Association. All other maintenance, repair and replacement (including, without limitation, exterior surface of roofs, including shingles, repair and replacement of sidewalks, driveways and gutters, windows, doors, screens, patio or deck areas, exterior doors, garage doors and light fixtures) will also be the obligation of the Owner. Each Owner shall also be responsible for (i) repair or replacement of broken window panes, (ii) maintenance and repair (including, without limitation, removal of snow and ice) of any balconies, decks or porches that are part of the Residence, and (iii) maintenance and repair of any enclosed, screened or fenced-in areas located on any Lot.

Section 8.4. Landscaping, Sidewalks and Driveways. The Association shall maintain all landscaping of the Lot, including, but not limited to, lawns, trees and shrubs (but excluding (i) any enclosed, screened or fenced-in areas located on any Lot and (ii) flowers and plantings placed by an Owner upon such Owner's Lot, installation of which shall be subject to approval by the Design Review Committee). The Association shall also provide routine cleaning and snow removal (but not repair or replacement) of front sidewalks and driveways. The maintenance provided under this Section shall be performed at such time and in such a manner as the Association shall determine.

Section 8.5. Owner Maintenance Responsibility - Interior. Owners shall maintain, replace and keep in good repair the interior of their Residence and all exterior and other improvements on their Residence.

Section 8.6. Additional Maintenance. Notwithstanding any other provisions hereof, the Board may, at any time and from time to time, determine that the Association shall provide other maintenance to the exterior of the Residences or to any other improvements on the Lots. Any such determination by the Board must apply uniformly to all Lots and Residences requiring such maintenance. Any additional maintenance services provided in accordance herewith may be revoked at any time as determined by the Board.

Section 8.7. Owner Maintenance/Failure to Maintain. Except as provided to the contrary in this Declaration, the Project Documents, or by written agreement with the Association, all maintenance of a Lot and the Improvements located thereon shall be the sole responsibility of the Owner of the Lot. Each Owner shall maintain his Lot in accordance with the community-wide standards of the Project. The Association may, in the discretion of the

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Board, assume the maintenance responsibilities of such Owner if, in the opinion of the Board, the level and quality of maintenance being provided by such Owner does not satisfy such standards. Before assuming the maintenance responsibilities, the Board shall notify the Owner in writing of its intention to do so, and if the Owner has not commenced and diligently pursued remedial action within thirty (30) days after the mailing of such written notice, then the Association may proceed. The expenses of the maintenance by the Association shall be reimbursed to the Association by the Owner within thirty (30) days after the Association notifies the Owner of the amount due, and any sum not reimbursed within that thirty (30) day period shall bear interest at the rate of eighteen percent (18%) per annum from the date of the expenditure until payment in full. Such charges shall constitute a Default Assessment.

Section 8.8. Metro District. As set forth elsewhere in this Declaration, the Association shall have the right to delegate to the Metro District, and/or contract with the Metro District for, the performance of any or all obligations and responsibilities of the Association with respect to maintenance hereunder. In addition, as set forth elsewhere, the Metro District, and not the Association, shall be responsible for all maintenance and repair associated with any open space, greenbelts or other tracts or parcels owned by the Metro District.

ARTICLE IX
COVENANT FOR ASSESSMENTS

Section 9.1. Creation of the Lien and Personal Obligation for Assessments. Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed, are deemed to covenant and agree to pay to the Association: (1) Annual Assessments or charges as provided in this Declaration to generally carry out the functions of the Association; (2) Special Assessments for capital improvements and other purposes as stated in this Declaration, such Annual and Special Assessments to be fixed, established, and collected from time to time as provided below; and (3) Default Assessments which may be assessed against a Lot pursuant to the Project Documents for the Owner's failure to perform an obligation under the Project Documents or because the Association has incurred an expense on behalf of the Owner under the Project Documents.

The Annual, Special, and Default Assessments, together with fines, interest, costs, and reasonable attorneys' (and legal assistants') fees and other charges allowed under the Act, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made until paid.

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Each such Assessment, together with fines, interest, costs, and reasonable attorneys' (and legal assistants') fees and other charges allowed under the Act, shall also be the personal and individual obligation of the Owner of such Lot as of the time the Assessment falls due, and two (2) or more Owners of a Lot shall be jointly and severally liable for such obligations. No Owner may exempt himself from liability for any Assessments by abandonment of his Lot or by waiver of the use or enjoyment of the Common Area. Suit to recover a money judgment for unpaid Assessments and related charges as listed above may be maintained without foreclosing or waiving the Assessment liens provided in this Declaration.

Section 9.2. Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners and occupants of the Project, to improve and maintain the Common Area (or property outside of the Project if such action might enhance property values within the Project or otherwise further the purpose and intent of this Declaration) by actions including, but not limited to, the payment of taxes and insurance on the Common Area; payment for repair, replacement, upkeep and additions to any other Improvements on the Common Area; establishment of reserve accounts; and payment of the cost of labor, equipment, materials, management, and supervision, and the salary or fee of the Manager.

Section 9.3. Calculation and Apportionment of Annual Assessments and Common Expenses. The Board of Directors shall prepare a budget before the closing of each fiscal year of the Association and submit the budget to the Association as required by the Act and this Declaration. Annual Assessments for Common Expenses shall be based upon the estimated net cash flow for the Association to cover items including, without limitation, the cost of routine maintenance, repair and operation of the Common Area; expenses of management; assessments, charges and fees payable to the Metro District; premiums for insurance coverage as deemed desirable or necessary by the Association; snow removal, landscaping, care of grounds and common lighting within the Common Area; routine renovations within the Common Area; wages; common water and utility charges for the Common Area; legal and accounting fees; management fees; taxes and capital improvements; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any deficit remaining from a previous Assessment Period; and the supplementing of the Association's funds for general, routine maintenance, repairs and replacement of Improvements within the Common Area on a periodic basis, as needed; the creation of reasonable contingency reserves, working capital and/or sinking funds; and any other costs, expenses and fees, which may be incurred or may reasonably be expected to be incurred by the Association for the benefit of the Owners under or by reason of this Declaration.

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Each Owner shall be responsible for that Owner's share of the Common Expenses, which shall be divided equally among the Lots included in the Property under this Declaration from time to time. Accordingly, at any given time, an Owner's share of Common Expenses shall be determined as a fraction, the numerator of which is the number of Lots owned by the Owner, and the denominator of which is the number of Lots then platted and incorporated in the Property. Notwithstanding the preceding sentence, any Common Expenses or portion thereof benefitting fewer than all of the Lots shall be assessed exclusively against the Lots benefitted. Further, the costs of insurance may be assessed in proportion to risk, and the costs of utilities may be assessed in proportion to usage.

Section 9.4. Special Assessments. In addition to the Annual Assessments authorized by Sections 9.1 and 9.3, above, the Board of Directors may levy in any fiscal year one (1) or more Special Assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, or, after adopting and submitting a revised budget to the Association as may be required by the Act, to make up any shortfall in the current year's budget.

Notice of the amount and due dates for such Special Assessments must be sent to each Owner at least thirty (30) days prior to the due date.

If any of the Special Assessments levied pursuant to this Section shall be used for the construction of new facilities (as opposed to repair and reconstruction of existing facilities) in the Project and if the total amount of Special Assessments levied for such construction exceeds ten percent (10%) of the gross annual budget for the Association for that year, then the use of Special Assessments for such construction shall require the approval of the Owners representing at least sixty-seven percent (67%) of the votes in each class of Association membership.

Section 9.5. Uniform Rate of Assessment. Both Annual Assessments and Special Assessments must be fixed at a uniform rate for each type of Lot classified by type of use or other distinguishing characteristics (as set forth below), but the basis and rate of Assessments for each type of use or other characterization may be varied as provided in this Section.

Lots may be classified by use, location, density, or other characteristics as the Board may deem appropriate, and shall be assessed on the basis appropriate for each area, or other classification, as determined by the Board of Directors from time to time. The rate of Assessment levied against Lots within the various areas, or other classifications may be varied based upon the Board's sole and exclusive determination that any specific item in the Association's budget may more directly benefit a

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certain area or other classification of the Property in excess of its proportionate share, or that the Association has provided services to such area, or other classification in excess of those to other areas, or other classifications within the Project; provided, however, that such rate of Assessment shall be uniform within each area or other classification.

The rates of Assessment for Lots within each area or other classification shall be established from time to time by resolution of the Board. The classification of a Lot for the purpose of determining the rate of Assessments shall be made by the Board in its sole discretion, and its decision shall be final.

Section 9.6. Common Expenses Attributable to Fewer than All Lots.

9.6.1. An Assessment to pay a judgment against the Association may be made only against the Lots in the Project at the time the judgment was entered, in proportion to their respective liabilities for Common Expenses.

9.6.2. If a Common Expense is caused by the misconduct of an Owner, the Association may assess that expense exclusively against that Owner's Lot.

9.6.3. Fees, charges, taxes, impositions, late charges, fines, collection costs and interest charged against an Owner pursuant to this Declaration, the Project Documents or the Act are enforceable as Common Expense Assessments.

9.6.4. Any Common Expense or portion thereof benefitting fewer than all of the Lots must be assessed exclusively against all the Lots benefitted in the proportions determined by the Board after considering the relative size and value that the Lots being benefitted bear to all Lots benefitted.

Section 9.7. Date of Commencement of Annual Assessments and Payment Period. The Annual Assessments shall commence as to all Lots no later than sixty (60) days after the date of the first conveyance by Declarant of a Lot to an Owner. The first Annual Assessment shall be prorated according to the number of months remaining in the calendar year. The Annual Assessments shall commence for Lots contained in each phase of Expansion Property incorporated in the Property on the first day of the month following the recording of the Declaration of Annexation incorporating them into the Property, and shall be prorated according to the number of months remaining in the calendar year.

Section 9.8. Collection. Assessments shall be collected on a periodic basis as the Board of Directors may determine from time to time, but until the Board directs otherwise, Assessments shall be payable monthly in advance on the first day of each calendar month. The omission or failure of the Association to fix Assessments for any Assessment period will not be deemed a waiver,

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modification, or release of the Owners from their obligation to pay the same. The Association will have the right, but not the obligation, to make pro-rata refunds of any Assessments in excess of the actual expenses incurred in any fiscal year. Any such excess funds not refunded will be applied to the next installment(s) of Annual Assessments due.

Section 9.9. Default Assessments. All monetary fines, penalties, interest or other charges or fees assessed against an Owner pursuant to the Project Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Project Documents and any expense (including, without limitation, attorneys' and legal assistants' fees) incurred by the Association as a result of the failure of an Owner to abide by the Project Documents, shall be a Default Assessment and shall become a lien against such Owner's Lot which may be foreclosed or otherwise collected as provided in this Declaration and in accordance with the Act. Notwithstanding anything to the contrary contained in this Declaration, or in the event that the need for maintenance or repair of the Common Area or any Improvements located thereon is caused by the willful or negligent act, omission or misconduct of any Owner, or by the willful or negligent act, omission or misconduct of any member of such Owner's family, or by a guest or invitee of such Owner, or any tenant or tenant's family, the costs of such repair and maintenance shall be the personal obligation of such Owner, and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction shall also constitute a "Default Assessment" and shall be added to and become part of the Assessment to which such Owner's Lot is subject and shall be a lien against such Owner's Lot as provided in this Declaration. A determination of the willful or negligent act, omission or misconduct of any Owner or any member of an Owner's family, or a guest or invitee of any Owner, or tenant or tenant's family, resulting in a Default Assessment and the amount of the Default Assessment shall be determined by the Association after notice to the Owner and the right to be heard before the Board of Directors in connection therewith, provided that any such determination for a Default Assessment pursuant to the terms of this section may be appealed by said Owner to a court of law.

Section 9.10. Effect of Nonpayment of Assessment; Lien; Remedies of Association. Any Assessment installment, whether pertaining to Annual, Special, or Default Assessments, which is not paid within thirty (30) days after its due date shall be delinquent. In the event that an Assessment installment becomes delinquent or in the event any Default Assessment is established under this Declaration, the Association, in its sole discretion, may take any or all of the following actions:

9.10.1. Assess a late charge for each delinquency at uniform rates set by the Board of Directors from time to time;

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9.10.2. Assess an interest charge from the date of delinquency at the Default Rate;

9.10.3. Suspend the voting rights of the Owner during any period of delinquency;

9.10.4. Accelerate all remaining Assessment installments for the fiscal year in question so that unpaid Assessments for the remainder of the fiscal year shall be due and payable at once;

9.10.5. Bring an action at law against any Owner personally obligated to pay the delinquent installments;

9.10.6. File a statement of lien with respect of the Lot, and foreclose as set forth in more detail below.

The remedies provided under this Declaration shall not be exclusive, and the Association may enforce any other remedies to collect delinquent Assessments as may be provided by law.

Any Assessment chargeable to a Lot shall constitute a lien on the Lot, effective the due date of the Assessment. To evidence the lien, the Association may, but shall not be obligated to, prepare a written lien statement with respect to the Lot, setting forth the name of the Owner, the legal description of the Lot, the name of the Association, and the delinquent Assessment amounts then owing. Any such statement shall be duly signed and acknowledged by the President or a Vice President of the Association or by the Manager, and shall be served upon the Owner of the Lot by mail to the address of the Lot or at such other address as the Association may have in its records for the Owner. At least ten (10) days after the Association mails the statement to the Owner, the Association may record the statement in the office of the Clerk and Recorder of Larimer County, Colorado. The Association may proceed to foreclose the statement of lien in the same manner as provided for the foreclosure of mortgages under the statutes of the State of Colorado. Such lien shall be in favor of the Association and shall be for the benefit of all other Owners. In either a personal action or foreclosure action, the Association shall be entitled to recover as a part of the action, the interest, costs, and reasonable attorneys' fees (including legal assistants' fees) with respect to the action. The Association shall have the power to bid on a Lot at foreclosure sale and to acquire, hold, lease, mortgage and convey the Lot.

No Owner may waive or otherwise escape liability for the Assessments provided for in this Declaration by nonuse of the Common Area or by abandonment of his Lot.

Section 9.11. Successor's Liability for Assessment. In addition to the personal obligation of each Owner to pay all Assessments and the Association's perpetual lien for such Assessments, all successors to the fee simple title of a Lot,

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except as provided in Section 9.12, below, shall be jointly and severally liable with the prior Owner or Owners thereof for any and all unpaid Assessments, interest, late charges, costs, expenses, and attorneys' fees and legal assistants' fees against such Lot without prejudice to any such successor's right to recover from any prior Owner any amounts paid by such successor. This liability of a successor shall not be personal and shall terminate upon termination of such successor's fee simple interest in the Lot. In addition, such successor shall be entitled to rely on the statement of status of Assessments by or on behalf of the Association under Section 9.14, below.

Section 9.12. Waiver of Homestead Exemption; Subordination of the Lien. The lien of the Assessments shall be superior to and prior to any homestead exemption provided now or in the future by any federal law or the laws of the State of Colorado, and to all other liens and encumbrances except the following:

9.12.1. Liens and encumbrances recorded before the date of the recording of this Declaration;

9.12.2. Liens for real estate taxes and other governmental assessments or charges duly imposed against the Lot by a Colorado governmental or political subdivision or special taxing district, or any other liens made superior by statute; and

9.12.3. The lien for all sums unpaid on a First Mortgage recorded before the date on which the Assessment sought to be enforced became delinquent, including any and all advances made by the First Mortgagee and notwithstanding that any of such advances may have been made subsequent to the date of attachment of the Association's lien; all subject, however, to the limitations of the Act.

With respect to Subsection 9.12.3, above, any First Mortgagee who acquires title to a Lot by virtue of foreclosing the First Mortgage or by virtue of a deed or assignment in lieu of such a foreclosure, or any purchaser at a foreclosure sale of the First Mortgage, shall take the Lot free of any claims for unpaid Assessments, interest, late charges, costs, expenses, and attorneys' (and legal assistants') fees against the Lot which accrue prior to the time such First Mortgagee or purchaser acquires title to the Lot, except as provided herein and in the Act. A lien under this section is also prior to all Mortgages to the extent that the Assessments are based on the periodic budget adopted by the Association and which would have become due, in the absence of acceleration, during the six (6) months immediately preceding institution of an action to enforce either the Association's lien or a Mortgage, and statutory liens recognized under Colorado law. If a First Mortgagee of a Lot forecloses that Mortgage, the purchaser at the foreclosure sale is not liable for any unpaid Assessments against the Lot which became due before the sale, other than the Assessments which are prior to the Mortgage under this Section of the Declaration.

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All other persons who hold a lien or encumbrance not described in Subsections 9.12.1 through 9.12.3, above, shall be deemed to consent that any such lien or encumbrance shall be subordinate to the Association's future liens for Assessments, interest, late charges, costs, expenses and attorneys' (and legal assistants') fees, as provided in this Article IX, whether or not such consent is specifically set forth in the instrument creating any such lien or encumbrance.

Sale or transfer of any Lot to enforce any of the liens to which the lien for Assessments is subordinate shall extinguish the lien of such Assessments as to installments which became due prior to such sale or transfer to the extent provided in the Act. The amount of such extinguished lien may be reallocated and assessed to all Lots as a Common Expense at the direction of the Board of Directors. However, no such sale or transfer shall relieve the purchaser or transferee of a Lot from liability for, or the Lot from the lien of, any Assessments made after the sale or transfer.

Section 9.13. Exempt Property. The following portions of the Property shall be exempt from the Assessments, charges, and liens created under this Declaration:

9.13.1. All properties to the extent of any easement or other interest therein dedicated and accepted by the Town and devoted to public use;

9.13.2. All utility lines and easements; and

9.13.3. All Common Areas.

Section 9.14. Statement of Status of Assessments. The Association shall furnish to an Owner or his designee or to any Mortgagee a statement setting forth the amount of unpaid Assessments then levied against the Lot in which the Owner, designee or Mortgagee has an interest. The Association shall deliver the statement personally or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party within fourteen (14) calendar days after the registered agent of the Association receives the request by personal delivery or by certified mail, first class postage prepaid, return receipt requested or as otherwise required by the Act. The information contained in such statement, when signed by the Treasurer of the Association or the Manager, shall be conclusive upon the Association, the Board, and every Owner as to the person or persons to whom such statement is issued and who rely on it in good faith. The Association may charge such fee for this service as it determines to be appropriate from time to time.

Section 9.15. Failure to Assess. The omission or failure of the Board to fix the Assessment amounts or rates or to deliver or mail to each Owner an Assessment notice shall not be deemed a waiver, modification or release of any Owner from the obligation

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to pay Assessments. In such event, each Owner shall continue to pay Annual Assessments on the same basis as for the last year for which an Assessment was made until a new Assessment is made, at which time any shortfalls in collections may be assessed retroactively by the Association in accordance with any budget procedures as may be required under the Act.

ARTICLE X
SPECIAL DECLARANT RIGHTS
AND ADDITIONAL RESERVED RIGHTS

Section 10.1. General Provisions. Until the expiration of the Special Declarant Rights Period, Declarant shall have the following Special Declarant Rights with respect to all of the Property (including the Expansion Property):

10.1.1. Completion of Improvements. The right to complete Improvements as indicated on any Plat filed with respect to the Property;

10.1.2. Development Rights. The right to exercise all "development rights," as defined from time to time in the Act (and so referred to here as "Development Rights"), including without limitation, the right or combination of rights hereby reserved by Declarant, as follows:

(a) The right to annex all or part of the Expansion Property to the Project, in accordance with Article XVI.

(b) The right to create Lots and Common Area on the Property, subject to the limitations of Section 1.4.

(c) The right to subdivide Lots and convert Lots into Common Area on any part of the Property, subject to the limitations of Section 1.4.

(d) The right to withdraw real estate, whether contained within the Property initially subject to this Declaration or within the Expansion Property, from the Project, as provided in Article XVI.

10.1.3. Sales Management and Marketing. The right to construct, maintain and/or relocate from time to time, model residences, sales offices, construction offices, management offices, signs advertising the Lots and the Project and to conduct sales activities thereon. Such rights shall include, without limitation, the right to install signage, both fixed and movable, flags and flag poles.

10.1.4. Easements. The right to use easements through the Common Area on the Property, including the Expansion Property, for the purpose of making Improvements on the Property and the Expansion Property.

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10.1.5. Association Directors and Officers. The right to appoint any officer or Director of the Association, as provided in this Declaration or the Bylaws, and subject to the limitations of the Act.

10.1.6. Additional Reserved Rights. In addition to the Special Declarant Rights set forth above, the Declarant also reserves the following additional rights:

(a) Dedications. The right to establish, from time to time, by dedication or otherwise, utility and other easements for purposes, including, but not limited to, streets, paths, walkways, and drainage areas, and to create other reservations, exceptions and exclusions for the benefit of and to serve the Owners within the Project.

(b) Use Agreements. The right to enter into, establish, execute, amend and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulation of recreational facilities, which may or may not be a part of the Project for the benefit of the Owners and/or the Association.

(c) Colorado Common Interest Ownership Act. The right to amend this Declaration to comply with the requirements of the Colorado Common Interest Ownership Act in the event any provision contained herein does not so comply with the Act.

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

Section 10.2. Order of Exercise of Declarant's Rights. Declarant makes no representations and gives no assurances regarding the legal description or the boundaries of any phase of the Expansion Property or the order in which the phases of the Expansion Property may be developed or incorporated into the Project. Further, the fact that Declarant may exercise one (1) or more of Declarant's Development Rights or other Special Declarant Rights on one (1) portion of the Property (including the Expansion Property) shall not operate to require Declarant to exercise a Development Right or other Special Declarant Right with respect to any other portion of the Property (including the Expansion Property).

Section 10.3. Supplemental Provisions Regarding Declarant's Rights. Without limiting the generality of the foregoing, certain of these Special Declarant Rights are explained more fully in this Article below. Further, Declarant reserves the right to amend this Declaration and any Plat in connection with the exercise of any Development Right or any other Special Declarant Right to the extent permitted by the Act, and Declarant also reserves the additional rights retained for the benefit of Declarant in this Article and in other provisions of this Declaration.

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Section 10.4. Reservation for Expansion. Declarant hereby reserves for itself and its successors and assigns and for Owners in all future phases of the Project a perpetual easement and right-of-way for access over, upon, and across the Property, including the Expansion Property, for construction, utilities, drainage, ingress and egress, and for use of the Common Area, including Common Area located within the Expansion Property. The location of these easements and rights-of-way may be made certain by Declarant or the Association by instruments recorded in Larimer County, Colorado.

Declarant further reserves the right to establish from time to time, by dedication or otherwise, utility and other easements, and to create other reservations, exceptions and exclusions convenient or necessary for the development, use and operation of any other property of Declarant, as long as such action does not hamper the enjoyment of the Project, as built or expanded by the Owners.

Section 10.5. Reservation of Easements, Exceptions, and Exclusions for Utilities, Infrastructure and Access. Declarant reserves for itself and its successors and assigns and hereby grants to the Association, acting through the Board of Directors, the concurrent right to establish from time to time, by declaration or otherwise, utility and other easements, permits, or licenses over the Common Area, for purposes including, but not limited to, streets, pathways, trails, walkways, drainage, shafts, pipelines, conduit and similar facilities, and to create other reservations, exceptions, and exclusions in the interest of the Owners and the Association, in order to serve all the Owners within the Project as initially built and expanded.

Section 10.6. Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and all other similar emergency agencies or persons to enter upon all streets and upon the Property in the proper performance of their duties.

Section 10.7. Declarant's Rights Incident to Construction. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress over, in, upon, under, and across the Common Area and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the Improvements on the Property or other real property owned by Declarant; provided, however, that no such rights shall be exercised by Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment, or access to an Owner's Lot by that Owner or his family, tenants, employees, guests, or invitees.

Section 10.8. Easements Deemed Created. All conveyances of Lots hereafter made, whether by Declarant or otherwise, shall be construed to grant and reserve the easements contained in this Article X, even though no specific reference to such easements or

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to this Article X appears in the instrument for such conveyance.

Section 10.9. Rights Transferable. Any Special Declarant Right or Additional Reserved Right created or reserved under this Article for the benefit of the Declarant may be transferred to any Person by an instrument describing the rights transferred and recorded in Larimer County, Colorado. Such instrument shall be executed by the transferor Declarant and the transferee.

ARTICLE XI
PROPERTY RIGHTS OF OWNERS

Section 11.1. Owners' Easements of Access and Enjoyment. Every Owner has a perpetual, nonexclusive easement for access to and from his Lot and for the use and enjoyment of the Common Area, which easement is appurtenant to and shall pass with the title to every Lot, subject to the provisions set forth in this Article.

Section 11.2. Delegation of Use. Any Owner may delegate, in accordance with the Project Documents (including specifically, but without limitation, the Project Rules), his rights of access and enjoyment described in Section 11.1, above, to his tenants, employees, family, guests or invitees.

Section 11.3. Easements of Record and of Use. The Property shall be subject to all easements shown on any recorded Plat affecting the Property and to any other easements of record or of use as of the date of recordation of this Declaration.

Section 11.4. Partition or Combination of Lots. No part of a Lot may be partitioned or separated from any other part thereof, and no Lots may be combined, except as provided in this Section and subject to the limitations of Section 1.4 and the requirements of the Act. A Lot may be subdivided into two (2) or more Lots, or two (2) or more Lots may be combined into one (1), only with the written consent of Declarant (during the Special Declarant Rights Period) and the Board of Directors and full compliance with all applicable state and county zoning and subdivision regulations, and the Act. Declarant's consent shall be conditioned upon payment by the Owner or Owners concerned of all expenses incident to giving the consent, including legal and accounting fees. Every agreement and recorded instrument for partition or combination of Lots shall make adequate provision for the preservation of easements previously reserved with respect to the Lots, and the adjustment of voting rights and liability for payment of Assessments appurtenant to or imposed on such Lots.

Whether partitioned, combined, or unchanged, each Lot shall be conveyed, transferred, gifted, devised, bequeathed, encumbered, or otherwise disposed of, as the case may be, with all appurtenant rights and interests created by law or by this Declaration, including the Owner's membership in the Association and the right to use the Common Area, and with the appropriate allocation of voting rights, as provided in Article IV, above, and liability for

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Assessments as established for such classification of Lot by the Board of Directors.

Section 11.5. No Partition of Common Area. The Common Area shall be owned by the Association, and no Owner shall bring any action for partition or division of the Common Area. By acceptance of a deed or other instrument of conveyance or assignment, each Owner shall be deemed to have specifically waived such Owner's rights to institute or maintain a partition action or any other action designed to cause a division of the Common Area, and this Section may be pleaded as a bar to any such action. Any Owner who shall institute or maintain any such action shall be liable to the Association, and hereby agrees to reimburse the Association for its costs, expenses, and reasonable attorneys' (and legal assistants') fees in defending any such action.

ARTICLE XII
INSURANCE AND FIDELITY BONDS

Section 12.1. Authority to Purchase. All insurance policies relating to the Common Area shall be purchased by the Board of Directors or its duly authorized agent. The Board of Directors, the Manager, and Declarant shall not be liable for failure to obtain any coverage required by this Article XII or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverage from reputable insurance companies, or if such coverage is available only at demonstrably unreasonable costs. Notwithstanding the foregoing, if the insurance described in Sections 12.3 and 12.4, below, is not reasonably available, or if any policy of such insurance is cancelled or not renewed without a replacement policy having been obtained, the Association promptly shall cause notice of that fact to be hand delivered or otherwise delivered to all Owners by such methods as required by the Act.

Section 12.2. General Insurance Provisions. All such insurance coverage obtained by the Board of Directors shall conform to any minimum requirements of the Act, and, to the extent not inconsistent with the Act, the following provisions:

12.2.1. As long as Declarant owns any Lot, Declarant shall be protected by all such policies in the same manner as any other Owner. The coverage provided to Declarant under the insurance policies obtained in compliance with this Article XII shall not be deemed to protect or be for the benefit of any general contractor engaged by Declarant, nor shall such coverage be deemed to protect Declarant for (or waive any rights with respect to) warranty claims against Declarant as the developer of the Project.

12.2.2. The deductible, if any, on any insurance policy purchased by the Board of Directors may be treated as a Common Expense payable from Annual Assessments or Special Assessments allocable to all of the Lots or to only some of the

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Lots, if the claims or damages arise from the negligence of particular Owners (if the repairs benefit only particular Owners), or as an item to be paid from working capital reserves established by the Board of Directors. Except as otherwise set forth in this Article, the maximum deductible amount shall be the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the policy face amount.

Section 12.3. Physical Damage Insurance on Common Area.

The Association shall obtain insurance for all insurable Improvements, if any, on the Common Area in an amount equal to the full replacement value (i.e., one hundred percent [100%] of the current "replacement cost" exclusive of land, foundation, excavation, depreciation on personal property, and other items normally excluded from coverage), which shall include all building service equipment and the like, common personal property and supplies, and any fixtures or equipment within the Common Area. In addition, such policy shall afford protection against at least the following:

12.3.1. Loss or damage by fire and other hazards covered by the standard extended coverage endorsement with the standard "all-risk" endorsement covering sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage.

12.3.2. Such other risks as shall customarily be covered with respect to projects similar in construction, location, and use to the Project.

In contracting for the insurance coverage obtained pursuant to this Section, the Board of Directors shall be required to make reasonable efforts to secure coverage which provides the following (to the extent applicable):

(i) A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to this Declaration not to do so.

(ii) The following endorsements (or equivalent):
(a) "cost of demolition;" (b) "contingent liability from operation of building laws or codes;" (c) "increased cost of construction;" (d) "agreed amount" or elimination of co-insurance clause; and (e) "inflation guard" (if available).

Prior to obtaining any policy of physical damage insurance or any renewal thereof, and at such other intervals as the Board of Directors may deem advisable, the Board of Directors shall obtain an appraisal from a general contractor or such other source as the Board may determine of the then current replacement cost of the Property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage) subject to insurance carried by the Association, without deduction for depreciation, for the purpose of determining the amount of

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physical damage insurance to be secured pursuant to this Article.

Section 12.4. Liability Insurance. The Association shall obtain a comprehensive policy of commercial general liability insurance (including bodily injury, libel, slander, false arrest, and invasion of privacy coverage) and property damage insurance with such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Association, the Manager, each Owner and the respective employees, agents and all persons acting as agents of the Association against any liability to the public or the Owners (and their guests, invitees, tenants, agents, and employees) arising in connection with the ownership, operation, maintenance, or use of the Common Area and streets and roads within the Project and any other areas under the control of the Association. Declarant shall be included as an additional insured in Declarant's capacity as an Owner or Director. The Owners shall be included as additional insureds, but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area.

Such comprehensive policy of public liability insurance shall include the following:

12.4.1. Coverage for contractual liability, liability for non-owned and hired automobiles, and, if applicable, host liquor liability, employer's liability, and such other risks as shall customarily be covered with respect to developments similar to the Project in construction, location, and use.

12.4.2. A cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another insured.

12.4.3. A "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to an Owner because of the negligent acts of the Association or another Owner.

The Board of Directors shall review the coverage limits at least once every two (2) years, but, generally, the Board shall carry such amounts of insurance usually required by private institutional mortgage lenders on projects similar to the Project, and in no event shall such coverage be less than One Million Dollars (\$1,000,000.00) for all claims for bodily injury or property damage arising out of one (1) occurrence. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than Two Million Dollars (\$2,000,000.00).

Section 12.5. Fidelity Insurance. Fidelity bonds shall be maintained by the Association to protect against dishonest acts on the part of its officers, Directors, trustees, and employees, and on the part of all others who handle or are responsible for handling the funds of or administered by the Association. In

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addition, if responsibility for handling funds is delegated to a Manger, such bonds shall be required for the Manager and its officers, employees, and agents, as applicable. Such fidelity coverage shall name the Association as an obligee and shall be written in such an amount as the Board may determine appropriate, and in any event in the minimum amount, if any, prescribed by the Act. Such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. Such bonds shall cover the maximum funds that will be in the custody of the Association or any management agent at any time while the bond is in force.

Section 12.6. Flood Insurance. If any part of the Improvements, if any, on the Common Area are located in a Special Flood Hazard Area, which is designated A, AE, AH, AO, A1-30, A-99, V, VE or V1-30 on a Flood Insurance Rate Map, the Association shall obtain a policy of flood insurance in an amount equal to one hundred percent (100%) of the insurable value of the Improvements or the maximum coverage available under the appropriate National Flood Insurance Administration program. The maximum deductible amount shall be the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy face amount.

Section 12.7. Provisions Common to Physical Damage Insurance, Liability Insurance, Fidelity Insurance and Flood Insurance. Any insurance coverage obtained by the Association under the provisions of this Article above shall be subject to the following provisions and limitations:

12.7.1. The named insured under any such policies shall include Declarant, until all of the Lots in the Project have been conveyed, and the Association, as attorney-in-fact for the use and benefit of the Owners, or the authorized representative of the Association (including any trustee with whom the Association may enter into an insurance trust agreement, or any successor trustee, each of which is sometimes referred to in this Declaration as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under such policies.

12.7.2. Each Owner shall be an insured person with respect to liability arising out of the Owner's interest in the Common Area or membership in the Association.

12.7.3. In no event shall the insurance coverage obtained and maintained pursuant to this Article be brought into contribution with insurance purchased by the Owners or their Mortgagees.

12.7.4. The policies shall provide that coverage shall not be prejudiced by (i) any act or neglect of any Owner (including an Owner's family, tenants, servants, agents, invitees, and guests) when such act or neglect is not within the control of the Association, or (ii) any act or neglect or failure of the

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Association to comply with any warranty or condition with regard to any portion of the Property over which the Association has no control; or (iii) conduct of any kind on the part of an Owner (including the Owner's family, tenants, servants, agents and guests) or any Director, officer, employer, or Manager of the Association, without prior demand to the Association and a reasonable opportunity to cure.

12.7.5. The policies shall contain the standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Property is located, and provide that coverage may not be cancelled in the middle or at the end of any policy year or other period of coverage or substantially modified or reduced (including cancellation for nonpayment of premiums) without at least thirty (30) days' prior written notice mailed to the Association and to each Owner and Mortgagee to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

12.7.6. The policies shall contain a waiver by the insurer of any right to claim by way of subrogation against Declarant, the Board of Directors, the Association, the Manager, and any Owner and their respective agents, employees, or tenants, and in the case of Owners, members of their households, and of any defenses based upon co-insurance.

12.7.7. The policies described in Sections 12.3 and 12.4, above, shall provide that any "no other insurance" clause shall expressly exclude individual Owners' policies from its operation so that the physical damage policy or policies purchased by the Board shall be deemed primary coverage, and any individual owners' policies shall be deemed excess coverage.

Section 12.8. Personal Liability Insurance of Officers and Directors. To the extent obtainable at reasonable cost, appropriate officers' and directors' personal liability insurance shall be obtained by the Association to protect the officers and Directors from personal liability in relation to their duties and responsibilities in acting as such officers and Directors on behalf of the Association.

Section 12.9. Workmen's Compensation Insurance. The Association shall obtain workmen's compensation or similar insurance with respect to its employees, if any, in the amounts and forms as may now or hereafter be required by law.

Section 12.10. Other Insurance. The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it deems appropriate with respect to the Association's responsibilities and duties.

Section 12.11. Insurance Obtained by Owners. Each Owner shall have the right to obtain insurance for such Owner's benefit, at such Owner's expense, covering the Owner's personal property

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and personal liability (except to the extent any Owner's Lot is encumbered by an easement conveyed to the Association as Common Area). In addition, each Owner may obtain such other and additional insurance coverage on and in relation to his Lot as such Owner concludes to be desirable; provided, however, that no insurance coverage obtained by an Owner shall operate to decrease the amount which the Board of Directors, on behalf of all Owners, may realize under any policy maintained by the Board or otherwise affect any insurance coverage obtained by the Association or cause the diminution or termination of that coverage. Any such insurance obtained by an Owner shall include a waiver of the particular insurance company's right of subrogation against the Association and other Owners.

ARTICLE XIII
ASSOCIATION AS ATTORNEY-IN-FACT

Each and every Owner hereby irrevocably constitutes and appoints the Association as such Owner's true and lawful attorney-in-fact in such Owner's name, place, and stead for the purpose of dealing with any Improvements on the Common Area upon damage or destruction as provided in Article XIV, below, or a complete or partial taking as provided in Article XV, below. Acceptance by any grantee of a deed or other instrument of conveyance from Declarant or from any Owner shall constitute appointment of the Association as attorney-in-fact as provided in this Article. As attorney-in-fact, the Association shall have full and complete authorization, right, and power to make, execute, and deliver any contract, assignment, deed, waiver, or other instrument with respect to the interest of any Owner which may be necessary or appropriate to exercise the powers granted to the Association as attorney-in-fact.

ARTICLE XIV
DAMAGE OR DESTRUCTION

Section 14.1. Estimate of Damage or Destruction. As soon as practical after an event causing damage to or destruction of any part of the Common Area, the Association shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction of that part of the Common Area so damaged or destroyed. "Repair and reconstruction" as used in this Article shall mean restoring the damaged or destroyed Improvements to substantially the same condition in which they existed prior to the damage or destruction.

Section 14.2. Repair and Reconstruction. As soon as practical after obtaining estimates, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Improvements. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary.

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Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

Section 14.3. Funds for Repair and Reconstruction. The proceeds received by the Association from any hazard insurance shall be used for the purpose of repair, replacement, and reconstruction. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Association may, pursuant to Section 9.4, above, levy, assess, and collect in advance from all Owners, without the necessity of a special vote of the Owners, except as provided in Section 9.4, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair and reconstruction.

Section 14.4. Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for in Section 9.4, above, constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as a Special Assessment to the Association under Section 9.4, above, or, if no Special Assessments were made, then on the basis of the allocation to the Owners of Common Expenses under Section 9.3, above, first to the Mortgagees and then to the Owners, as their interests appear.

Section 14.5. Decision Not to Rebuild. If Owners representing at least eighty percent (80%) of the votes in the Association, including the vote of every Owner of Improvements that will not be restored and including, during the Special Declarant Rights Period, the vote of Declarant, and any other votes required by the Act, agree in writing not to repair and reconstruct and no alternative Improvements are authorized, then and in that event the Property shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition. Any remaining insurance proceeds shall be distributed in accordance with the Act.

Section 14.6. Damage or Destruction Affecting Lots. In the event of damage or destruction to the Improvements located on any of the Lots, the Owner thereof shall promptly repair and restore the damaged Improvements to their condition prior to such damage or destruction. If such repair or restoration is not commenced within one hundred eighty (180) days from the date of such damage or destruction, or if repair and reconstruction is commenced but

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then abandoned for a period of more than ninety (90) days, then the Association may, after notice and hearing as provided in the Bylaws, impose a fine accruing at the rate of One Thousand Dollars (\$1,000.00) per day or such other rate imposed by the Board in compliance with the Act, charged against the Owner of the Lot until repair and reconstruction is commenced, unless the Owner can prove to the satisfaction of the Association that such failure is due to circumstances beyond the Owner's control. Such fine shall be a Default Assessment and lien against the Lot as provided in Section 9.9, above. If said Improvements are not fully repaired and restored, all remaining portions of the damaged structure, including the foundation and all debris, shall be promptly removed by the Owner, and the Owner shall restore the Lot to its natural condition existing prior to construction of the residence or other structures.

ARTICLE XV
CONDEMNATION

Section 15.1. Rights of Owners. Whenever all or any part of the Common Area shall be taken or conveyed in lieu of and under threat of condemnation by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking, but the Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 15.2. Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which Improvements have been constructed, then, unless, within sixty (60) days after such taking, Owners representing at least sixty-seven percent (67%) of the votes in the Association, including, during the Special Declarant Rights Period, the vote of Declarant, shall otherwise agree, the Association shall restore or replace such Improvements so taken on the remaining land included in the Common Area to the extent lands are available therefor, in accordance with plans approved by the Board of Directors, the DRC, the Town, if required, and any other authority having jurisdiction in such matters. If such Improvements are to be repaired or restored, the provisions in Article XIV, above, regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any Improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be distributed on the basis of the Common Expenses allocated to the Owners under Section 9.3, above, first to the Mortgagees and then to the Owners, as their interests appear.

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Section 15.3. Complete Condemnation. If all of the Project is taken, condemned, sold, or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Common Area shall be distributed as provided in Section 15.2, above.

ARTICLE XVI
EXPANSION AND WITHDRAWAL

Section 16.1. Reservation of Right to Expand. Declarant reserves the right, but shall not be obligated, to expand the effect of this Declaration to include all or part of the Expansion Property. The consent of the existing Owners and Mortgagees shall not be required for any such expansion, and Declarant may proceed with such expansion without limitation at its sole option. Declarant shall have the unilateral right to transfer to any other person this right to expand by an instrument duly recorded. Declarant shall pay all taxes and other governmental assessments relating to the Expansion Property as long as Declarant is the owner of such property.

Section 16.2. Incorporation of Additional Expansion Property. Declarant also reserves the right to incorporate into the Property real property that is not part of the Expansion Property, subject to the limitations of the Act.

Section 16.3. Declaration of Annexation. Any expansion may be accomplished by recording a Declaration of Annexation and one (1) or more supplemental Plats in the records of the Clerk and Recorder of Larimer County, Colorado, on or before the expiration of the Special Declarant Rights Period. The Declaration of Annexation shall describe the real property to be expanded, submit it to the covenants, conditions, and restrictions contained in this Declaration, and provide for voting rights and Assessment allocations as provided in this Declaration. Specifically, each such Lot shall be allocated one (1) vote and liability for the Common Expenses equal to the liability allocated to each of the other Lots, and the proportionate voting interest and allocation of Common Expenses for the other Lots will be adjusted accordingly. Such Declaration of Annexation shall not require the consent of Owners. Any such expansion shall be effective upon the filing for record of such Declaration of Annexation, unless otherwise provided therein. The expansion may be accomplished in stages by successive supplements or in one (1) supplemental expansion.

Upon the recordation of any such Declaration of Annexation, the definitions used in this Declaration shall be expanded automatically to encompass and refer to the Project as expanded. Such Declaration of Annexation may add supplemental covenants peculiar to the Expansion Property in question, or delete or modify provisions of this Declaration as it applies to the Expansion Property added. However, this Declaration may not be

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modified with respect to that portion of the Property already subject to this Declaration, except as provided below for amendment.

Upon the annexation of any additional Common Area or any other parcels of the Expansion Property or other real estate into the Project, the obligations of the Association for the maintenance and operation of the Common Area or other properties maintained by the Association for the use or benefit of the Owners, and the Assessments levied to fund those functions, may be increased appropriately, subject to the budget procedures set forth in the Project Documents and the Act.

Section 16.4. Withdrawal of Property. Declarant reserves the right to withdraw from the jurisdiction of this Declaration any parcel of the Property (including the Expansion Property), subject to the limitations of the Act. After withdrawal of any parcel from the regime of this Declaration, the Common Expenses and votes attributable to the Lots remaining in the Property shall be allocated in accordance with Article IV, and Sections 9.3 and 9.5, above.

Section 16.5. Reciprocal Easements. If all or a part of the Property is withdrawn ("Withdrawal Property") from the Project:

(a) The Owners of the Withdrawal Property shall have whatever easements are necessary or desirable, if any, for access, utility service, repair, maintenance and emergencies over and across the Project; and

(b) The Owners in the Project shall have whatever easements are necessary or desirable, if any, for access, utility service, repair, maintenance and emergencies over and across the Withdrawal Property.

Declarant shall prepare and record in the office of the Clerk and Recorder of Larimer County, Colorado, whatever documents are necessary to evidence such easements. Such recorded easements shall specify that the Owners of the Withdrawal Property and the Owners in the Project shall be obligated to pay a proportionate share of the cost of the operation and maintenance of any easements utilized by either one (1) of them on the other's property upon such reasonable basis as Declarant shall establish in the easements. Preparation and recordation by the Declaration of an easement pursuant to this Section shall conclusively determine the existence, location and extent of the reciprocal easements that are necessary or desirable as contemplated by this Section.

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ARTICLE XVII
MORTGAGEE PROTECTIONS

Section 17.1. Introduction. This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain Mortgages. This Article is supplemental to, and not in substitution for, any other provisions of this Declaration, but in the case of any conflict, this Article shall control.

Section 17.2. Percentage of Eligible Mortgage Holders. Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgage Holders is required, it shall mean the approval or consent of Eligible Mortgage Holders under Mortgages encumbering Lots which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all Lots then subject to Mortgages held by Eligible Mortgage Holders.

Section 17.3. Notice of Actions. The Association shall give prompt written notice to each Eligible Mortgage Holder of the following:

17.3.1. Any condemnation loss or any casualty loss which affects a material portion of the Common Area or any Lot in which an interest is held by the Eligible Mortgage Holder.

17.3.2. Any delinquency which remains uncured for sixty (60) days in the payment of Assessments by an Owner whose Lot is encumbered by a Mortgage held by such Eligible Mortgage Holder.

17.3.3. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

17.3.4. Any proposed action which would require the consent of Eligible Mortgage Holders as required in Section 17.4, below.

17.3.5. Any judgment rendered against the Association.

Section 17.4. Consent Required.

17.4.1. Document Changes. No amendment of any material provision of this Declaration described in this Section 17.4.1 may be effective without the vote of at least seventy-five percent (75%) of the Owners in the Association (subject to Section 20.3, below) and the approval in writing of at least fifty-one percent (51%) of the Eligible Mortgage Holders. "Material" provisions include any provision affecting the following:

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(a) Assessments, Assessment liens, or subordination or the priority of Assessment liens.

(b) Voting rights.

(c) Reserves for maintenance, repair and replacement of Common Area.

(d) Responsibility for maintenance and repairs.

(e) Rights to use the Common Area.

(f) Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project, except as provided in Article XVI, above.

(g) Insurance or fidelity bonds.

(h) Imposition of any restrictions on an Owner's right to sell or transfer his Lot.

(i) Restoration or repair of the Property after hazard damage or partial condemnation in a manner other than that specified in this Declaration.

(j) Termination of this Declaration after the occurrence of substantial destruction or condemnation.

(k) The benefits of Eligible Mortgage Holders.

17.4.2. Actions. The Association may not take any of the following actions, except as such rights have been specifically reserved by Declarant under the provisions of this Declaration, without the approval of at least fifty-one percent (51%) of the Eligible Mortgage Holders:

(a) Conveyance or encumbrance of the Common Area (provided, however, that the granting of easements for public utilities, for construction and maintenance of roads within the Project, or for other public purposes not inconsistent with the use of the Common Area by the Owners shall not be deemed a transfer within the meaning of this clause).

(b) Restoration or repair of the Property (after hazard damage or partial condemnation) in a manner other than that specified in this Declaration.

(c) Termination of this Declaration for reasons other than substantial destruction or condemnation, as permitted with the approval percentages specified in Articles XIV and XV, above.

(d) Merger of the Project with any other common interest community.

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(e) The granting of easements, leases, licenses or concessions through or over the Common Area (excluding, however, any such grants for public utilities or other public purposes not inconsistent with the use of the Common Area by the Owners).

(f) The assignment of the future income of the Association, including its right to receive Assessments.

(g) Any action not to repair or replace the Common Area except as permitted under Articles XIV and XV, above.

Section 17.5. Notice of Objection. Unless an Eligible Mortgage Holder provides the Secretary of the Association with written notice of its objection, if any, to any proposed amendment or action outlined above within thirty (30) days following the receipt of notice delivered by certified or registered mail, return receipt requested, of such proposed amendment or action, the Eligible Mortgage Holder shall be deemed conclusively to have approved the proposed amendment or action.

Section 17.6. First Mortgagees' Rights.

17.6.1. Payment of Taxes and Insurance. First Mortgagees, jointly or singly, may pay taxes or other charges which are in default and which may or have become a charge against any of the Common Area or Improvements thereon, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area. First Mortgagees making such payments shall be owed immediate reimbursement from the Association.

17.6.2. Payment of Assessments. Eligible Mortgage Holders shall be entitled to cure any delinquency of the Owner of the Lot encumbered by the Eligible Mortgage Holder in the payment of Assessments of which the Eligible Mortgage Holder has received notice under Section 17.3.2, above. In that event, the Eligible Mortgage Holder shall be entitled to obtain a release from the lien imposed or perfected by reason of such delinquency.

Section 17.7. Title Taken by First Mortgagee. Any First Mortgagee who obtains title to a Lot pursuant to the remedies provided in the First Mortgage, including foreclosure of the First Mortgage, shall be liable for all Assessments due and payable as of the date title to the Lot vests in the First Mortgagee under the statutes of Colorado governing foreclosures. Except as provided in the Act, such First Mortgagee shall not be liable for any unpaid dues and charges attributable to the Lot which accrue prior to the date such title vests in the First Mortgagee.

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ARTICLE XVIII
ENFORCEMENT OF COVENANTS

Section 18.1. Violations Deemed a Nuisance. Every violation of this Declaration or any other of the Project Documents is deemed to be a nuisance and is subject to all the remedies provided for the abatement or correction of the violation. In addition, all public and private remedies allowed at law or in equity against anyone in violation of this Declaration shall be available.

Section 18.2. Compliance. Each Owner or other occupant of any part of the Property shall comply with the provisions of the Project Documents as the same may be amended from time to time.

Section 18.3. Failure to Comply. Failure to comply with the Project Documents shall be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Without limiting any other remedies available for failure to comply with this Declaration, the Association shall also have the power to assess fines or other appropriate charges against any Person. Reasonable notice and an opportunity for a hearing shall be given to the delinquent party prior to imposing any fine.

Section 18.4. Who May Enforce. Any action to enforce the Project Documents may be brought by Declarant, the Board, the Design Review Committee, or the Manager in the name of the Association on behalf of the Owners. If, after a written request from an aggrieved Owner, none of the foregoing persons or entities commences an action to enforce the Project Documents, then the aggrieved Owner may bring such an action.

Section 18.5. Remedies. In addition to the remedies set forth above in this Article, any violation of the Project Documents shall give to the Board, the Manager, the Design Review Committee or Declarant, on behalf of the Owners, the right to enter upon the offending premises or take appropriate peaceful action to abate, remove, modify, or replace, at the expense of the offending Owner, any structure, thing or condition that may exist thereon contrary to the interest of the Owners and the meaning of the Project Documents. If the offense occurs on any easement, walkway, Common Area or the like, the cure shall be at the expense of the Owner or other person responsible for the offending condition.

Section 18.6. Nonexclusive Remedies. All the remedies set forth herein are cumulative and not exclusive.

Section 18.7. No Waiver. The failure of the Board of Directors, Declarant, the Design Review Committee, the Manager, or any aggrieved Owner to enforce the Project Documents shall not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any other part of the

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Project Documents at any future time.

Section 18.8. No Liability. No member of the Board of Directors, Declarant, the Design Review Committee, the Manager or any Owner shall be liable to any other Owner for the failure to enforce any of the Project Documents at any time.

Section 18.9. Recovery of Costs. If legal assistance is obtained to enforce any of the provisions of the Project Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Project Documents or the restraint of violations of the Project Documents, the prevailing party shall be entitled to recover all costs incurred by it in such action, including reasonable attorneys' fees (and legal assistants' fees) as may be incurred, or if suit is brought, as may be determined by the court.

ARTICLE XIX
RESOLUTION OF DISPUTES

If any dispute or question arises between Members or between Members and the Association or relating to the interpretation, performance or nonperformance, violation, or enforcement of the Project Documents, such dispute or violation may be subject to a hearing and determination by the Board in accordance with the procedures, if any, set forth from time to time in the Bylaws or in the Project Rules.

ARTICLE XX
DURATION OF THESE COVENANTS AND AMENDMENT

Section 20.1. Term. This Declaration and any amendments or supplements hereto shall remain in effect from the date of recordation until the 21st anniversary of the date this Declaration is first recorded in the office of the Clerk and Recorder of Larimer County, Colorado. Thereafter, these Covenants shall be automatically extended for successive periods of ten (10) years each, unless otherwise terminated or modified as provided below.

Section 20.2. Amendment. Except as otherwise provided in this Article XX, this Declaration, or any provision of it, may be terminated, extended, modified, or amended, or revoked as to the whole or any portion of the Property, upon the written consent of Owners holding seventy-five percent (75%) or more of the votes in the Association allocated pursuant to Article IV, above. Amendments made pursuant to this Section shall inure to the benefit of and be binding upon all Owners of any part of the Property, their family, tenants, guests, invitees, and employees, and their respective heirs, successors, and assigns. Without limiting the foregoing, a certificate of a licensed abstract or title company showing record ownership of the Property and a certificate of the Secretary of the Association documenting votes held and voting rights exercised on the basis of such ownership

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records shall be conclusive evidence of such ownership and voting representation for the purposes of any such amendment.

Section 20.3. Requirement for Declarant's Approval Generally. Notwithstanding the provisions of Section 20.2, (i) no termination, extension, modification, amendment or restatement of this Declaration may be made during the Period of Declarant Control without Declarant's written consent; and (ii) no termination, extension, modification, amendment or restatement of this Declaration may be made during the Special Declarant Rights Period affecting (x) the right of Declarant to appoint the Design Review Committee, (y) any Special Declarant Right or other right expressly reserved to Declarant under this Declaration or (z) the protection of Declarant's rights under this Article XX, without Declarant's written consent.

Section 20.4. Effective on Recording. Any modification, amendment or revocation shall be immediately effective upon recording in Larimer County, Colorado, a copy of such amendment, modification, or revocation executed and acknowledged by the necessary number of Owners (and by Declarant, as required), accompanied by a certificate of a licensed abstract or title company as to ownership, or alternatively, upon the recording in Larimer County, Colorado, of a copy of the amendment, modification or revocation together with a duly authenticated certificate of the Secretary of the Association stating that the required number of consents of Owners were obtained.

ARTICLE XXI
DRAINAGE

Section 21.1. Acknowledgment. Soils within the State of Colorado consist of expansive soils, low density soils, and moisture retentive soils which will adversely affect the integrity of a dwelling if the dwelling and the Lot on which it is constructed are not properly maintained. Expansive soils contain clay minerals which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils. The addition of moisture to low-density soils causes a realignment of soil grains, thereby resulting in consolidation and/or collapse of the soils.

Section 21.2. Moisture. Each Owner of a Lot shall use his or her best efforts to assure that the moisture content of those soils supporting the foundation and the concrete slabs forming a part of the dwelling constructed thereon remain stable and shall not introduce excessive water into the soils surrounding the dwelling.

Section 21.3. Grading. Each Owner of a Lot shall maintain (and not alter) the grading and drainage patterns of the Lot as indicated in the subdivision plans on file with the Planning Office of the Town.

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Section 21.4. Water Flow. The Owner of a Lot shall not impede or hinder in any way the water falling on the Lot from reaching the drainage courses established for the Lot and the Project.

Section 21.5. Action by Owner. To accomplish the foregoing, each Owner of a Lot covenants and agrees, among other things:

(a) Not to install improvements, including, but not limited to, landscaping, items related to landscaping, walls, walks, driveways, parking pads, patios, fences, additions to a dwelling, or any other item or improvement which will change the grading of the Lot.

(b) To fill with additional soil any back-filled areas adjacent to the foundation of the dwelling and in or about the utility trenches on the Lot in which settling occurs to the extent necessary from time to time maintain the grading and drainage patterns of the Lot.

(c) Not to water the lawn or other landscaping on the Lot excessively.

(d) Not to plant flower beds (especially annuals) and vegetable gardens adjacent to or within four (4) feet of the foundation and slabs of the dwelling located on the Lot.

(e) To install any gravel beds in a manner which will assure that water will not pond in the gravel areas, whether due to nonperforated edging or due to installation of the base of the gravel bed at a level lower than the adjacent lawn.

(f) To install a moisture barrier (such as polyethylene) under any gravel beds, except any gravel beds in back-filled areas).

(g) To assure that (i) water that flows from downspout extensions or splash blocks is allowed to flow rapidly away from the foundation and/or slabs; and (ii) splash blocks are maintained under sill cocks.

(h) To re-caulk construction joints opening up between portions of exterior slabs and garage slabs in order to thereby seal out moisture.

Section 21.6. Disclaimer. Declarant shall not be liable for any loss or damage to a dwelling caused by, resulting from, or in any way connected with soil conditions or failure of an Owner to control drainage on any Lot.

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ARTICLE XXII
HIGHLAND MEADOWS GOLF COURSE

Section 22.1. Highland Meadows Golf Course. The Project is located adjacent to the Highland Meadows Golf Course and Driving Range, and related facilities ("Golf Course") which is not owned by the Members, Owners or the Association. By accepting a deed to a Lot, an Owner acknowledges that:

(a) No representations or warranties have been made by Declarant, or any other Person with regard to the ownership, operation, configuration of, or right to use, the Golf Course whether or not depicted on any plat or land use plan, sales brochure or other marketing material or display; and

(b) The ownership of a Lot does not confer any ownership in, or right to use, the Golf Course; and

(c) No Owner shall have an ownership interest in, or right to use the Golf Course solely by virtue of his, her or its ownership of any Lot; and

(d) The ownership, operation, configuration of, or right to use the Golf Course may change at any time and from time to time for reasons including, without limitation, (i) the purchase or assumption of operations of the Golf Course by another Person for use as a golf course or for other uses not connected with a golf course; (ii) the establishment or conversion of the Golf Course's membership structure to an equity club or similar arrangement whereby the members of the golf course or an entity owned or controlled thereby become the owner and/or operator of the Golf Course; or (iii) the conveyance of the Golf Course to another Person, and no consent of any Owner shall be required to effectuate any such transfers.

Section 22.2. Potential Disturbances and Nuisances.

(a) By accepting a deed to a Lot, an Owner acknowledges and agrees that:

(i) The Project is adjacent to or near the Golf Course; and

(ii) The Golf Course clubhouse, parking lots and other related facilities may have exterior lighting and amplified exterior sound, to include, but not be limited to, broadcast announcements, and may be regularly used for entertainment and social events on various days of the week, including weekends, and during various times of the day, including early morning and late evening hours; and

(iii) Golf course-related activities, including, without limitation, regular course play may be allowed during all daylight hours, seven days a week, and golf

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tournaments open to the public at large may be conducted at any time during the year; and

(iv) Large numbers of people may be entering, exiting and using the Golf Course on various days of the week, including weekends, and during various times of the day, including early morning and late evening hours; and

(v) Water hazards, the clubhouse, maintenance facilities and other installations located on the Golf Course may be attractive nuisances to children.

(b) By accepting a deed to a Lot, the Owner thereof acknowledges and agrees that:

(i) The location of the Lots in proximity to the Golf Course may result in nuisances or hazards to persons and property as a result of use of the Golf Course, Golf Course operations or any other Golf Course-related activities. Play on the Golf Course may result in damage or injury to persons or property as a result of golf balls leaving the Golf Course including, without limitation, damage to windows and the exterior areas of a Lot, damage to automobiles and other personal property of Owners or such Owner's Guests, whether outdoors or within the Lot, and personal injury; and

(ii) Each Owner and such Owner's Guests do knowingly and voluntarily assume all risks associated with such location including, but not limited to, the risks of nuisance, inconvenience and disturbance, as well as property damage or personal injury arising from stray golf balls or actions or omissions incidental to the use of the Golf Course, golf course operations and any golf course-related activities; and

(iii) Declarant, Owners and their respective employees, agents, invites, licensees, contractors, successors and assigns shall not be responsible or accountable for, and shall have no liability for any claims, causes of action, losses, damages, costs or expenses for any nuisance, inconvenience, disturbance or property damage or personal injury arising from stray golf balls or actions or omissions incidental to the use of the Golf Course, golf course operations or any golf course-related activities; and

(iv) Declarant and the Golf Course owner shall have the right, in the nature of an easement or license, to subject all or any portion of the Lots to nuisances, inconveniences and disturbances arising from stray golf balls (provided that such easement or license shall not be construed as allowing golfers to enter upon any Lot for the purpose of retrieving golf balls) and/or incidents incidental to the maintenance, operation and/or use of the Golf Courses and to the carrying out of golf course-related activities.

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Section 22.3. Golf Course Operations.

(a) By accepting a deed to a Lot, an Owner acknowledges and agrees that the operation and maintenance of the Golf Course and its related facilities may require that maintenance personnel and other workers commence work relating to the operation and maintenance of the Golf Course as early as 5:00 a.m., on a daily basis, and that the operation, maintenance and use of the Golf Course and its related facilities will entail the operation and use of the following:

(i) Noisy power equipment such as tractors and lawn mowers on various days of the week including weekends, during various times of the day, including early morning and late evening hours; and

(ii) Sprinkler and other irrigation systems during the day and at night; and

(iii) Electric, gasoline or other power driven vehicles and equipment used by maintenance and operations personnel; and

(iv) Application of pesticide and fertilizing chemicals; and

(v) Garbage trucks, delivery trucks and other vehicles entering and exiting on various days of the week, including weekends, during various times of the day, including early morning and late evening hours.

(b) In connection with the foregoing, by accepting a deed to a Lot, Owners agree, for themselves and their Guests, that:

(i) The Owner does knowingly and voluntarily assume all risks associated with such above-described operation and maintenance including, but not limited to, risks of nuisance, noise, disturbance, inconvenience, property damage and personal injury or sickness; and

(ii) Declarant and Owners and related facilities and their respective employees, agents, invitees, licensees, contractors, and successors shall not be responsible or accountable for, and shall have no liability for any claims, causes of action, losses, damages, costs or expenses for any nuisance, inconvenience, disturbance or property damage or personal injury or sickness directly or indirectly related to, caused by, or associated with such golf course operation and related activities.

Section 22.4. Golf Ball Easement. There is hereby created a blanket easement in, over, above, across and upon the Lots for the purposes of permitting the flight of golf balls through the

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air over each Lot and the entry of golf balls upon, on and/or across each Lot and any dwelling constructed or to be constructed thereon, as an incident to the use of the Golf Course.

Notwithstanding such easement, entry shall not be permitted upon any Lot by any person for the retrieval of golf balls. Also notwithstanding the foregoing, each individual golfer shall be liable for and shall repair any damage caused by entry of his or her golf ball. Nothing herein contained shall be construed so as to limit the construction of Improvements on any Lot. The easement created by this Section shall run with title to and burden each Lot and shall be binding on all successive Owners of such each Lot.

Section 22.5. Golf Course Landscaping. Owners are advised that landscaping on the Golf Course may change from time to time. Trees or fences may be installed or removed. In the event trees and landscaping are planted or grow which affect Owner's views, the Golf Course owner shall have no obligation to prune or thin the trees or other landscaping.

The Golf Course owner may, in its sole and absolute discretion, change, from time to time, the location, configuration, size or elevation of tees, bunkers, fairways or greens. These changes may diminish, enhance or obstruct views from the Lots and no view is guaranteed.

Section 22.6. Indemnity. By accepting a deed to a Lot, each Owner agrees to indemnify and hold harmless Declarant and any owner or operator of all or any part of the Golf Course, any builders and their respective shareholders, members, managers, partners, agents, officers, directors, employees, contractors, invitees, licensees, their heirs, personal representatives, successors and assigns of, from and against any and all losses, damages, costs or liabilities related to or arising in connection with any claims, actions, causes of action liability, suits or demands of or by any of the Owners or their Guests for disturbance, inconvenience, noise, nuisances, personal injury, sickness or death or property damage, resulting from, or associated with, the use, maintenance and operation of the Golf Course or its related facilities.

ARTICLE XXIII
METRO DISTRICT

Certain open space, greenbelt and other tracts and parcels within or adjacent to the Project may, from time to time, be owned by the Metro District (the "Metro District Property"). No such parcels shall be considered Common Area within the Project, and the rights and obligations of Owners, Members and the Association with respect to the Metro District Property shall be determined by separate grant or agreement, or by the rules and regulations of the Metro District, and are not governed by this Declaration. Without limiting the foregoing, nothing in this Declaration shall

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be construed as creating any obligation or liability whatsoever on the part of the Association or its Members for maintenance or repair of the Metro District Property or any other property owned by the Metro District. Similarly, nothing contained in this Declaration shall be construed as creating any obligation or liability on the part of the Metro District for the maintenance and repair of any Common Area of the Association or property of any Owner (provided, however, that as set forth elsewhere in this Declaration, the Association shall have the right to contract with the Metro District to provide services for which the Association would otherwise be responsible).

The Metro District shall be the owner of irrigation water and an irrigation system for delivery of irrigation water for landscaping both upon the Metro District Property and on the Association's Common Area and on Lots within the Project. All such irrigation water and the irrigation system shall remain the property of the Metro District, and the Metro District shall be responsible for repair and maintenance of same. To the extent necessary, the Metro District shall be deemed by this Declaration to have, and is hereby granted, an easement over, under and upon any Association Common Area and upon any Lot for the purpose of installing, constructing, operating, using, maintaining, repairing, replacing and/or removing such irrigation system.

ARTICLE XXIV
MISCELLANEOUS PROVISIONS

Section 24.1. Severability. This Declaration, to the extent possible, shall be construed or reformed so as to give validity to all of its provisions. Any provision of this Declaration found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof.

Section 24.2. Construction. In interpreting words in this Declaration, unless the context shall otherwise provide or require, the singular shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.

Section 24.3. Headings. The headings are included only for purposes of convenient reference, and they shall not affect the meaning or interpretation of this Declaration.

Section 24.4. Waiver. No failure on the part of the Association or the Board to give notice of default or to exercise or to delay in exercising any right or remedy shall operate as a waiver, except as specifically provided above in the event the Board fails to respond to certain requests. No waiver shall be effective unless it is in writing and signed by the President or Vice President of the Board on behalf of the Association.

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Section 24.5. Limitation of Liability. Neither the Association nor any officer or member of the Board, committee member or agent shall be liable to any party for any action or for any failure to act with respect to any matter arising by, through or under the Project Documents if the action or failure to act was made in good faith. The Association shall indemnify all of the officers, Board members, committee members and agents with respect to any act taken in their official capacity to the extent provided in this Declaration and by law and in the Articles of Incorporation and Bylaws.

Section 24.6. Conflicts Between Documents. In case of conflict between this Declaration and the Articles of Incorporation or the Bylaws, this Declaration shall control. In case of conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control.

Section 24.7. Assignment. Subject to the requirements and limitations of the Act, Declarant may assign all or any part of the Special Declarant Rights or any of Declarant's other rights and reservations hereunder to any successor who takes title to all or part of the Property in a bulk purchase for the purpose of development and sale. Such successor shall be identified, the particular rights being assigned shall be specified, and, to the extent required, concomitant obligations shall be expressly assumed by such successor, all in a duly recorded written instrument.

HIGHLAND MEADOWS GOLF COURSE LLC,
a Colorado Limited Liability Company

By: HILLSIDE COMMERCIAL GROUP, INC.,
a California Corporation,
Its Manager

By: Jon A. Turner
Jon A. Turner, President

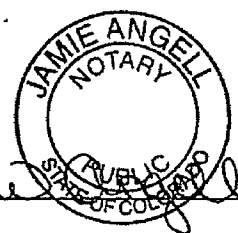
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STATE OF COLORADO)
) ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 15 day of March, 2004, by Jon A. Turner as President of HILLSIDE COMMERCIAL GROUP, INC., a California Corporation, Manager of HIGHLAND MEADOWS GOLF COURSE LLC, a Colorado Limited Liability Company.

WITNESS my hand and official seal.

My commission expires: 3-6-06



Jamie Angell
Notary Public

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EXHIBIT "A" ATTACHED TO AND MADE A PART OF THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND EASEMENTS FOR THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE.

Legal Description of Property

Lots 1 through 42, Block 4
and
Lots 1 through 9, Block 5
Highland Meadows Golf Course Subdivision
Town of Windsor,
County of Larimer,
State of Colorado.

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EXHIBIT "B" ATTACHED TO AND MADE A PART OF THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND EASEMENTS FOR THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE.

Legal Description of Expansion Property

Lots 1 through 27, Block 6
Lots 1 through 21, Block 7
Lots 1 through 4, Block 8
Lots 1 through 16, Block 9
Lots 1 through 25, Block 10
Lots 1 through 21, Block 11
Lots 1 through 27, Block 13
Lots 1 through 54, Block 19
Lots 1 through 31, Block 20
Lots 1 through 33, Block 21
Lots 1 through 32, Block 22
Lots 1 through 18, Block 23
Lots 1 through 20, Block 24
Lots 1 through 29, Block 25
Highland Meadows Golf Course Subdivision
Town of Windsor,
County of Larimer,
State of Colorado.

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EXHIBIT "C" ATTACHED TO AND MADE A PART OF THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND EASEMENTS FOR THE PATIOS AT HIGHLAND MEADOWS GOLF COURSE.

Easements and Licenses

1. Reservation of right of way for any ditches or canals constructed by authority of the United States, in U.S. Patent recorded September 1, 1905, in Book 113 at Page 332, and Patent recorded May 23, 1916, in Book 238 at Page 485.
2. Right of way for pipeline purposes granted to Wyco Pipeline Company in the instrument recorded March 10, 1947, in Book 830 at Page 271, and March 10, 1947, in Book 830 at Page 272, and Assignment and Conveyance between Wyco Pipeline Company and Kaneb Pipe Line Operating Partnership, L.P. recorded February 27, 1995 as Reception No. 95011103.
3. Right of way, whether in fee or easement only, for communication system, granted to American Telephone and Telegraph Company by instrument recorded March 29, 1968, in Book 1382, at Page 394, and Book 1382 at Page 395, and Book 1382 at Page 396, and Book 1382 at Page 397.
4. Right of way, whether in fee or easement only, for pipelines, as granted to Public Service Company of Colorado, a Colorado Corporation, by instrument recorded December 13, 1993, as Reception No. 93094239, and by instrument recorded December 13, 1993, as Reception No. 93094241, and as corrected by instrument recorded June 20, 1994, as Reception No. 94052218.
5. Reservations by the Union Pacific Railroad Company of (1) all oil, coal and other minerals underlying subject property, (2) the exclusive right to prospect for, mine and remove oil, coal and other minerals, and (3) the right of ingress and egress and regress to prospect for, mine and remove oil, coal and other minerals, all as contained in Deed recorded August 19, 1908, in Book 150 at Page 103; all minerals, other than coal and iron, conveyed to Union Pacific Land Resources Corporation by Deed recorded April 14, 1971, in Book 1458 at Page 456.

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6. Right of way, whether in fee or easement only, for the transportation of gas or oil, and associated communication facilities, granted to Public Service Company of Colorado by Aggen Road Citrus Grove by instrument recorded December 13, 1993, as Reception No. 93094226.
7. Right of way, whether in fee or easement only, for sanitary sewer lines as granted to South Fort Collins Sanitation District by instrument recorded September 27, 2001, as Reception No. 2001086868 and Reception No. 2001086870 and Reception No. 2001086871.
8. Right of way, whether in fee or easement only, for domestic water lines, as granted to Fort Collins-Loveland Water District by Frank W. Christensen and Robbie L. Christensen, recorded September 27, 2001, as Reception No. 2001086874.
9. All notes and easements, as contained on the Plat of said Subdivision.