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DECLARATION
OF
COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
KNUDSON RANCH

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DECLARATION
OF
COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
KNUDSON RANCH

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR KNUDSON RANCH (the "Declaration") is made as of October 22, 1997, by Knudson Ranch Development LLC, a Colorado limited liability company (the "Declarant").

RECITALS

A. Declarant is the owner of that certain real property located in Eagle County, Colorado, more particularly described on the attached Exhibit A (the "Property") and that certain real property located in Eagle County, Colorado, more particularly described on attached Exhibit B (the "Expansion Property").

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

ARTICLE I
DECLARATION AND SUBMISSION

Section 1.1. Declaration. Declarant hereby declares that the Property shall be held, sold and conveyed subject to the following covenants, restrictions and easements which are for the purpose of protecting the value and desirability of the Property, and which shall run with the land and be binding on all parties and heirs, successors and assigns of parties having any right, title or interest in all or any part of the Property. Additionally, Declarant hereby submits the real estate to the provisions of the Act.

ARTICLE II
DEFINITIONS

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

A. "Articles" mean the Articles of Incorporation for the Knudson Ranch Association, Inc., currently on file or to be filed with the Colorado Secretary of State, and any amendments which may be made to those Articles from time to time.

B. "Annual Assessment" means the Assessment levied annually.

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

D. "Association" means the Knudson Ranch Association, Inc., a Colorado nonprofit corporation, and its successors and assigns.

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

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

G. "Common Area" means all the real property and improvements thereon, if any, in which the Association owns an interest for the common use and enjoyment of all of the Owners on a non-exclusive basis. Such interest may include, without limitation, estates in fee, for terms of years, or easements.

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

I. "Declarant" means Knudson Ranch Development LLC, a Colorado limited liability company, and its successors and assigns.

J. "Declaration" means and refers to this Declaration of Covenants, Conditions, Restrictions and Easements for Knudson Ranch.

K. "Default Assessment" means the Assessments levied by the Association pursuant to Section 11.7. below.

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

M. "Expansion Property" means the real property located in Eagle County, Colorado, more particularly described on the attached Exhibit B which Declarant may subject to this Declaration by one or more duly recorded Supplemental Declarations.

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N. "Exterior Maintenance Area" means the exterior of any Residence (excluding window panes) and the Lot surrounding the Residence and any improvements on such Lot other than a Residence, as more fully described in Seciton 9.1. below.

O. "First Mortgage" means any Mortgage which is not subject to any monetary lien or encumbrance.

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

Q. "Knudson Ranch" shall mean the planned community created by this Declaration, consisting of the Property, the Residential Units and any other improvements constructed on the Property and as shown on the Plat.

R. "Lot" means a plot of land subject to this Declaration and designated as a "Lot" on any subdivision plat of the Property recorded by Declarant in the office of the Clerk and Recorder of Eagle County, Colorado.

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

T. "Member" means every parson or entity who holds membership in the Association.

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

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

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

X. "Party Wall" means any common wall adjoining two Residences and shall be deemed to include the footings underlying, the portion of roof over and the utility lines within, a common wall.

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Y. "Plat" means the subdivision plat of Knudson Ranch depicting the Property subject to this Declaration and recorded in the records of the Clerk and Recorder of Eagle County, Colorado contemporaneously herewith and all supplements and amendments thereto.

Z. "Property" means and refers to that certain real property described on Exhibit A attached to this Declaration.

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

BB. "Residential Unit" means a Lot together with all improvements thereon, including a Residence, and all easements and rights-of-way appurtenant thereto. Residential Unit is also referred to as a Unit under the Act.

CC. "Sharing Ratio" means the percentage allocation of Assessments to which an Owner's Residential Unit is subject as set forth in Exhibit C attached hereto and made a part hereof pursuant to the formula set forth thereon.

DD. "Special Assessment" means an assessment levied pursuant to Article XI, Section 11.6 below on an irregular basis.

EE. "Successor Declarant" means any party or entity to whom Declarant assigns any or all of its rights, obligations or interest as Declarant, as evidenced by an assignment or deed of record executed by both Declarant and the transferee or assignee and recorded in the office of the Clerk and Recorder of Eagle County, Colorado, designating such party as a Successor Declarant. Upon such recording, Declarant's rights and obligations under this Declaration shall cease and terminate to the extent provided in such document.

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

GG. "Supplemental Plat" means a subdivision plat of Knudson Ranch which depicts any part of the Expansion Property becoming subject to this Declaration through a Supplemental Declaration, as more fully provided in Article XV below.

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

ARTICLE III
NAME, DIVISION INTO RESIDENTIAL UNITS

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

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

Section 3.3. Number of Residential Units. The initial number of Residential Units in the project is eight (8). Declarant reserves the right for itself and any Successor Declarant to expand the Property to include up to a total of twenty-six (26) Residential Units and to expand the Common Area.

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

Section 3.5. Description of Residential Units.

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

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

C. Any contract of sale, deed, lease, Mortgage, will or other instrument affecting a Residential Unit may describe it by its Residential Unit number, Knudson Ranch, County of Eagle, State of Colorado, according to the Plat thereof recorded _____, 19__ in Book ___ at Page ___, and the Declaration recorded _____, 19__ in Book ___ at Page ___, in the records of the Clerk and Recorder of Eagle County, Colorado (with applicable recording information inserted therein).

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

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

Section 3.6. Permitted Uses.

A. Each Residential Unit shall be used and occupied solely for dwelling or lodging purposes, except that each Residential Unit shall be permitted to conduct a "home occupation" as defined in the PUD Guide for Knudson Ranch recorded in Book 697 at Page 742 in the Eagle County, Colorado real property records (the "PUD Guide") subject to the following conditions: (i) that such occupation does not generate traffic into Knudson Ranch other than regularly scheduled package delivery and pick-up, (ii) that such occupation does not employ more than one (1) person who is not a resident of the Residential Unit, and (iii) that such occupation does not cause any unreasonable impact on the use and enjoyment of the other Residential Units or on the general residential character of Knudson Ranch. Notwithstanding the foregoing, Residential Unit No. 10 (depicted as Lot 10 on the Plat) shall be permitted to conduct a "home occupation" as defined in the PUD Guide and to make use of any attached garage or storage facility for maintenance/storage purposes in accordance with the PUD Guide and as described in the PUD Plan for Knudson Ranch, subject to the following conditions, which replace and are in lieu of the conditions applied to other Residential Units: (i) that such occupation be maintained and operated in an uncluttered manner and not otherwise unsightly or unreasonably offensive to the senses and (ii) that such occupation not unreasonably impact the general residential character of Knudson Ranch. All of the above stated uses and occupancies shall be only as permitted by and subject to the appropriate and applicable governmental zoning and use ordinances, rules and regulations from time to time in effect.

B. Notwithstanding Section 3.6.A. above, Declarant, for itself and its successors and assigns, hereby retains a right to maintain any one or more Residential Units as sales offices, management offices or model residences at any time or from time to time so long as Declarant, or its successors or assigns, continues to own an interest in a Residential Unit or, if earlier, ten (10) years from the recording of this Declaration. The use by Declarant of any Residential Unit as a model residence, office or other use shall not affect the Unit's designation on the Plat as a separate Residential Unit.

C. An Owner shall have the right to lease his Residential Unit upon such terms and conditions as the Owner may deem advisable; provided, however, that (i) any such lease exceeding three (3) months in duration shall be in writing and shall provide that the lease is subject to the terms of this Declaration, (ii) a Residential Unit may be leased only for the uses provided hereinabove, and (iii) any failure of a lessee to comply with the terms of this Declaration, Articles of

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Incorporation, Bylaws or rules of the Association shall be a default under the lease enforceable by the Association.

ARTICLE IV
MEMBERSHIP AND VOTING RIGHTS; ASSOCIATION OPERATIONS

Section 4.1. The Association. Every Owner of a Residential Unit shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Residential Unit.

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

Section 4.3. Membership. The Association shall have one (1) class of membership consisting of all Owners, including the Declarant so long as Declarant continues to own an interest in a Residential Unit. Except as otherwise provided for in this Declaration, each Member shall be entitled to vote in Association matters pursuant to this Declaration on the basis of one vote for each Residential Unit owned. When more than one person holds an interest in any Residential Unit, all such persons shall be Members. The vote for such Residential Unit shall be exercised by one person or alternative persons (who may be a tenant of the Owners) appointed by proxy in accordance with the Bylaws. In the absence of a proxy, the vote allocated to the Residential Unit shall be suspended in the event more than one person or entity seeks to exercise the right to vote on any one matter. Any Owner of a Residential Unit which is leased may assign his voting right to the tenant, provided that a copy of a proxy appointing the tenant is furnished to the Secretary of the Association prior to any meeting in which the tenant exercises the voting right. In no event shall more than one vote be cast with respect to any one Residential Unit.

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

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otherwise be entitled to appoint and remove directors and officers, be approved by Declarant before they become effective.

Section 4.5. Compliance with Association Documents. Each Owner shall abide by and benefit from each provision, covenant, condition, restriction and easement contained in the Association Documents. The obligations, burdens and benefits of membership in the Association concern the land and shall be covenants running with each Owner's Residential Unit for the benefit of all other Residential Units and for the benefit of Declarant's adjacent properties.

Section 4.6. Books and Records. The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to Owners and to Mortgagees, current copies of the Association Documents and the books, records and financial statements of the Association prepared pursuant to the Bylaws. The Association may charge a reasonable fee for copying such materials. The Association shall maintain such books and records as may be required under the Act.

Section 4.7. Manager. The Association may employ or contract for the services of a Manager to whom the Executive Board may delegate certain powers, functions or duties of the Association, as provided in the Bylaws of the Association. The Manager shall not have the authority to make expenditures except upon prior approval and direction by the Executive Board. The Executive Board shall not be liable for any omission or improper exercise by a Manager of any duty, power or function so delegated by written instrument executed by or on behalf of the Executive Board.

Section 4.8. Implied Rights and Obligations. The Association may exercise any right or privilege expressly granted to the Association in the Association Documents, and every other right or privilege reasonably implied from the existence of any right or privilege given to the Association under the Association Documents or reasonably necessary to effect any such right or privilege. The Association shall perform all of the duties and obligations expressly imposed upon it by the Association Documents, and every other duty or obligation implied by the express provisions of the Association Documents or necessary to reasonably satisfy any such duty or obligation.

ARTICLE V
POWERS OF THE EXECUTIVE BOARD OF THE ASSOCIATION

The Executive Board shall have power to take the following actions:

A. Adopt and publish rules and regulations governing the use of the Common Area, including any recreational facilities

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which may be constructed on such property and governing the personal conduct of the Members and their guests, and the Association may establish penalties, including, without limitation, the imposition of fines, for the infraction of such rules and regulations;

B. Enforce any agreements and/or regulations affecting the permitted uses within the Property, including, but not limited to, the restrictions and regulations contained in the Wildlife Mitigation Agreement for the Knudson Ranch Planned Unit Development, Eagle County, Colorado dated February 15, 1996.

C. Suspend the voting rights of a Member during any period in which such Member is in default on payment of any Assessment levied by the Association, as provided in Section 11.7. Such rights may also be suspended after notice and hearing for a period not to exceed ninety (90) days for infraction of published rules and regulations, unless such infraction is ongoing, in which case the rights may be suspended during the period of the infraction and for up to ninety (90) days thereafter; and

D. Exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members or Declarant by other provisions of this Declaration or the Articles or Bylaws of the Association or as provided by law.

ARTICLE VI COMMON AREA

The Association shall maintain and keep the Common Area in good repair, and the cost of such maintenance shall be funded as provided in Article XI. This maintenance shall include, but shall not be limited to, upkeep, repair and replacement, subject to any insurance then in effect, of all landscaping, walls, gates, signage, irrigation systems, sidewalks, driveways and improvements, if any (which shall include without limitation snow removal services unless performed by another private or public organization formed for such purposes), located in the Common Area. In the event the Association does not maintain or repair the Common Area, Declarant shall have the right, but not the obligation, to do so at the expense of the Association.

ARTICLE VII MECHANIC'S LIENS

Section 7.1. No Liability. If any Owner shall cause any material to be furnished to his Residential Unit or any labor to be performed therein or thereon, no Owner of any other Residential Unit shall under any circumstances be liable for the payment of any expense incurred or for the value of any work done or material furnished. All such work shall be at the expense of the Owner

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causing it to be done, and such Owner shall be solely responsible to contractors, laborers, materialmen and other persons furnishing labor or materials to his Residential Unit. Nothing herein contained shall authorize any Owner or any person dealing through, with or under any Owner to charge the Common Area or any Residential Unit other than of such Owner with any mechanic's lien or other lien or encumbrance whatever. On the contrary (and notice is hereby given) the right and power to charge any lien or encumbrance of any kind against the Common Area or against any Owner or any Owner's Residential Unit for work done or materials furnished to any other Owner's Residential Unit is hereby expressly denied.

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

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

ARTICLE VIII
PROPERTY RIGHTS OF OWNERS AND RESERVATIONS BY DECLARANT

Section 8.1. Owners' Easements. Every Owner has a right and easement of enjoyment in and to the Common Area, which shall be appurtenant to and shall pass with the title to every Residential Unit subject to the provisions contained herein. Certain third persons will also have access to the Common Area as set forth in the rules and regulations of the Association. Every Owner shall have a right of access to and from his Residential Unit over and across those portions of the Common Area on which driveways are located. No Owner shall hinder nor permit his guest to hinder reasonable access by any other Owner and his guest to the Residential Units and parking areas.

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

Section 8.3. Declarant's Rights Incident to Construction. Declarant, for itself and its successors and assigns, hereby reserves an easement for construction, utilities, drainage, ingress and egress over, in, upon, under and across the Common Area, together with the right to store materials on the Common Area, to build and maintain temporary walls, and to make such other use of the Common Area as may be reasonably necessary or incident to any construction of the Residential Units or improvements on the Property or other real property owned by Declarant, or other properties abutting and contiguous to the Property; provided, however, that no such rights shall be exercised by Declarant in a way which unreasonably interferes with the occupancy, use, enjoyment or access to Knudson Ranch by the Owners.

Section 8.4. Other Easements.

A. Each Residential Unit and the Common Area shall be subject to an easement for encroachments created by construction, settling and overhang, previously existing or as designed and constructed by Declarant or as a result of any addition or improvement pursuant to this Declaration. A valid easement for such encroachments and for the maintenance of same, so long as they exist, shall and does exist. In the event any improvement is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachments of parts of the adjacent Residential Unit or the Common Area due to construction shall be permitted and that a valid easement for said encroachment and the maintenance thereof shall exist so long as the improvements shall stand.

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

C. There is hereby created a blanket easement upon, across, over, in and under the Property for the benefit of the Residential Units and the structures and improvements situated thereon, including the Party Walls, for ingress and egress, installation, replacing, repairing and maintaining all utilities, including, but not limited to, water, sewer, gas, telephone, cable television and electricity. Said blanket easement includes future utility services not presently available to the Residential Units which may reasonably be required in the future. By virtue of this easement, it shall be expressly permissible for the companies

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providing utilities to erect and maintain the necessary equipment on any of the Residential Units and to affix and maintain electrical and/or telephone wires, circuits and conduits on, above, across and under the roofs and exterior walls of the improvements, all in a manner customary for such companies in the area surrounding the Property, subject to approval by the Association as to locations.

D. The Residential Units may have common access roads and/or driveways upon the Property serving more than one Residential Unit, and there is granted hereby a non-exclusive easement to the Owners of Residential Units served by any such driveway for ingress and egress purposes over and across such driveway. There may also be portions of the Common Area on which parking areas may be constructed and there is granted hereby a non-exclusive easement to the Owners for parking purposes over such areas, subject to the rules and regulations of the Association governing such use. No Owner shall hinder nor permit his guests to hinder reasonable access by any other Owner and his guests to the Residential Units and parking areas.

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

Section 8.6. General Maintenance, Landscaping Easement. An easement is hereby reserved to Declarant, and granted to the Association, and any member of the Executive Board or the Manager, and their respective officers, agents, employees, and assigns, upon, across, over, in, and under the Property and a right to make such use of the Property as may be necessary or appropriate to make emergency repairs, to perform the duties and functions which the Association is obligated or permitted to perform pursuant to the Association Documents, to install landscaping and a common sprinkler systems, if any, or to exercise its rights under Article IX below, including the right to enter upon any Residential Unit for the purpose of performing maintenance to the Exterior Maintenance Area, as set forth in Article IX below.



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Section 8.7. Association as Attorney-in-Fact. Each Owner, by his acceptance of a deed or other conveyance vesting in him an interest in a Residential Unit, does irrevocably constitute and appoint the Association and/or Declarant with full power of substitution as the Owner's name, place and stead to deal with Owner's interest in order to effectuate the rights reserved by Declarant or granted to the Association, as applicable, with full power, right and authorization to execute and deliver any instrument affecting the interest of the Owner and to take any other action which the Association or Declarant may consider necessary or advisable to give effect to the provisions of this Section and this Declaration generally. If requested to do so by the Association or Declarant, each Owner shall execute and deliver a written, acknowledged instrument confirming such appointment.

Section 8.8. Delegation of Use. Any Owner may delegate his right of enjoyment to the Common Area to the members of his family, his tenants, guests, licensees, and invitees, but only in accordance with and subject to the limitations of the Association Documents.

Section 8.9. Reservation of Easements, Exceptions, and Exclusions. The Association is hereby granted the right to establish from time to time, by declaration or otherwise, utility and other easements, permits or licenses over the Common Area, for purposes including, but not limited to, streets, paths, walkways, drainage, recreation areas, parking areas, ducts, shafts, flues, and conduit installation areas, to create other reservations, exceptions, and exclusions with respect to the Common Area for the best interest of all the Owners and the Association and to assign its right to future income, including the right to receive Assessments.

Section 8.10. Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons to enter upon the Property in the proper performance of their duties.

ARTICLE IX
MAINTENANCE, PARTY WALLS, LANDSCAPING AND SPECIAL EASEMENT

Section 9.1. Maintenance. In order to maintain a uniform appearance and a high standard of maintenance within Knudson Ranch, the Association shall maintain the Exterior Maintenance Area, as more fully set forth below.

A. Residence Exteriors. Subject to the insurance responsibilities set forth in Article X below, the Association shall maintain the Exterior Maintenance Area of all Residences, which shall be deemed to include and be limited to painting of the exteriors (including decks and porches), exterior window washing, and roof repair unless any of the foregoing are covered by an

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Owner's insurance. The Association shall have the sole discretion to determine the time and manner in which such maintenance shall be performed as well as the color or type of materials used to maintain the Residences. The Owner shall be responsible for cleaning, repair or replacement of broken window panes and all other exterior maintenance and repairs. In the event insurance proceeds under Article X are payable to an Owner but the maintenance responsibility of the area to which such proceeds relate is the Association's, the Association shall complete any such repair or replacement at the Owner's cost.

B. Landscaping, Sidewalks and Driveway. The Association shall maintain landscaping of the Common Area and of the individual Lots surrounding the perimeter of the Residences, including, but not limited to, lawns, trees and shrubs, and the Association shall also maintain all walls, gates, sidewalks, driveways and parking areas (and the maintenance provided under this Section shall include snowplow services). The maintenance provided under this Section shall be performed at such time and in such a manner as the Association shall determine.

C. Association's Right to Grant Owner's Maintenance Area. Notwithstanding the maintenance responsibilities set forth herein, the Association reserves the right to grant the maintenance responsibility of certain areas on each Residential Unit to the Residential Unit Owner, and the Residential Unit Owner is obligated to accept said maintenance responsibility, provided said assignment is done in a uniform and nondiscriminatory manner. Furthermore, the Association shall have the right to promulgate reasonable rules and regulations regarding the maintenance by the Owner.

Section 9.2. Party Walls.

A. The cost of reasonable repair and maintenance of a Party Wall shall be a joint expense of the Owners of the two Residences sharing such Party Wall and each such Owner shall have a perpetual easement in and to that part of the Property on which the Party Wall is located, for Party Wall purposes, including maintenance, repair, and inspection. No Owner shall alter or change the Party Wall in any manner, interior decoration excepted, and the Party Wall shall always remain in the same location as when erected.

B. In the event of damage or destruction of a Party Wall from any cause, other than the negligence or willful misconduct of an Owner, the then Owners of the two Residences sharing such Party Wall shall bear equally the expense to repair or rebuild said wall to its previous condition, which specifically includes the previous sound transmission coefficient, and such Owners, their successors and assigns, shall have the right to the full use of said wall so repaired and rebuilt. If an Owner's negligence or willful misconduct shall cause damage to or

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destruction of said wall, such negligent party shall bear the cost of repair and reconstruction to the extent such Owner's negligence caused such damage.

C. The Association and each of the Owners sharing a Party Wall shall have the right to break through the Party Wall for the purpose of repairing or restoring sewage, water, utilities, and structural components, subject to the obligation to restore said wall to its previous structural condition, which specifically includes the previous sound transmission coefficient, and the payment to the adjoining Owner of any damage caused thereby. Adjoining Owners shall have the right to make use of the Party Wall provided such use shall not impair the structural support or the sound transmission coefficient of the Party Wall.

D. Declarant hereby grants to the Association and the Executive Board and their respective representatives a nonexclusive easement to enter upon and use the Property on which a Party Wall is located as may be necessary or appropriate to perform the duties and functions which they may be obligated or permitted to perform under this Declaration.

Section 9.3. Special Easement. The Association and the Executive Board and their respective representatives are hereby granted a nonexclusive easement to enter upon and use the Exterior Maintenance Area as may be necessary or appropriate to perform the duties and functions which they may be obligated or permitted to perform pursuant to this Article IX. This use may include, without limitation, the installation and maintenance of a water sprinkler system for landscape irrigation.

Section 9.4. Maintenance Contract. The Association or Executive Board may employ or contract for the services of an individual or maintenance company to perform certain delegated powers, functions or duties of the Association to maintain the Common Area and Exterior Maintenance Area. The employed individual or maintenance company shall have the authority to make expenditures upon prior approval and direction of the Executive Board. The Executive Board shall not be liable for any omission or improper exercise by the employed individual or management company of any duty, power or function so delegated by written instrument executed by or on behalf of the Executive Board.

Section 9.5. Owner's Responsibility. The Owner shall be responsible for maintaining all portions of the Owner's Residential Unit other than those portions of the Exterior Maintenance Area to be maintained by the Association under Article IX, unless modified by Section 9.1.C. The Association shall have the right and power to prohibit storage or other activities deemed unsafe, unsightly, unreasonably noisy or otherwise offensive to the senses and perceptible from another Residential Unit or the Common Area. No Owner shall make any addition or other alteration to any portion of

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the Exterior Maintenance Area without the express consent of the Executive Board, as more fully discussed in Article XVI. The Association shall be entitled to reimbursement for cost of repair from any Owner who causes, or whose tenant, employee or guest causes, damage to the Exterior Maintenance Area or the Common Area by an act of negligence or willful misconduct.

Section 9.6. Owner's Failure to Maintain or Repair. In the event that a Residential Unit and the improvements thereupon are not properly maintained and repaired, and if the maintenance responsibility for the unmaintained portion of the Residential Unit lies with the Owner of the Residential Unit, or in the event that the improvements on the Residential Unit are damaged or destroyed by an event of casualty and the Owner does not take reasonable measures to diligently pursue the repair and reconstruction of the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction, then the Association, after notice to the Owner and with the approval of the Executive Board shall have the right to enter upon the Residential Unit to perform such work as is reasonably required to restore the Residential Unit and the buildings and other improvements thereon to a condition of good order and repair. All costs incurred by the Association in connection with the restoration shall be reimbursed to the Association by the Owner of the Residential Unit, upon demand. All unreimbursed costs shall be a lien upon the Residential Unit until reimbursement is made. The lien may be enforced in the same manner as a lien for an unpaid Assessment levied in accordance with Article XI of this Declaration.

ARTICLE X
INSURANCE AND FIDELITY BONDS

Section 10.1. General Insurance Provisions. The Association shall maintain, to the extent reasonably available:

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

B. Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area and the Association, in an amount deemed sufficient in the judgment of the Executive Board, insuring the Executive Board, the Association, the Manager, and their respective employees, agents, and all persons acting as agents. Declarant shall be included as an additional insured in Declarant's capacity as an Owner and Executive Board

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member. The Owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area. The insurance shall cover claims of one or more insured parties against other insured parties.

C. Physical damage insurance for all Residential Units and all other insurable improvements on each Lot, except that each Owner may be required to obtain and maintain such insurance pursuant to Section 10.12. below. Such insurance shall cover the full replacement value of the Residential Units, less applicable deductibles, at the time the insurance is purchased and at each renewal date, exclusive of those items normally excluded from property policies. The insurance coverage shall include, unless the Executive Board directs otherwise, fixtures initially installed in the Residential Units and replacements thereof up to the value of those initially installed by Declarant, but not including furniture, wall coverings, improvements, additions or other personal property supplied or installed by an Owner, all such insurance covering the interests of the Owners and their Mortgagees as their respective interests may appear. The Executive Board may obtain this insurance upon such terms and conditions as it deems advisable. Prior to obtaining any policy of physical damage insurance or any renewal thereof, and at such other intervals as the Executive Board may deem advisable, the Executive Board may, but shall not be obligated to, obtain an appraisal from an insurance company, or such other source as the Executive Board may determine, of the then-current replacement cost of the Residences (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 physical damage insurance to be secured.

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

Section 10.2. Cancellation. If the insurance described in Section 10.1. is not reasonably available, or if any policy of such insurance is cancelled or not renewed without a replacement policy therefore having been obtained, the Association promptly shall cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Owners.

Section 10.3. Policy Provisions. Insurance policies carried pursuant to Section 10.1. must provide that:

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

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

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

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

Section 10.4. Insurance Proceeds. Any loss covered by the property insurance policy described in Section 10.1. must be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any holder of a security interest. The insurance trustee or the Association shall hold any insurance proceeds in trust for the Owners and Mortgagees as their interests may appear. Subject to the provisions of Section 10.7. below, the proceeds must be disbursed first for the repair or restoration of the damaged property, and the Association, Owners and Mortgagees are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored or the regime created by this Declaration is terminated.

Section 10.5. Association Policies. The Association may adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. To the extent the Association settles claims for damages to real property, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration all or any equitable portion of the deductibles paid by the Association.

Section 10.6. Insurer Obligation. An insurer that has issued an insurance policy for the insurance described in Section 10.1. shall issue certificates or memoranda of insurance to the Association and, upon request, to any Owner or Mortgagee. Unless otherwise provided by statute, the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association and to each Owner and Mortgagee to whom a certificate or memorandum of insurance has been issued at their respective last-known addresses.



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Section 10.7. Repair and Replacement.

A. Any portion of the Common Area for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

(i) The regime created by this Declaration is terminated;

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

(iii) Eighty percent of the Owners vote not to rebuild; or

(iv) Prior to the conveyance of any Residential Unit to a person other than Declarant, the Mortgagee holding a deed of trust or mortgage on the damaged portion of the Common Area rightfully demands all or a substantial part of the insurance proceeds.

B. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Common Area is not repaired or replaced, the insurance proceeds attributable to the damaged Common Area must be used to restore the damaged area to a condition compatible with the remainder of Knudson Ranch, and except to the extent that other persons will be distributees, the insurance proceeds must be distributed to all the Owners or Mortgagees, as their interests may appear in proportion to the Common Expense liabilities of all the Residential Units.

Section 10.8. Common Expenses. Premiums for insurance that the Association acquires and other expenses connected with acquiring such insurance are Common Expenses.

Section 10.9. Fidelity Insurance. To the extent reasonably available, fidelity bonds may 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 belonging to or administered by the Association in an amount determined by the Executive Board within its discretion. In addition, if responsibility for handling funds is delegated to a Manager, such bond may be obtained for the Manager and its officers, employees, and agents, as applicable. Any such fidelity coverage shall name the Association as an obligee and such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions.

Section 10.10. Worker's Compensation Insurance. The Executive Board shall obtain worker's compensation or similar insurance with




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respect to its employees, if applicable, in the amounts and forms as may now or hereafter be required by law.

Section 10.11. Other Insurance. The Association shall also maintain insurance to the extent reasonably available and in such amounts as the Executive Board may deem appropriate on behalf of Directors against any liability asserted against a Director or incurred by him in his capacity of or arising out of his status as a Director. The Executive Board may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate with respect to the Association's responsibilities and duties.

Section 10.12. Insurance Obtained by Owners. In the event that the Association is unable to obtain or maintain physical damage insurance for the Residential Units as set out in Section 10.1.C. upon terms deemed reasonable to the Executive Board, each Owner shall obtain and at all times maintain physical damage insurance as described in Section 10.1.C. at such Owner's expense, covering the full replacement value of such Owner's Residential Unit. The beneficiaries under such policy shall be that Owner, the Association and any and all other Owners within the same residential structure as the Owner obtaining such physical damage insurance. Any insurance obtained by an Owner shall include a provision waiving the particular insurance company's right of subrogation against the Association and other Owners, including Declarant, should Declarant be the Owner of any Residential Unit.

Each Owner shall obtain and at all times maintain physical damage and liability insurance for such Owner's benefit, at such Owner's expense, covering the full replacement value of the Owner's personal property and personal liability insurance in a limit of not less than Five Hundred Thousand Dollars (\$500,000.00) in respect to bodily injury or death to any number of persons arising out of one accident or disaster, or for damage to personal property, and if higher limits shall at any time be customary to protect against tort liability such higher limits shall be carried. In addition, an Owner may obtain such other and additional insurance coverage on the Residential Unit as such Owner in the Owner's sole discretion shall conclude to be desirable; provided, however, that none of such insurance coverage obtained by the Owner shall operate to decrease the amount which the Executive Board, on behalf of all Owners, may realize under any policy maintained by the Executive Board or otherwise affect any insurance coverage obtained by the Association or cause the diminution or termination of that insurance coverage. Any insurance obtained by an Owner shall include a provision waiving the particular insurance company's right of subrogation against the Association and other Owners, including Declarant, should Declarant be the Owner of any Residential Unit. No Owner shall obtain separate insurance policies on the Common Area.


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All Owners are required to maintain on file copies of all such current policies to evidence compliance with the Association to evidence their obligations hereunder and to facilitate recovery of all appropriate awards or proceeds by the Association.

ARTICLE XI ASSESSMENTS

Section 11.1. Obligation. Each Owner, including Declarant, by accepting a deed for a Residential Unit, is deemed to covenant to pay to the Association (1) the Annual Assessments imposed by the Executive Board as necessary to meet the Common Expenses of maintenance, operation, and management of the Common Area and to perform the functions of the Association; (2) Special Assessments for capital improvements and other purposes as stated in this Declaration, if permitted under the Act; and (3) Default Assessments which may be assessed against a Residential Unit for the Owner's failure to perform an obligation under the Association Documents or because the Association has incurred an expense on behalf of the Owner under the Association Documents.

Section 11.2. Purpose of Assessments. The Assessments shall be used exclusively to promote the health, safety and welfare of the Owners and occupants of Knudson Ranch, and for the improvement and maintenance of the Common Area and the Exterior Maintenance Area, and other areas of Association responsibility referred to herein, as more fully set forth in this Article below.

Section 11.3. Budget. Within thirty (30) days after the adoption of any proposed budget for the Association, the Executive Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing or other delivery of the summary. Unless at that meeting sixty percent (60%) of all Owners reject the budget, the budget is ratified, whether or not a quorum is present. In the event that the 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 Executive Board. The Executive Board shall adopt a budget and submit the budget to a vote of the Owners as provided herein no less frequently than annually. The Executive Board shall levy and assess the Annual Assessments in accordance with the annual budget.

Section 11.4. Annual Assessments. Annual Assessments for Common Expenses made shall be based upon the estimated cash requirements as the Executive Board shall from time to time determine to be paid by all of the Owners, subject to Section 11.3. above. Estimated Common Expenses shall include, but shall not be limited to, the cost of routine maintenance and operation of the Common Area and Exterior Maintenance Area; expenses of management;



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and insurance premiums for insurance coverage as deemed desirable or necessary by the Association; landscaping of the Property; care of grounds within the Common Area and Exterior Maintenance Area; routine repairs and renovations within the Common Area and Exterior Maintenance Area; wages; common water and utility charges for the Common Area and Exterior Maintenance Area; legal and accounting fees; management fees; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any default remaining from a previous assessment period; and the creation of a reasonable contingency or other reserve or surplus fund for general, routine maintenance, repairs, and replacement of improvements within the Common Area and Exterior Maintenance Area on a periodic basis, as needed.

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

Section 11.5. Apportionment of Annual Assessments. Each Owner shall be responsible for that Owner's share of the Common Expenses, which shall be divided among the Residential Units on the basis of the Sharing Ratios in effect on the date of assessment, subject to the following provisions. All expenses (including, but not limited to, costs of maintenance, repair, and replacement) relating to fewer than all of the Residential Units to the extent not covered by insurance shall be borne by the Owners of those affected Residential Units only. The formula establishing Sharing Ratios is an equal allocation among all Residential Units.

Section 11.6. Special Assessments. In addition to the Annual Assessments authorized by this Article, the Association, subject to the requirements of Section 11.3. above, may levy in any fiscal year one or more Special Assessments, payable over such a period as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of improvements within the Common Area or Exterior Maintenance Area or for any other expense incurred or to be incurred as provided in this Declaration. This Section 11.6. shall not be construed as an independent source of authority for the Association to incur expense, but shall be construed to prescribe the manner of assessing expenses authorized by other sections of this Declaration, and in acting under this Section, the Association shall make specific references to this Section. Any amounts assessed pursuant to this Section shall be assessed to Owners in the same proportion as provided for Annual Assessments in Section 11.4., subject to the requirements that any extraordinary



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maintenance, repair or restoration work on fewer than all of the Residential Units shall be borne by the Owners of those affected Residential Units only; and any extraordinary insurance costs incurred as a result of the value of a particular Owner's residence or the actions of a particular Owner (or his agents, servants, guests, tenants or invitees) shall be borne by that Owner. Notice in writing in the amount of such Special Assessments and the time for payment of the Special Assessments shall be given promptly to the Owners, and no payment shall be due less than 10 days after such notice shall have been given. Special Assessments require the prior ratification of the Owners pursuant to the provisions of Section 11.3.

Section 11.7. Default Assessments. All monetary fines assessed against an Owner pursuant to the Association Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Association Documents, shall be a Default Assessment and shall become a lien against such Owner's Residential Unit which may be foreclosed or otherwise collected as provided in this Declaration. Notice of the amount and due date of such Default Assessment shall be sent to the Owner subject to such Assessment at least ten (10) days prior to the due date.

Section 11.8. Effect of Nonpayment; Assessment Lien. Any Assessment installment, whether pertaining to any Annual, Special or Default Assessment, which is not paid on or before its due date shall be delinquent. If an Assessment installment becomes delinquent, the Association, in its sole discretion, may take any or all of the following actions:

A. Assess a late charge for each delinquency in such amount as the Association deems appropriate;

B. Assess an interest charge from the due date at the yearly rate of six points above the prime rate charged by the Association's bank or such other lawful rate as the Executive Board may establish;

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

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

E. Bring an action at law against any Owner personally obligated to pay the delinquent Assessments; and

F. Proceed with foreclosure as set forth in more detail below.



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Assessments chargeable to any Residential Unit shall constitute a lien on such Residential Unit. The Association may institute foreclosure proceedings against the defaulting Owner's Residential Unit in the manner for foreclosing a mortgage on real property under the laws of the State of Colorado. In the event of any such foreclosure, the Owner shall be liable for the amount of unpaid Assessments, any penalties and interest thereon, the cost and expenses of such proceedings, the cost and expenses for filing the notice of the claim and lien, and all reasonable attorney's fees incurred in connection with the enforcement of the lien. The Association shall have the power to bid on a Residential Unit at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same.

Section 11.9. Personal Obligation. The amount of any Assessment chargeable against any Residential Unit shall be a personal and individual debt of the Owner of same. No Owner may exempt himself from liability for the Assessment by abandonment of his Residential Unit or by waiver of the use or enjoyment of all or any part of the Common Area. Suit to recover a money judgment for unpaid Assessments, any penalties and interest thereon, the cost and expenses of such proceedings, and all reasonable attorney's fees in connection therewith shall be maintainable without foreclosing or waiving the Assessment lien provided in this Declaration.

Section 11.10. Successor's Liability for Assessments; Subordination of Lien. The provisions of the Act shall govern and control (a) the obligations of successors to the fee simple title of a Residential Unit on which Assessments are delinquent and (b) the subordination by the lien of the Assessments provided for in this Declaration.

Section 11.11. Payment by Mortgagee. Any Mortgagee holding a lien on a Residential Unit may pay any unpaid Assessment payable with respect to such Residential Unit, together with any and all costs and expenses incurred with respect to the lien, and upon such payment that Mortgagee shall have a lien on the Residential Unit for the amounts paid with the same priority as the lien of the Mortgage.

Section 11.12. Statement of Status of Assessment Payment. Upon payment of a reasonable fee set from time to time by the Executive Board and upon fourteen (14) business days' written request to the Manager or the Association's registered agent (delivered in the manner provided below for issuance of an Association statement), any Owner, Mortgagee, prospective Mortgagee or prospective purchaser of a Residential Unit shall be furnished with a written statement setting forth the amount of the unpaid Assessments, if any, with respect to such Residential Unit. Unless such statement shall be issued by personal delivery or by certified mail, first class postage prepaid, return receipt requested, to the



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inquiring party (in which event the date of posting shall be deemed the date of delivery) within fourteen (14) business days, the Association shall have no right to assert a lien upon the Residential Unit over the inquiring party's interest for unpaid Assessments which were due as of the date of the request.

Section 11.13. Capitalization of the Association. Upon acquisition of record title to a Residential Unit from Declarant or any seller after Declarant, each Owner shall contribute to the working capital and reserves of the Association an amount equal to twenty-five percent (25%) of the Annual Assessment determined by the Executive Board for that Residential Unit for the year in which the Owner acquired title. Such payments shall not be considered advance payments of Annual Assessments. The unused portion of the working capital deposit shall be returned to each Owner upon the sale of his Residential Unit, provided that the new purchaser of the Residential Unit has deposited the required working capital deposit with the Association. Such working capital deposit may be utilized by the Association to meet start-up or unexpected expenses, provided that the Executive Board provides the Owners with prior written notice of such use of the working capital deposit.

ARTICLE XII ASSOCIATION AS ATTORNEY-IN-FACT

Each Owner hereby irrevocably appoints the Association as the Owner's true and lawful attorney-in-fact for the purposes of dealing with any improvements covered by insurance written in the name of the Association pursuant to Article X upon their damage or destruction as provided in Article XIII or a complete or partial taking as provided in Article XIV below. Acceptance by a grantee of a deed or other instrument of conveyance or any other instrument conveying any portion of the Property shall constitute appointment of the Association as the grantee's attorney-in-fact, and the Association shall have full authorization, right, and power to make, execute, and deliver any contract, assignment, deed, waiver, or other instrument with respect to the interest of any Owner which may be necessary to exercise the powers granted to the Association as attorney-in-fact.

ARTICLE XIII DAMAGE OR DESTRUCTION

Section 13.1. The Role of the Executive Board. Except as provided in Section 13.6., in the event of damage to or destruction of all or part of any Common Area improvement or other property covered by insurance written in the name of the Association under Article X, the Executive Board shall arrange for and supervise the prompt repair and restoration of the damaged property (the property insured by the Association pursuant to Article X is sometimes referred to as the "Association-Insured Property").

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Section 13.2. Estimate of Damages or Destruction. As soon as practicable after an event causing damage to or destruction of any part of the Association-Insured Property, the Executive Board shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction. "Repair and reconstruction" as used in Article XIII shall mean restoring the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction. Such costs may also include professional fees and premiums for such bonds as the Executive Board or the Insurance Trustee, if any, determines to be necessary.

Section 13.3. Repair and Reconstruction. As soon as practical after the damage occurs and any required estimates have been obtained, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Association-Insured Property. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction of any damage to the Association-Insured Property, and no consent or other action by any Owner shall be necessary. Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

Section 13.4. Funds for Repair and Reconstruction. The proceeds received by the Association from any hazard insurance carried by the Association shall be used for the purpose of repair, replacement, and reconstruction of the Association-Insured Property.

If the proceeds of the Association's insurance are insufficient to pay the estimated or actual cost of such repair, replacement or reconstruction or, if upon completion of such work the insurance proceeds for the payment of such work are insufficient, the Association may, pursuant to Section 11.6., if permitted under the Act, levy, assess and collect in advance from the Owners, without the necessity of a special vote of the Owners, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair, replacement or reconstruction.

Section 13.5. Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for above, constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and



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reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as Special Assessments, then in equal shares per Residential Unit, first to the Mortgagees and then to the Owners, as their interests appear.

Section 13.6. Decision Not to Rebuild Common Area. If Owners representing at least 80% of the total allocated votes in the Association (other than Declarant) and 51% of the Mortgagees holding First Mortgages (based on one (1) vote for each Mortgage which encumbers a Residential Unit) and all directly adversely affected Owners agree in writing not to repair and reconstruct improvements within the Common Area and if no alternative improvements are authorized, then and in that event the damaged 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.

ARTICLE XIV CONDEMNATION

Section 14.1. Rights of Owners. Whenever all or any part of the Common Area shall be taken by any authority having power of condemnation or eminent domain or whenever all or any part of the Common Area is conveyed in lieu of a taking under threat of condemnation by the Executive Board acting as attorney-in-fact for all Owners under instructions from any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking or conveying. The Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 14.2. Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as trustee for those Owners for whom use of the Common Area was conveyed and, unless otherwise required under the Act, the award shall be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty days after such taking Owners who represent at least 67% of the votes of all of the Owners shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available for such restoration or replacement in accordance with plans approved by the Executive Board. If such improvements are to be repaired or restored, the provisions in Article XIII 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,

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then such award or net funds shall be distributed in equal shares per Residential Unit among the Owners, first to the Mortgagees and then to the Owners, as their interests appear.

Section 14.3. Complete Condemnation. If all of the Property is taken, condemned, sold or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Common Area shall be distributed as provided in Section 13.5. above.

ARTICLE XV
EXPANSION AND WITHDRAWAL

Section 15.1. Reservation of Expansion and Withdrawal Rights.

A. Declarant reserves the right for itself and any Successor Declarant to subject all or any part of the Expansion Property to Knudson Ranch and subject such Expansion Property to the provisions of this Declaration and thereby expand the Property to include up to a total of twenty six (26) Residential Units and to expand the Common Area.

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

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

Section 15.2. Supplemental Declarations and Supplemental Plats. Such expansion may be accomplished by the filing for record by Declarant in the office of the Clerk and Recorder for Eagle County, Colorado, one or more Supplemental Declarations and, if the real property being subject to this Declaration by such Supplemental Declaration has not been previously platted in a plat recorded in the office of the Clerk and Recorder for Eagle County, Colorado, of a Supplemental Plat depicting such Expansion Property recorded concurrently with the applicable Supplemental Declaration. The Supplemental Declaration shall set forth the Lots and other real property, if any, to be included in the expansion, together with any covenants, conditions, restrictions and easements particular to such property. The expansion, which shall expand the Knudson Ranch so that it contains no more than twenty-six (26)

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total Residential Units, may be accomplished in stages by successive supplements or in one supplemental expansion. Declarant may exercise such rights for expansion on all or any portion of the Expansion Property in whatever order of development Declarant in its sole discretion, determines. Declarant shall not be obligated to expand Knudson Ranch beyond the number of Residential Units initially submitted to this Declaration.

Section 15.3. Expansion of Definitions. In the event of such expansion, the definitions used in this Declaration shall be expanded automatically to encompass and refer to the Property subject to this Declaration as so expanded. For example, "Residential Unit" shall mean the Residential Units as shown on the Plat plus any additional Residential Units added by a Supplemental Declaration or Declarations and, if necessary, Supplemental Plat or Plats, and reference to this Declaration shall mean this Declaration as supplemented. All conveyances of Residential Units shall be effective to transfer rights in the Property as expanded.

Section 15.4. Declaration Operative on New Residential Units.

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

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

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

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Section 15.5. Effect of Expansion.

A. Upon the construction of additional Residential Units and their inclusion under this Declaration and the filing of the Supplemental Declaration(s) and, if necessary, Supplemental Plat(s) thereof, the Sharing Ratio applicable to a Residential Unit shall automatically be reduced to a fraction, the numerator of which shall be one (1) and the denominator of which shall be equal to the aggregate number of Residential Units then subject to this Declaration. Such reduction in the Sharing Ratio appurtenant to a Residential Unit shall be reflected and set forth in the Supplemental Declaration.

B. Notwithstanding any inclusion of additional Residential Units under this Declaration, each Owner (regardless of whether such Owner is the owner of a Residential Unit shown on the original plat or is the owner of a Residential Unit constructed in the Expansion Property) shall remain fully liable with respect to his obligation for the payment of the Common Expenses of the Association, including the expenses for such new Common Area, costs and fees, if any. The recording of a Supplemental Declaration or Supplemental Plat shall not alter the amount of the Common Expenses assessed to a Residential Unit prior to such recording.

Section 15.6. Termination of Expansion and Development Rights. The rights reserved to the Declarant for itself, its successors and assigns for the expansion and development of the Expansion Property ("Expansion and Development Rights") shall expire fifteen (15) years from the date of recording this Declaration, unless terminated earlier pursuant to the terms and provisions of the Act or unless the Expansion and Development Rights are (i) extended as allowed by law or (ii) reinstated or extended by the Association, subject to whatever terms, conditions, and limitations the Executive Board may impose on the subsequent exercise of the Expansion and Development Rights by Declarant.

ARTICLE XVI
DESIGN REVIEW

No alteration of the exterior of a Residence or other structure located on a Lot, including repainting of the structure, shall be made unless first approved in writing by the Executive Board. The Executive Board shall exercise its best judgement to the end that all modifications to structures and on land within the Property conform to and harmonize with existing surroundings and structures. The Executive Board has the absolute right to deny any requested changes which the Executive Board reasonably determines do not conform to and harmonize with existing surroundings and structures. The provisions for architectural control contained in this Declaration shall be in addition to, and not in lieu of, the architectural control provisions contained in the Amended and Restated Declaration of Covenants, Conditions, Restrictions and

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Easements for Arrowhead at Vail (the "Arrowhead Declaration") and any and all amendments thereto. The granting of approval for proposed work hereunder shall not dispense with the need also to comply with the approval procedures set forth in the Arrowhead Declaration. All proposed construction, modifications, alterations and improvements shall be approved pursuant to this Declaration before being submitted for approval pursuant to the Arrowhead Declaration.

ARTICLE XVII
MORTGAGEE'S RIGHTS

The following provisions are for the benefit of holders, insurers or guarantors of First Mortgages on Residential Units. To the extent permitted under Colorado law and applicable, necessary or proper, the provisions of this Article XVII apply to this Declaration and also to the Articles and Bylaws of the Association.

Section 17.1. Approval Requirements. Unless at least 67% of the Mortgagees holding First Mortgages against any portion of the Property (based on one vote for each Mortgage owned), and at least 67% of the Owners (other than Declarant) have given their prior written approval, the Association shall not be entitled to:

A. By act or omission seek to abandon, partition, subdivide, sell or transfer all or part of the Common Area (provided, however, that the granting of easements or rights of way for public utilities or for other purposes consistent with the intended use of such Common Area shall not be deemed a transfer within the meaning of this clause);

B. Subject to the expansion rights of Declarant set forth in Article XV, change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner;

C. Fail to maintain insurance required to be maintained under this Declaration;

D. Use hazard insurance proceeds for losses to improvements in the Common Area for other than the repair, replacement or reconstruction of such property.

Section 17.2. Title Taken by Mortgagee. Any Mortgagee holding a First Mortgage of record against a Residential Unit who obtains title to the Residential Unit pursuant to remedies exercised in enforcing the Mortgage, including foreclosure of the Mortgage or acceptance of a deed in lieu of foreclosure, will be liable for all Assessments due and payable as of the date title to the Residential Unit (i) is acquired or (ii) could have been acquired under the statutes of Colorado governing foreclosures, whichever is earlier. Such Mortgagee shall also become liable for

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any Assessments having priority over the Mortgage pursuant to the terms and provisions of the Act.

Section 17.3. Distribution of Insurance or Condemnation Proceeds. In the event of a distribution of insurance proceeds or condemnation awards allocable among the Residential Units for losses to, or taking of, all or part of the Common Area, neither the Owner nor any other person shall take priority in receiving the distribution over the right of any Mortgagee who is a beneficiary of a First Mortgage against the Residential Unit.

Section 17.4. Right to Pay Taxes and Charges. Mortgagees who hold First Mortgages against Residential Units may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy for such Common Area, and Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

ARTICLE XVIII DURATION OF COVENANTS AND AMENDMENT

Section 18.1. Term. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity, subject to the termination provisions of the Act.

Section 18.2. Amendment. This Declaration, or any provision of it, may be amended at any time by Owners holding not less than 67% of the votes possible to be cast under this Declaration at a meeting of the Owners called for that purpose, except as limited by Article XVII. Any amendment must be executed by the President of the Association and recorded, and approval of such amendment may be shown by attaching a certificate of the Secretary of the Association to the recorded instrument certifying the approval of a sufficient number of Owners of the amendment. Notwithstanding the foregoing, Declarant, acting alone, reserves to itself the right and power to modify and amend this Declaration and/or the Plat to the fullest extent permitted under the Act.

Section 18.3. Revocation. This Declaration shall not be revoked, except as provided in Article XIV regarding total condemnation, without the consent of all of the Owners evidenced by a written instrument duly recorded.

ARTICLE XIX LIMIT ON TIMESHARING

No Owner of any Residential Unit shall offer or sell any interest in such Residential Unit under a "timesharing" or "interval ownership" plan, or any similar plan.

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ARTICLE XX
DISCLOSURES

Section 20.1. Ski Facilities. The project is located in the vicinity of a public skiing facility and recreation area (the "Ski Facility"), which may generate an unpredictable amount of visible, audible and odorous impacts and disturbances from activities relating to the construction, operation, use and maintenance thereof. The activities associated with the Ski Facility include, without limitation: (i) vehicular and residential traffic, including, without limitation, (A) buses, vans, snowcats, snowmobiles and other vehicles which transport residents and guests of Arrowhead at Vail over, around and through the Ski Facility, and (B) construction vehicles and equipment; (ii) activities relating to the construction, operation and maintenance of ski trails and skiways relating to the Ski Facility, including, without limitation, (A) construction, operation and maintenance of access roads, snowmaking equipment and chair lifts, gondolas and other skier transportation systems, and (B) operation of snow-grooming vehicles and equipment and safety and supervision vehicles; and (iii) activities relating to the use of the Ski Facility, including, without limitation, skiing, snow-boarding, hiking, horseback riding, bicycling and other recreational activities and organized events and competitions relating to such activities.

Section 20.2. Construction. Substantial construction-related activities relating to the development of the project or other development within or near the Arrowhead at Vail Subdivision may cause considerable noise, dust and other inconveniences to the Owners.

ARTICLE XXI
GENERAL PROVISIONS

Section 21.1. Restriction on Declarant Powers. Notwithstanding anything to the contrary herein, no rights or powers reserved to Declarant hereunder shall exceed the time limitations or permissible extent of such rights or powers as restricted under the Act. Any provision in this Declaration in conflict with the requirements of the Act shall not be deemed to invalidate such provision as a whole but shall be adjusted as is necessary to comply with the Act.

Section 21.2. Enforcement. Except as otherwise provided in this Declaration, the Executive Board, Declarant, or any Owner shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Executive Board of the Association, Declarant, or by any Owner to enforce any covenant or restriction contained in this Declaration shall in no event be deemed a waiver of the right to do so thereafter.

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Section 21.3. Severability. Invalidation of any one of these covenants or restrictions by judgement or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 21.4. Conflicts Between Documents. In case of conflict between this Declaration and the Articles and the Bylaws of the Association, this Declaration shall control. In case of conflict between the Articles and the Bylaws, the Articles shall control.

IN WITNESS WHEREOF, Declarant has executed this Declaration on the date first written above.

KNUDSON RANCH DEVELOPMENT LLC, a Colorado limited liability company

By: SUMMIT HABITATS, INC., a Colorado corporation, Manager

By: Sanford M. Treat, III
Sanford M. Treat, III, President

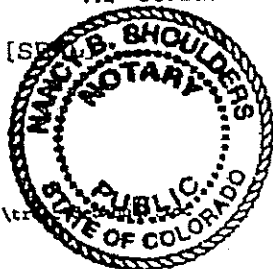
STATE OF COLORADO)
) ss.
COUNTY OF Eagle)

The foregoing instrument was acknowledged before me this _____ day of October, 1997, by Sanford M. Treat, III as President of Summit Habitats, Inc., Manager of Knudson Ranch Development LLC, a Colorado limited liability company.

WITNESS MY HAND AND OFFICIAL SEAL.

MY COMMISSION EXPIRES: _____

My Commission Expires 06/01/2000
121 Riverside Pl. Edwards, CO 81632



Nancy B. Shoulders
Notary Public



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JOINDER OF LENDER

The undersigned, beneficiary under the Deed of Trust dated January 17, 1997 and recorded February 14, 1997, in Book 718 at Page 614 in the office of the Clerk and Recorder of Eagle County, Colorado, as amended and supplemented from time to time (the "Deed of Trust"), for itself and its successors and assigns, approves the foregoing Declaration of Covenants, Conditions, Restrictions and Easements for Knudson Ranch, affecting a portion of the property encumbered by the Deed of Trust, and agrees that no foreclosure or other enforcement of any remedy pursuant to the Deed of Trust shall impair, invalidate, supersede or otherwise affect the covenants, conditions, restrictions and easements established by that Declaration.

FIRSTBANK OF AVON, N.A.

By: [Signature]
Title: President

STATE OF COLORADO)
COUNTY OF Eagle) ss.

The foregoing instrument was acknowledged before me this 22nd day of October 1997, by Terry L. Halverson as President of FirstBank of Avon.

WITNESS my hand and official seal.

My commission expires My Commission Expires 11/4/2000
0011 W. Beaver Creek Blvd.
Avon, CO 81620

[Signature]
Notary Public

[SEAL]



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EXHIBIT A

Property Description

Lots 10, 11, 12, 14, 16, 21, 23 and 24, and Common Area,
according to the Final Plat, Knudson Ranch, Phase I, a
Resubdivision of Knudson Ranch, recorded November
27, 1997 in Book 746 at Page 252 in the records of
the Clerk and Recorder, Eagle County, Colorado.

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EXHIBIT B

Expansion Property

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 13, 15, 17, 18, 19, 20,
22, 25 and 26, and Tract A/Future Development, according
to the Final Plat, Knudson Ranch, Phase I, a
Resubdivision of Knudson Ranch, recorded November
3rd, 1997 in Book 742 at Page 257, County of Eagle,
Colorado.

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EXHIBIT C

Sharing Ratios and Formula

<u>Residential Unit</u>	<u>Sharing Ratio</u>
10	one-eighth
11	one-eighth
12	one-eighth
14	one-eighth
16	one-eighth
21	one-eighth
23	one-eighth
24	one-eighth

The formula for Sharing Ratios is an equal allocation among all Residential Units.



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EXHIBIT D

Easements and Licenses of Record

1. Right of Way for ditches or Canals constructed by the authority of the United States as reserved in United States Patent recorded November 12, 1921, in Book 93 at Page 323 and January 6, 1984 in Book 376 at Page 232.
2. Right of proprietor of a vein or lode to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises as reserved in United States Patent recorded December 27, 1892, in Book 48 at Page 444 and January 6, 1984 in Book 376 at Page 232.
3. Right of Way for ditches or canals constructed by the authority of the United States as reserved in United States Patent recorded December 28, 1892, in Book 48 at Page 444.
4. Water and water rights, ditch and ditch rights.
5. Terms, conditions and provisions of approval of the preliminary plan for the Knudson Ranch Planned Unit Development recorded June 18, 1996 in Book 697 at Page 742.
6. Right of Way Easement as granted to the Mountain States Telephone and Telegraph Company in instrument recorded September 29, 1977 in Book 260 at Page 432.
7. Easements, reservations and restrictions as shown or reserved on the Plat recorded October 1, 1996 in Book 707 at Page 46.
8. Easements reservations and restrictions as shown or reserved on the Plat (as defined herein).
9. Terms, conditions and provisions of Agreement Permitting Encroachment recorded April 23, 1997 in Book 725 at Page 2.
10. Terms, conditions and provisions of Underground Right of Way Easement as granted to Holy Cross Electric Association, Inc. recorded June 02, 1997 in Book 728 at Page 165.
11. Terms, conditions and provisions of Trench, Conduit and Vault Agreement recorded June 2, 1997 in Book 728 at Page 166.



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