

Protective Covenants June 11 1990

General Purpose of the Covenants

Definitions 1 to 9

Membership 10

Covenants 11 to 25

11 Buildings.

All buildings and out buildings must be approved with architectural review committee. One guest house. No renting. No more than two stories.

12 Where to build.

Build on your lot. You can name your property.

13 Temporary Shelter.

Cannot live in temporary shelter except for 6 months while building.

14 Utilities.

Owner responsible for hooking up utilities. Individual septic systems. Owner pay their own taxes. Each lot has their own water rights.

15 Utility Lines.

All utility lines buried. Board must approve location.

16 Exterior Construction.

All building / remodeling plans must be submitted to and approved by the architectural review committee and the board. Building locations must be approved by the architect committee.

- 17 Architect Committee.** This committee shall be established by the Board in accordance with the Celadon 1 By Laws.
- 18 Cutting trees.** Must be approved by architectural review committee. Cut one and plant one. Exception for fire control.
- 19 Business or Commercial.** No business allowed unless approved by board. No undo traffic or parking.
- 20 Animals,Horses,Fences.** No animals except household pets. Pets must be kept on owner property. You can keep up to 6 horses. Lots may be fenced but must be approved by the Architectural review committee.
- 21 Nuisance.** No owner shall allow nuisances that reasonably bother other owners.
- 22 Orderly Fashion.** All owners shall maintain their lots in an orderly fashion.
- 23 Supplemental.** No recreational vehicles, factory built homes or meal roofs.
- 24 Burning.** No burning of trash.
- 25 Central Fire and Security.** Each lot must have a central fire and security system.

Easement Caretaker and Caretaker Facilities

26 Easements.

Celadon shall have reasonable rights to creates easement across properties for utilities, pump lines and horses trails to the National Forest.

27 Caretaker

Celadon shall hire a full time caretaker, provide caretaker lodging and equipment necessary for him to do his job. The lodging will be on approximately 2 acres of land. Caretaker will take care of common ground only and expenses will be paid proportionally thru assessments.

Funds and Assessments

28 Assesments

A budget will be established at least 30 days before each physical year. Budget will be presented to members at annual meeting. Budget and dues will be approved at the meeting by majority vote.

Owners will be billed for their dues and if dues are not paid the past due amount will be subject to interest. If an owner does not pay the association can bring legal action and all costs will be paid by the delinquent owner. Dues will be billed on a proportional basis.

29 Special Assessments. The Board might feel the need for a special assessment. The special assessment must be approved by the owners at either an annual or a special meeting. Approved by majority of members present at the meeting or 2/3 total membership

30 Subordination. Special Assessments are subordinated to any mortgage the owner might have.

Enforcement of Covenant

31 Enforcement Covenants can be enforced by Board or any owner if necessary. Owner in violation must be notified and given reasonable time to render a solution.

Declarant's Entitlement to Vote Unsold Lots

32 McDonald Becket can vote the shares of any unsold lot until it sells. N/A today

Annexation of Additional Lands

33 N/A

Water Rights

34 Water Rights

Water rights owned by each owner. All water and ditch rights shall be managed by the association. Water rights owned by the association will be for the benefit of all owners. The association cannot sell water rights.

Public Liability Insurance

35 Liability Insurance.

The association will maintain liability insurance.

Amendments

36 Amendments

Covenants may be revised / updated by 75% vote of members.

Resubdivision

37 Resubdivision

Property cannot be subdivided without 100% vote of owners and never less than 35 acres.

Term of Covenants

38 Term

25 years and then up for an additional 25 years.

PROTECTIVE COVENANTS

FOR

CELADON

MacDonald Becket, u/d/t, for the MacDonald Becket Family Trust, dated July 30, 1974, (hereinafter "Declarant") being the owner of the property described on Exhibit A hereto attached, the contents of which are specifically incorporated by reference herein, and having established a general plan for the improvement and protection of the property and lots to be created therefrom, hereby encumbers the property described on Exhibit A attached hereto with these Protective Covenants for the benefit of the present and future owners of said lots.

These covenants shall extend to and run with the land described on Exhibit A attached hereto and incorporated by reference herein, and shall be binding upon present owners, their successors, transferees and assigns.

GENERAL PURPOSE OF THE COVENANTS

1. These covenants are devised to assure that development of the property is carried out in such a manner as to retain the Property in its "natural state" to the maximum extent possible. Development of roads, caretakers facilities, placement of homes and other buildings and the use of materials and methods of construction in conjunction therewith, must be accomplished in such a manner as to protect the environment and retain the present character of the Property.

DEFINITIONS:

2. The term "association" refers to Celadon, Inc., a Colorado non-profit corporation.

3. The term "board" or "board of directors" shall mean the Board of Directors of Celadon, Inc.

4. The term "Property" shall refer to all land described on Exhibit A hereto attached and incorporated by reference herein as well as the tracts into which the property described on Exhibit A hereto attached may be subsequently divided, consisting of five (5) lots designated as Lots 1 through 5, and Lot 6, together with additional property owned by the declarant, described on Exhibit B hereto attached, which, although subject to these covenants, does not as of the date of the execution and recording of these covenants constitute a separate lot for purposes of voting rights or assessments, and is only subject to restrictions against re-subdivision as set forth in Section 37 hereof. The term "Property" shall also refer to such additional lands as may be annexed to the property described on Exhibit A hereto attached through the recording of Amended Protective Covenants for Celadon inclusive of supplemental legal descriptions containing property which the declarant makes subject to these Protective Covenants through the supplemental recording pursuant to the authority reserved under Section 33 hereof.

5. The term "lot" shall mean Lots 1 through 4, and Lot 6 of the Property together with any parcel of real property which is a portion of the Property described in Exhibit B hereto or annexed to the property described on Exhibit A hereto which has been divided into a lot through either the filing of a survey plat or the initial conveyance from the Declarant of these covenants, MacDonald Becket, u/d/t for the MacDonald Becket Family Trust dated July 30, 1974. Should Declarant file and record a survey plat with respect to all or a portion of the Property described on Exhibit B or at the time of annexation of additional land, or subsequent thereto, Declarant shall, from the time of recording of said plat, have the right to vote with respect to unsold lots reflected by said plat pursuant to Section 52 hereof.

6. The term "owner" shall mean the holder of legal title to a lot within the Property. Owners of multiple lots shall be considered as multiple owners entitled to one (1) vote for each lot owned. The term "member" is synonymous with "owner."

7. The term "improvements" shall include buildings, out-buildings, roads, driveways, parking areas, fences, screening walls, retaining walls, decks, poles, signs and/or all other structures of every type and kind.

8. The term "fiscal year" shall mean the twelve month period as established by the board of directors.

9. The term "single family occupancy" shall mean a group of individuals living together as a family unit, no more than two of whom shall be unrelated by blood, marriage or adoption, together with their guests or invitees whose occupancy shall be of a temporary rather than permanent character.

MEMBERSHIP:

10. (a) Membership in Celadon, Inc. shall be appurtenant to lot ownership and cannot be severed therefrom.

(b) Each member must be a natural person or a group of natural persons not exceeding three (3) in number. Ownership in the name of a corporation or a trust shall not be precluded provided beneficial ownership as a result thereof does not violate the provisions of this subsection (b).

(c) Each lot owner or group of owners not exceeding three (3) in number shall be entitled to a single membership and each membership shall be entitled to one vote; provided, however, no membership shall be entitled or authorized to vote if the owner or owners thereof are delinquent in the payment of any assessments at the time such vote is called for.

(d) Each owner and other person or persons residing with the owner shall be entitled to the rights and shall be subject to the duties set forth in these covenants, the Articles of Incorporation and By-Laws of Celadon, Inc. and the rules and regulations adopted by the board of directors of Celadon, Inc. Owners of lots shall be obligated and

expected to not only preserve the letter but the spirit of these protective covenants.

(e) Memberships shall be subject to assessments as determined by the board of directors for purposes of covering the costs of operation of common facilities and services as approved in the annual operating budget, and for approved amounts for capital improvements, reserve funds for replacement of capital equipment, or special assessments approved by the membership.

PROTECTIVE COVENANTS

11. All buildings to be erected, altered, placed or permitted to remain on any lot shall be for one single family dwelling and the necessary out-buildings for the convenience of the lot owner which may include a garage for not more than three (3) cars, one (1) guest house, and one (1) servants quarters, and other recreational or outdoor amenities located and designed in accordance with the requirements and recommendations of the Architectural Control Committee. Owners are prohibited from renting their primary residential structure, or any portion thereof, guest houses or servants quarters at any time. No structure, including a primary residential structure, shall extend more than two (2) stories from ground level.

12. All residential construction and improvements shall be confined to an owner's lot; provided, however, owners of multiple adjacent lots may locate improvements upon a single lot or allocate improvements between said lots as desired, subject to prior approval of the Architectural Control Committee. Owners may designate the name of their residential lot or lots, should they so desire.

13. No structure of a temporary character, trailer, mobile home, recreational vehicle, tent, shack or other out-building shall be erected or used on any lot at any time either temporarily or permanently, except during the time of actual construction of a permanent residence for a period of time not to exceed six (6) months. The Board may grant extensions of additional six (6) month periods, but no more than one (1) such extension shall be granted. This covenant shall not preclude lot owners or contract purchasers from camping on their sites on a temporary basis, not to exceed three (3) weeks annually. Any trailers, mobile homes or recreational vehicles placed upon the property on a temporary basis during the period of construction shall not exceed sixty (60) feet in length or twelve (12) feet in width unless special written authorization has been previously obtained from the Board of Directors.

14. The Declarant shall extend available utilities by way of twenty-five foot (25) utility easements lying west of the centerline of the forty (40) foot access and utility easement extending from County Road 250 to Sherwood Lake. Connection of utility services from said easement to individual lots shall be the responsibility of lot owners; provided, however, the Association will assure that easements are made available to lot owners for such purposes. Available utilities which will be extended by the Declarant include domestic water, electrical service, telephone service, natural gas and cable television. Sewage disposal shall be the responsibility of individual lot

owners through the construction of individual septic systems pursuant to applicable Colorado law and regulations of the San Juan Basin Health Unit. Lot owners shall be responsible for the payment of all personal and real property taxes levied against their lots or any improvements thereon by any governmental authority. Water rights shall be owned by individual lot owners but shall be managed by the Association as hereinafter set forth.

15. All utility, service and transmission lines shall be placed underground. Location of proposed utility lines shall be approved by the Board of Directors or its designated agent, and no excavation of any kind shall be commenced until such approval has been obtained.

16. Prior to starting construction of any structure or improvement to be erected or moved upon any lot, or any exterior additions, changes, remodeling or reconstruction of such structure or improvement, preliminary site plans and specifications for such work shall be submitted in writing to and be approved in writing by the Architectural Control Committee and the Board of Directors. Preliminary site plans and specifications shall include exterior treatment, location, exterior elevations (including overall height), excavation, tree and brush clearing, and access, but need not include any interior details. Any such plans and specifications submitted and not approved or disapproved within thirty (30) days after submission shall be deemed approved, and no action of any kind shall thereafter be brought or threatened with respect to such structures built or improvements constructed pursuant to such plans and specifications. Any disapproval shall specify in writing the reasons for disapproval and include suggestions for correction to satisfy architectural standards. All construction or improvements constructed upon any lot shall be pursuant only to approved plans and specifications.

All site locations are to be determined in such a manner as to eliminate, to the maximum extent possible, the cutting of any trees or other significant natural vegetation. The Architectural Control Committee and the Board of Directors reserve the right to require relocation of improvements to avoid cutting of trees where possible.

17. The Architectural Control Committee shall be established in accordance with the By-Laws of Celadon, Inc.

18. Unless allowed by the standards and policies adopted by the Board of Directors regarding fire control, no standing trees or brush shall be cut on lots without approval of the Architectural Control Committee. The Board of Directors reserves the right to require all lot owners to plant a new replacement tree contemporaneously with the cutting of any tree authorized by the Architectural Control Committee. Any required approvals for tree clearing shall be obtained in writing in advance of any cutting and shall specify what may be cleared.

19. No business or commercial usage shall be allowed, except that a home occupation may be carried on in a residence provided it is expressly approved by the Board of Directors, does not interfere with the residential character of the dwelling or neighborhood, is secondary to the use of the residence as a dwelling place, causes no undue parking, traffic or telephone problems, and has no outward appearance of business or commercial use.

20. No animal, fowl, poultry or livestock, other than a reasonable number of generally recognized domestic household pets shall be maintained or permitted on any lot, and then only if they are kept, bred or raised thereon solely as household-pets and not for commercial purposes. All such pets shall be kept within the boundary line of the lot or otherwise under the direct control of the owner, and not be permitted to run at large.

Lot owners shall be allowed to maintain and keep up to six (6) horses on their lot, or such greater number as may be approved by the Board of Directors, subject to rules and restrictions approved by the Board of Directors, which may include rotation of stock to available grazing areas as determined by the Board. Lots may be fenced by the owners thereof, subject to prior written approval of the Architectural Control Committee.

21. No owner of any lot may do or permit to be done any act which is or may become a nuisance to others. Possible nuisances include, but are not limited to, exterior speakers, exterior floodlights, horns, whistles, bells or other sound devices, barking or howling dogs, or the use of motorized vehicles, trail bikes, or snowmobiles without adequate mufflers. The Declarant and all lot owners shall be obligated to adhere to a covenant of quiet enjoyment which is reciprocal and extends for the benefit of all lot owners.

22. All lots shall be maintained in an orderly manner, with waste and refuse kept in closed sanitary containers. All vehicles of whatever nature parked upon lots must be currently licensed and operable on public roads. Trailers of any kind and storage tanks, shall, whenever possible, be placed in a manner to minimize visibility from common roadways and adjacent lots.

23. The Architectural Control Committee created by the Board of Directors of the Association shall be vested with the responsibility and authority to establish supplemental regulations and usage restrictions consistent with these covenants with regard to the property and the various lots thereon. The regulations and restrictions and these covenants shall specifically prohibit recreational vehicles, factory-built houses, and inlets roofs of any character. Architectural requirements set forth specific design criteria which shall include the following:

(a) Southwestern style architecture shall be encouraged, and all improvements shall be required to utilize exterior colors of subtle quality.

24. Burning of slash or trash on the Property is prohibited unless expressly authorized in writing, by the Board of Directors. No open campfires shall be allowed on the Property except in areas designated and approved by the Board, and then only if attended by an adult. All fireworks are prohibited on the Property, without exception.

25. The Declarant will install upon the Property a central fire and security system that will provide immediate alarms to the caretaker's residence and the Hermosa Cliffs Fire Protection District in the event of fire, burglary or vandalism. All owners shall, in conjunction with any improvements to be constructed upon their respective lots, be required to

update

connect such improvements to the central fire and security system installed by the Declarant.

EASEMENTS AND CARETAKER'S FACILITIES

26. Celadon, Inc. shall grant, where necessary, a non-exclusive easement over the Property for purposes of utilities and road access to each lot, easements to common usage facilities including ditches. The Association shall have access at such reasonable location as may be designated by the owner across lots for access to the Animas River or to any pumps owned by the Association for purposes of operating and maintaining such pumps. If such access is granted by a recordable deed, access by the Association shall thereafter be limited to the deeded easement. Celadon, Inc. shall also provide for all members horse trail access from the property to adjoining Forest Service lands which shall be across the Property and shall not cross property owned by third parties other than lot owners or the Association. At such time as the horse trail access is defined and capable of survey description, neither the Association, the Declarant, nor any lot owner shall create or allow to be created any lien or encumbrance affecting such access. To the maximum extent possible, easements will be located in a manner which will avoid or minimize, to the maximum extent possible, encroachment upon privately-owned lots.

All easements shall be maintained by the Association; provided, however, access easements serving a single lot shall not be maintained by the Association once the easement is contiguous to an exterior boundary of said lot, the maintenance for any such access easement from the point of contiguity being the specific responsibility of the lot owner benefited by such access easement. The Association shall not grant access along the common access easement to parties other than the owners of lots at Celadon; provided, however, the Association shall have the authority to grant emergency access and to grant access to Forest Service personnel along said common access easement.

27. It is the intent of the Association to hire a full-time caretaker for the Property of the Association, to construct caretaker facilities, and to provide necessary equipment and supplies for the caretaker to maintain common facilities, including common ditches, pumps and utilities on the Property. The caretaker facilities and necessary outbuildings will be located on a tract of approximately two (2) acres, more or less. The duties of the caretaker shall include, but not be limited to, the maintenance and construction of common-use roads and easements as well as the general maintenance of the Property, excluding individual lots, and its amenities, including irrigation water. Ownership of the caretaker facilities and necessary outbuildings, inclusive of the land upon which such improvements are located, shall be in the Association. Expenses of the caretaker and his facilities shall be borne by the respective lots on a proportional basis, with each lot paying its proportionate share thereof by way of assessment. The Association will also own all equipment and common-use road easements.

*UP date
Caretaker
duties*

FUNDS AND ASSESSMENTS

28. Assessments: At least thirty (30) days prior to the commencement of each fiscal year, the Board of Directors shall estimate the operating costs

and expenses to be incurred by the association during such fiscal year, including any necessary reserve funds for replacement of capital equipment and reasonable provisions for contingencies and replacements, and shall subtract from such estimate an amount equal to the anticipated balance in the operating fund at the start of such fiscal year, exclusive of any reserves, which is attributable to fees and assessments received from prior years. The foregoing computation shall be made for purposes of determining the operating budget which shall be presented to the members at the annual meeting of the association or at any special meeting called for such purposes. At said meeting, the approval or disapproval of the operating budget in the form of an annual assessment shall be determined by a majority of the votes entitled to be cast by the members present at said meeting, in person or by proxy. The Board reserves the right to charge and collect assessments on either an annual, quarterly or monthly basis.

Approved annual assessments shall be levied against each lot in Celadon, and against each owner individually. Any assessment not paid within thirty (30) days after the due date thereof shall become delinquent and shall bear interest from the due date at a rate determined by the Board of Directors or at the highest lawful rate, whichever shall be less. The assessment, interest and any costs of collection thereof shall constitute a lien on the Property against which it is assessed. In addition thereto, the assessment shall be the personal obligation of the property owner, his heirs, devisees, personal representatives, successors and assigns, and such personal obligation shall continue even though the owner's interest in the Property may thereafter be transferred.

The Association may bring legal action against the owner personally obligated to pay the delinquent assessment or foreclose the lien against the lot. In this event, there shall be added to amount of such assessment all costs incurred by the association in foreclosing the lien or in collecting the amount owing, including any reasonable attorneys fees.

The amount of assessments against lots in Celadon may vary from year to year as determined by the Board. Annual assessments determined by the Board shall be paid by lot owners on a proportional basis, with each lot bearing responsibility for payment of a percentage of the overall annual assessment approved by the Board which is determined by dividing the total number of lots subject to these Covenants into the total overall annual assessment approved by the Board. No distinction shall be made for purposes of assessment between improved and unimproved lots.

Notwithstanding anything to the contrary herein expressed or implied, no costs of annexation of additional property or the provision of access, construction of roads, or provision of utilities to such annexed property shall be included within any assessments levied against the owners of Lots 1 through 4, and Lot 6 referenced on Exhibit A hereto attached.

29. **Special Assessments:** Should the Board of Directors determine that additional funds are essential for the maintenance of the health, safety, or welfare or the lot owners of Celadon or for the protection of corporate property, the Board may issue notice to the members of the need to levy a special assessment. Approval of the special assessment shall be determined

by the membership at an annual meeting or at a special meeting called for the express purpose for considering the need for a special assessment for the purposes stated in the notification submitted by the Board of Directors. The authorization to levy a special assessment shall be determined by an affirmative vote of the greater of either (1) the majority of members entitled to vote on such issues or (2) two-thirds (2/3) of the members present at an annual meeting or special meeting called for purposes of considering a special assessment, provided a quorum is present at such meeting, in person or by proxy, when the vote is taken. In addition to authorizing the levy of a special assessment, the members shall also determine in their vote the date upon which assessment is due and the penalties and interest that shall be applicable for delinquent payment. Special assessments approved by the Board and the membership shall be paid by lot owners in the same proportion as annual assessments pursuant to paragraph 28 above.

30. Subordination of Assessment Lien: The lien of any assessment provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust now or hereafter placed upon any lot subject to assessment; provided, however, such subordination shall apply only to the assessments which have become due and payable prior to foreclosure on any such mortgage or deed of trust. The sale or transfer of any lot at Celadon shall not release the lot from liability for any assessment then due and owing nor from the lien of any subsequent assessment.

ENFORCEMENT OF COVENANTS

31. These covenants, conditions and restrictions may be enforced as provided herein after by the Association, or by separate action by any individual owner or member after notification to the Board. In the event that any covenant shall be violated, the offending party shall be notified in writing by certified mail, return receipt requested, by any enforcing party as defined above. Such notification shall identify the covenant which has been violated and shall notify the offending party that he shall have a maximum of five (5) days to remedy such violation, or alternatively, in the event such violation cannot be remedied within five (5) days, he shall have a period of five (5) days within which to initiate procedures reasonably calculated to remedy such violation, and shall thereafter be required to diligently pursue such action until the violation has been remedied. In the event the violation continues and no action is taken to remedy such violation within the aforementioned five (5) day period, enforcement may be by any proceeding at law or in equity, and may seek an order to restrain the violation and/or recover damages, inclusive of reasonable attorneys fees. Failure by the Association or any owner or member to enforce any covenant or restriction contained herein shall not be deemed a waiver of the right to do so thereafter.

DECLARANT'S ENTITLEMENT TO VOTE UNSOLD LOTS

32. Notwithstanding any conflict that may arise from interpretation of the definition of "owner" of in Section 6 of these covenants, it is expressly understood and agreed that the Declarant, MacDonald Becket, u/d/t for the MacDonald Becket Family Trust, dated July 30, 1974, as initial owner of Lots through 4, and Lot 6 within Celadon, as well as lots which may be

Remove

subsequently created from the property described on Exhibit B or annexed pursuant to Section 33 hereof shall be entitled to cast one vote on all matters pertaining to the property or these covenants for any lot held, at the time such vote is taken in the name of MacDonald Becket, u/d/t for the MacDonald Becket Family Trust dated July 30, 1974. By virtue of the entitlement to vote as herein described, it is to be understood, that the Declarant shall retain a controlling interest with respect to matters subject to a vote under these covenants; other than amendments of these covenants, as limited by Section 36 hereof, until such time as a majority of lots within Celadon have been sold and transferred. By virtue of ownership of unsold lots and the right to vote as herein granted, the Declarant shall also be obligated to pay a proportional assessment with respect to each unsold lot, of the overall assessments for the Property as approved by the Board of Directors.

ANNEXATION OF ADDITIONAL LANDS

33. The Declarant, MacDonald Becket, u/d/t for the MacDonald Becket Family Trust, dated July 30, 1974, subject to the conditions herein set forth, reserves the right to annex additional property into the development known and referred to as Celadon, which additional property, subsequent to annexation, shall consist of lots subject to these protective covenants and which shall entitle owners of such annexed lots to all rights of membership in Celadon, Inc., as well as a proportional responsibility for all obligations and assessments set forth pursuant to these covenants. Annexation shall be accomplished through the recording of Amended Protective Covenants for Celadon inclusive of a revised legal description to reflect the property described on Exhibit A attached hereto as well as additional properties annexed into Celadon pursuant to the authority herein set forth. After such annexation has occurred, all additional lots included within Celadon as a result of such annexation, and the owners thereof, shall be accorded all the benefits and privileges of membership in Celadon, Inc. and shall be subject to the terms and provisions of these covenants as well as a proportional liability for any and all annual or special assessments approved and levied in accordance with those protective covenants. Any annexation pursuant to the authority of this section shall be made prior to the expiration of fifteen (15) years from the date of the recording of these Protective Covenants for Celadon. Any additional lots created from the property described on Exhibit B or annexed into Celadon shall be no less than thirty-five (35) acres in size. Additional property to be annexed into Celadon pursuant to the authority reserved under this paragraph 33 shall be limited to the real property described on Exhibit B hereto attached, together with such additional property, if any, not to exceed 364 additional acres, as may be acquired by MacDonald Becket, u/d/t for the MacDonald Becket Family Trust dated July 30, 1974 through exchange with the United States Forest Service.

WATER RIGHTS

34. Any water, water rights, ditch or ditch rights included within the instrument of conveyance to an individual lot owner or lot owners shall, by virtue of such conveyance, become the property of such owner or owners; provided, however, to assure efficient utilization of such water rights and ditch rights and to prevent any potential abandonment thereof, all water,

REMOVE

water rights, ditch and ditch rights shall be managed by the Association, inclusive of any water rights that may be owned by the Association. Management duties and responsibilities of the Association shall be determined by the Board of Directors to assure that all water rights and ditch rights are utilized to the maximum extent feasible, that all lot owners receive the maximum benefit from water rights individually owned, and that water rights owned by the Association, if any, are utilized for the mutual benefit of all owners of lots to which such water can be feasibly and beneficially applied. Any water rights owned by the Association shall not be sold or encumbered or pledged as collateral by the Association without prior written approval of one hundred percent (100%) of the members. Except as otherwise provided by law, or in the event of emergency, the Association shall not enter upon a privately owned lot at Celadon for purposes of management of water rights owned by a private lot owner without consent of the lot owner.

PUBLIC LIABILITY INSURANCE

35. The Association shall acquire and maintain at all times adequate public liability insurance in such amounts and with such coverage as the Board of Directors may determine to be necessary and prudent.

AMENDMENT OF COVENANTS

36. These protective covenants shall not be waived or amended unless approved by one hundred percent (100%) of the members until such time as four (4) lots have been sold by the Declarant. Thereafter, Celadon, Inc. shall have the power and authority to waive or amend these protective covenants, other than Section 9 and Section 33 hereof only upon approval of three fourths (3/4) of the membership. Section 9 of these covenants shall not be subject to amendment without approval of one hundred percent (100%) of the members and Section 33 of these covenants shall not be subject to amendment without Declarant's consent. No such waiver or amendment shall be effective until a document evidencing such waiver or amendment has been recorded in the offices of the La Plata Clerk and Recorder.

RESUBDIVISION

37. No lot within Celadon shall be resubdivided, in whole or in part, unless and until written authorization for such resubdivision has been submitted to the Board, approved by one hundred per cent (100%) of the lot owners entitled to vote; provided, however, Declarant reserves the right to re-subdivide Lot 6 as long as no lot resulting from such re-subdivision is less than thirty-five (35) acres in size. The prohibition against re-subdivisions without consent of the lot owners shall not apply to the property described on Exhibit B hereto attached, which Declarant may divide into such lot or lots as he deems appropriate utilizing adjacent acreage, if any, which may be annexed pursuant to Section 33 of these covenants; provided, however, any lots created by the Declarant from such property shall be no less than thirty-five (35) acres in size.

TERM OF COVENANTS

38. The covenants described herein shall run with and bind the land described in Exhibit A attached hereto and by this reference incorporated

Revise?

Revise?

herein, and shall be binding upon all present and future owners of any interest in the property described on Exhibit A for a period of twenty-five (25) years from the date of recording of these covenants. After the expiration of twenty-five (25) years, these covenants shall automatically be extended for an additional period of twenty-five (25) years unless three fourths (3/4) of the members of Celadon, Inc. shall cause to be recorded in the offices of the La Plata County Clerk and Recorder an instrument rescinding or amending these Protective Covenants. Such instrument shall designate the total number of members and shall be signed and acknowledged with full and complete notarization, by members constituting no less than three fourths (3/4) of the total members as reflected in such instrument.

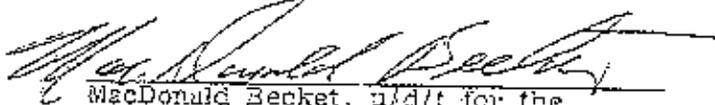
SEVERABILITY

39. Invalidation of any one of these covenants by judgment or court decree shall not affect or impair the terms, provisions and conditions of any other covenants contained herein, which covenants shall remain in full force and effect.

LITIGATION EXPENSES

40. In the event any judicial or arbitration proceeding shall be commenced pertaining to the interpretation or enforcement of these covenants, or any provision thereof, the prevailing party in any such litigation or arbitration shall be entitled to recover, as part of any judgment or award entered therein, all costs of such proceedings, including reasonable attorney's fees.

IN WITNESS WHEREOF, these Protective Covenants for Celadon have been executed and acknowledged this 11 day of June, 1980.


MacDonald Becket, u/d/t for the
MacDonald Becket Family Trust,
dated July 30, 1974

STATE OF COLORADO)
) ss.
COUNTY OF LA PLATA)

The foregoing Protective Covenants for Celadon were executed and acknowledged before me this 11th day of June, 1980 by MacDonald Becket, u/d/t for the MacDonald Becket Family Trust, dated July 30, 1974.

Witness my hand and official seal.

595684

My commission expires: 7-24-93



L. Smith
Notary Public
Address: P.O. Box 197
Durango, CO 81302

TRACT I

TOWNSHIP 37 NORTH, RANGE 3 WEST, N.M.P.M.

Section 18: N1/2SE1/4

Section 19: N1/2NE1/4, NE1/4SW1/4, SE1/4NW1/4, Lots 2 and 3

Section 20: N1/2NW1/4

LESS AND EXCEPT

Tract described in Deed dated October 3, 1928, recorded October 15, 1928 in Book 194 at Page 257, tract described in Deed dated April 8, 1954, recorded April 21, 1954 in Book 329 at Page 329; tract described in Deed dated April 9, 1954, recorded April 21, 1954 in Book 329 at Page 331; tract described in Deed dated August 11, 1954, recorded August 12, 1954 in Book 332 at Page 208; tract described in Deed dated August 11, 1954, recorded September 25, 1954 in Book 333 at Page 279; tract described in Deed dated September 24, 1954, recorded September 27, 1954 in Book 333 at Page 239; tract described in Deed dated May 2, 1953, recorded February 1, 1955 in Book 341 at Page 349; and tract described in Deed dated February 1, 1955, recorded August 11, 1956 in Book 503 at Page 258; Noughtaling & Sherwood Boundary Adjustment, Project 86-169 recorded October 21, 1986 under Reception No. 530916; tract described in Deed dated November 10, 1986, recorded November 13, 1986 under Reception No. 540105 and Tract A of Boundary Adjustment, Project No. 87-105 according to the plat filed for record October 28, 1987 under Reception No. 553847, of the records of the County Clerk and Recorder of La Plata County, Colorado, and rights as conveyed in said Deeds.

Tract II

All that portion of Lot 1 (NW1/4NW1/4) and the NE1/4NW1/4, Section 19, Township 37 North, Range 3 West, N.M.P.M., La Plata County, Colorado, situate South and East of the centerline of the Animas River, more particularly described as follows:

BEGINNING at a point which bears South 80° 30' 43" East 1072.36 feet from the Southwest Corner of Lot 1, which point also is the intersection of the South line of said Lot 1 and the centerline of Animas River; thence along the centerline of said Animas River, North 59° 22' East 550.74 feet; thence along the centerline of said Animas River, North 74° 50' East 274.6 feet; thence along the centerline of said Animas River, South 85° 30' East, 241.1 feet; thence along the centerline of said Animas River, North 75° 07' East 294.7 feet, to the point of intersection of the centerline of said Animas River and the East line of said NE1/4NW1/4; thence South 522.3 feet along the East line of said NE1/4NW1/4; thence North 80° 30' 43" East 1557.35 feet along the South line of the N1/2NW1/4, to the point of beginning.

TOWNSHIP 37NTH tract described in deed dated May 29, 1990, recorded June 8, 1990 under Reception No. 595605 and tract described in deed dated May 10, 1990, recorded June 8, 1990 under Reception No. 595604.

THE FOREGOING DESCRIPTION CONSTITUTES A PERIMETER LEGAL DESCRIPTION OF THE PROPERTY DESCRIBED ON EXHIBIT 'B' HERETO ATTACHED TOGETHER WITH LOTS 1 THROUGH 4, INCLUSIVE, AND LOT 6 OF THE DEVELOPMENT KNOWN AND REFERRED TO AS "CELADON"

EXHIBIT 'A'

LEGAL DESCRIPTION:

A tract of land located in Sections 19 and 20, Township 37 North, Range 8 West, New Mexico Principal Meridian, in La Plata County, Colorado, and being more particularly described as follows:
 Beginning at the Center-North 1/16 corner of said Section 19;
 Thence S 01° 02' 37" W, 170.66 feet, to the northerly line of the Caladon Common Area Easement;
 Thence West, 243.25 feet, along the northerly line of the Caladon Common Area Easement to the easterly line of Caladon Lot 4;
 Thence N 02° 00' 00" W, 129.63 feet, along the easterly line of Caladon Lot 4;
 Thence N 34° 00' 00" W, 59.55 feet, along the easterly line of Caladon Lot 4;
 Thence N 02° 00' 00" E, 103.00 feet, along the easterly line of Caladon Lot 4;
 Thence N 21° 00' 00" E, 131.00 feet, along the easterly line of Caladon Lot 4;
 Thence N 16° 18' 11" E, 74.36 feet, along the easterly line of Caladon Lot 4;
 Thence along the arc of a non-tangent curve to the right with a delta angle of 75° 05' 00", a radius of 75.26 feet for a distance of 92.51 feet; the long chord bears N 52° 30' 00" E, 91.63 feet, along the easterly line of Caladon Lot 4;
 Thence East, 137.89 feet, along the easterly line of Caladon Lot 4;
 Thence East, 1296.87 feet, more or less, to the west line of the NE 1/4 NE 1/4 of said Section 19;
 Thence N 00° 46' 35" E, along the westerly line of the NE 1/4 NE 1/4, 930.08 feet, more or less, to the East 1/16 corner common to Sections 19 and 18;
 Thence S 09° 36' 00" E, along the north line of said Section 19, 1296.90 feet, more or less, to the Northeast Corner of said Section 19;
 Thence S 88° 46' 00" E, along the north line of said Section 20, 1301.19 feet, more or less, to the West 1/16 corner common to Sections 20 and 17;
 Thence S 00° 33' 26" W, along the east line of the W 1/2 NW 1/4 of said Section 20, 2649.38 feet, more or less, to the Center-West 1/16 corner of said Section 20;
 Thence N 89° 16' 00" W, along the south line of the said W 1/2 NW 1/4 of said Section 20, 1301.52 feet, more or less, to the 1/4 corner common to Sections 19 and 20;
 Thence N 00° 34' 00" E, along the west line of said Section 20, 1331.88 feet, more or less, to the North 1/16 corner common to Sections 19 and 20;
 Thence N 88° 24' 01" W, along the south line of the N 1/2 NE 1/4, 2502.41 feet, more or less, to the point of beginning.

Containing 133.3 acres, more or less.