

DECLARATION -- GHOSTRIDERS CONDOMINIUMS

1. RECITALS AND CERTAIN DEFINITIONS

1.1 The Real Property/The Declarant.

Ghostriders Partners, a Colorado general partnership, hereinafter sometimes referred to as Declarant, are the owners of that certain real property located in San Miguel County, Colorado set forth on Exhibit A and incorporated herein by reference, sometimes hereinafter referred to as the "Real Property".

1.2 Intention of Declarant. Declarant intends to provide for condominium ownership of the Real Property under the Condominium Ownership Act of the State of Colorado and to define the character, duration, rights, obligations and limitations of condominium ownership in Ghostrider Condominium, and for such purpose executes this Declaration--Ghostriders Condominiums hereinafter sometimes referred to as "Declaration". Declarant does hereby publish and declare that the following terms, covenants, conditions, easements, restrictions, uses, reservations, limitations and obligations shall be deemed to run with the land encompassing the Real Property and shall be a burden upon the land and inure to the benefit of Declarant, its grantees, successors and assigns, and any persons acquiring or owning an interest in the Real Property and improvements thereon which is subject to this Declaration, their grantees, successors, heirs, personal representatives, devisees and assigns.

1.3 The Project. Declarant has prepared a plat or survey map of the surface of the ground of the Real Property, together with diagrammatic floor plans of the buildings and other improvements constructed thereon, showing elevations. Each Unit, as herein defined, is numbered consecutively on such plans. The term "Project" shall collectively mean the Real Property and all buildings and other improvements located or to be located on the Real Property.

1.4 Type of Ownership. This condominium ownership project will provide a means for ownership in fee simple of individual air space units and for co-ownership with others, as tenants in common, of Common Elements, as herein defined.

2. Additional Definitions. The following terms shall have the following meanings when used herein unless the context otherwise requires.

2.1 Building. "Building" means one of the buildings constructed or to be constructed on the Real Property pursuant to this Declaration.

2.2 Basement. "Basement" means one of the basements, if any, constructed or to be constructed on the Real Property pursuant to this Declaration.

2.3 Unit. "Unit" means an individual air space Unit, consisting of enclosed rooms occupying all or part of one or more floors in a Building and bounded by the interior unfinished surfaces of the perimeter walls, floors, ceilings,

windows and doors thereof as shown and numbered on the Condominium Map filed for record, together with the air space so encompassed, and together with all fixtures and improvements therein contained, but not any General Common Elements which may be within a Unit. The interior surfaces of a perimeter window or door means the points at which such surfaces are located when such windows or doors are closed; the physical perimeter windows and doors themselves are part of the Common Elements, as herein defined.

2.4 Residential Unit. "Residential Unit" means a Unit designated on Exhibit B, attached hereto and hereby incorporated in this Declaration, or any amendment to Exhibit B, as a Residential Unit, to be used for residential purposes as is more fully set forth herein.

2.5 Commercial Unit. No Units have been designated as a Commercial Unit in this Project.

2.6 Common Elements. "Common Elements" means all of the Project, except all Units.

2.7 Limited Common Elements. "Limited Common Elements" mean those Common Elements designated herein or on the Condominium Map for exclusive use by Owners of particular Condominium Units, as that term is herein defined.

2.8 General Common Elements. "General Common Elements" means all Common Elements except all Limited Common Elements, and includes all parts of a Building or any facilities, improvements and fixtures which may be within a Unit which are or may be necessary or convenient to the support, existence, use, occupation, operation, maintenance, repair or safety of a Building or any part thereof or any other Unit therein.

Subject to being designated as a Limited Common Element and without limiting the generality of the foregoing, the following shall constitute General Common Elements:

(i) All of the land and easements which are part of the Real Property;

(ii) All foundations, columns, girders, beams and supports of a Building;

(iii) All deck or yard areas, porches, storage lockers or areas, balconies, patios, fireplaces, doors, windows, carports and parking spaces;

(iv) The exterior walls of a Building, the main or bearing walls within a Building, the main or bearing subflooring, the roofs of a Building and the airspace above a Building;

(v) All entrances, exits, vestibules, halls, corridors, lobbies, lounges, linen rooms, laundry rooms, locker rooms, stairs, stairways and fire escapes, if any, not within any Unit;

(vi) All utility, service and maintenance rooms, space, fixtures, apparatus, installations and central facilities for power, light, gas, telephone, television, hot water, cold water, heating, refrigeration, air conditioning, trash, incineration, or similar utility, service or maintenance purposes, including furnaces, tanks, pumps,

motors, fans, compressors, flues, vents, ducts, similar fixtures, apparatus, installations and facilities; and

(vii) All other parts of the Project necessary in common use or convenient to its existence, maintenance and safety.

2.9 Condominium Unit. "Condominium Unit" means the fee simple interest and title in and to a Unit, together with an undivided interest in the Common Elements as set forth in Exhibit B and all other rights and burdens created by this Declaration. "Residential Condominium Unit" means a Condominium Unit wherein the Unit is a Residential Unit, and "Commercial Condominium Unit" means a Condominium Unit wherein the Units is a Commercial Unit.

2.10 Owner. "Owner" means any person or persons or entity or entities who own fee simple title to a Condominium Unit, including Declarant so long as any Condominium Unit is owned by Declarant; the term "Owner" shall not include the owner or owners of any lesser estate or interest; the term "Owner" shall not refer to any Mortgagee, as herein defined, unless such Mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

2.11 Mortgage. "Mortgage" means the mortgage, deed of trust, or other security instrument, of the senior priority, by which a Condominium Unit or any part thereof is encumbered, but excluding mechanics' liens, judgments and other liens granted or imposed by operation of law.

2.12 Mortgagee. "Mortgagee" means any person or entity which is the mortgagee or beneficiary under any Mortgage.

2.13 Condominium Map. "Condominium Map" or "Map" means the Map filed for record in the County of San Miguel, Colorado, which Map may be filed in whole or in sequential part, depicting thereon:

(a) The legal description of the Real Property and a survey thereof;

(b) The name and general location of the Project;

(c) The linear measurements and location, with reference to the exterior boundaries of said land, of the Building and all improvements built on said land;

(d) Floor plans and elevation plans of the Building showing the location, the designation and the linear dimensions of each Unit, and the designation of certain of the Limited Common Elements;

(e) The elevation of the unfinished interior surfaces of the floor and ceilings as established from a datum plan, and the linear measurements showing the thickness of the perimeter and common walls of the Building.

The Map, and any supplement thereto, shall contain the statements of (i) the Declarant, submitting the Real Property to the provisions of this Declaration; and (ii) an engineer or a registered land surveyor certifying that the Map fully and accurately depicts the layout, measurements and location of all of the Buildings and improvements, the Unit

designations, the dimensions of such Units and the elevations of the floors and ceilings. Declarant hereby reserves unto itself the right, from time to time, without the consent of any Owner being required, to amend the Map and supplements thereto, to conform the Map to the actual location of any of the constructed improvements, to establish, vacate and relocate utility easements, access road easements and carports or parking spaces, to establish certain General Common Elements as Limited Common Elements.

In interpreting any and all provisions of this Declaration or the Bylaws of the Association hereinafter provided for, subsequent to deeds to and/or Mortgages of Condominium Units, the actual location of a Unit shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered, notwithstanding any minor deviations from the location of such Unit indicated on the Map.

2.14 Association. "Association" means the Ghostriders Homeowners Association, a Colorado not for profit corporation, the Articles and Bylaws of which, along with this Declaration shall govern the administration of the Project.

2.15 Declarant. Ghostriders Partners, and such heirs, successors or assigns as may be designated hereafter by Declarant by written notice duly recorded.

3. Statement of Intention and Purpose. Declarant hereby declares that the Project and every part thereof is held and shall be owned, held, conveyed, devised, encumbered, used, occupied and improved, and otherwise affected in any manner, subject to the provisions of this Declaration, each and all of which provisions are hereby declared to be in furtherance of the general plan and scheme of Condominium Ownership referred to in Section 1 and are further declared to be for the benefit of the Project and every part thereof and for the benefit of each Owner. All provisions hereof shall be deemed to run with the land as covenants running with the land or as equitable servitudes as the case may be, and shall constitute benefits and burdens to Declarant and its assigns and to all persons hereafter acquiring or owning any interest in the Project, however such interest may be obtained.

4. Filing of the Condominium Map

4.1 Filing. The Condominium Map and any supplements thereto shall be filed for record in the real estate records of the County Clerk and Recorder of San Miguel County, Colorado.

5. Nature and Incidents of Condominium Ownership

5.1 Estates of An Owner. The Project is hereby divided into Condominium Units, each consisting of a separate fee simple interest in a particular Unit, and an undivided fee simple interest in the Common Elements as is set forth herein or in Exhibit B. Subject to the reservations and conditions contained in this declaration, such undivided interests in the Common Elements are hereby declared to be

appurtenant to the respective Units.

5.2 Right to Combine Residential Units. Declarant reserves the right, and Owners upon obtaining written permission of the Association are granted the right, to combine physically the area or space of one or more adjoining Residential Units. Such combinations shall not affect the designation nor prevent separate ownership of such Residential Units in the future. Any walls or other structural separations between combined Units, or any space which would be occupied by such structural separation but for the combination of Units shall remain Common Elements. Alterations to walls or other structural separations shall not alter the bearing capacities of such structures and shall not adversely affect other Owners.

5.3 No Commercial Units. No Commercial Units have been designated in this project.

5.4 Limited Common Elements. Subject to the definition thereof, the Limited Common Elements shall be identified herein or on the Map and designated as appurtenant to a particular Condominium Unit, herein or on the Map. Any door, window, balcony, porch, patio or fireplace which is accessible from, associated with and/or which adjoins a Unit and deck or yard areas, carports, parking spaces and storage lockers or areas identified as Limited Common Elements on the Map and so designated as appurtenant to a particular Condominium Unit, shall, without further reference thereto, be used in connection with the Unit to which it is appurtenant to the exclusion of the use thereof by the other Owners, except by invitation.

5.5 Title. Title to a Condominium Unit may be held or owned by any entity or in any manner in which title to any other real property may be held or owned in the State of Colorado, including but without limitation, joint tenancy or tenancy in common.

5.6 Inseparability. Except as provided in Section 5.3 above, no part of a Condominium Unit or of the legal rights comprising ownership of a Condominium Unit may be separated from any other part thereof during the period of condominium ownership prescribed herein, so that each Unit and the undivided interest in the Common Elements appurtenant to such Unit shall always be owned, conveyed, leased, devised, encumbered or otherwise affected only as a complete Condominium Unit. Every gift, devise, bequest, transfer, encumbrance, conveyance or other disposition of a Condominium Unit or any part thereof shall be presumed to be a gift, devise, bequest, transfer, encumbrance, or conveyance, respectively of the entire Condominium Unit together with all appurtenant rights created by law or by this Declaration.

5.7 Partition Not Permitted. The Common Elements shall be owned in common by all the Owners of Units and there shall be no judicial or other partition of the Common Elements or any part thereof and no Owner may bring any action for partition thereof. Each Owner hereby expressly waives any and all such rights of partition he may have by virtue of

his ownership of a Condominium Unit.

5.8 Owner's Rights to Common Elements. Subject to the limitations contained in this Declaration, each Owner shall have the nonexclusive right to use and enjoy the General Common Elements. Owner may use the General Common elements and his appurtenant Limited Common Elements in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other Owners. The Association may from time to time adopt rules and regulations governing the use of General and Limited Common Elements, but such rules and regulations shall be uniform and no discriminatory. Each Owner, by the acceptance of his deed or other instrument of conveyance or assignment agrees to accept and be bound by any such adopted rules and regulations. Subject to the other provisions of this Declaration, each Owner shall have an exclusive right to use and enjoy the Limited Common Elements designated herein or on the Map as appurtenant to the Condominium Unit owned by such Owner.

5.9 Owner's Rights with Respect to Interiors. Each Owner shall have the exclusive right to paint, tile, carpet, drape, wax, paper or otherwise finish or refinish and decorate the interior surfaces of the walls, ceilings, floors, windows and doors forming the boundaries of a Unit.

5.10 Owner's Easements for Access, Support and Utilities. Each Owner shall have a non-exclusive easement for access between his Unit and the roads and streets adjacent to the Project and the roads, streets and driveways in the Project, over and on the halls, corridors, stairs, walks, bridges and exterior access and other easements which are part of the General Common Elements. Each Owner shall have a non-exclusive easement in, on and over the General Common Elements, including the General Common Elements within the Unit of another Owner, for horizontal and lateral support of the Unit which is part of his Condominium Unit, for utility service to that Unit, including but not limited to, water, sewer, gas, electricity, telephone and television service and for the release of smoke, arising from any fireplace within a Unit, through the flue leading therefrom.

5.11 Easements for Encroachments. If any part of the General Common Elements encroaches or shall hereafter encroach upon a Unit, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of a Unit encroaches or shall hereafter encroach upon the Common Elements, or upon an adjoining Unit, the Owner of that Unit shall and does have an easement for such encroachment and for the maintenance of the same. Such encroachment shall not be considered to be an encumbrance either on the Common Elements or the Unit. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of the Building, by error in the Map, or by settling, rising or shifting of the earth, or by changes in position caused by repair or reconstruction of the Project or any part thereof.

5.12 Easements of Access for Repair, Maintenance and Emergencies. Some of the Common Elements are or may be located within a Unit or may be conveniently accessible only through a Unit. The Owners of other Units shall have an easement and the irrevocable right to have access, to be exercised by the Association as their agent, to each Unit and to all Common Elements from time to time during such reasonable hours as may be necessary for the maintenance, repair or replacement of any of the Common Elements located therein or accessible therefrom or for making emergency repairs therein necessary to prevent damage to the Common Elements or to another Unit or for making repairs or replacements pursuant to Section 11.5 below. The Association shall also have such right independent of any agency relationship. Damage to the interior or any part of a Unit resulting from the maintenance, repair, emergency repair or replacement of the Common Elements or as a result of emergency repairs within another Unit at the instance of the Association, shall be an expense of the following: All of the Owners if such repair was to a General Common Element or to protect a General Common Element; the Owner(s) of the respective Residential Units if such repair was to protect a Limited Common Element of the Owner(s) of the respective Residential Unit or to protect another Residential Unit; provided, however, that if such damage is the result of negligence of the Owner(s) of a Unit(s), then such Owner(s) shall be solely responsible for the cost and expenses of repairing all of such damage. Such damage shall be repaired and the property shall be restored substantially to the same condition as existed prior to damage. Amounts owing to Owners pursuant hereto shall be collected by the Association by assessment pursuant to Article X. No diminution or abatement of assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements or from action taken to comply with any law, ordinance or order of any governmental authority.

5.13 Emergency Easement. A non-exclusive easement for ingress and egress is hereby granted to all police, sheriff, fire protection, ambulance and other similar emergency agencies or persons, now or hereafter servicing the Project, to enter upon all streets, roads and driveways located in the Project, and upon the Real Property, in the performance of their duties.

5.14 Association's Right to Use of Common Elements. The Association shall have a non-exclusive easement to make such use of the Common Elements as may be necessary or appropriate to perform the duties and functions which it is obligated or permitted to perform pursuant to this Declaration.

5.15 Easements Deemed Created. All conveyances of Condominium Units hereafter made, whether by Declarant or otherwise, shall be construed to grant and reserve such reciprocal easements, uses and rights as are provided in this Declaration, even though no specific reference to such

easements, uses or rights appears in any such conveyance.

5.16 Ad Valorem Taxation. As soon as possible after the Condominium Map shall have been filed for record in San Miguel County, Colorado, Declarant shall deliver a written notice to the Assessor of San Miguel County, Colorado, as provided by law, setting forth the descriptions of the Condominium Units so that each Condominium Unit shall be assessed and taxed separately thereafter for all taxes, assessments and other charges of the State of Colorado or of any political sub-division or of any special improvement district or of any other taxing or assessing authority. Each Condominium Unit shall be carried on the tax books as a separate and distinct parcel for that purpose. The lien for such taxes, assessments and other charges assessed to any Condominium Unit shall be confined to that Condominium Unit. No forfeiture or sale of any Condominium Unit for delinquent taxes, assessments or other governmental charges shall divest or in any way affect the title to any other Condominium Unit. In the event that such taxes or assessments for any year are not separately assessed to each Owner, but rather are assessed on the Real Property and Building as a whole, then each Owner shall pay his proportionate share thereof in accordance with his ownership interest in the Common Elements. Without limiting the authority of the Association provided for else-where herein, the Association shall have the authority to collect from the Owners their proportionate share of taxes or assessments for any year in which taxes are assessed on the Real Property and Building as a whole.

6. Conveyance and Description of a Condominium Unit. Every contract for the sale of a Condominium Unit and every other instrument affecting title to a Condominium Unit may describe that Condominium Unit by the number shown on the Condominium Map with the appropriate reference to the Condominium Map and to this Declaration, as each shall appear on the records of the County Clerk and Recorder of San Miguel County, Colorado, in the following fashion:

Condominium Unit _____ as shown on the Condominium Map for Ghostriders Condominiums appearing in the records of the County Clerk and Recorder of San Miguel County, Colorado in Plat Book _____ at pages _____ and as defined and described in that Declaration -- Ghostriders Condominiums, appearing in such records at Book _____ and page _____.

Such description or similar description will be construed to describe the Unit, together with the appurtenant undivided interest in the Common elements, and to incorporate all the rights incident to ownership of a Condominium Unit and all the limitations of such ownership as described in this Declaration. Every such description shall be good and sufficient for all purposes to sell, convey, transfer, encumber or otherwise affect not only the Unit, but also, the General Common Elements and the right to the use of the Limited Common Elements appurtenant thereto. Each such description shall be construed to include: a non-exclusive

easement for ingress and egress throughout and for use of the Common Elements which are not Limited Common Elements; the right to the exclusive use of the appurtenant Limited Common Elements; and the other easements, obligations, limitations, rights, encumbrances, covenants, conditions and restrictions created in this Declaration. The undivided fee simple interest in the Common Elements, and any right of exclusive use of Limited Common Elements, appurtenant to any Condominium Unit shall be deemed conveyed or encumbered with the Condominium Unit, even though the legal description in the instrument conveying or encumbering said Condominium Unit may only refer to the title to that Condominium Unit. The reference to the Map and Declaration in any instrument shall be deemed to include any supplements or amendments to the Map or Declaration, without specific references thereto.

7. Mechanic's Lien Rights. No labor performed or materials furnished for use in connection with any Unit with the consent or at the request of an Owner or his agent or subcontractor shall create any rights to file a statement of mechanic's lien against the Unit or other property of any other Owner not expressly consenting to or requesting the same or against any interest in the Common Elements except as to the undivided interest therein appurtenant to the Unit of the Owner for whom such labor shall have been performed and such materials shall have been furnished, except that express consent shall be deemed to have been given by an Owner of a Condominium Unit to the Association in the case of emergency repairs. Labor performed or materials furnished for the Common Elements, if duly authorized by the Association in accordance with the Declaration or Bylaws of the Association, 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. In the event a lien is effected against two or more Condominium Units, the Owners of the separate Condominium Units may remove their Condominium Units from said lien by payment of the fractional or proportional amount attributable to each of the Condominium Units affected. Individual payment shall be computed by reference to the percentages appearing in this Declaration. Subsequent to payment, discharge or other satisfaction, the Condominium Unit shall be released from the lien paid, satisfied or discharged. Partial payment, satisfaction or discharge shall not prevent the lienor from proceeding to enforce his rights against any Condominium Unit not so released or discharged. Each Owner shall indemnify and hold harmless each of the other Owners from and against liability or loss arising from the claim of any lien against the Condominium Unit, or any part thereof, of any other Owner for labor performed or for materials furnished in work on the first Owner's Unit. At the request of any Owner the Association shall enforce such indemnity by collecting from the Owner of the Unit on which the labor was performed and materials furnished the amount necessary to discharge any such lien, including all costs incidental thereto, and obtaining discharge of the lien.

Such collection shall be made by a special assessment pursuant to Section 10.

8. The Association

8.1 Membership. Every Owner shall be entitled and required to be a member of the Association, a Colorado non-profit corporation, which Association shall be organized and made effective by Declarant. Said membership is appurtenant to the Condominium Unit of said Owner and the ownership of the membership for a Condominium Unit shall automatically pass with fee simple title to the Condominium Unit. If title to a Condominium Unit is held by more than one person, the membership related to that Condominium Unit shall be shared by all such persons in the same proportionate interest and by the same type of tenancy in which the title to the Condominium Unit is held. An Owner shall be entitled to one membership for each Condominium Unit owned by him. If title to a Condominium Unit is held by a corporation, the membership related to that Condominium Unit shall be issued in the name of the corporation, and the corporation shall designate to the Association in writing the name of one natural person 18 years of age or older who shall have the power to vote said membership at any meeting of members, and to serve if elected as a member of the Board of Directors of the Association in the name of the corporation. No person or entity other than an Owner may be a member of the Association and the memberships in the Association may not be transferred except in connection with the transfer of a Condominium Unit; provided, however, that the rights of membership may be assigned to a Mortgagee as further security for a loan secured by a lien on a Condominium Unit.

8.2 Voting Rights. The Association shall have one class of membership. Each membership which corresponds to a Residential Unit shall be entitled to one vote.

8.3 Transfer. Except as otherwise expressly stated herein, any of the rights, interests and obligations of the Association set forth herein or reserved herein may be transferred or assigned to any other person or entity; provided, however, that no such transfer or assignment shall relieve the Association of any of the obligations set forth herein. Any such transfer or assignment shall not revoke or change any of the rights or obligations of any Owner as set forth herein.

8.4 Amplification. The provisions of this Section are to be amplified by the Articles of Incorporation and By-Laws of the Association; provided, however, that no such amplification shall substantially alter or amend any of the rights or obligations of the Owners set forth herein.

9. Certain Rights and Obligations of the Association

9.1 The Common Elements. The Association shall, subject to the rights of the Owners set forth in Section 11.5 below, be responsible for the exclusive management, control, operation, maintenance, repair, improvement and replacement of the Common Elements and all improvements thereon (including furnishings and equipment related thereto), and

shall keep the same in good, clean, safe, attractive and sanitary condition, order and repair. The cost of such management, operation, maintenance, repair and improvements shall be borne as provided in Section 10.

9.2 Miscellaneous Services. The Association may obtain and pay for the services of any person or entity to manage its affairs, or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall determine to be necessary or desirable for the proper operation of the Project, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom it contracts. The Association may obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Project or the enforcement of this Declaration. The Association may arrange with others to furnish lighting, heating, water, trash collection, sewer service, snow removal and other common services to each Unit. The cost of such services shall be borne as provided in Section 10.

The Association may provide, or arrange others to provide, maid and special management services for and at the request of individual Unit Owners. The charges and manner of payment for such services shall be as agreed upon by the individual Unit Owner and the entity providing the services.

9.3 Personal Property for Common Use. The Association may acquire and hold for the use and benefit of Owners of Units tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be deemed to be owned by the Owners of Units in the proportion of their ownership interest in the Common Elements. Such interest shall not be transferable except with the transfer of a Condominium Unit. The transfer of a Condominium Unit shall transfer to the transferee ownership of the transferor's beneficial interest in such property without any reference thereto. Each Owner of a Unit may use such property in accordance with the purpose for which it is intended without hindering or encroaching upon the lawful rights of other Owners of Units. The transfer of title to a Condominium Unit under foreclosure shall entitle the purchaser to the beneficial interest in such personal property associated with the foreclosed Condominium Unit.

9.4 Rules and Regulations. The Association may make and Owners shall comply with reasonable rules and regulations governing the use of the Units, Common Elements and personal property for common use, which rules and regulations shall be consistent with the rights and duties established in this Declaration.

9.5 Enforcement. The Association may suspend any owner's voting rights in the Association during any period or periods during which such Owner fails to comply with any obligation of such Owner under this Declaration. The Association may also take judicial action against any Owner

to enforce compliance with such obligations or to obtain damages for non-compliance, all to the extent permitted by law and shall be entitled to reimbursement for costs, fees and attorneys' fees. The Association may exercise any right or privilege given to it expressly by this Declaration or by law, and every right or privilege reasonable to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

9.6 Association as Attorney-in-Fact for Owners.

The Association is hereby irrevocably appointed attorney-in-fact for the Owners, and each of them, to manage, control and deal with the interest of each Owner in the Common Elements so as to permit the Association to fulfill all of its duties and obligations hereunder and to exercise all of its rights hereunder, to deal with the Project upon its destruction or obsolescence as hereinafter provided and to grant utility easements through any portion of the General Common Elements. The acceptance by any person of any interest in any Condominium Unit shall constitute an appointment of the Association as attorney-in-fact as provided above and hereinafter. The Association is hereby granted all of the powers necessary to govern, manage, maintain, repair, rebuild, administer and regulate the Project and to perform all of the duties required of it. Notwithstanding the above, but subject to the provisions of this Declaration regarding partition, obsolescence, casualty damage or destruction, condemnation and amendment and termination of the Declaration, unless at least two-thirds (2/3) of the Owners (including Declarant) have given their prior written approval, the Association shall not be empowered or entitled to:

- (i) by act or omission, seek to abandon or terminate the Project;
- (ii) change the pro rata interest or obligations of any individual Condominium Unit for the purpose of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;
- (iii) partition or subdivide any Condominium Unit;
- (iv) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer (excluding the granting of easements for public utilities or other public purposes consistent with the intended use of the General Common Elements) any of the General or Limited Common elements; and
- (v) use hazard insurance proceeds for loss to the Project (whether Units or General Common elements) for other than repair, replacement or reconstruction thereof.

10. Assessments

10.1 Agreement to Pay Assessment. Declarant, for each Condominium Unit owned by it within the Project, and for and as the Owner of the Project and every part thereof,

hereby covenants, and each Owner of any Condominium Unit by the acceptance of a deed thereof, whether or not it be so expressed in the deed, shall be deemed to covenant and agree with each other and with the Association to pay to the Association periodic installments of annual assessments (herein-after referred to as "periodic assessments") made by the Association for the purposes provided in this Declaration, and special assessments for capital improvements and other matters as provided in this Declaration. Such assessments shall be fixed, established and collected from time to time.

10.2 Amount of Periodic Assessments. The amount of total periodic assessments against all Condominium Units shall be based upon advance budget estimates of the cash requirements as determined from time to time by the Board of Directors of the Association to provide for the payment of all estimated expenses arising out of or connected with the routine maintenance, repair and operation of the Common Elements, to create reasonable contingency reserves for periodic maintenance and repair, to eliminate any deficit from a prior year and to provide the furnishing of commonly provided utilities and other services to the Units. Said estimated expenses may include but are not limited to management; insurance premiums; landscaping and care of grounds; electricity; lighting; heating; water; snow and ice removal; trash and garbage collections; sewer service; routine repairs, replacements and maintenance under or by reason of this Declaration. If the Board of Directors of the Association shall not determine, levy and assess the periodic assessment for a particular assessment period in accordance with this Section 10.2, then it will be presumed that the periodic assessment per Condominium Unit for that particular assessment period will be the same as the periodic assessment per Condominium Unit for the assessment period immediately preceding that particular assessment period.

10.3 Apportionment of Periodic Assessments. Any periodic assessments assessed pursuant hereto against all Owners shall be assessed to all Owners in proportion to their percentage interest in the Common Elements. Any periodic assessments assessed pursuant hereto against less than all of the Owners shall be assessed to such Owners in proportion to their percentage interests computed by dividing any Owner's percentage interest in Common Elements by the sum total of all percentage interests in Common Elements excluding from such sum total the percentage interest in Common Elements of the Owners who are not to be assessed. The Board of Directors of the Association shall determine, apportion, levy and assess the Association's periodic assessments, without the vote of the members of the Association.

10.4 Payment of Periodic Assessments and Time for Payment Thereof. Unless otherwise determined by the Association, the periodic assessments shall be paid monthly on a calendar month basis in advance and shall be due and payable to the Association at its office, or as the

Association may otherwise direct, without notice on the first day of each month. If any such periodic assessment shall not be paid within ten (10) days after it shall have become due and payable, then the Board of Directors may assess a "late charge" thereon in an amount not exceeding \$10.00 to cover the extra expenses involved in handling such delinquent assessment. In addition each periodic assessment shall bear interest at the rate of 18% per annum from the date it becomes due and payable if not paid within ten (10) days after such date. An Owner's periodic assessment shall be prorated if the ownership of a Condominium Unit commences or terminates on a day other than the first day or last day, respectively, of a month. The first assessment month of the levying of the Association's monthly assessments shall commence upon February 1, 1985.

10.5 Special Assessments. In addition to the periodic assessments authorized by this Article, the Association may levy special assessments, payable over such periods as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or re-construction, unexpected repair or replacement of the Project or any part thereof, or for any expense incurred or to be incurred as provided in this Declaration. This Section shall not be construed as an independent source of authority for the Association to incur expenses, but shall be construed to prescribe the manner of assessing for expenses authorized by other Sections hereof. Any amounts assessed pursuant hereto against all Owners shall be assessed to all Owners in proportion to their percentage interests in the Common Elements. Any amounts assessed pursuant hereto against less than all of the Owners shall be assessed to such Owners in proportion to their percentage interests computed by dividing an Owner's percentage interest in Common Elements by the sum total of all percentage interests in Common Elements excluding from such total the percentage interests Common Elements of the Owners who are not to be assessed. Notice in writing of the amount of such special assessments and the time for payment thereof shall be given promptly to the Owners, and no payment shall be due less than 30 days after such notice shall have been given. A special assessment shall bear interest at the rate of 18% per annum from the date it becomes due and payable if not paid within 30 days after such date.

10.6 Assessment Reserves. The Association may require an Owner, other than Declarant, to deposit with the Association an amount not exceeding three times the amount of the original estimated monthly assessment, which sum shall be held, with interest, by the Association as a reserve to be used for paying such Owner's monthly assessment and for working capital. Such an advance payment shall not relieve an Owner from making the regular monthly payment of the monthly assessment as the same comes due. Upon the transfer of his Condominium Unit, an Owner shall be entitled to a credit from his transferee for any unused portion thereof.

Such reserves, including accrued interest, shall at all times remain as capital of the Association.

10.7 Lien for Assessments. All sums assessed to any Condominium Unit pursuant to this Section, together with interest and late charges thereon as provided in this Section, shall be secured by a lien on such Condominium Unit in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Condominium Unit, voluntary and involuntary, whether granted by operation of law or otherwise, except only for:

(A) Valid tax and special assessment liens on the Condominium Unit in favor of any government assessing authority;

(B) A lien for all sums unpaid on a first Mortgage duly recorded in the San Miguel County, Colorado, real estate records, including all unpaid obligatory advances to be made pursuant to such Mortgage; provided that any first Mortgagee who acquires a Condominium Unit by foreclosure or by a deed in lieu thereof shall acquire title to such Condominium Unit free and clear of any lien for assessments under this Section and shall only be responsible for assessments arising after the date upon which such first Mortgagee acquires title to the Condominium Unit.

All other lienors acquiring liens on any Condominium Unit after the Declaration shall have been recorded in said records shall be deemed to consent that such liens shall be inferior to future liens for assessments, as provided herein, whether or not such consent be specifically set forth in the instruments creating such liens.

To evidence a lien or sums assessed pursuant to this Section, the Association may prepare a written notice of lien setting forth the amount of the assessment, date due, the amount remaining unpaid, the name of the Owner of the Condominium Unit and the description of the Condominium Unit. Such a notice shall be signed by the Association and may be recorded in the office of the County Clerk and Recorder of San Miguel County, Colorado. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by judicial foreclosure by the Association in the same manner in which mortgages on real property may be foreclosed in Colorado. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding, the costs and expenses of filing a notice of lien and all reasonable attorneys' fees. All such costs and expenses shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any assessments against the Condominium Unit which shall become due during the period of foreclosure. The Association shall have the right and power to bid at the foreclosure sale or other legal sale and to acquire, hold, convey, encumber and otherwise deal with the same as the Owner thereof.

A release of notice of lien shall be executed by the Association and recorded in the San Miguel County, Colorado

real estate records, upon payment of all sums secured by a lien which has been made the subject of a recorded notice of lien.

Any Mortgagee holding a lien on a Condominium Unit may pay, but shall not be required to pay, any amounts secured by the lien created by this Section, and upon such payment such Mortgagee shall be subrogated to all rights of the Association with respect to such lien, including priority.

The Association shall report to any first Mortgagee of a Condominium Unit any unpaid assessments remaining unpaid for longer than 90 days after the same shall have become due; provided, however, that such first Mortgagee first shall have furnished to the Association written notice of such Mortgage and written request of such unpaid assessments.

Each Owner hereby agrees that the Association's lien on a Condominium Unit for assessments as hereinbefore described shall be superior to the Homestead Exemption provided by Colo. Rev. Stat. Ann. Section 38-41-201, et. seq. (1973, as amended) and each Owner hereby agrees that the acceptance of the deed or other instrument of conveyance in regard to any Condominium Unit within the Project shall signify such grantee's waiver of the Homestead right granted in said sections of the Colorado statutes.

If any assessment shall remain unpaid after the due date thereof, the Association may impose a late charge on such defaulting Owner in an amount not exceeding Fifty Dollars (\$50.00) to cover the extra cost and expenses involved in handling such delinquent assessment, in addition to the interest charges set forth above.

Declarant states in accordance with the requirements of the Colorado Condominium Ownership Act, that it is possible that liens other than mechanic's liens, assessment liens and tax liens, may be obtained against the Common Elements, including judgement liens and mortgage liens.

10.8 Personal Obligation of Owner. The amount of any assessment against any Condominium Unit shall be the personal obligation of the Owner thereof to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosing or waiving the liens securing the same. No Owner may avoid or diminish such personal obligation by waiver of the use and enjoyment of any of the Common Elements or by abandonment of his Condominium Unit.

10.9 Statement of Account. Upon payment of a reasonable fee not to exceed \$50.00 and upon written request in the manner provided in Section 21.2 hereof of any Owner or any Mortgagee, prospective mortgagee or prospective purchaser of a Condominium Unit, the Association shall issue a written statement setting forth the amount of the unpaid assessments, if any, with respect to such Condominium Unit, the amount of the current monthly assessment, the date that such assessment becomes due, and credit for advance payments or prepaid items, including, but not limited to, an Owner's share of prepaid insurance premiums, which statement shall be

conclusive upon the Association in favor of prospective mortgagees or prospective purchasers who rely thereon in good faith.

10.10 Personal Liability of Purchaser for Assessments. Subject to the provisions of paragraph (B) of Section 10.6 and of Section 10.8, a purchaser of a Condominium Unit shall be jointly and severally liable with the seller for all unpaid assessments against the Condominium Unit up to the time of the grant or conveyance, without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such assessments.

11. Use of Condominium Units

11.1 Use of Residential Units. Each Residential Unit shall be used for residential purposes only, and no profession, trade or business of any kind may be carried on therein. Lease or rental of a Residential Unit for lodging or residential purposes shall not be considered to be a violation of this covenants. No Unit shall be occupied for living or sleeping purposes by more persons than it was designed to accommodate safely.

11.2 Use of Common Elements. Each Owner may use the Common Elements in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other Owners or Declarant. There shall be no obstruction of the Common Elements, nor shall anything be stored on any part of the Common Elements without the prior written consent of the Association, except as specifically provided herein. Nothing shall be altered on, constructed in, or removed from, the Common Elements except upon the prior written consent of the Association or except as provided in Section 12.

11.3 Prohibition of Damage and Certain Activities. Nothing shall be done or kept in any Unit or in or on the Common Elements or any part thereof which might result in the cancellation of the insurance on the Project or any part thereof or which might result in an increase in the premiums of the insurance on the Project or any part thereof over what the Association, but for such activity, would pay, without the prior written consent of the Association. Nothing shall be done or kept in any Unit or in or on the Common Elements or any part thereof which would be immoral, improper or offensive, or in violation of any statute, rule, ordinance, regulation, permit or other validly imposed requirement of any governmental body, or any rule or regulation adopted by the Association. No damage to, or waste of, any Unit or the Common Elements or any part thereof shall be committed by any Owner or any invitee or other person present or claiming by, through or under any Owner and each Owner shall indemnify and hold the Association and the other Owners harmless against all loss resulting from any such damage or waste caused by him or his invitees or other persons present or claiming by, through or under him. No activity shall be conducted on any part of the Project and no improvements shall be made or constructed on any part of the

Project which are or might be unsafe or hazardous to any person or property. No sound shall be emitted on any part of the Project which is unreasonably loud or annoying. No odor shall be emitted on any part of the Project which is noxious or offensive to others. No light shall be emitted from any part of the Project which is unreasonably bright or causes unreasonable glare. No noxious, destructive or offensive activity shall be carried on in any Unit or in or on the Common Elements or any part thereof, nor shall anything be done therein which may be or may become an annoyance or nuisance to any other Owner or to any person at any time lawfully present in the Project.

11.4 Household Pets. The raising, breeding, or keeping of any dog is prohibited.

11.5 Maintenance of Interiors. Each Owner shall keep the interior of his Unit, including without limitation, interior walls, windows, glass, ceilings, floors and fixtures, and appurtenances thereto, in a clean, sanitary and attractive condition, and good state of repair. For purposes of maintenance, repair, alteration and remodeling, an Owner shall be deemed to own and shall have the right and obligation to maintain, repair, alter and remodel, the interior non-supporting walls, the materials (such as, but not limited to, plaster, gypsum dry wall, paneling, wallpaper, paint, wall and floor tile, and flooring, but not including the sub-flooring) making up the finished surfaces of the perimeter walls, ceilings and floors within the Unit and the interior of the Unit's doors and windows, and any and all new additions to a Unit made by the Owner thereof. No Owner shall, however make any changes or alterations of any type or kind to the exterior surfaces of the doors and windows to his Unit nor to any Common Elements (including, but not limited to, the exterior portions of his Unit). The Owner shall not be deemed to own lines, pipes, wires, conduits or systems (which for brevity are hereafter referred to as "utilities") running through his Unit which serve one or more other Units, except as a tenant in common with the other Owners. Each Owner shall have the obligation to replace any finishing or other materials removed with similar or other types or kinds of materials. An Owner shall maintain and keep in good repair and in a clean, safe, attractive and sightly condition the interior of his Unit, including the fixtures, doors and windows thereof and the improvements affixed thereto, and such other items and areas as may be required in the Bylaws. Also, an Owner shall maintain, clean and keep in a neat and clean condition the fireplace, if any, within his Unit. All fixtures, appliances and equipment installed within a Unit commencing at a point where the utilities enter the Unit shall be maintained and kept in repair by the Owner thereof. If any Owner fails to carry out or neglects the responsibilities set forth in this Section, the Association may fulfill the same and charge such Owner therefore. Any expense incurred by an Owner under this Section shall be the sole expense of said Owner.

11.6 Structural Alterations. No structural alterations to any Unit shall be made, and no plumbing, electrical or similar work within, to or on the Common Elements shall be done by any Owner without the prior written consent of the Association.

11.7 Restriction on Signs. No signs or advertising devices of any nature shall be erected or maintained on any part of the Project without the prior written consent of the Association. The Association shall permit the placing of at least one sign of reasonable size and dignified form to identify the Project and the Condominium Units therein.

11.8 Leasing of a Condominium Unit. The Owner of a Condominium Unit, including Declarant, shall have the right to lease his Condominium Unit under the following conditions:

(i) All leases shall provide that the terms of the lease and lessee's occupancy of the Condominium Unit shall be subject in all respects to the provisions of this Declaration and to the provisions of the Articles and Bylaws of the Association. Any failure by the lessee to comply therewith shall be a default under the lease.

11.9 Restrictions on Parking and Storage. No part of the Project, including the public streets and private streets, drives, or parking areas, unless specifically designated by the Association therefore, shall be used as a parking, storage, display, or accommodation area for any type of personal property, house trailer, camping trailer, boat trailer, hauling trailer, running gear, boat or accessories thereto, truck or recreational vehicle, except as a temporary expedience for loading, delivery, emergency, etc. (provided that this restriction shall not restrict trucks or other commercial vehicles within the Project which are necessary for the construction or maintenance of the Project). Further, no part of the Project shall be used in any manner which violates those restrictions imposed by the National Association of Building Inspectors as set forth in the Uniform Building Code adopted by the Town of Telluride, Colorado.

12. Voting and Assessments. Each Owner's undivided interest in the Common Elements of the Condominium Project shall be expressed as a fraction, the numerator of which shall be the number of square feet within the Unit owned by the Owner and the denominator of which shall be the total number of square feet within all completed Condominium Units of the Project.

Each Owner and Condominium Unit shall be liable for Common Expenses and for annual assessments, special assessments, and default assessments as provided in this Declaration in the proportions as set forth in Exhibit B.

13. Insurance

13.1 Types of Insurance to be Carried by the Association. The Association shall obtain and keep in full force and effect at all times the following insurance coverage, to the extent obtainable, provided by companies

duly authorized to do business in Colorado. The provisions of this Section shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage, in addition to any insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time.

(1) Insurance against loss or damage by fire and lightning, vandalism and malicious mischief, under extended coverage and all risk endorsements. Said casualty insurance shall insure the entire Project and any property, the nature of which is a Common Element, together with all service equipment contained therein in an amount equal to the full replacement value, without deduction for depreciation. All policies shall contain a standard non-contributory mortgage clause in favor of each first Mortgagee, which shall provide that the loss, if any, thereunder, shall be payable to the Association for the use and benefit of such first Mortgagees as their interests may appear. Prior to obtaining any policy of casualty insurance or renewal thereof, pursuant to the provisions of this insurance Section, the Association shall obtain an appraisal from the insurance appraiser of the company issuing such insurance, which appraiser shall reasonably estimate the full replacement value of the entire Project, without deduction for depreciation, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions of this insurance Section. In no event shall the insurance policy contain a co-insurance clause and such policy shall contain an agreed amount endorsement. Determination of maximum replacement value based upon either a written appraisal or upon a calculation of the annual cost of living increase shall be made annually, and each first Mortgagee who has made a written request as provided below, shall be furnished with a copy thereof, within thirty (30) days after receipt of such written appraisals or documentation setting forth the actual cost of living increase over the previous year. Such amounts of insurance shall be contemporized annually in accordance with their currently determined maximum replacement value. The Association may comply with the above requirements by purchase of blanket coverage and may elect such "deductible" provisions as in the Association's opinion are consistent with good business practice.

(2) If the Project is located in an area identified by the Secretary of Housing and Urban Development as an area within the 100 year flood plain a "blanket" policy of flood insurance on the Project in an amount which is equal to the aggregate of the unpaid principal balances of the first Mortgages on the Condominium Units comprising the Project.

(3) Bodily injury and property damage liability insurance in such limits as the Association may from time to time determine, but not in an amount less than \$500,000.00 per injury, per person, per occurrence and umbrella liability limits of \$1,000,000.00 per occurrence,

covering all claims for bodily injury or property damage. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Project. All liability insurance shall name the Association, the Board of Directors and any managing agent of the Association, the Declarant, first Mortgagees who have made a written request as provided below, the Owners and the officers of the Association, as insureds thereunder. Each such policy shall also provided that each named insured may also be a claimant thereunder as against other named insureds. If there are steam boilers in operation of the Project, there must be in force boiler explosion insurance providing for not less than \$50,000.00 per accident per location.

(4) The Association shall purchase Workmen's Compensation and Employer's Liability Insurance and all other similar insurance with respect to employees (other than directors and officers), contractors and subcontractors of the Association in the amounts and in the forms now or hereafter required by law, to the extent that such required coverage is not furnished by contractors or subcontractors.

(5) The Association may purchase, in such amounts and in such forms as it shall deem appropriate, coverage against dishonesty of employees or any other person handling funds of the Association, destruction or disappearance of money or securities, and forgery. Said policy shall also contain endorsements thereto covering any persons who serve the Association without compensation.

(6) The Association may obtain appropriate officers' and directors' personal liability insurance to protect the officers and members of the Board of Directors of the Association from personal liability in relation to their duties and responsibilities in acting as such officers and members of the Board of Directors on behalf of the Association.

(7) The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Project, including plate or other glass insurance, insurance for any personal property of the Association located thereon, and errors and omissions insurance with respect to the actions of the Board of Directors, officers and any managing agent of the Association.

13.2 Types of Insurance to be Carried by the Owner. Owners may carry other insurance for their benefit and at their expense, but the liability of the carriers issuing insurance obtained by the Board shall not be affected or diminished by reason of any such additional insurance carried by any Owner. Insurance coverage on improvements and fixtures installed by an Owner and furnishings, including draperies, carpeting, appliances, wallpaper, wall-paneling and other items of property belonging to an Owner, and public liability coverage within each Unit shall be the sole and

direct responsibility of the Owner thereof, and the Association shall have no responsibility therefore.

13.3 Form. The insurance obtained by the Association shall be carried in a form or forms naming the Association the insured as trustee for the Owners. Such policy or policies also shall provide that it or they cannot be cancelled or modified by either the insured or the insurance company until after twenty (20) days' prior written notice is first given to the Association, to each Owner and to each first Mortgagee who has made a written request as provided below. The Association shall furnish to each Owner and to each first Mortgagee, who has made a written request as provided below, a true copy of such policy or a Certificate identifying the interest of the Owner. All policies of insurance, to the extent obtainable, shall contain waivers of subrogation and shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Owner guilty of breach of warranty, act, omission, negligence or noncompliance with any provision of such policy, including payment of the insurance premium applicable to that Owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy, as to the interests of all other insured Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

13.4 Notices to First Mortgagees. Any first Mortgagee may furnish to the Association or to the insurance company, to the extent above provided, a written request for notices, notifications and other information of the types above provided, together with the address to which it wishes the same to be sent.

14. Casualty Damage or Destruction

14.1 Association as Agent. Title to each Condominium Unit is hereby made subject to the terms and conditions to this Declaration, which bind Declarant and all subsequent Owners, whether or not it be so expressed in the deed by which any Owner acquires his Condominium Unit. Declarant any all of Owners irrevocably constitute and appoint the Association their true and lawful agent in their name, place and stead for the purpose of dealing with the Project upon its damage, destruction or obsolescence as hereinafter provided. Acceptance by any Grantee of a deed from Declarant or an Owner shall constitute appointment of the attorney in fact herein provided.

14.2 General Authority of Association. As attorney in fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or other instrument with respect to the interest of a Condominium Unit Owner which may be necessary or appropriate to exercise the powers herein

granted. Repair and reconstruction of the improvements as used in the succeeding subparagraphs mean restoring the improvements to substantially the same condition in which they existed immediately prior to damage, with each Unit and the Common Elements having substantially the same vertical and horizontal boundaries as before, subject however to the provisions and rules of the Town of Telluride building code at the time of such repair and reconstruction. Except as herein otherwise provided, the proceeds of any insurance of the Association shall be available to the Association for the purpose of repair or reconstruction. Monthly assessments levied pursuant to Section 10 shall not be abated during the periods of insurance adjustment and repair and reconstruction.

14.3 Estimate of Costs. As soon as practicable after an event causing damage to or destruction of, any part of the Project, the Association shall obtain reliable and complete estimates of the costs of repair or reconstruction of that part of the Project damaged or destroyed.

14.4 Repair or Reconstruction. As soon as practicable after receiving these estimates the Association shall diligently pursue to completion the repair or reconstruction of that part of the Project damaged or destroyed, unless a decision not to rebuild has been made pursuant to Section 14.7 below. The Association may take all appropriate action to effect repair or reconstruction, as attorney in fact for the Owners, and no consent or other action by any Owner shall be necessary in connection therewith. Unless otherwise required by the Town of Telluride building code in effect at the time of repair or reconstruction, such repair or reconstruction shall be in accordance with the original plans or may be in accordance with any other plans or specifications the Association may approve, provided that in such latter event the number of cubic feet and the number of square feet of any Unit may not vary by more than 5% from the number of cubic feet and the number of square feet for such Unit as originally constructed pursuant to such original plans and specifications, and the location of the Building shall be substantially the same as prior to damage or destruction.

14.5 Funds for Reconstruction. If the proceeds of any insurance collected are insufficient to pay the estimated or actual costs of such repair or reconstruction, the Association, pursuant to Section 10 hereof, may levy in advance a special assessment sufficient to provide funds to pay such estimated or actual costs of repair or reconstruction. Such special assessment shall be allocated and collected as provided in that Section. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair or reconstruction.

14.6 Disbursement of Funds for Repair or Reconstruction. The insurance proceeds held by the Association and the amounts received from the assessments provided for in Section 14.5 constitute a trust fund for the

payment of costs of repair and reconstruction after casualty. All moneys disbursed in payment for cost of repair or reconstruction shall be deemed made from insurance proceeds until all insurance proceeds have been disbursed. If there is a balance of insurance proceeds after payment of all costs of such repair or reconstruction, such balance shall be distributed to the Owners in proportion to their percentage interests in the Common Elements. If there is a balance from assessments, such balance shall be distributed to the Owners in proportion to the contributions each Owner made pursuant to Section 14.5 of this Declaration.

14.7 Decision Not to Rebuild. If Owners presenting an aggregate ownership interest of 75% or more of the Units, and all holders of first Mortgages on Condominium Units agree not to rebuild, the Project shall be sold and the proceeds distributed in the same manner as herein provided in the event of sale of obsolete Units. Likewise, if there is a determination that the Project shall not be rebuilt, the insurance proceeds shall be distributed to each of the Owners in the same manner as herein provided in the event of sale of obsolete Units. Joint payments of both sale and insurance proceeds shall be made to an Owner and his first Mortgagee where the Association has written notice of the existence of a first Mortgage as above provided in Section 13.4. Each Owner and each Mortgagee shall be bound by the apportionments of sale and insurance proceeds made by the Association pursuant hereto.

15. Obsolescence

15.1 Adoption of a Plan. Owners representing an aggregate ownership interest of 75% or more of the Units may agree that the Project is obsolete and adopt a written plan for renewal and reconstruction, which plan shall have the unanimous approval of all first Mortgages of record at the time of the adoption of such plan. Written notice of adoption of such a plan shall be given to all Owners and first Mortgagees of record.

15.2 Payment for Renewal and Reconstruction. The expense of renewal or reconstruction shall be payable by all of the Owners as special assessments against their respective Condominium Units. The special assessments shall be levied in advance pursuant to Section 10 hereof and shall be allocated and collected as provided in that Section. Further levies may be made in a like manner if the amounts collected prove insufficient to complete the renewal and reconstruction. In the event amounts collected pursuant to this Section are in excess of the amounts required for renewal and reconstruction, the excess shall be returned to the Owners by a distribution to each Owner in an amount proportionate to the respective amount collected from each such Owner.

15.3 Dissents from the Plan. An Owner not a party to such a plan for renewal or reconstruction may give written notice of dissent to the Association within fifteen (15) days after the recordation of such plan. The Association shall then give written notice of such dissents

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to all the Owners within then (10) days after the expiration of such fifteen-day period. Within fifteen (15) days after the expiration of such ten (10) day period, the Owners representing an aggregate ownership of more than 25% of the Units may cancel the plan by written instrument recorded in the San Miguel County, Colorado real estate records. If the plan is not cancelled then the renewal or reconstruction of the Project shall proceed as provided above in Sections 15.1 and 15.2.

15.4 Sale of Obsolete Project. Owners representing an aggregate ownership interest of 75% or more of the Units may agree that the Condominium Units are obsolete and that the Project should be sold. Such an agreement must have the unanimous approval of every first Mortgagee of record at the time such agreement is made. In such instance the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association the Project shall be sold by the Association as attorney in fact for all the Owners free and clear of the provisions contained in this Declaration, the Condominium Map and the Articles of Incorporation and By-Laws of the Association, or any amendments or supplements thereto. The sale proceeds shall be apportioned among the Owners in proportion to their percentage interests in the Common Elements, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Condominium Unit. Each such account shall remain in the name of the Association, and shall be further identified by the Condominium Unit designation and the name of the Owner. From each separate account the Association, as attorney in fact, shall use and disburse the total amount of such account without contribution from one account to the other, in the following order:

(i) for payment of taxes and special assessment liens in favor of any assessing entity;

(ii) for payment of the balance of the lien of any first Mortgage;

(iii) for payment of unpaid assessments made pursuant to Section 10 hereof;

(iv) for payment of junior mortgages and encumbrances in the order of and to the extent of their priority; and,

(v) the balance remaining, if any, shall be paid to the Owner.

Subject to the provisions of Section 16.2 below, any balance remaining on Units owned by the Association after disbursement for said items (i), (ii), (iii) and (iv) shall be distributed to the other Owners in proportion to their percentage interests computed by dividing an Owner's percentage interest in the Common Elements by the sum total of all percentage interests of Owners in the Common Elements, excluding from such total the percentage interests in the Common Elements which are attributable to the Units owned by the Association.

In the event any first Mortgagee shall not agree to the sale of the Project, Association shall have the option to purchase the mortgage of such first Mortgagee by payment in full of the amounts secured thereby if the Owners representing any aggregate ownership of 75% or more of the Units are in agreement to sell. The Association shall obtain the funds for such purchase by special assessments under Section 10 of this Declaration.

16. Association Units.

16.1 Voting. The Association shall have the right to exercise the votes which are attributable to any condominium Units which are owned by the Association.

16.2 Sale and Rental. The Association shall sell any Condominium Unit owned by it to a suitable buyer at its fair market value as soon as practicable after the acquisition of such Condominium Unit. Such purchase price shall be obtained in cash and from the proceeds there shall first be paid taxes, mortgages or liens and assessments on such Condominium Unit. Any remaining moneys shall be distributed to the Owners who assessed and contributed to the Association for its acquisition of the Condominium Unit in proportion to such contributions. Prior to sale of such Condominium Unit the Association shall use its best efforts to keep the same rented or leased and the rental or lease money shall be used to pay the mortgage, taxes and assessments against such Condominium Unit and any remaining moneys shall be distributed to Owners in the same manner as if it were sold under this Section 16.2.

17. Condemnation

17.1 Consequences of Condemnation. If at any time or times during the continuance of condominium ownership pursuant to this Declaration, all or any part of the Project shall be taken in eminent domain or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof (hereinafter called "condemned"), the following provisions shall apply.

17.2 Proceeds. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award", shall be payable to the Association in trust to be distributed as provided below.

17.3 Complete Taking. In the event that the entire Project is condemned, the condominium ownership pursuant hereto shall terminate. The Condemnation Award shall be apportioned among the Owners in proportion to their percentage interest in Common Elements, provided that if a standard difference from the value of the Project as a whole is employed to measure the Condemnation Award in the negotiation, judicial decree, or otherwise, then, in determining such shares, the same standard shall be employed to the extent it is relevant and applicable.

On the basis of the principles set forth in the last preceding paragraph, the Association shall as soon as practicable determine the share of the Condemnation Award to which each Owner is entitled. The Association shall

distribute the Condemnation Award as soon as practicable thereafter to the parties in the shares so determined, such distribution to be made in the order of subparagraphs (i) through (v) set forth above in Section 15.4 and by checks payable jointly to the respective Owners and their respective Mortgagees.

Any portion of the Condemnation Award allocable to Units owned by the Association remaining after payment of any mortgages or other liens, taxes or assessments thereon shall be distributed to the other owners in proportion to their percentage interests computed by dividing an Owner's percentage interest in the Common elements by the sum total of all percentage interests of Owners in the Common Elements, excluding from such total the percentage interests in the Common Elements of Units owned by the Association.

17.4 Partial Taking. In the event that less than the entire Project is condemned, the condominium ownership hereunder shall not terminate. Each Owner shall be entitled to a share of the Condemnation Award to be determined in the following manner: As soon as practicable the Association shall reasonably and in good faith, allocate the Condemnation Award between compensation for the interest taken, damages to the remainder, and other proceeds, if any, and shall apportion the amount so allocated among the Owners, as follows:

(i) The total amount allocated to taking of or injury to the General Common Elements shall be apportioned among all Owners in proportion to their percentage interests in the General Common Elements,

(ii) The total amount allocated to severance damages shall be apportioned to those Condominium Units which were not taken or condemned,

(iii) The respective amounts allocated to the taking of or injury to a particular Unit, the Limited Common Elements attributable thereto, and/or attributable to improvements which an Owner has made within his own Unit shall be apportioned to the particular Condominium Unit involved, and

(iv) The total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Association determines to be equitable in the circumstances. If an allocation of the Condemnation Award is already established in the negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award the Association shall employ such allocation to the extent it is relevant and applicable.

Distribution of apportioned proceeds shall be made in the order and manner set forth above in Section 17.3.

17.5 Reorganization. In the event a partial taking results in the taking of a complete Unit, the Owner thereof automatically shall cease to be a member of the Association, and such Owner's interest in the Common Elements shall thereupon terminate, and the Association, as attorney-in-fact for such Owner, may take whatever action is necessary

and shall execute such documents as are necessary to reflect such termination. Thereafter, the Association shall reallocate the ownership interest in the Common Elements and assessment ratio determined in accordance with this Declaration according to the same principles employed in this Declaration at its inception and shall submit such reallocation to the Owners of remaining Units for amendment to this Declaration as provided in Section 18 hereof.

17.6 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Section 14 hereof.

17.7 Obsolescence By Reason of Partial Taking. Nothing herein shall preclude the Owners from proceeding under Section 15 is then applicable.

18. Revocation or Amendment to Declaration. This Declaration shall not be revoked nor shall any of the provisions herein be amended unless the Owners representing an aggregate ownership interest of 75% or more of the Condominium Units, and all of the holders of first Mortgages on Condominium Units consent to such revocation or amendment by instruments duly recorded except as provided in Section 5.3 and Section 21.5.

19. Period of Condominium Ownership. All of the provisions contained in this Declaration, the condominium ownership created by this Declaration, and the Condominium Map shall continue until this Declaration and any amendments thereto are revoked, terminated or amended as in this Declaration provided.

20. Mortgaging a Condominium Unit -- Priority. Any Owner shall have the right from time to time to mortgage or encumber his Condominium Unit by deed of trust, mortgage or other security instrument. The Owner of a Condominium Unit may create junior mortgages (junior to the lien, deed of trust or other encumbrance of the first Mortgagee) on his Condominium Unit on the following conditions: (1) that any such junior mortgages shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, lien for assessments, and other obligations created by this Declaration, the Articles, and the Bylaws; and (2) that the mortgagee under any junior mortgage shall release, for the purpose of restoration of any improvements upon the mortgaged premises, all of his right, title and interest in and to the proceeds under all insurance policies upon said premises which insurance policies were effected and placed upon the mortgaged premises by the Association. Such release shall be furnished forthwith by a junior mortgagee upon written request of the Association, and if not furnished, may be executed by the Association as attorney-in-fact for such junior mortgagee.

21. Miscellaneous

21.1 Compliance with Provisions of Declaration and Articles of Incorporation and By-Laws of the Association. Each Owner shall comply with the provisions of this Declaration, the Articles of Incorporation and By-Laws of the

Association, and the decisions and resolutions of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be grounds for any action to recover sums due, damages or injunctive relief or both, costs and expenses of such proceedings and all reasonable attorneys' fees. Such action shall be maintainable by the Association on behalf of the Owners.

21.2 Registration of Mailing Address: Notices. Each Owner shall register his mailing address with the Association and all notices, requests or demands intended to be served upon any Owner shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner at such registered mailing address. Unless otherwise provided herein, budget statements, notices of meetings and other routing notices may be sent by regular mail, postage prepaid and addressed in the name of the Owner at such registered mailing address. All notices, requests or demands intended to be served upon the Association shall be given by registered or certified mail, postage prepaid, to the address of the Association as designated in the Articles of Incorporation or By-Laws of the Association. All notices, requests or demands to be served on first Mortgagees pursuant hereto shall be sent by either registered or certified mail, postage pre-paid, addressed in the name of the first Mortgagee at such address as the first Mortgagee may have furnished to the Association in writing. Unless the first Mortgagee furnishes the Association with such address, the first Mortgagee shall be entitled to receive none of the notices provided for in this Declaration. Any notice referred to in this Section shall be deemed given when deposited in the United States mail in the form provided for in this Section. This Declaration shall not be construed as requiring the Association or any Owner to give any notice, request or demand to any mortgagee except a first Mortgagee.

21.3 Transfer of Declarant's Rights. Any rights or interests reserved hereby to the Declarant may be transferred or assigned by the Declarant.

21.4 Construction Loan. The Project may be subject to a construction loan, which loan will be discharged as to specific Condominium Units when sold.

21.5 Modifications of Declaration by Declarant. Declarant reserves the right to make modification, additions or deletions in or to this Declaration as may be required by a mortgage lender or insurer or necessary to carry out the intent of this Declaration. Such modifications, additions or deletions will not materially increase the cost of Condominium Units. There will be no material physical modifications of the Project and any such changes will not decrease the financial obligations of Declarant as a Unit Owner.

21.6 Sale, Retention and Use of Units by Declarant. Declarant contemplates sale of 100% of the Condominium Units; however, Declarant reserves the right to

retain unsold Condominium Units and sell, lease or rent them without the approval of the Association. Notwithstanding any provision to the contrary contained shall be permitted to maintain during the period of any construction an/or sale of Condominium Units in the Project, upon such portion of the Project as Declarant may choose, such facilities as in the sole opinion of Declarant may be reasonably required, convenient or incidental to the construction, sale or rental of Condominium Units, including without limitation, a business office, storage area, construction yards, signs, model Condominium Units, sales office, construction office, parking areas and lighting and temporary parking facilities for all prospective tenants or purchasers of Condominium Units. In addition, Declarant, its agents, employees and contractors shall have the right of ingress and egress over the General Common elements as in Declarant's discretion may be reasonably required with regard to the foregoing. Further, Declarant, its agents, employees and contractors shall have the right of ingress and egress in and through all Condominium Units during the period of the construction and/or sale of the Condominium Units for the purpose of any required or desired refurbishment, construction, maintenance or repair to such Condominium Units or the Building, or any part thereof.

21.7 Warranty. Declarant disclaims any intent to warrant or make representations except as expressly set forth in this Declaration.

21.8 Severability. If any of the provisions of this Declaration or any paragraph, sentence, clause, phrase or word or the application thereof in any circumstance be invalidated, such invalidity shall not affect the validity of the remainder of the Declaration, and the application of any such provision, paragraph, sentence, clause, phrase or word in any other circumstance shall be not affected thereby.

21.9 Rule Against Perpetuity. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful or void for violation of the rule against perpetuities or some analogous statutory provision, then such provisions shall continue only for the period of twenty-one years after the death of the last to die of the group composed of John J. Horn, Daniel E. Wilson, Robert F. Newmyer, Dirk A. DePagter, and their now living descendants.

21.10 Statute. The provisions of this Declaration shall be in addition and supplemental to the Condominium Ownership Act of the State of Colorado and to all other provisions of law.

21.11 Successors and Assigns. This Declaration shall be binding upon and shall inure to the benefit of the Declarant, the Association and each Owner, and the heirs, personal representatives, successors and assigns of each of them.

21.12 Captions. The captions and headings in this Declaration are for convenience only and shall not be

considered in construing any provision of this Declaration.

21.13 No Waiver. Failure to enforce any provision of this Declaration shall not operate as a waiver of any such provision or of any other provision of this Declaration.

21.14 Numbers and Genders. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

21.15 Effect of Provisions on Declaration. Each provision of this Declaration, and an agreement, promise, covenant and undertaking to comply with each provision of this Declaration, and any necessary exception or reservation or grant of title, estate, right or interest to effectuate any provision of this Declaration shall:

(i) be deemed incorporated in each deed or other instrument by which any right, title or interest in the Project or in any Condominium Unit is granted, devised or conveyed, whether or not set forth or referred to in such deed or instrument;

(ii) by virtue of acceptance of any right, title or interest in the Project or in any Condominium Unit by an Owner, be deemed accepted, ratified, adopted and declared as a personal covenant of such Owner, and, as a personal covenant, shall be binding on such Owner and such Owner's heirs, personal representatives, successors and assigns and shall be deemed a personal covenant to, with and for the benefit of the Association but not to, with or for the benefit of any other non-aggrieved Owner;

(iii) be deemed a real covenant by Declarant, for itself, its successors and assigns, and also an equitable servitude, running, in each case, as a burden with and upon the title to the Project and each Condominium Unit and, as a real covenant and also as an equitable servitude, shall be deemed a covenant and servitude for the benefit of the Project and each Condominium Unit; and

(iv) be deemed a covenant, obligation and restriction secured by a lien in favor of the Association, burdening and encumbering the title to the Project and each Condominium Unit in favor of the Association.

21.16 Protection of Encumbrancer. Subject to the provisions of Section 20 above, no violation or breach of or failure to comply with, any provision of this Declaration and no action to enforce any such provision shall affect, defeat, render invalid or impair the lien of any first Mortgage, or other lien on any Condominium Unit taken in good faith and for value and perfected by recording in the office of the Clerk and Recorder of the County of San Miguel, Colorado prior to the time of recording in said office of an instrument describing the condominium Unit and listing the name or names of the Owner or Owners of fee simple title to the Condominium Unit and giving notice of such violation, breach or failure to comply; now shall such violation, breach or failure to comply or action to enforce, affect, defeat, render invalid or impair the title or interest of the holder

of any such first Mortgage, or other lien or the title or interest acquired by any such holder or purchaser. Any such purchaser at foreclosure shall, however, take subject to this Declaration; provided, however, that violations or breaches of, or failures to comply with, any provisions of this Declaration which occurred prior to the vesting of fee simple title in such purchaser shall not be deemed breaches or violations hereof or failures to comply herewith with respect to such purchaser, his heirs, personal representatives, successors or assigns.

21.17 Maximum Number of Units. The maximum number of Units that may be contained in the Project is fourteen (14).

21.18 Fireplace. Declarant reserves the right to install one fireplace and attendant facilities within the Project in a Unit designated by Declarant. Declarant reserves the right to utilize any Common Element necessary to facilitate the installation of the fireplace. Neither the Association nor any Owner shall be entitled to any compensation as a result of this Section 21.18.

21.19 Right to Sub-divide Unit 10. Declarant reserves the right to sub-divide Unit 10 into no greater than two (2) units. Upon the subdivision of Unit 10, the Units so formed shall have that proportion of the percentage interest in the Common Elements set forth in Exhibit B, for such subdivided Unit computed by dividing the square footage of the Unit so formed by the square footage of Unit 10. Any subdivision shall not be effective for any purpose until represented by a supplemental Condominium Map and amendment to Exhibit B signed by the then Owner of Unit 10 and filed for record in the office of the Clerk and Recorder of San Miguel County, Colorado. All costs of preparation and recording of supplemental maps and amendments to Exhibit B hereof shall be paid by the Owner so sub-dividing Unit 10.

THIS DECLARATION is executed as of the 13th day of April, 1986.

GHOSTRIDERS PARTNERS

By: 

General Partner

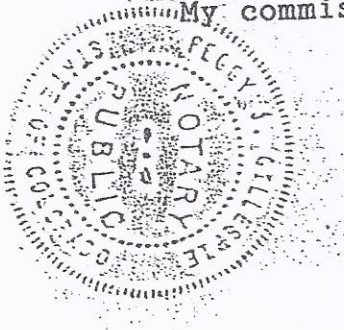
STATE OF COLORADO)
) ss.
COUNTY OF SAN MIGUEL)

(Seal)

The foregoing instrument was acknowledged before me this 13th day of MARCH, 1986, by John T. Hogg, as General Partner on behalf of Ghostriders Partners, a Colorado general partnership.

Witness my hand and official seal.

My commission expires: 3-14-87



[Signature]
Notary Public

Address: Box 1476
Telluride, CO 81435

EXHIBIT A

GHOSTRIDERS CONDOMINIUM

LEGAL DESCRIPTION

The Property is located in the Town of Telluride, San Miguel County, Colorado:

Tracts 1, 2, and 3 of Tract D, according to the replat of Block 26, Town of Telluride, and recorded July 30, 1975 in Plat Book 1 at Page 60, and Re-Plat of Tract D, Block 26, Town of Telluride, recorded August 13, 1979 in Plat Book 1 at Page 164.

EXHIBIT B

GHOSTRIDER CONDOMINIUM

PERCENTAGE OF OWNERSHIP IN COMMON ELEMENT

Unit Number	Unit Type	Percentage of Ownership In Common Elements
1	Residential	3.98% c
2	Residential	4.41 -
3	Residential	6.53 c
4	Residential	7.12 -
5	Residential	5.06 -
6	Residential	5.84 -
7	Residential	7.49
8	Residential	5.06
9	Residential	7.42
10	Residential	12.05 -
11	Residential	10.96 -
12	Residential	12.03 -
13	Residential	12.05
		<u>100.00%</u>