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State of Colorado.)
County of San Miguel.) ss

Filed for record: January 26, 1987. Time: 10:30 A.M.
and duly recorded in Book 433 Pages 720-772

Gay Capps-Recorder
by *Katherine L. Green* Deputy

CONDOMINIUM DECLARATION

FOR

#4 SOUTH CORNET CREEK CONDOMINIUMS

This Declaration made by East-West Development a Colorado partnership, composed of WILLIAM H. NELSON and MICHAEL H. CHANDLER, whose principal place of business is 617 West Pacific Avenue, Telluride, Colorado [herein referred to as "Declarant"].

WITNESSETH

WHEREAS, the Declarant is the record owner of a certain parcel of real estate located in the County of San Miguel, State of Colorado, legally described as follows:

Beginning at a point from which the NE corner, block 22, West Telluride Addition bears S 48 08' 40" E, 77.68'; thence N 17 54' 00" E 77.45'; thence N 29 09' 21" W 23.43'; thence N 72 06' 00" W 39.90'; thence S 29 30' 13" W 154.84'; thence along a curve, chord: N 74 27' 11" E 105.71'; Radius: 308.43' to the point of beginning, containing .1834 acres, in the Town of Telluride, San Miguel County, Colorado.

WHEREAS, Declarant intends to and does hereby submit the above-described real estate together with all buildings, improvements and other permanent fixtures of whatsoever kind thereon, and all rights and privileges belonging or in anywise pertaining thereto, to the provisions of the Condominium Ownership Act of the State of Colorado, and

WHEREAS, Declarant is further desirous of establishing for its own benefit and for the mutual benefit of all future owners or occupants of said property or any part thereof, certain easements and rights in, over and upon said property and certain mutually beneficial restrictions and obligations with respect to the proper use, conduct, and maintenance thereof; and

WHEREAS, Declarant desires and intends that the several owners, mortgagees, occupants, and any other persons hereafter acquiring any interest in said property shall, at all times, enjoy the benefits of, and shall hold their interests subject to, the rights, easements, privileges, and restrictions hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the cooperative aspect of such property and are established for the purpose of enhancing and perfecting the value, desirability, and attractiveness thereof.

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NOW, THEREFORE, the Declarant, as the record owner of the real estate described above and for the purposes above set forth, hereby declares as follows:

1. Definitions. As used herein, unless the context otherwise requires:

(a) "Act" means the Condominium Ownership Act of the State of Colorado, as amended, C.R.S. 38-33-101 et seq.

(b) "Articles" means the Articles of Incorporation of #4 South Cornet Creek Condominiums, Inc., a Colorado nonprofit corporation.

(c) "Assessments" means the amount the Board determines each Unit Owner owes for Common Expenses.

(d) "Corporation" means #4 South Cornet Creek Condominiums, Inc., a Colorado nonprofit corporation. It shall act pursuant to the Articles, this Declaration, and the Bylaws through its duly elected Board.

(e) "Board" means the duly elected Board of Directors of the Corporation.

(f) "Building" means the building or buildings located on the Parcel and forming part of the Property and containing the Units, as shown by the surveys of the respective floors of said Building included in the Plat.

(g) "Bylaws" means the Bylaws of the Corporation, which are attached hereto as Exhibit A and made a part hereof and recorded simultaneously with the recording of this Declaration.

(h) "General Common Elements" means all portions of the Property, except the Units, including the Limited Common Elements. Except to the extent they are expressly defined as being a part of the Units, the General Common Elements shall include, but shall not be limited to, the land, foundation, structural components of the Building, hallways, stairways, entrances, exits, common parking areas,

storage areas, basement, roof, incinerator, central heating and air-conditioning system, public utility lines, perimeter and partition walls, floors, ceilings, chutes, flues, ducts, conduits, wires, bearing walls, bearing columns, outside walks and driveways, and landscaping.

(i) "Common Expenses" means the proposed or actual expenses affecting the Property which are incurred or assessed in accordance with this Declaration, the Articles, or the Bylaws, including expenses of administration, repair, and maintenance of the General Common Elements and any reserves lawfully assessed by the Board.

(j) "Declarant" means East-West Development, a Colorado partnership composed of William H. Nelson and Michael H. Chandler, the record owners of the Parcel and the Building on the date of the execution and recording of this Declaration.

(k) "Declaration" means this instrument by which the Property is submitted to the provisions of the Act, as hereinafter provided, and such Declaration as from time to time amended.

(l) "Limited Common Elements" means any portion of the General Common Elements designated in this Declaration or the Plat as being reserved for the use of a certain Unit or Units to the exclusion of other Units.

(m) "Majority" or "Majority of the Unit Owners" means the owners of more than fifty percent (50%) aggregate interest in the undivided ownership of the General Common Elements. Any specified percentage of the Unit Owners means the Owners of such percentage aggregate interest in the undivided ownership of the General Common Elements.

(n) "Management Agent" means the person or entity providing management services to the Corporation on a contractual basis.

(o) "Parcel" means the parcel of real estate described above in the second paragraph of this Declaration.

(p) "Plat" means the map or plat of survey of the Parcel, the Building, all Units, and all General Common Elements on the Property. Said Plat by this reference is made a part hereof and recorded simultaneously with the recording of this Declaration.

(q) "Property" means all the land, property, and space comprising the Parcel; all improvements and structures erected, constructed, or contained therein or thereon, including the Building and all easements, rights, and appurtenances belonging thereto; and all fixtures and equipment intended for the mutual use, benefit, or enjoyment of the Unit Owners.

(r) "Rules and Regulations" means the administrative Rules and Regulations relating to the operation and use of the Property, adopted by the Board pursuant to authority granted by the Act, this Declaration, the Articles, and the Bylaws.

(s) "Unit" means a fee simple interest in title to a part of the Property designed and intended for independent use as a one-family dwelling, for a commercial use, or for such other incidental uses as are permitted by this Declaration. The boundaries of each Unit are set forth on the Plat. Each Unit shall consist of all space and other fixtures and improvements enclosed and bounded by the horizontal and vertical planes constituting the boundaries of such Unit as shown on the Plat; provided, however, that:

(i) to the extent that perimeter and partition walls, floors, or ceilings are designated as the boundaries of the Units or of any specified Unit, all decorating, wall and floor coverings, paneling, molding, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of the finished surfaces thereof shall be deemed a part of such Units, while all other portions of such walls, floors, or ceilings shall be deemed part of the General Common Elements; and

(ii) if any chutes, flues, ducts, conduits, wires, bearing walls, bearing columns, or an other apparatus lies partially within and partially outside of the designated boundaries of a Unit, any portions thereof serving only that Unit shall be deemed a part of that Unit, while any portions thereof serving more than one Unit or any portion of the General Common Elements shall be deemed a part of the General Common Elements.

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All references to a Unit or Units shall include the undivided interest in the General Common Elements appurtenant to such Unit or Units.

(t) "Unit Owner" means the person or persons whose estates or interests, individually or collectively, aggregate fee simple absolute ownership of a Unit.

(u) "Project" means any and all construction or development of buildings or other improvements, including fixtures, on or in the land described in the second paragraph of this Declaration and means all buildings and other improvements located or to be located on or in said land and includes any expansion pursuant to Section 27 of this Declaration.

2. Submission of Property to the Act. The Declarant, as the owner in fee simple of the Property, expressly intends to and, by recording this Declaration and the Plat does, hereby submit the Property to the provisions of the Act.

3. Plat. The Plat sets forth the measurements, elevations, locations, and other data, as required by the Act, including (i) the Parcel and its exterior boundaries; (ii) the Building and each floor thereof; and (iii) each Unit of the Building.

4. Unit Identification. Each Unit is identified on the Plat by a distinguishing number or other symbol. Declarant has recorded the Plat in the office of the Clerk and Recorder of San Miguel County, Colorado, in Plat Book 1 at Page 692, on January 23, 1987. The legal description of each Unit shall refer to such identifying number or symbol.

5. Name and Location. The name of the condominium shall be #4 South Cornet Creek Condominiums. The Parcel and the Property are located entirely within the Town of Telluride, San Miguel County, Colorado.

6. Administration and Operation of the Property.
(a) The administration of the Property shall be governed by this Declaration, the Articles, and the Bylaws. The Corporation shall be responsible for the overall administration of the Property through its Board. Each Unit Owner shall be a member of the Corporation. The Corporation shall have and exercise all powers necessary or convenient to effect any or all of the purposes for which it is organized and to do every other act not inconsistent with law which may be appropriate to promote and attain the purposes set forth in the Act, this Declaration, the Articles, the Bylaws, and the Plat. The governing body of

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the Corporation shall be the Board, which shall be elected in the manner provided in the Articles and the Bylaws. The powers and duties of the Board shall be as set forth in the Act, this Declaration, the Articles, and the Bylaws.

(b) The Declarant shall cause to be incorporated a nonprofit corporation under the Colorado Nonprofit Corporation Act as amended, C.R.S. Title 7, Articles 20-29, for the purpose of facilitating the administration and operation of the Property. Such corporation shall be the "Corporation" as defined above. The Unit Owners shall constitute the members of the Corporation, and the board of directors of such corporation shall constitute the Board.

(c) Neither the Board, the Corporation, nor the Unit Owners shall be deemed to be conducting a business of any kind. All funds collected by the Board shall be held and expended for the purposes designated in this Declaration, the Articles, and the Bylaws. Except for such adjustments as the Board may require to reflect delinquent, prepaid, and Special Assessments, all such funds shall be deemed to be held for the benefit, use, and account of each Unit Owner in the percentage set forth in Exhibit B, and shall be administered in accordance with the provisions of this Declaration, the Articles, and the Bylaws.

(d) Each Unit Owner's membership in the Corporation shall automatically terminate when he ceases to be a Unit Owner. Upon transfer of title to a Unit, the new Unit Owner shall succeed to the previous Owner's membership in the Corporation.

7. Disclaimer. The members of the Board and the officers thereof or of the Corporation shall not be liable to the Unit Owners for any mistake of judgment or for any acts or omissions done or made in good faith as such members or officers on behalf of the Unit Owners or the Corporation unless any such act or omission shall have been made in bad faith or contrary to the provisions of this Declaration. Each agreement made by such members or officers or by the Management Agent on behalf of the Unit Owners or the Corporation shall be executed by such members or officers or the Management Agent, as the case may be, as agents for the Unit Owners or for the Corporation.

8. Board's Determination Binding. In the event of any dispute or disagreement between any Unit Owners relating to the Property, or any question of interpretation or application of the provisions of this Declaration, the Articles, the Bylaws, or the Rules and Regulations adopted by the Board, the determination thereof by the Board shall

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be final and binding on each and all of such Unit Owners.

9. Ownership of the Common Elements. Each Unit Owner shall be entitled to the percentage of ownership interest in the General Common Elements allocated to the respective Unit owned by such Unit Owner, as set forth in the schedule attached hereto as Exhibit B and incorporated by this reference. Such percentages have been computed by dividing the square footage of each Unit by the total square footage of all completed Units.

10. Use of the Common Elements. The General Common Elements and the Limited Common Elements are described in the definitions of such terms in Paragraph 1 of this Declaration and are identified in the Plat. The assignment of any Limited Common Elements to a Unit is set forth in the Plat. Each Unit Owner shall have the right to use all General Common Elements except the Limited Common Elements in common with all other Unit Owners, as may be required for the purposes of access and ingress and egress to, and use and occupancy and enjoyment of, the respective Unit owned by such Unit Owner. Common parking areas, laundry areas, storage areas, commercial and recreational space, and other special use areas, if any, shall be used for the purposes approved by the Board. Such right to use the General Common Elements shall extend to each Unit Owner and the agents, servants, tenants, family members, and invitees of each Unit Owner. Each Unit Owner shall have the right to the exclusive use and possession of the Limited Common Elements serving exclusively his Unit. Such rights to use and possess the General Common Elements, including the Limited Common Elements, shall be subject to and governed by the provisions of the Act, this Declaration, the Articles, the Bylaws, and the Rules and Regulations adopted by the Board. The Board shall have the exclusive authority from time to time to adopt or amend administrative Rules and Regulations governing the use, occupancy, and control of the General Common Elements as provided in the Bylaws. The Board shall have the authority to lease or grant licenses or concessions with respect to parts of the General Common Elements, subject to the provisions of this Declaration and the Bylaws, including specifically, but not by way of limitation, common parking areas, laundry areas, storage areas, commercial areas, and recreational areas. Except as is otherwise provided in the Act, the General Common Elements shall remain undivided, and are declared to be appurtenant to each Unit. No Unit Owner shall have the right to bring, nor shall any Unit Owner bring, any action for partition or division of the General Common Elements.

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11. Separate Mortgages. Each Unit Owner shall have the right, subject to the provisions herein, to make a separate mortgage or encumbrance on his respective Unit together with his respective ownership interest in the General Common Elements. No Unit Owner shall have the right or authority to make or create, or cause to be made or created, any mortgage or encumbrance or other lien on or affecting the Property or any part thereof, except only to the extent of his Unit and his respective ownership interest in the General Common Elements.

12. Ad Valorem Taxation. As soon as possible after the Plat 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 Units so that each Unit shall be assessed and taxed separately thereafter for all taxes, assessments, and other charges of the State of Colorado or of any political subdivision or of any special improvement district or of any other taxing or assessing authority. Each 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 Unit shall be confined to that Unit. No forfeiture or sale of any Unit for delinquent taxes, assessments, or other governmental charges shall divest or in any way affect the title to any other 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 Property as a whole, then each Owner shall pay his proportionate share thereof in accordance with his ownership interest in the General Common Elements. Without limiting the authority of the provided for elsewhere herein, the Corporation 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 Property as a whole.

13. Insurance. (a) The Board shall have the authority to obtain and shall obtain insurance for the Property against loss or damage by fire and such other hazards as are covered under standard extended coverage provisions, for the full insurable replacement cost, without deduction for depreciation, of the General Common Elements and the Units. The Board shall also obtain flood insurance if the Property is located in an area (i) identified by the Secretary of Housing and Urban Development as having special flood hazards and (ii) in which the sale of flood insurance is available under the national flood insurance program. Such flood insurance shall be in an amount equal to the maximum limit of coverage available under the national flood

insurance program for the particular type of property. Premiums for all such insurance and other expenses in connection therewith shall be Common Expenses.

Such insurance coverage shall be written in the name of the Board, losses under such policies shall be adjusted by the Board, and the proceeds of such insurance shall be payable to the Board as trustee for each of the Unit Owners in proportion to his respective percentage of ownership interest in the General Common Elements as established in this Declaration.

The proceeds of such insurance shall be applied by the Board for the reconstruction of the Building, or shall be otherwise disposed of, in accordance with the provisions of this Declaration and the Act. The rights of the mortgagee of any Unit under any standard mortgage clause endorsement to such policies shall, notwithstanding anything to the contrary therein contained, at all times be subject to the provisions of the Act with respect to the application of insurance proceeds to reconstruction of the Building.

Payment by an insurance company to the Board of the proceeds of any policy, and the receipt of a release from the Board of the company's liability under such policy, shall constitute a full discharge of such insurance company. Such company shall be under no obligation to inquire into the terms of any trust under which proceeds may be held pursuant to this Declaration, to take notice of any standard mortgage clause endorsement inconsistent with the provisions of this Declaration, or to see to the application of any payments of the proceeds of any policy by the Board.

(b) The Board shall also have the authority and duty to obtain comprehensive public liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the Property in amounts deemed sufficient in the judgment of the Board, insuring the Board, the Corporation, the Management Agent, and their respective employees, agents, and all persons acting as agents. The Declarant shall be included as an additional insured in its capacity as Unit Owner and Board member. Each Unit Owner shall be included as an additional insured but only with respect to that portion of the Property not reserved for his exclusive use. The insurance shall cover claims of one or more insured parties against other insured parties. The insurance shall contain a waiver of any rights to subrogation by the insuring company against any of the above named insured persons. Premiums for such insurance shall be Common Expenses.

(c) The Board may also obtain such other and further insurance with respect to the Property and the administration and operation thereof, in such amounts and

with such coverages, as shall be deemed necessary or desirable in the judgment of the Board.

(d) Each Unit Owner shall be responsible for his own insurance on the contents of his own Unit and furnishings and personal property therein, on his personal property stored elsewhere on the Property, and on his personal liability to the extent not covered by the liability insurance for all of the Unit Owners obtained as above provided.

The Board shall not be responsible for obtaining insurance on any additions, alteration, or improvements made by any Unit Owner to his Unit unless and until such Unit Owner shall request the Board in writing so to do and shall make arrangements satisfactory to the Board to reimburse the Board for any additional premiums attributable thereto. Upon the failure of such Unit Owner so to do, the Board shall not be obligated to apply any insurance proceeds to restore the affected Unit to a condition better than the condition existing prior to the making of such addition, alterations, or improvements.

(e) The Board shall notify the insured persons concerning the cancellation of any insurance obtained pursuant to this Section 13.

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

(g) Each Unit Owner hereby waives and releases any and all claims which he may have against any other Unit Owner, the Corporation, its officers, members of the Board, the Declarant, the Management Agent, and their respective employees and agents, for damage to the General Common Elements, the Units, or to any personal property located in the Units or General Common Elements caused by fire or other casualty to the extent that such damage is covered by fire or other form of casualty insurance.

14. Proposed Expansion of the Project. Declarant has prepared a plat or survey map of the surface of the ground of the Property, together with diagrammatic floor plans of the Building and other improvements presently under construction thereon, showing elevations. Each Unit as herein defined, is designated on such plans. Declarant

contemplates the possibility of construction of an additional building or buildings upon the General Common Element vacant land of the Property [#1 G. C. E., Open Space (Currently)] shown on the Plat which has not been built upon or upon adjacent land or both. Declarant hereby reserves its right to construct such additional building or buildings and to provide for expansion of the Project to include such additional buildings and land if and when constructed so that such additional buildings and land shall be treated as integral parts of a single condominium ownership project. See Section 27 below.

15. Assessments.

(a) Agreement to pay Assessment. Declarant, for each Unit owned by it within the Project, and for and as the owner of the Project and every part thereof, hereby covenants, and each Unit Owner by the acceptance of a deed for a Unit, whether or not so expressed in the deed, shall be deemed to covenant and to agree with each other and with the Corporation to pay to the Corporation monthly installments of annual Assessments ["Monthly Assessments"] made by the Corporation for the purposes provided in this Declaration and for special Assessments for capital improvements and other matters as provided in this Declaration [Special Assessments"]. Such Monthly Assessments shall be fixed, established, and collected from time to time in the manner provided in this Section. No Assessments may be levied against Units built pursuant to Section 27 until both a supplemental Plat and appropriate amendments or additions to this Declaration have been filed and recorded in the office of the Clerk and Recorder of San Miguel County, Colorado, pursuant to Section 27.

(b) Proportionate Share. Each Unit Owner, including the Declarant with respect to Units which have not been purchased, shall pay this proportionate share of the Assessments. Such proportionate share of the Assessments for each Unit Owner shall be in the same percentage as his of ownership interest in the General Common Elements. Payment thereof shall be in such amounts and at such times as determined in the manner provided in the Articles and the Bylaws. If any Unit Owner shall fail or refuse to pay any Assessment when due, the amount thereof, together with legal interest, service charges assessed in accordance with this Declaration, costs, attorney's fees and expenses, and any other costs of collection shall constitute a lien on the interest of such Unit Owner in the Property as provided in the Act. Each such Assessment, together with such interest, service charges, costs, a reasonable attorney's fee and expenses, and any other costs of collection, shall be the personal obligation of the Unit Owner at the time the

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Assessment fell due. The defaulting Unit Owner shall remain personally liable for the unpaid Assessment even after he conveys title to his Unit. Any purchaser of the defaulting Unit Owner's interest in the Property shall become personally liable for any unpaid Assessment, jointly with the defaulting Unit Owner.

(c) Maintenance, Repairs, and Replacements.

Each Unit Owner shall furnish and be responsible for, at his own expense, all of the maintenance, repairs, and replacements within his own Unit. The Board shall provide for the maintenance, repairs, and replacements of the General Common Elements and shall levy all associated costs and expenses as part of the Common Expenses, subject to the Rules and Regulations adopted by the Board; provided, that maintenance, repairs, and replacements of the Limited Common Elements shall be assessed in whole to Unit Owners benefited thereby; and provided further, at the discretion of the Board, the Board may direct such Unit Owner in the name and for the account of such Unit Owner to arrange for such maintenance, repairs, and replacements, to pay the cost thereof, and to procure and deliver to the Board such lien waivers and contractor's and sub-contractor's sworn statements as may be required to protect the Property from all mechanics' or materialmen's lien claims that may arise therefrom.

Whenever the Board shall determine, in its discretion, that any maintenance or repair of any Unit is necessary to protect the General Common Elements or any other portion of the Property, the Board may cause a written notice of the necessity for such maintenance or repair to be given to such Unit Owner. If such Unit Owner fails or refuses to perform any such maintenance or repair within a reasonable time stated in the notice (or any extension thereof approved by the Board), the Board may cause such maintenance, repair, or replacement to be performed at the expense of such Unit Owner.

If, due to the act or neglect of a Unit Owner, of a member of his family or household, of a pet, of a guest, of any other authorized occupant, or of a visitor of such Unit Owner, damage shall be caused to the General Common Elements or to a Unit or Units owned by others, or maintenance, repairs, or replacements shall be required which would otherwise be a Common Expense, then such Unit Owner shall pay for such maintenance, repairs, and replacements, as the Board determines are appropriate or necessary, to the extent not covered by insurance.

This Section 15 shall not be amended, modified, or changed in any way without the express written consent of the Owner of the Commercial Unit, Unit 400.

(d) Special Assessments. In addition to Monthly Assessments authorized by this Section, the Corporation may levy Special Assessments, payable over such periods as the Corporation 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 Corporation to incur expenses, but shall be construed to prescribe the manner of assessing for Common 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 ownership interests in the General Common Elements. Any amounts assessed pursuant hereto against less than all of the Owners shall be assessed to such Owners in proportion to the percentage determined by dividing each Owner's percentage interest in the General Common Elements by the sum total of all percentage interests in the Common Elements of the Owners who are 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 thirty (30) days after such notice shall have been given. A Special Assessment shall bear interest at the rate of eighteen percent (18%) per annum from the date it becomes due and payable if not paid within thirty (30) days after such date. The Board may acquire rights to use amenities of the Property if 63% of the Unit Owners so elect. If such election is made, the Commercial Unit 400 may choose either to participate or not to participate. If Unit 400 elects not to participate, the costs of such rights shall not be assessed to Unit 400, but shall be charged as Special Assessments to the Residential Units (in Phase I those Units are Units 401 and 402).

(e) Lien for Assessments. All sums assessed to any Unit pursuant to this Section 15, together with interest, late charges, and other costs and expenses as provided in this Declaration shall be secured by a lien on such Unit in favor of the Corporation. Such lien shall be superior to all other liens and encumbrances on such Unit, voluntary and involuntary, whether granted by operation of law or otherwise, except only for:

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

(B) A lien for all sums unpaid on a first mortgage or first deed of trust duly filed and recorded in the office of the Clerk and Recorder of San Miguel County, Colorado,

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including all unpaid obligatory advances to be made pursuant to such mortgage or deed of trust; provided that the holder of a first mortgage or first deed of trust who acquires a foreclosure deed or a deed in lieu of thereof shall acquire title to the Unit free and clear of any lien for Assessments under this Declaration and shall only be responsible for Assessments arising after the date upon which such first mortgagee or the holder of the first deed of trust acquires title to the Unit.

All other lienors acquiring liens on any Unit after this Declaration shall have been filed and recorded in the office of the Clerk and Recorder of San Miguel County, Colorado, shall be deemed to consent that such liens shall be inferior to future liens for Assessments, as provided herein, whether or not such consents be specifically set forth in the instrument creating such liens.

To evidence a lien for sums assessed pursuant to this Declaration, the Corporation may prepare a written notice of lien setting forth the amount of the Assessment, date due, the amount remaining unpaid, the name of the Unit Owner, and the description of the Unit. Such a notice shall be signed by any member of the Board or officer or authorized Managing Agent of the Corporation and may be recorded in the office of the 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 Corporation 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 attorney's fees, and any other costs and expenses. All such costs and expenses shall be secured by the lien being foreclosed. The Assessments against the Unit which shall become due during the period of foreclosure shall be secured by the lien being foreclosed and shall be included in any judgment along with interest and all additional fees and costs. The Corporation shall have the right and power to bid on, hold, convey, encumber, and otherwise deal with the Unit being foreclosed on.

A release of notice of lien shall be executed by the Corporation and be recorded in the office of the Clerk and Recorder of San Miguel County, Colorado, upon payment of all sums secured by a lien which has been made the subject of a recorded notice of lien, provided the defaulting Unit

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Owner pays for the preparation and recording of such release. Any mortgagee or holder of any deed of trust which holds a lien on a Unit may pay, but shall not be required to pay, any amounts secured by the lien created by this Section 15. Upon such payment, such lienholder shall be subrogated to all rights of the Corporation with respect to such lien, including priority.

The Corporation shall report to any first mortgagee or holder of a first deed of trust on a Unit any unpaid Assessments remaining unpaid for longer than ninety (90) days after the same shall have become due; provided, however, that such first mortgagee or holder of a first deed of trust shall have furnished to the Corporation written notice of such mortgage or such deed of trust and a written request for a statement of such unpaid Assessments.

Each Owner hereby agrees that the Corporation's lien on a Unit for Assessments as hereinbefore described shall be superior to the Homestead Exemption provided by C.R.S. 38-41-201 et seq. (as amended). Each Owner hereby agrees that the acceptance of the deed or other instrument of conveyance in regard to any Unit shall signify his waiver of the Homestead rights granted in said sections of the Colorado statutes.

If any Assessment shall remain unpaid after the due date thereof, the Corporation may impose a late charge on the 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 and other charges set forth above. Such late charge shall be secured by any lien which is filed regarding the Assessment payment of which is delinquent.

(f) Other Liens. Declarant states in accordance with the requirements of the Act, that it is possible that liens, other than mechanic's liens, assessment liens, and tax liens, may be obtained against the General Common Elements, including judgment liens and mortgage liens.

(g) Additional provisions. The Board shall have exclusive authority to take, or refrain from taking, any action pursuant to this Section 15. All expenses which, pursuant to this Section 15, are chargeable to any Unit Owner, may be specifically assessed to such Unit Owner and shall be payable by such Unit Owner as prescribed by the Board.

16. Ownership.

(a) This condominium ownership project will

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provide a means for ownership in fee simple of individual air space and for co-ownership with others, as tenants in common, of General Common Elements, as defined in this Declaration.

(b) Title. Title to a 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.

17. Alterations, Additions, or Improvements. Except as constructed or altered by or with the permission of the Declarant at any time prior to the election of the first Board and except as provided in Section 27, nothing shall be altered or constructed in or on or removed from the General Common Elements, except upon the written consent of the Board. The Board may authorize and charge as Common Expenses (or in the case of Limited Common Elements shall charge to the Unit Owner benefited thereby) alterations and improvements of, and additions to, the General Common Elements; provided, however, that in the event the costs thereof are to be charged as Common Expenses the Board shall not approve such alterations, improvements, or additions requiring an expenditure in excess of \$1000 without the approval of Unit Owners owning not less than an aggregate seventy-five percent (75%) interest in the undivided ownership of the General Common Elements. Any Unit Owner may make alterations, additions, or improvements within his Unit without the prior written approval of the Board; but in any event such Unit Owner shall be responsible for any damage to other Units, the General Common Elements, or the Property as a result of such alterations, additions, or improvements.

18. Decorating. Each Unit Owner shall furnish and be responsible for, at his own expense, all of the decorating within his own Unit from time to time, including painting, wall papering, washing, cleaning, paneling, floor covering, draperies, window shades, curtains, lamps, and other furnishings and interior decorating. In the event the boundaries of any Unit, as shown on the Plat, are the finished undecorated interior surfaces of the perimeter walls, floors, and ceilings thereof, the owner of such Unit shall be entitled to the exclusive use of such surfaces, and such Unit Owner shall maintain such surfaces in good condition at his sole expense as may be required from time to time, which said maintenance and use shall be subject to the Rules and Regulations adopted by the Board. Each such Unit Owner shall have the right to decorate such surfaces from time to time in such manner as he may see fit and at his sole expense. The use of and the covering of the

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interior surfaces of windows, whether by draperies, shades, or other items visible from outside the Building, shall be subject to the Rules and Regulations adopted by the Board. Decorating of the General Common Elements (other than interior surfaces within the Units as above provided), and any redecorating of Units to the extent made necessary by any damage to existing decorating of such Units caused by maintenance, repair, or replacement work on the General Common Elements by the Board, shall be provided for by the Board and shall be charged as part of the Common Expenses.

19. Encroachments and Easements.

(a) In the event that by reason of the construction, repair, reconstruction, settlement, or shifting of any Building, or the design or construction of any Unit, any portion of the General Common Elements encroaches or shall hereafter encroach upon any portion of any Unit, or any portion of any Unit encroaches or shall hereafter encroach upon any portion of the General Common Elements, or any portion of any Unit encroaches or shall hereafter encroach upon any portion of any other Unit, valid mutual easements for the maintenance of such encroachment are hereby established and shall exist for the benefit of such Unit or General Common Elements so encroaching so long as all or any part of the Building containing such Unit or General Common Elements so encroaching shall remain standing; provided, however, that in no event shall a valid easement for any encroachment be created or exist in favor of any Unit Owner or in favor of the owners of the General Common Elements if such encroachment occurred due to the intentional, willful, or negligent conduct of said person or of his agent.

(b) Easements are hereby declared and granted for utility purposes as they exist on the day this Declaration is recorded and the Board may grant additional easements for utility purposes, including the right to install, lay, maintain, repair, and replace water mains and pipes, sewer lines, gas mains, telephone wires and equipment, and electrical conduits, wires, and equipment over, under, along, and on any part of the General Common Elements.

(c) A right of entry upon the premises of any Unit and upon any of the Limited Common Elements to effect emergency repairs at any time and to effect other repairs, improvements, replacements, or maintenance at reasonable times, and from time to time, as necessary, is hereby granted to the Board.

(d) All easements and rights described herein are easements appurtenant to and running with the land, and

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shall inure to the benefit of and be binding on the undersigned, its successors and assigns, and any owner, purchaser, mortgagee, and other person having an interest in the Property or any part or portion thereof.

(e) Reference in the respective deeds of conveyance, or in any mortgage or deed of trust or other evidence of obligation, of the legal description of a Unit, shall be sufficient to create and reserve such easements and rights to the respective grantees, mortgagees, and trustees of the Unit as fully and completely as though such easements and rights were recited fully and set forth in their entirety in such documents, even though the same are not expressly mentioned or described therein.

20. Leasing. Each Unit Owner, including Declarant shall have the right to lease his Unit under the following conditions:

(i) No Owner may lease less than his entire Unit, including any parking space or other Limited Common Element designated as appurtenant to his Unit:

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

21. 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 purpose shall not be considered to be a violation of this covenant. No Unit shall be occupied for living or sleeping purposes by more persons than it was designed to accommodate safely. For the purposes of the foregoing sentence, each Unit shall be deemed to have been designed to accommodate safely a maximum of one person per every one hundred fifty square feet of a Residential Unit floor area.

22. Remedies.

(a) In the event of any default by any Unit Owner, the Corporation or the Board under the provisions of the Act, the Declaration, the Articles, the Bylaws, or the Rules and Regulations adopted by the Board; the Corporation, the Board or any aggrieved Unit Owner, as the case may be, shall have each and all of the rights and remedies which may be provided for in the Act, the Declaration, the Articles, the

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Bylaws, or the Rules and Regulations adopted by the Board and all rights and remedies which may be available at law or in equity, and may prosecute any action or other proceedings against such defaulting Owner for enforcement of any lien and the appointment of a receiver for the Unit and the ownership interest of a defaulting Unit Owner, for management of the ownership interest of a defaulting Unit Owner, for management of the day-to-day operations of the Property, for damages or injunction or specific performance, or for judgment for payment of money and collection thereof, for the right to take possession of the Unit and to sell the same as hereinafter provided in this Section 22, for any combination of remedies, or for any other relief. All expenses of the prevailing party in connection with any such actions or proceedings, including court costs and attorney's and other fees and expenses and all damages, liquidated or otherwise, together with interest thereon at the legal rate per annum until paid, shall be charged to and assessed against such defaulting party, and, in the case of a losing Unit Owner, shall be added to and deemed part of his respective share of the Common Expenses. The Board shall have a lien for all of the same, as well as for nonpayment of his respective share of Common Expenses, upon the Unit of such losing Unit Owner and upon all of his additions and improvements thereto and upon all of his personal property in this Unit or located elsewhere on the Property. In the event of a default by any Unit Owner, the Board and the Management Agent, if so authorized by the Board, shall have the authority to correct such default, and to do whatever may be necessary for such purpose, and all expenses in connection therewith shall be charged to and assessed against such losing Unit Owner. Any and all of the rights and remedies referred to herein may be exercised at any time and from time to time, cumulatively or otherwise, by the Board, by the Corporation, or by any Unit Owner.

(b) The violation of any restriction or condition or Rule or Regulation adopted by the Board or the breach of any covenant or provision herein contained, shall give the Board the right, in addition to any other rights provided for in this Declaration: (i) if such violation or breach shall not be corrected within ten (10) days after written notice from the Board, to enter upon the Unit, or any portion of the Property upon which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing, or condition that may exist thereon contrary to the intent and meaning of the provisions hereof. The Board, or its employees or agents, shall not thereby be deemed guilty in any manner of trespass; or (ii) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach; or (iii) to

take possession of such Unit Owner's interest in the Property and to maintain an action for possession of such Unit in the manner provided by law.

(c) If any Unit Owner is in default in the payment of any Monthly Assessment for thirty (30) days, the Board may assess a service charge of two percent (2%) of the balance of the aforesaid Assessment in default for thirty (30) days for each month, or part thereof, that said balance, or any part thereof, remains unpaid. In addition to any remedies or liens provided by law, if a Unit Owner is in default in the payment of any Monthly Assessment for sixty (60) days, all other Monthly Assessments due for the calendar year in which such default occurs shall accelerate and become immediately due and payable. The Board may bring suit to enforce collection of unpaid Assessments or to foreclose the lien therefor as provided by law; and there shall be added to the amount due legal interest, service charges, costs and attorney's fees and expenses. In addition, the Board may also take possession of such defaulting Unit Owners's interest in the Property and maintain an action for possession in the manner provided by law. No Unit Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the General Common Elements or abandonment of his Unit.

(d) If any Unit Owner shall default in the payment of any moneys required to be paid under the provisions of any mortgage or deed of trust against his Unit, the Board shall have the right to cure such default by paying the amount so owing to the party entitled thereto and shall thereupon have a lien therefor against such Unit, which lien may be perfected and foreclosed in the manner provided for by law or equity with respect to liens for failure to pay a share of the Assessments.

23. Removal. The Unit Owners may, by unanimous consent, remove the Property from the provisions of the Act by an instrument to that effect, duly recorded, provided that the holders of all first liens affecting any of the Units consent thereto or agree, in either case by instruments duly recorded, that their first liens be transferred to the undivided interest of the Unit Owner in the Property so removed. Upon such removal, the Property shall be deemed to be owned in common by all the Unit Owners. The undivided interest in the Property owned in common which shall appertain to each Unit Owner shall be the percentage of undivided interest previously owned by such Unit Owner in the General Common Elements.

24. Furnishing of Information. The Corporation shall make available for inspection, upon request, during

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normal business hours (i) to Unit Owners, lenders, and the holders, insurers, and guarantors of the first mortgage or first deed of trust on any Unit, current copies of this Declaration, the Articles, the Bylaws, the Rules and Regulations adopted by the Board, and other books and records, and financial statements of the Corporation, and (ii) to prospective purchasers of Units, current copies of this Declaration, the Articles, the Bylaws, the Rules and Regulations adopted by the Board, and the most recent annual audited financial statement of the Corporation, if such is prepared.

25. Amendment. Except as is otherwise provided in Sections 27 and 15 and elsewhere in this Declaration, the provisions of this Declaration and the Articles may only be changed, modified, or rescinded by an instrument in writing setting forth such change, modification, or rescission, signed by Unit Owners having at least an aggregate seventy-five percent (75%) interest in the undivided ownership of the General Common Elements and signed by one hundred percent (100%) of all first mortgagees and holders of first deeds of trust.

Except as is otherwise provided in this Declaration, if the Act, this Declaration, the Articles, or the Bylaws requires the consent or agreement of all Unit Owners or of all lien holders or both for any action specified in the Act or in this Declaration, then any instrument changing, modifying, or rescinding any provisions of this Declaration with respect to such action shall be signed by all the Unit Owners or all lien holders or both as required by the Act, this Declaration, the Articles, or the Bylaws.

The change, modification, or rescission, whether accomplished under either provision of the preceding two paragraphs, shall be effective upon recordation of such instrument in the office of the Clerk and Recorder of San Miguel County, Colorado, provided, however, that no provisions in this Declaration may be changed, modified, or rescinded so as to conflict with the provisions of the Act.

No change, modification, or amendment which affects the rights, privileges, or obligations of the Declarant shall be effective without the prior written consent of the Declarant.

26. Notices. Each Owner shall register his mailing address with the Corporation and all notices, requests, or demands intended to be served upon any Owner, except for budget statements, notices of meetings and other routine notices, shall be sent by either registered or

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certified mail, postage prepaid, addressed in the name of the Owner at such registered address. Unless otherwise provided herein, budget statements, notices of meetings, and other routine 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 Corporation shall be given by registered or certified mail, postage prepaid, to the address of the Corporation as designated in the Bylaws. All notices, requests, or demands to be served on first mortgagees or holders of first deeds of trust pursuant hereto shall be sent either registered or certified mail, postage prepaid, addressed in the name of the lien holder at such address as such lien holder may have furnished to the Corporation in writing. Unless such lien holder furnishes the Corporation with such address, such lien holder 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 Corporation or any Owner to give any notice, request, or demand to any mortgagee or holder of a deed of trust except one in first position.

Upon written request to the Board, the holder of any recorded mortgage or deed of trust encumbering any Unit shall be mailed a copy by regular mail of all notices permitted or required by this Declaration to be given to the Unit Owner whose Unit is subject to such mortgage or deed of trust.

27. Expansion of Project.

(a) Adjacent Land. Declarant hereby reserves the right for twenty (20) years of the date after the date of recording of this Declaration to submit to this Declaration, from time to time, (1) additional buildings and other improvements to be constructed on the General Common Element land of the Property shown on the Plat as #1 General Common Element, Open Space (Currently) ["#1 G.C.E."] and (2) additional adjacent land and the buildings and other improvements constructed or to be constructed thereon. At Declarant's discretion, those portions of #1 G.C.E. which lie to the north of the northern side of the Building (not including the covered parking spaces) built for Phase I may be designated as Limited Common Elements when and if the Project is expanded. Such additional land, buildings, and other improvements shall thereafter for all purposes be treated as an integral part of the Project. When such additions are made, the undivided interest set forth in Exhibit B shall be recomputed, using the same manner of

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computation as originally used, and said undivided interest in Common Elements shall be allocated to all Units in the Project. A supplemental Plat containing the same information with respect to the addition as was shown on the original Plat shall be filed for record in the office of the Clerk and Recorder of San Miguel County, Colorado. In the event of such expansion, the definitions used in this Declaration automatically shall be expanded to encompass and refer to the Project as so expanded. The addition shall be subject to all the terms and conditions of this Declaration, and the Units therein shall be subject to condominium ownership with all of the incidents pertaining thereto as specified herein. Nothing contained herein shall be construed to require Declarant to submit any additional land, building, or improvement to this Declaration.

(b) General Common Elements - Real Property. Declarant hereby reserves the right for twenty (20) years from the date this Declaration is recorded to construct, from time to time, additional residential or commercial condominium units and adequate support facilities for the condominium units on #1 G.C.E. If Declarant constructs additional condominium units as allowed herein then any Owner owning a Unit established under this Declaration and the Plat, and any subsequent supplements to this Declaration and Plat shall neither receive any compensation from Declarant nor receive any proceeds from the sale of said improvements or interests in the General Common Elements. Any improvements constructed by Declarant pursuant to this reservation shall provide adequate ingress and egress for all Owners, and shall comply with all governmental laws, rules, and regulations.

(c) Restriction on Future Development. It is expressly covenanted that any assignee or grantee of Declarant or any person obtaining the rights which Declarant has reserved in this Section 27 shall be subject to all terms of this Declaration and shall be required to construct and establish all improvements in accordance with the provisions of this Declaration in the same fashion as Declarant would be.

(d) Attorney-in-Fact. Declarant is hereby appointed attorney-in-fact for each Owner and for any person or entity that may from time-to-time obtain a security interest in any Unit for the limited purpose of execution of all documents necessary to effectuate each or all of the provisions contained in this Section 27. Title to any Unit and any security interest of any nature in the Unit are declared and expressly made subject to the terms and conditions of this appointment of attorney-in-fact and acceptance by any grantee of deed, other instrument of

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conveyance, or security instrument from the Declarant or from any Owner or or grantee shall constitute appointment of Declarant as attorney-in-fact as herein provided. As attorney-in-fact, Declarant shall have full and complete authorization, right and power to make, execute, and deliver any contract, deed, subordination instrument, or any other instrument necessary and appropriate to effectuate the provisions of this Section 27.

(e) Annexation without Approval and Pursuant to General Plan. Any land to be included or Units built pursuant to Section 27 will automatically be annexed to and become subject to this Declaration and subject to the jurisdiction of the Corporation without the approval, assent, or vote of the Corporation or its members or the Board, provided that:

(1) any annexation pursuant to this section shall be made prior to the expiration of twenty (20) years from the date of the recording of this Declaration;

(2) a supplementary condominium declaration and a supplementary condominium plat, as hereinafter described, shall be executed and recorded by Declarant or its successors or assigns. The recordation of said supplementary declaration and plat shall constitute and effectuate the annexation of said real property described therein, making said property subject to this Declaration and subject to the functions, powers, and jurisdiction of the Corporation. Thereafter, all the owners of any new Units shall automatically be members of the Corporation along with previous members; and

(3) no more than three (3) additional Units shall be annexed to the Project pursuant to this Section 27. The maximum total number of Units in the Project shall, therefore, be six (6).

(f) Supplementary Declarations. The addition authorized under the foregoing subsections shall be made by filing of record a supplementary condominium declaration or similiar instrument with a supplemental condominium plat, which shall pertain to the additional property buildings or improvement to be annexed and which shall extend the plan of this Declaration to such property.

Such supplementary declaration contemplated above may contain such complementary addition and modifications of the covenants and provisions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property, provided however, such additions and modifications shall not be inconsistent with the plan of

this Declaration. In no event shall any supplementary declaration or merger or consolidation hereinafter described, revoke, modify, or add to the covenants established in this Declaration with respect to the property described on the Plat being recorded simultaneously, except as hereinafter otherwise provided. Respective voting rights will be determined in accord with each Unit Owner's percentage interest in the undivided ownership of the General Common Elements as recomputed pursuant to subsection 27(a) above. Additional condominiums described in the supplementary declarations shall have an exterior similar to the Units described in this Declaration.

(g) Reservation to Sever Portion of General Common Elements. Declarant, for itself, its successors, and its assigns, hereby reserves the right from time to time, to use any or all of #1 G.C.E., being vacant land, shown in Exhibit C as security for a construction loan for the construction of improvements on #1 G.C.E. as shown in Exhibit C. By this reservation, Declarant reserves the right to secure said construction loan with a first mortgage or first deed of trust on #1 G.C.E. With respect to #1 G.C.E., Declarant reserves the right to require subordination of any lien on the #1 G.C.E., being vacant land, to said construction loan. If Declarant, its successors, or its assigns, defaults on any term of the mortgage or deed of trust, then by this reservation Declarant reserves the right of the holder or beneficiary of the security instrument to foreclose the security instrument under the applicable laws of the State of Colorado and thereby sever the property described in the security instrument from the appurtenant Units. Nothing to the contrary withstanding, Declarant, its successors, or its assigns, shall not use any property as security which has a completed permanent improvement constructed upon it. Furthermore, nothing to the contrary withstanding, Declarant, its successor, or its assigns, shall indemnify all Unit Owners from all costs, fees, including attorney's fees, losses, damages, and liability that a Unit Owner may incur as a result of future construction on #1 G.C.E. Nothing to the contrary notwithstanding, no mortgage, deed of trust, or other security instrument authorized under this Section 27 shall have any force or effect if it purports to encumber or convey any part of a Unit, General Common Element, or Limited Common Element which is outside of the limits of the real property labeled #1 G.C.E. on the Plat. Any and all interests in mortgages, deeds of trust, or other security instruments are taken subject to this Section 27.

(h) Voting and Assessments. Each Owner's undivided interest in the General Common Elements of the Project, as expanded from time to time, shall be expressed as a percentage determined by dividing the number of square feet within the Unit owned by the Owner by the total number of square feet within all completed Units, excluding the number of square feet of General Common Elements, of the Project. The Owner's undivided interests for Units 400, 401, and 402 are as shown on the attached Exhibit B. At the time or times that the Declarant records any supplemental declaration, the undivided interests of the Owners of each Unit in the General Common Elements as of that time shall be

attached as Exhibit B to such supplemental declaration.

Each Owner and Unit shall be liable for Common Expenses and for Monthly Assessments, Special Assessments, and default assessments as provided in this Declaration in the proportions as set forth in a revised Exhibit B to any supplemental declaration.

(i) No provision of this Section 27 may be amended, modified, or changed in any manner without the express written consent of the Declarant.

28. Prohibition of Damage and Certain Activities. Except as provided for in Section 27, nothing shall be done or kept in any Unit or in or on the General 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 on the premiums of the insurance on the Project or any part thereof over what the Corporation, but for such activity, would pay, without the prior written consent of the Corporation. Nothing shall be done or kept in any Unit or in or on the General 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 Corporation. No damage to, or waste of, any Units or the General 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. Each Owner shall indemnify and hold the Corporation 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 General 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; provided, however, that any business activity permitted by the ordinances of the Town of Telluride to be conducted in a Commercial Condominium Unit shall be allowed in Commercial Condominium Units, but only so long as such

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business activity does not unreasonably disturb other Unit occupants and in any event only between the hours of 7:00 a.m. and 11:59 p.m., and the same shall not be considered a violation of the provisions of this Section.

29. Structural Alterations. Except as provided in Section 27, no structural alterations to any Units shall be made, and no plumbing, electrical, or similiar work within, to, or on the General Common Elements, shall be done by any Owner without the prior written consent of the Corporation.

30. Household Pets. The raising, breeding, or keeping of any animals, birds, fowl, and reptiles is prohibited. The Board may allow the keeping and raising of domestic cats and dogs, subject to the Rules and Regulations.

31. Casualty Damage or Destruction.

(a) Corporation as Agent. Title to each Unit is hereby made subject to the terms and conditions of 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 Unit. Declarant and all Owners irrevocably constitute and appoint the Corporation 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 Owner shall constitute appointment of the attorney-in-fact herein provided.

(b) General Authority of Corporation.
Repair, Reconstruction, or Obsolescence. As attorney-in-fact, the Corporation 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 Unit Owner which may be necessary or appropriate to exercise the powers herein granted. Repair and reconstruction of the improvements as used in this Section 31 mean restoring the improvements to substantially the same condition in which they existed immediately prior to damage, with each Unit and the General 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 Corporation shall be available for the purpose of repair or reconstruction. Monthly Assessments levied pursuant to Sections 12, 13, 15 or elsewhere in this Declaration, shall not be abated during the periods of insurance adjustment and repair and reconstruction.

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

(d) Repair or Reconstruction. As soon as practicable after receiving these estimates the Corporation 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 subsection 31(g) below. The Corporation 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 Corporation may approve, provided that in such later 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 and the location of the Building shall be substantially the same as prior to damage or destruction.

(e) 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 Corporation is hereby authorized to 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 Section 15. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair or reconstruction.

(f) Disbursement of Funds for Repair or Reconstruction. The insurance proceeds held by the Corporation and the amounts received from the Assessments provided for in subsection 31(e) above 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 General 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 subsection 31.(e) above.

(g) Decision not to Rebuild. If Owners of more than sixty-three percent (63%) aggregate interest in the undivided ownership of the General Common Elements, and all holders of first mortgages or first deeds of trust on the 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 sale of obsolete Units. Joint payments of both sale and insurance proceeds shall be made to an Owner and his first mortgagee or holder of his first deed of trust where the Corporation has written notice of existence of a first mortgage or a first deed of trust as above provided. Each Owner and each lien holder shall be bound by the apportionments of sale and insurance proceeds made by the Corporation pursuant hereto.

32. Obsolescence.

(a) Adoption of a Plan. Owners of more than sixty-three percent (63%) aggregate interest in the undivided ownership of the General Common Elements may agree that the Project is obsolete and adopt a written plan for renewal and reconstruction. Such plan must have the unanimous approval of every first mortgagee and every holder of a first deed of trust of record at the time such plan is to be adopted. Written notice of adoption of such a plan shall be given to all Owners and first mortgagees of record and holders of first Deeds of Trusts. Such plan shall be recorded in the office of the Clerk and Recorder of San Miguel County, Colorado.

(b) 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 Units. The Special Assessments shall be levied in advance and shall be allocated and collected as provided elsewhere in this Declaration. 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.

(c) 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 Corporation within fifteen (15) days after the recordation of such plan. The Corporation shall then give written notice of such dissents to all Owners within ten (10) days after the expiration of such fifteen (15) day period. Within fifteen (15) days after the expiration of such ten (10) day period, the Owners of more than 25% aggregate interest in the undivided ownership of the General Common Elements may cancel the plan by written instrument recorded in the office of the Clerk and Recorder of San Miguel County, Colorado. If the plan is not cancelled, then the renewal or reconstruction of the Project shall proceed as provided herein.

(d) Sale of Obsolete Project. Owners of more than 63% aggregate interest in the undivided ownership of the General Common Elements may agree that the Units are obsolete and that the Project should be sold. Such an agreement must have the unanimous approval of every first mortgagee and every holder of a first deed of trust of record at the time such agreement is made. In such instance, the Corporation shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Corporation the Project shall be sold by the Corporation as attorney-in-fact for all the Owners free and clear of the provisions contained in this Declaration, the Plat, the Articles, and the Bylaws, or any amendments or supplements thereto. The sale proceeds shall be apportioned among the Owners in proportion to their percentage ownership interest in the General Common Elements, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Unit. Each such account shall remain in the name of the Corporation and shall be further identified by the Unit designation and the name of the Owner. From each separate account the Corporation, as the 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 mortgagee or holder of a first deed of trust;

(iii) for payment of unpaid Assessments made pursuant to this Declaration;

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

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

Any balance remaining on Units owned by the Corporation after disbursement for said items (i), (ii), (iii), and (iv) shall be distributed to the other Owners in proportion to the percentage calculated by dividing each Owner's percentage ownership interest in the General Common Elements by the sum total of percentage ownership interests of Owners in the General Common Elements, excluding from such total the percentage ownership interests in the General Common Elements which are attributable to Units owned by the Corporation.

In the event any first mortgagee or holder of a first Deed of Trust shall not agree to the sale of the Project, the Corporation shall have the option to purchase the mortgage of such lien holder by payment in full of the amounts secured thereby if the Owners of more than 63% aggregate interest in the undivided ownership of the General Common Elements are in agreement to sell. The Corporation shall obtain the funds for such purchase by Special Assessments as provided elsewhere in this Declaration.

33. 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 public authority or sold or otherwise disposed of in lieu of or avoidance thereof [hereinafter called "condemned"] the following provisions shall apply.

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

(b) 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 ownership interests in General Common Elements, provided that if a standard different 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 Corporation shall as soon as practicable determine the share of the Condemnation Award to

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which each owner is entitled. The Corporation 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 the subparagraphs (i) through (v) set forth above in subsection 32(d) and by checks payable jointly to the respective Owners and their respective lien holders.

Any portion of the Condemnation Award allocable to Units owned by the Corporation remaining after payment of any mortgages or other liens, taxes, or assessments thereon shall be distributed to the other Owners in proportion to the percentage ownership calculated by dividing each Owner's percentage ownership interest in the General Common Element, by the sum total of all percentage interests of Owners in the General Common Elements, excluding from such total the percentage ownership interests in the General Common Elements of Units owned by the Corporation.

(c) 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 Corporation 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 ownership interests in the General Common Elements,

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

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

(iv) The total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Corporation determines to be equitable in the circumstances. If an allocation of the Condemnation Award is already established in the negotiation, judicial

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decree, or otherwise, then in allocating the Condemnation Award the Corporation 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 32(d).

(d) 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 Corporation, and such Owner's interest in the General Common Elements shall thereupon terminate, and the Corporation, as attorney-in-fact for such Owner, may take whatever action is necessary to reflect such termination. Thereafter, the Corporation shall reallocate the ownership interest in the General Common Elements and Assessment rations 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 this section.

(e) Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Sections 31 and 32 hereof.

(f) Obsolescence by Reason of Partial Taking. Nothing herein shall preclude the Owners from proceeding under Section 32 hereof after partial condemnation if such Section 32 is then applicable.

34. Restriction of Signs. Except as provided in this Declaration, 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 Corporation. The Corporation shall permit the placing of at least one sign of reasonable size and dignified form to identify the Project and the Units therein. The Corporation shall also permit the placing of at least one sign of reasonable size and dignified form to identify and advertise the business being conducted in the Commercial Units.

35. Mortgaging a Condominium Unit - Priority. Subject to the provisions of Section 27, any Owner shall have the right from time to time to mortgage or encumber his Unit by deed of trust, mortgage, or other security instrument. The Owner of a Unit may create junior encumbrances on his Unit on the following conditions: (1) that any such junior encumbrance 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 lien holder under such junior encumbrance shall release, for the purpose of restoration of any improvements upon the encumbered Unit, all of his right, title, and interest on and to the proceeds under all insurance policies upon said Unit which insurance policies were effected and placed upon the encumbered Unit by the Corporation. Such release shall be furnished forthwith by a junior lien holder upon written request of the Corporation, and if not furnished, may be executed by the Corporation as attorney-in-fact for such junior lien holder.

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

37. Construction Loan. The Project may be subject to a construction loan, which loan will be discharged as to each specific Unit when that Unit is sold.

38. 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. Such modifications, additions, or deletions will not materially increase the cost of Units, except as provided in Section 27. There will be no material physical modifications of the Project, and any such changes will not decrease the financial obligations of Declarant as Unit Owner.

39. Sale, Retention, and Use of Units by Declarant. Declarant contemplates sale of all Units but the Commercial Unit, Unit 400; however, Declarant reserves the right to retain unsold Units and sell, lease, or rent them without the approval of the Corporation. Notwithstanding any provision to the contrary contained herein, Declarant, its agents, employees, and contractors shall be permitted to maintain during the period of construction or sale or both of the Units in the Project (including those which may be constructed pursuant to Section 27 above), upon such portion of the Property 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 Units, including without limitation, a business office, storage area, construction yards, signs, model Units, sales office, construction office, parking areas, and lighting and temporary parking facilities for all prospective tenants or purchasers of 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

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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 Units during the period of the construction or sale or both of the Units for the purpose of any required or desired refurbishment, construction, maintenance, or repair to such Units or the Building, or any part thereof.

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

41. Protection of Encumbrancer. Except as provided elsewhere in this Declaration, no violation or breach of or failure to comply with, any provisions of this Declaration and no action to enforce any such provision shall affect, defeat, render invalid, or impair the lien of the holder of any first mortgage, first deed of trust, or other first lien on any Unit taken in good faith and for value and perfected by recording in the office of the Clerk and Recorder of San Miguel County, Colorado, prior to the time of recording in said office of an instrument describing the Unit and listing the name or names of the Owner or Owners of fee simple title to the Unit and giving notice of such violation, breach, or failure to comply; nor 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, first deed of trust, or other first lien or the title or interest acquired by any such holder or purchaser at a foreclosure sale. Any such purchaser or forecloser 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 or forecloser shall not be deemed breaches or violations hereof or failures to comply herewith with respect to such purchaser or forecloser, his heirs, personal representatives, successors, or assigns.

42. Mechanic's Liens. No labor performed or furnished for use in connection with any Unit with the consent or at the request of an Owner or his agent or subcontractor and no labor performed or materials furnished for use in connection with any expansion occurring in accordance with Section 27 with the consent or at the request of Declarant 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 Owner not expressly consenting to or requesting the same or against any interest in the General Common Elements except as

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provided in Section 27 and except as to the undivided interests 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 any Unit Owner to the Corporation in the case of emergency repairs. Labor performed or materials furnished for the General Common Elements, if duly authorized by the Corporation in accordance with the Declaration, Articles, or Bylaws shall be deemed to be 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 Units, the Owners of the separate Units may remove their Units from said lien by payment of the proportional amount attributable to each of the Units affected. Individual payment shall be computed by reference to the percentages appearing in this Declaration. Subsequent to payment, discharge, or other satisfaction, the 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 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 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 Corporation 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 15.

43. Severability. If any provision of this Declaration or any section, sentence, clause, phrase, or word, or the application thereof in any circumstances, is held invalid, the validity of the remainder of this Declaration and of the application of any such provisions, section, sentence, clause, phrase, or word in any other circumstances shall not be affected thereby.

44. Perpetuities and Other Rules of Property. If any of the options, privileges, covenants, or rights created by this Declaration would otherwise violate the rule against perpetuities or some analogous statutory provisions, or any other statutory or common law rules imposing time limits, then such provisions shall continue only until twenty-one (21) years after the death of the survivor of the now living lawful descendants of (1) the incumbent President of the

United States, Ronald Reagan; (2) William H. Nelson, currently of Telluride, Colorado; and (3) Alan Ranta, currently of Telluride, Colorado.

45. Rights and Obligations. Each grantee of the Declarant by the acceptance of a deed of conveyance, and each purchaser under any contract of such deed of conveyance, accepts the same subject to all restrictions, conditions, covenants, reservations, liens, and charges; and subject to the jurisdiction, rights, and powers created or reserved by this Declaration; and subject to all rights, benefits, and privileges of every character hereby granted, created, reserved, or declared. All impositions and obligations hereby imposed shall be deemed and taken to be covenants running with the land, shall bind any person having at any time any interest or estate in said land, and shall inure to the benefit of such person in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance. Reference in the respective deeds of conveyance, or in any mortgage or deed of trust or other evidence of obligation, to the legal description shall be sufficient to create and reserve such easements and rights to the respective grantees, mortgagees, and trustees of the Units as fully and completely as though such rights were recited fully and set forth in their entirety in such documents.

46. General Provisions.

(a) Until such time as the Board provided for in this Declaration is formed, the Declarant shall exercise any of the powers, rights, duties, and functions of the Board.

(b) No covenants, restrictions, conditions, obligations, or provisions contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same irrespective of the number of violations or breaches which may occur.

(c) The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation of a first class condominium.

(d) In the event title to any Unit is conveyed to a titleholding trust, under the terms of which all powers of management, operation, and control of the Unit remain vested in the trust beneficiary or beneficiaries, then the beneficiaries thereunder from time to time shall be responsible for payment of all obligations, liens, or indebtedness and for the performance of all agreements, covenants, and undertakings chargeable or created under this

Declaration against such Unit. Claims may be made against any such titleholding trustee personally for payment of any lien or obligation hereunder created and the trustee shall be obligated to sequester funds or trust property to apply in whole or in part against such lien or obligation. The amount of such lien or obligation shall continue to be a charge or lien upon the Unit and the beneficiaries of such trust notwithstanding any transfers of title to such Unit.

47. Data Regarding Easements. The recording data for recorded easements and licenses appurtenant to, or included in, the Property or to which any portion of the Property is or may become subject are listed below. All book and page references ar to the records of the Office of the Clerk and Recorder of San Miguel County, Colorado.

<u>BOOK</u>	<u>Pages</u>
382	835-836
383	553-554
383	555-557
429	336
433	718+719

This Declaration is executed this 23rd day of January, 1987.

EAST-WEST DEVELOPMENT, a Colorado partnership

By: William H. Nelson
William H. Nelson, Partner

By: Michael H. Chandler
Michael H. Chandler, Partner

STATE OF COLORADO)
)
COUNTY OF SAN MIGUEL)

I, Katherine Reecæ, a Notary Public, in and for said County, in the State aforesaid, DO HEREBY CERTIFY that William H. Nelson and Michael H. Chandler, each acting as a general partner of East-West Developemnt, a Colorado partnership, each of whom is personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act for the uses and purposes therein set forth.

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Given under my hand and notarial seal this 23rd day
of January A. D. 1987.

My Commission Expires:
Non-Expiring

Katherine Reese
~~Notary Public~~ Deputy County Clerk

Address: 305 W. Colo. Ave. Telluride, Colo. 81745



EXHIBIT A

BYLAWS

OF

#4 SOUTH CORNET CREEK CONDOMINIUMS, INC.

ARTICLE I

Object

1. The purpose for which this nonprofit corporation is formed is to manage that property situate in the County of San Miguel, State of Colorado, known as #4 South Cornet Creek Condominiums, which property has been submitted to the provisions of the Condominium Declaration of #4 South Cornet Creek Condominiums ["Declaration"].

2. All present or future owners, their family members, invitees, tenants, and any other persons who come upon or use such property in any manner are subject to the regulations set forth in these Bylaws. Acquisition of a fee, leasehold, or other interest in or the mere occupancy of any of the Residential Units or the Commercial Unit of the Project or a portion thereof ["Units"] shall constitute ratification and acceptance of these Bylaws and an agreement to comply herewith.

3. Terms used in these Bylaws shall have the same meaning as that meaning set forth for such terms in the Declaration to which these Bylaws are attached as Exhibit A.

ARTICLE II

Membership, Voting, Quorum, Proxies

1. Membership. There shall be one class of membership in #4 South Cornet Creek Condominiums, Inc. Membership in the Corporation, except for the membership of the first Board of Directors, shall be limited to record Owners (including a purchaser in possession under a recorded purchase contract) of the Units and shall be subject to the Declaration and these Bylaws. One membership in the Corporation shall be issued to the record Owner of each Unit. The record Owners of all Units collectively shall

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constitute all the members. In the event any Unit is owned by two or more persons, whether by joint tenancy, tenancy in common, or otherwise, the membership as to such Unit shall be joint; and a single membership for such Unit shall be issued in the names of all the Owners. Such Owners may designate to the Corporation in writing from time to time, one person who shall hold the membership and have the power to vote said membership. Similarly, in the event any Unit is owned by a corporation, partnership, or other entity not a natural person, the membership shall be in the name of such Owner, which Owner may from time to time in writing designate the natural person who shall have the power to vote such membership. No membership shall be issued to any other person or persons except as they may be issued in substitution for outstanding memberships assigned to new record Owners of Units.

2. Voting. Voting shall be on a percentage basis, each Unit Owner controlling a percentage vote equal to that Unit Owner's percentage ownership interest in the General Common Elements. The Declaration shall be the voting member with respect to any Unit owned by it.

3. Quorum. The presence either in person or by proxy of at least 63 percent of all members shall constitute a quorum of the membership of the Corporation for all purposes unless a larger percentage shall be required by law, by the Articles, by the Declaration, or by these Bylaws; and in that event representation of the percentage so required shall constitute a quorum.

4. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the corporation before the appointed time of each meeting. A proxy need not be a Unit Owner.

ARTICLE III

1. The terms "majority" or "majority of the Unit Owners" whenever used herein shall mean that at least fifty percent (50%) of the aggregate interests in the undivided ownership of the General Common Elements are

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represented or voting for the same result or both, as the context requires. Any specified percentage of Unit Owners, whether majority or otherwise, for purpose of voting and for all purposes and whenever provided in the Declaration or these Bylaws, shall mean that such percentage or more of the aggregate interests in the undivided ownership of the General Common Elements are represented or voting for the same result or both, as the context requires.

If any Unit is owned by more than one person, the voting rights with respect to such Unit shall not be divided, but shall be exercised as if the Unit Owners consisted of only one person in accordance with the proxy or other designation made by the persons constituting such Unit Owner. Failure of any Unit Owner, whether by joint tenants, by tenants in common, by organizational tenants, or by any other form of tenancy other than an individual natural person's ownership, to designate in writing to the Corporation an individual natural person to represent the Unit Owner shall result in forfeiture of such Unit Owner's representation and right to vote. However, that Unit Owner's percentage ownership interest in the General Common Elements shall be included in determining whether any required percentage vote has been attained.

2. The direction and administration of the Property shall be vested in a Board of Directors [herein referred to as the "Board"], consisting of three (3) persons who shall be elected in the manner hereinafter provided. The number of members on the Board may be increased by one, at the Board's discretion, for any additional Unit the Declarant builds on the General Common Elements pursuant to its rights reserved in the Declaration. Each member of the Board shall be one of the Unit Owners; provided, however, that in the event a Unit Owner is a corporation, partnership, trust, or legal entity other than a natural person or persons, then any shareholder, officer, or director of such corporation; partner of such partnership; beneficiary or individual trustee of such trust; or manager of such other legal entity, shall be eligible to serve as a member of the Board.

3. At each annual meeting of the Unit Owners, the Unit Owners shall, by a vote of the majority of the Unit Owners present at such meeting, by proxy or in person, provided a quorum is present in person or by proxy, elect the entire Board for the forthcoming year.

Members of the Board shall serve without compensation for a term of one (1) year and until their successors are elected. Vacancies in the Board shall be filled by the

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unanimous vote of the members of the Board, subject to the provisions hereinabove stated. A majority of the members of the Board shall constitute a quorum. No action shall be taken by the Board except upon the affirmative vote of at least a majority of the members of the Board.

4. A regular annual meeting of the Board shall be held immediately after, and at the same place as the annual meeting of the Unit Owners. Other meetings of the Board may be called, held, and conducted in accordance with such regulations as the Board may, from time to time, adopt.

5. The members of the Board and the officers of the Corporation shall not be liable to the Unit Owners for any mistake of judgment or any acts or omissions made in good faith as such members or officers. The Unit Owners shall indemnify and hold harmless each of such members of the Board or officers of the Corporation against all liability to others arising out of transactions made by such members or officers in good faith. The obligation of each member of the corporation to indemnify shall be limited to his percentage ownership interest in the General Common Elements times the total liability. Each agreement made by members of the Board or officers shall be executed by such members or officers, as agents for the Unit Owners.

6. In the event of any dispute or disagreement between any Unit Owners relating to #4 South Cornet Creek Condominiums ["Property"], or any question of interpretation or application of the provisions of the Declaration, the determination thereof by the Board shall be final and binding on each and all such unit owners.

ARTICLE IV

1. Powers and Duties. The Board shall have the following powers and duties in addition to those provided in the Condominium Ownership Act, C.R.S. 38-33-101 et seq, ["Act"], the Declaration, or elsewhere in these Bylaws:

- (a) to engage the services of a Management Agent who shall manage and operate the Property for all the Unit Owners upon such terms and with such authority as the Board may approve; provided, however, that any contract between the Board and the Management Agent must be terminable for cause upon thirty (30) days' notice, shall run for a period not to exceed three (3) years, and shall be renewable upon the consent of the Board and the Management Agent;

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- (b) to formulate policies for the administration, management, and operation of the Property;
- (c) to adopt administrative Rules and Regulations, with written notice thereof to all Unit Owners, governing the administration, management, maintenance, operation, use, conservation, and beautification of the Property and for the health, comfort, safety, and general welfare of the Unit Owners, and to amend such Rules and Regulations from time to time, with written notice thereof to all Unit Owners;
- (d) to provide for any construction, alteration, installation, maintenance, repair, painting, and replacement for which the Board is responsible under the Declaration and Bylaws and for such purposes to enter and to authorize entry into any Unit or Limited Common Elements, causing as little inconvenience to the Unit Owners as practicable and repairing any damage caused by any such entry at the expense of the Corporation;
- (e) to provide for the designation, hiring, and removal of employees and other personnel, including attorneys and accountants, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management, and operation of the Property and to delegate any such powers to the Management Agent (and any such employees or other personnel as may be employees of the Management Agent);
- (f) to estimate the amount of the annual budget, and to provide the manner of assessing and collecting from the Unit Owners their respective shares of such Common Expenses as hereinafter provided;
- (g) to secure or require an appropriate fidelity bond for any person or entity handling funds of the Corporation, including, but not limited to, employees of the Management Agent, which bonds shall name the Corporation as obligee and be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual Common Expenses, including reserves.
- (h) to pay out of the funds of the Corporation the following:

- (i) Water, waste removal, electricity, telephone, and other necessary utility services for the General Common Elements and (if not separately metered or charged) for the Units.
 - (ii) The services of a Management Agent or any other person or firm employed by the Board.
 - (iii) Payment for the operation, maintenance, repair, and replacement of the General Common Elements.
- (i) to bid for and purchase any Unit at a sale pursuant to a mortgage foreclosure, or a foreclosure of the lien for Common Expenses under the Act or Assessments, or at a sale pursuant to an order or direction of a court, or other involuntary sale, upon the consent or approval of Unit Owners owning not less than sixty-three percent (63%) of the aggregate interests in the undivided ownership of the General Common Elements;
 - (j) to the extent not inconsistent with the Act, the Declaration, the Articles, or these Bylaws, to comply with the instructions of a majority of the Unit Owners, as expressed in a resolution duly adopted at any annual or special meeting of the Unit Owners;
 - (k) to exercise all other powers and duties of the Board as referred to in the Act, Declaration, or these Bylaws; and
 - (l) to establish or maintain one or more bank accounts for the deposit of any funds paid to or received by the Board or the Corporation.

ARTICLE V

1. The initial meeting of the members shall be held upon no less than twenty-one (21) days' written notice given by the Declarant. The meeting shall take place not later than sixty (60) days after the conveyance of the Declarant of two (2) of the Units or three years after the recording of the Declaration, whichever is earlier. An annual meeting of the Unit Owners shall be held on the third weekend in February in each year for the purpose of electing members of the Board and such other business as may come before the meeting. Special meetings of the Unit Owners may be called,

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for any reasonable purpose, either by the president, or not less than fifty percent (50%) of the Unit Owners, the notice for which shall specify the matters to be considered at such special meeting.

2. All meetings of the Unit Owners shall take place on some section of #4 South Cornet Creek Condominiums designated by the person or persons calling a special meeting, or at such other reasonable place or time as is designated by the Board. At least ten (10) days before the date of such meeting, written notice of the holding of any regular or special meeting of the Unit Owners, stating the date, hour, and place of such meeting, shall be mailed or delivered, in person to each Unit Owner in care of his Unit or such other address filed in writing with the Secretary of the Corporation. A majority of the Unit Owners shall constitute a quorum at all such meetings. A Unit Owner may vote either in person or by proxy at any regular or special meeting of the Unit Owners. Every proxy must be in writing and no proxy shall be valid after eleven months from the date of its execution.

3. A president, a secretary, and a treasurer, shall be elected at each annual meeting of the Board from among its members. Any such officer may be removed by the vote of a majority of the Board at any time. A vacancy in any office may be filled by the Board for the unexpired term.

4. The president shall preside over the meetings of the Board and the Unit Owners. He may sign, together with any other officer designated by the Board, any contracts, checks, drafts, or other instruments designated or approved by the Board. In the absence of the president, or in the event of his inability to act, the secretary shall perform the duties of the president.

5. The secretary shall, in addition to the duties provided by law, see that all notices are duly given as herein provided.

6. All expenses, charges, and costs of the maintenance, repair, or replacement of the General Common Elements, and any other expenses, charges, or costs which the Board may incur or expend pursuant hereto, shall be approved by the Board, and a written memorandum thereof prepared and signed by the treasurer. There shall be no structural alterations, capital additions to, or capital improvements on, the General Common Elements (other than for purposes of replacing or restoring portions of the General Common Elements) requiring an expenditure in excess of One

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Thousand Dollars (\$1,000.00) without prior approval by at least sixty-three percent (63%) vote.

ARTICLE VI

1. Each year on or before December 1st, the Board shall estimate the annual budget expenses ["annual budget"], including the total amount required for the cost of wages, materials, insurance, services, and supplies which will be required during the ensuing calendar year for the rendering of all services, together with a reasonable amount considered by the Board to be necessary as a reserve for contingencies and replacements. The Board shall, on or before December 15th, notify each Unit Owner in writing as to the amount of such estimate with reasonable itemization thereof. Said annual budget shall be assessed to the Unit Owners according to each Unit Owners percentage of ownership in the General Common Elements as set forth in the Declaration. On or before January 1st of the ensuing year, and the 1st of each and every month of said year, each Unit Owner shall be obligated to pay to the Board, or as it may direct, 1/12th of the Assessment made pursuant to this paragraph. On or before the 1st day of February of each calendar year commencing 1988, the Board shall supply to all Unit Owners an itemized accounting of the maintenance expenses for the preceding calendar year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the estimates provided, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall be credited according to each Owner's percentage of ownership in the General Common Elements to the next monthly installments due from Owners under the current year's estimate, until exhausted. Any net shortage shall be added, according to each Unit Owner's percentage of ownership in the Common Elements, to the installments due in the six (6) months next succeeding the rendering of the accounting. The Board shall build up and maintain a reasonable reserve for contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserve. If said annual budget proves inadequate for any reason, including nonpayment of any owner's Assessment, the Board may at any time levy a further Assessment, which shall be assessed to the Unit Owners according to each Unit Owner's percentage of ownership in the General Common Elements. The Board shall serve notice of such further Assessment on all Unit Owners by a statement

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in writing, giving the amount and reasons therefor. Such further Assessment shall become effective with the first succeeding monthly maintenance payment which is due more than ten (10) days after the mailing or delivery in person of such notice of further Assessment. All Unit Owners shall be obligated to pay the adjusted Monthly Assessment.

When the first Board elected hereunder takes office, it shall determine the estimated budget, as hereinabove defined, for the period commencing thirty (30) days after said election and ending on December 31st of the calendar year in which said election occurs. Assessments shall be levied against the Unit Owners during said period as provided in this paragraph.

The failure or delay of the Board to prepare or serve the annual or adjusted budget on the Unit Owners shall not constitute a waiver or release in any manner of the Unit Owner's obligation to pay the Common Expenses, as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, the Unit Owners shall continue to pay the Monthly Assessment charges at the then existing monthly rate established for the previous period until the Monthly Assessment payment which is due more than ten (10) days after such new annual or adjusted payment shall have been mailed or delivered in person.

2. The Board shall keep full and correct books of account which shall be open for inspection by any unit Owner or any representative of a unit owner authorized in writing, at such reasonable time or times during normal business hours as may be requested by the unit owner. All funds collected hereunder shall be held and expended solely for the purposes designated herein, and (except for such Special Assessments as may be levied under these Bylaws or the Declaration against less than all Unit Owners and for such special adjustments as may be required to reflect delinquent or prepaid Assessments) shall be deemed to be held for the benefit, use, and account of all the Unit Owners in the percentages of each Unit Owner's interest in the General Common Elements.

3. If a Unit Owner is in default in the monthly payment of the aforesaid charges or Assessments for thirty (30) days, the Board may assess a service charge of two percent (2%) of the balance of the aforesaid charges and Assessments in default for thirty (30) days for each month, or part thereof, that said balance, or any part thereof, remains unpaid. Said monthly amount shall, until paid by

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such Unit Owner, constitute a lien on the interest of such Unit Owner in his unit and in his percentage ownership interest in the General Common Elements of #4 South Cornet Creek Condominiums. The Corporation may foreclose on such lien in the manner provided by the Statutes of Colorado for the foreclosure of mortgages. In addition to any remedies or lien provided, if a Unit Owner is in default in the monthly payment of the aforesaid charges or Assessment for thirty (30) days, the Board may bring suit for and on behalf of itself and the Corporation and as representative of all Unit Owners, to enforce collection thereof or to foreclose the lien as provided by law. The costs of any such suit or collection effort, together with legal interest and including reasonable attorney fees, shall be added to the amount due and shall be collectible in the same manner as the amount originally due. No Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the General Common Elements or abandonment of his or her Unit.

4. Upon ten (10) days notice to the Board and the payment of reasonable fee fixed by the Board not to exceed fifteen dollars (\$15.00), any Unit Owner shall be furnished a statement of his account setting forth the amount of any unpaid Assessments or other charges due and owing from such Owner.

5. The Board, may, from time to time, adopt or amend such rules and regulations governing the operation, maintenance, beautification, and use of the General Common Elements and the Units, not inconsistent with the terms of the Declaration, as it sees fit. The Unit Owners shall conform to, and abide by, such rules and regulations. Written notice of such rules and regulations shall be given to all Unit Owners and occupants. A violation of rules and regulations shall be deemed a violation of the terms of these Bylaws.

6. Whenever any notice whatsoever is required to be given under the provisions of the Declaration or these Bylaws, a waiver thereof in writing by the person or persons entitled to such notice, whether before or at the time stated therein, shall be deemed equivalent to the giving of such notice.

7. Nothing hereinabove contained shall be construed to give the Board authority to conduct an active business for profit on behalf of all the Unit Owners or any of them.

ARTICLE VII

General Provisions.

Section 1. General Common Elements. The use, maintenance, and operation of the General Common Elements shall not be obstructed, damaged, or unreasonably interfered with by any Unit Owner, nor shall anything be stored in the General Common Elements without the prior consent of the Board except as expressly provided in the Declaration or these Bylaws.

Section 2. Increased Risk. Nothing shall be done or kept in any Unit or in the General Common Elements which will increase the rate of insurance on the Building, or the contents thereof, without the prior written consent of the Board. No Unit Owner shall permit anything to be done or kept in his Unit or in the General Common Elements which will result in the cancellation of insurance on the building, or the contents thereof, or which would be in violation of any law. No waste shall be committed in or to the General Common Elements.

Section 3. Exterior Walls. Unit Owners shall not cause or permit anything to be placed on the outside walls of the Building. No sign, awning, canopy, shutter, or radio or television antenna shall be affixed to or placed upon the exterior walls or roof or any part thereof, without the prior consent of the Board.

Section 4. Animals, Pets. No animals of any kind shall be raised, bred, or kept in any Unit or in the General Common Elements, except that dogs, cats, and other household pets may be kept in the Units, if specifically permitted by the Board and subject to Rules and Regulations adopted by the Board; provided they are not kept, bred, or maintained for any commercial purpose; and provided further that any such pet causing or creating a nuisance or unreasonable disturbance shall be permanently removed from the Property upon three (3) days' written notice from the Board.

Section 5. Nuisance. No noxious or offensive activity shall be carried on in any Unit or in the General Common Elements, nor shall anything be done therein, either willfully or negligently, which may be or become an annoyance or nuisance to the other Unit Owners or occupants of the Units.

Section 6. Laundry. No clothes, sheets, blankets, laundry of any kind, or other articles shall be hung out or

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exposed on any part of the General Common Elements. The General Common Elements shall be kept free and clear of rubbish, debris, and other unsightly materials.

Section 7. Signs. No "For Sale" or "For Rent" signs, advertising, or other displays shall be maintained or permitted on any part of the Property except at such location and in such form as shall be determined by the Board and except as the Declarant is permitted under Section 8 of this Article VII.

Section 8. Access and Marketing By Declarant. During the period of renovation of the Building on the Property by the Declarant or the Board, the Declarant or Board and its contractors and subcontractors, and their respective agents and employees, shall be entitled to access, ingress, and egress to the Building and Property as may be required in connection with said renovation. Until all of the Units have been sold by the Declarant and occupied by the purchasers thereof, the Declarant may use and show one or more of such unsold or unoccupied Units as a model apartment or apartments and sales office, and may maintain customary signs in connection therewith. This Section 8 of Article VII shall apply to any activities Declarant engages in pursuant to its rights to expand the Project as provided in the Declaration.

Section 9. Electrical Usage. No Unit Owner shall overload the electric wiring in the Building, or operate any machines, appliances, accessories, or equipment in such manner as to cause, in the judgment of the Board, an unreasonable disturbance to others, or connect any machines, appliances, accessories, or equipment to the heating or air conditioning system or plumbing system, without the prior written consent of the Board.

ARTICLE VIII

Amendments

These Bylaws may be amended or modified from time to time by a vote of at least sixty-three percent (63%); provided, however, that no provision in these Bylaws may be amended or modified so as to conflict with the provisions of the Act or the Declaration. Such amendments shall be recorded in the Office of the Clerk and Recorder of San Miguel County, Colorado, if required.

EXHIBIT B

Percent of ownership of each Unit in the General Common Elements of #4 South Cornet Creek Condominiums:

<u>Unit</u>	<u>Percentage Ownership</u>
Unit 400	26.52595%
Unit 401	36.70833%
Unit 402	36.76572%

EXHIBIT C

Plat for #4 South Cornet Creek Condominiums as filed for record on January 26, 1987, in the office of the Clerk and Recorder of San Miguel County, Colorado, in Plat Book 1 at Page 692. Said Plat is incorporated herein by this reference.

Paid \$3.00 256775

State of Colorado,
County of San Miguel,) ss

Filed for record: December 6, 1988. Time: 1:00 P.M. and duly recorded in Book #49 Page 103, Gay Cappis-Recorder by *[Signature]* Deputy

**Amendment to the Condominium Declaration for Building A,
#4 South Cornet Creek Condominiums, Phase 1
Recorded in Book 443 at Page 720**

This Amendment is being prepared by and executed by William H. Nelson as general partner for East-West Development, a Colorado Partnership ("East-West")

Whereas, the Condominium Declaration for #4 South Cornet Creek Condominiums, recorded in Book 443 at Page 720 was recorded January 28, 1987 in the office of the San Miguel County Clerk and Recorder ("Declaration"); and

Whereas, to enable East-West to obtain Title Insurance for the subject property, the title company is requiring a certain amendment to information contained in the Declaration; and

Whereas, East West wishes to amend the Declaration to satisfy the requirements of the title insurance company; and

Now, therefore, East West hereby amends the Declaration in the following manner:

The existing improvements are to be known as:

Condominium Declaration for Building A, #4, South Cornet Creek Condominiums, Phase 1.

East West Development, a Colorado Partnership

[Signature]
by, William H. Nelson, general partner

County of San Miguel

ss.

State of Colorado

The foregoing instrument was acknowledged before me this 5th day of December, 1988, by William H. Nelson as general partner of East-West Development, a Colorado Partnership.

Witness my hand and official seal.
My commission expires: 5-30-82



[Signature]
Notary Public
P.O. Box 763
Telluride, Colorado 81435

PAID: \$6.00

308071

308071 10/18/1996 09:19A B: 569 P: 372
Gay Cappis, County Clerk, San Miguel County, CO

AMENDED EXHIBIT B TO SUPPLEMENTARY DECLARATION
for Building A, #4, South Coronet Creek Condominiums

Percent of ownership of each UNIT in the General Common Elements of Building A, #4,
South Coronet Creek Condominiums:

<u>UNIT</u>	<u>PERCENTAGE OWNERSHIP</u>
400	19.16021%
401	24.87624%
402	24.91512%
403	13.40234%
404	17.64609%