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DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS
OF
SOUTHLIGHT HOMES

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DECLARATION
OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF
SOUTHLIGHT HOMES

THIS DECLARATION is made and entered into this ____ day of March 1984, by HANOVER HOMES CORPORATION, a Colorado corporation, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of that certain real property in the County of Arapahoe, State of Colorado, which is described on Exhibit A attached hereto and incorporated herein by this reference; and

WHEREAS, Declarant desires to subject and place upon the above-described property certain covenants, conditions, restrictions, easements, reservations, rights-of-way, obligations, liabilities and other charges set forth herein for the purpose of protecting the value and desirability of said property and for the purpose of furthering a plan for the improvement, sale and ownership of said property, to the end that a harmonious and attractive development of said property may be accomplished and the health, comfort, safety, convenience and general welfare of the Declarant, its successors and assigns may be promoted and safeguarded.

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold, and conveyed subject to the following covenants, conditions, restrictions, easements, rights-of-way, obligations, liabilities, charges and other provisions set forth herein, which are for the purpose of protecting the value and desirability of, and which shall run with, the above-described property, and shall be binding on all parties having any right, title, or interest in the above-described property or any part thereof, and on their successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I
DEFINITIONS

Section 1. Agencies. "Agencies" shall mean and collectively refer to the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Department of Housing and Urban Development (HUD), the Veterans Administration (VA) or any other governmental or quasi-governmental agency or

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any other public, quasi-public or private entity which performs (or may in the future perform) functions similar to those currently performed by such entities.

Section 2. "Architectural Control Committee" shall mean and refer to the committee appointed by the Declarant or by the Board of Directors of the Association, as more fully provided in Article V hereof.

Section 3. "Association" shall mean and refer to Southlight Homeowners' Association, Inc., a Colorado non-profit corporation, its successors and assigns. The Association shall act by and through its Board of Directors and officers.

Section 4. "Common Area" shall mean all property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot is described on Exhibit B attached hereto and incorporated herein by this reference.

Section 5. "Declarant" shall mean and refer to Hanover Homes Corporation, a Colorado corporation, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development; provided, however, that for the purposes of Article V, Section 1, and Article XII, Sections 4, 6, and 8(b) of this Declaration, no person or entity shall be considered a Declarant under the aforesaid provisions, unless said person or entity shall first be designated by Hanover Homes Corporation, as a Declarant for said purposes by a written instrument duly recorded in Arapahoe County, Colorado.

Section 6. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, as the same may be amended from time to time.

Section 7. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust or other security instrument recorded in the records of the office of the Clerk and Recorder of Arapahoe County, Colorado, having priority of record over all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments). "First Mortgage," for purposes of Article IV, Section 11 and, with respect to notice of cancellation or substantial modification of certain insurance policies, to Article VI, Section 3 hereof, shall also mean and refer to any executory land sales contract wherein the Administrator of Veterans Affairs, an Officer of the United States of America, is the seller, whether such contract is recorded or not, and whether such contract is owned by the said Administrator or has been

assigned by the said Administrator and is owned by the Administrator's assignee, or a remote assignee, and the land records in the Office of the Clerk and Recorder of Arapahoe County, Colorado show the said Administrator as having the record title to the Lot.

Section 8. "First Mortgagee" shall mean and refer to any person named as a mortgagee or beneficiary under any First Mortgage (including, for purposes of Article IV, Section 11 and, with respect to notice of cancellation or substantial modification of certain insurance policies, to Article VI, Section 3 hereof, the Administrator of Veterans Affairs, an Officer of the United States of America, and his assigns under any executory land sales contract wherein the said Administrator is identified as the seller, whether such contract is recorded or not and the land records of the Clerk and Recorder of Arapahoe County, Colorado show the said Administrator as having the record title to the Lot), or any successor to the interest of any such person under such First Mortgage.

Section 9. "Lot" shall mean and refer to any separate numbered lot or plot of land shown upon any recorded subdivision map of the Properties or any portion thereof, as the same may be amended from time to time, with the exception of the Common Area and any public streets, but together with all appurtenances and improvements now or hereafter situated hereon.

Section 10. "Member" shall mean and refer to each Owner of a Lot that is subject to assessment hereunder; membership in the Association shall be appurtenant to, and may not be separated from, ownership of a Lot.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 12. "Properties" shall mean and refer to that certain real property described on Exhibit A attached hereto and incorporated herein by reference, together with such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article, every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Area, and such easement shall be appurtenant to and shall pass with the title to every Lot.

Section 2. Extent of Owners' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and, with written consent of the Members entitled to vote two-thirds (2/3) of the votes of each class of membership, to mortgage said property as security for any such loan; and

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure; and

(c) The right of the Association to promulgate and publish rules and regulations which each Member shall strictly comply with, including, but not limited to, the right of the Association to establish reasonable charges or admission fees for the use of any recreational facilities located on the Common Area; and

(d) The right of the Association, as provided in its Articles and Bylaws, to suspend the voting rights and the right to the use of recreation facilities, if any, within the Common Area, of a Member for any period during which any assessment against his Lot remains unpaid and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations; and

(e) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such dedication or transfer shall be effective unless first approved in writing by the Members entitled to vote two-thirds (2/3) of the votes of each class of membership hereunder, and unless written notice of the proposed agreement and action thereunder is sent to every Member at least thirty (30) days in advance of any action taken. Notwithstanding the foregoing, the granting of permits, licenses and easements for public utilities, roads or for other purposes reasonably necessary or useful for the proper maintenance or operation of the Properties shall not be deemed a transfer within the meaning of this Subsection (e); and

(f) The right of the Association, through its Board of Directors, to enter into, make, perform or enforce: contracts, leases, agreements, licenses, easements or rights-of-way, for the use by Owners, other persons, their family members, guests and invitees of real property, and any facilities or

improvements thereto and thereon, for pedestrian and vehicular access, ingress to and egress from the Properties, or any portion thereof, for vehicular parking, or for recreational use and enjoyment; or contracts, leases, licenses or other agreements for cable or satellite television service to the Properties, or any portion thereof. Any of such contracts, leases, licenses, agreements, easements or rights-of-way, as provided for in this subsection (f), shall be upon such terms and conditions as may be agreed to from time to time by the Board of Directors of the Association, which may include provisions by which the Association covenants and agrees that it shall pay part or all of the costs and expenses of maintaining and repairing such real property, and the facilities and improvements thereto and thereon, or of providing such cable or satellite television service, or of other amounts which the Board determines are reasonably necessary to secure any such contracts, leases, licenses, agreements, easements or rights-of-way, and any such costs shall be treated by the Association as common expenses pursuant to Article IV hereof.

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

Section 3. Delegation of Use. Any Owner may delegate his right of enjoyment of the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on his Lot.

Section 4. Payment of Taxes or Insurance by Mortgagees. First Mortgagees of Lots shall have the right, jointly or singly, to pay taxes or other charges or assessments which are in default and which may or have become a lien against the Common Area, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Area, or the Lot which secures said First Mortgage if the policy therefor is held by the Association, and any First Mortgagees making any such payment shall be owed immediate reimbursement therefor from the Association.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every Owner of a Lot which is subject to assessment hereunder shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. Class of Membership. The Association shall have two classes of voting membership.

Class A. Class A Members shall be all Owners, with the exception of Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any such Lot.

Class B. The Class B member shall be Declarant, and shall be entitled to three (3) votes for each Lot owned which is neither leased, rented, nor otherwise occupied as a residence. Leasing, renting, or allowing entry for residential occupancy shall terminate the Declarant's weighted voting advantage in relation to any Lot so leased, rented, or occupied as a residence, and will limit Declarant in relation to any such Lots to the same voting rights as a Class A Member. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earliest:

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; provided, however, that if within one hundred twenty (120) days of the occurrence of this event, additional real property shall be annexed to this Declaration pursuant to Article XII, Section 6 hereof, such that after such annexation there would be more votes outstanding in the Class B membership than in the Class A membership, then the Class B membership shall be deemed not to cease and not to have been converted to Class A membership; or

(b) on that date which is seven (7) years after the date of recording of this Declaration in the office of the Clerk and Recorder of Arapahoe County, Colorado; or

(c) Written notice by the Declarant to the Secretary of the Association of its intent to terminate its Class B voting rights; provided, however, that in the event there is more than one Declarant, as hereinafter defined, such notice must be signed by all such Declarants.

ARTICLE IV COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien of and Personal Obligation for Assessments. Each Owner of any Lot, including Declarant, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, (2) special assessments and (3) reconstruction assessments, such assessments to be established and collected as hereinafter provided. The annual, special and reconstruction

assessments, together with interest, late charges, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. The lien may be enforced by foreclosure of the defaulting Owner's Lot by the Association in like manner as a mortgage on real property. In any such foreclosure the Owner shall be required to pay the costs and expenses of such proceedings, including reasonable attorney's fees. The Board of Directors or managing agent of the Association may prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Lot and a description of the Lot. Such a notice shall be signed by one of the members of the Board of Directors or by the managing agent of the Association, and may be recorded in the office of the Clerk and Recorder of the County of Arapahoe, Colorado. The lien for each unpaid assessment attaches to each Lot at the beginning of each assessment period and shall continue to be a lien against such Lot until paid. The costs and expenses for filing any notice of lien shall be added to the assessment for the Lot against which it is filed, and shall be collected as part and parcel thereof. Each assessment, together with interest, late charges, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to such Owner's successors in title unless expressly assumed by them. The Association's lien on a Lot for assessments shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Colorado and to any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed to land subject to this Declaration shall constitute a waiver of the homestead exemption and any other exemption as against said assessment lien,

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties, and for all of those purposes and activities which may be required of the Association or which the Association may be empowered to pursue pursuant to this Declaration, the Articles of Incorporation or the Bylaws of the Association, including without limitation the improvement and maintenance of the Common Area and any other property, including public rights of way adjoining the Properties, which the Association is responsible for maintaining, and the provision by the Association of garbage collection for the Properties.

Section 3. Maximum Annual Assessment.

(a) Until commencement of the second annual assessment period, the maximum annual assessment shall be Two Hundred Dollars (\$200.00).

(b) Effective with commencement of the second and each subsequent annual assessment period, the maximum annual assessment against each Lot shall be increased, effective each annual assessment year, in conformance with the rise, if any, of the Consumer Price Index published by the U.S. Department of Labor, Washington, D.C., for All Items and Major Group Figures for All Urban Consumers (1967 = 100), for the one (1) year period ending with the preceding month of June, or ten percent (10%) per annum, whichever is higher. This annual increase in the maximum annual assessment shall occur automatically upon the commencement of each annual assessment year without the necessity of any action being taken with respect thereto by the Association. In the event that the aforesaid Consumer Price Index is not published, for whatever reason, then the increase in the maximum annual assessment, as provided herein, shall be calculated by using a substantially comparable index designated by the Board of Directors of the Association.

(c) Effective with commencement of the second and each subsequent annual assessment period, the maximum annual assessment may be increased above that established by the Consumer Price Index formula by a vote of the Members for the next succeeding annual assessment year and, at the end of each such annual assessment period, for each succeeding annual assessment year; provided that any such increase shall have the assent of two-thirds (2/3) of each class of Members who are voting in person or by proxy, at a meeting duly called for this purpose, after written notice of such meeting shall have been sent to all Members not less than 30 days nor more than 60 days in advance of such meeting setting forth the purpose therefor.

(d) Subject to the terms and provisions of Section 7 of this Article IV relating to the obligation of the Declarant to pay to the Association amounts sufficient to meet certain shortfalls in assessments, the Board of Directors of the Association may, at any time and from time to time, after consideration of the projected maintenance costs and other financial needs of the Association, fix the actual assessment against each Lot in an amount less than the maximum; provided, however, that written notice of any change in the amount of the actual assessment (whether to an amount less than or equal to the maximum) shall be sent to every Owner at least thirty (30) days in advance of the effective date of such change.

(e) The limitations contained in this Section 3 shall not apply to any change in the maximum, actual and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(f) The Association shall maintain an adequate reserve fund out of the annual assessments for the maintenance, repair and replacement of those elements of the Common Area that must be maintained, repaired or replaced on a periodic basis.

Section 4. Special Assessments. In addition to the annual and reconstruction assessments authorized in this Article IV, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for the funding of any operating deficit incurred by the Association. Any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose, and shall be set equally against each Lot, subject to the rate of assessment on Lots owned by Declarant as more fully provided in Section 7 of this Article IV.

Section 5. Notice and Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 or 4 of this Article shall be sent to all Members not less than 30 days or more than 60 days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 6. Reconstruction Assessments. In addition to the annual and special assessments authorized in this Article IV, the Association may, in any assessment year, levy reconstruction assessments to repair or reconstruct any damaged or destroyed structures or improvements located on Lots or the Common Area, if such damage is covered by a policy of property damage insurance carried by the Association and the insurance proceeds are insufficient to cover the cost of such repair or reconstruction. All such reconstruction assessments shall be equal to the amount by which the cost of repair or reconstruction of such structure(s) or improvements exceeds the sum of the insurance proceeds awarded for the damage or destruction thereof and shall be set equally against each Lot. Such reconstruction assessments shall be due and payable as provided by resolution of the Board of Directors, but not sooner than thirty (30) days after written notice thereof; provided, however, that, in appropriate circumstances, the Association may proceed directly

against any Owner pursuant to Article IX, Section 5 hereof for any such amount.

Section 7. Rate of Assessment. Annual, special and reconstruction assessments shall be fixed at a uniform rate for all Lots sufficient to meet the expected needs of the Association. Notwithstanding anything to the contrary contained in this Declaration, however, the rate of annual and special assessments set for the Lots owned by Declarant which are neither leased, rented, nor otherwise occupied as a residence shall be fixed at one-quarter (1/4) of the assessment rate for the other Lots; provided, however, that at the time any Lot owned by Declarant is leased, rented, or occupied as a residence, that Lot shall be assessed at the uniform rate of assessment for privately owned Lots. In the event that, prior to the termination of the Class B membership, assessments for annual common expenses, exclusive of those amounts held by the Association for an adequate reserve fund and for the working capital fund, fail to equal or exceed the actual expenses incurred by the Association during any particular annual assessment period because of such partial Declarant assessment, then Declarant shall pay to the Association a sufficient amount to meet any such deficiency, up to the amount of full parity with the assessments for privately owned Lots, so long as: (a) written notice must be given by the Association to the Declarant within sixty (60) days following the termination of the then-current fiscal year of the Association or at the time of the termination of the Class B membership, but in no event more than one (1) year following the termination of such Class B membership, and (b) Declarant shall have no obligation for any such shortfall caused by expenditures for capital improvements or by any decrease in assessments, including without limitation the levying of any assessment in an amount less than the maximum for any annual assessment period, unless the same has previously been approved in writing by Declarant. In the event there is more than one "Declarant," as defined in this Declaration, then, subject to the conditions hereinabove stated, each such Declarant shall pay a pro rata share of the aforesaid shortfall, such pro rata share to be based on the total amount of assessments due from each Declarant compared to the total amount of assessments due from all Declarants, during the applicable annual assessment period.

Section 8. Date of Commencement of Annual Assessments. The initial annual assessment shall commence on the first day of the month following conveyance of the Common Area by Declarant to the Association, and the second and each subsequent annual assessment period shall correspond with the fiscal year of the Association. The annual assessments shall be made due and payable in twelve monthly installments per annum on dates determined by the Board, provided that the first annual assessment shall be adjusted according to the number of months in the

first annual assessment year. Any Owner purchasing a Lot between installment due dates shall pay a pro rata share of the last installment due.

Section 9. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment not paid within ten (10) days after the due date thereof shall bear interest from the due date at the rate of eighteen percent (18%) per annum, or at such lesser rate as may be set from time to time by the Association, and the Association may assess a monthly late charge thereon. The Association may bring an action at law against the Owner personally obligated to pay an assessment, or may foreclose the lien against such Owner's Lot, and in the event a judgment is obtained, such judgment shall include interest on the assessment and a reasonable attorney's fee to be fixed by the court, together with the costs of the action, and may include late charges, as above provided. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 10. Working Capital Fund. The Association or Declarant shall require the first Owner of any Lot who purchases that Lot from Declarant to make a non-refundable payment to the Association in an amount equal to the greater of Fifteen Dollars (\$15.00) or one-sixth (1/6) of the maximum annual assessment against that Lot in effect at the time of conveyance of the Lot, which sum shall be held, without interest, by the Association as a working capital fund. The Association shall have no obligation to pay interest on said funds to any Owner. Said working capital fund shall be collected and transferred to the Association at the time of closing of the sale of each Lot by Declarant, as aforesaid, and all such working funds shall be maintained in a segregated account for the use and benefit of the Association as it deems desirable, including but not limited to assuring that the Board of Directors of the Association will have cash available to meet unforeseen expenditures, or to acquire additional equipment or services deemed by the Board to be necessary or desirable. Such payment to the working capital fund shall not relieve an Owner from making the regular payment of assessments as the same become due. Upon the transfer of his Lot, an Owner shall be entitled to a credit from his transferee for the aforesaid payment to working capital fund.

Section 11. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein, including without limitation any fees, costs, late charges or interest which may be levied by the Association in connection with unpaid assessments, shall be subordinate to the lien of any First Mortgage. Sale or transfer of any Lot shall not affect the liens

for said assessment charges except that sale or transfer of any Lot pursuant to foreclosure of any First Mortgage, or any proceeding in lieu thereof shall extinguish the lien of assessment charges which became due prior to any such sale, transfer, foreclosure or any proceeding in lieu thereof; provided, however, that any such delinquent assessment charges, including interest, late charges, costs and reasonable attorney's fees, which are extinguished as provided herein, may be reallocated and assessed to all Lots as a common expense. No such sale, transfer, foreclosure, or any proceeding in lieu thereof shall relieve such Lot from liability for any assessment charges thereafter becoming due, nor from the lien thereof; provided, however, that in the event of foreclosure of a First Mortgage or the taking of a deed in lieu thereof, such First Mortgagee shall not be liable for unpaid assessments or other charges which accrue prior to the acquisition of title to the Lot in question by such First Mortgagee.

ARTICLE V ARCHITECTURAL CONTROL COMMITTEE

Section 1. Composition of Committee. The Architectural Control Committee shall consist of three (3) or more persons appointed by the Board of Directors of the Association; provided, however, that until all Lots have been conveyed to the first Owner thereof (other than Declarant), Declarant shall appoint the Architectural Control Committee. A majority of the Committee may designate a representative to act for it. The power to "appoint," as provided herein, shall include without limitation the power: initially to constitute the membership of the Architectural Control Committee; to appoint members to the Architectural Control Committee on the occurrence of any vacancy therein, for whatever reason; to remove any member of the Architectural Control Committee, with or without cause, at any time, and appoint the successor thereof; and to make each such appointment for such term of office, subject to the aforesaid power of removal, as may be set from time to time in the discretion of the Declarant or the Association as appropriate.

Section 2. Review by Committee. No structure or any attachment to an existing structure, whether a residence, any building, a tennis court, a swimming pool, fences, walls, canopies, awnings, roofs, exterior lighting facilities, athletic facility, or other similar improvements or attachments, shall be constructed, erected, placed or installed upon the Properties, no alteration of the exterior of a residence or other structure shall be made, and no change in the final grade, or the installation of or any change in any landscaping, shall be performed, unless complete plans and specifications therefor shall have been

first submitted to and approved in writing by the Architectural Control Committee. Said plans and specifications shall show exterior design, height, materials, color, location of the structure or addition to the structure, plotted horizontally and vertically, location and size of driveways, general plan of landscaping, fencing, walls, windbreaks and grading plan, as well as such other materials and information as may be required by the Committee. The Architectural Control Committee shall exercise its reasonable judgment to the end that all attachments, improvements, construction, landscaping and alterations to residences, other structures, and property within the Properties conform to and harmonize with the existing surroundings, residences, landscaping and structures. In its review of such plans, specifications and other materials and information, the Architectural Control Committee may require that the applicant reimburse the Committee for the actual expenses incurred by the Committee in the review and approval process. Such amounts, if any, shall be levied as part of the common expense assessment against the Lot for which the request for Architectural Control Committee approval was made, or, in the case of work to be done in an Easement Area, as hereinafter defined, against the Dominant Tenement, as hereinafter defined, and, as such, shall be subject to the Association's lien for assessments and to all other rights of the Association for the collection thereof, as more fully provided in this Declaration.

Section 3. Procedures. The Architectural Control Committee shall approve or disapprove all requests for architectural control approval within forty-five (45) days after the complete submission of all plans, specifications, and other materials and information which the Committee may require in conjunction therewith. In the event that the Architectural Control Committee fails to approve or disapprove any request within forty-five (45) days after the complete submission of all plans, specifications, materials and other information with respect thereto, express approval shall not be required, and this Article shall be deemed to have been complied with fully.

Section 4. Vote and Appeal. A majority vote of the Architectural Control Committee is required to approve a request for architectural approval pursuant to this Article, unless the Committee has designated a representative to act for it, in which case the decision of such representative shall control. In the event a representative acting on behalf of the Architectural Control Committee denies a request for architectural approval, the applicant therefor shall have the right to appeal such denial to the full Committee, upon a request therefor submitted to the Committee within thirty (30) days after such applicant receives notice from said representative that the application has been denied. In the event that an application for architectural approval is denied by the Architectural Control Committee, whether pursuant to an original request for approval or on appeal

from a decision of a representative of the Committee, the applicant shall have the right to appeal to the Board of Directors of the Association, if a written request for a hearing is submitted to the Board of Directors of the Association within thirty (30) days after the applicant for such architectural approval receives notice that the Committee has denied the application.

Section 5. Records. The Architectural Control Committee shall maintain written records of all applications submitted to it and all actions taken by it thereon, and such records shall be available to Members for inspection at reasonable hours of the business day.

Section 6. Liability. The Architectural Control Committee and the members thereof, as well as any representative of the Committee designated to act on its behalf, shall not be liable in damages to any person submitting requests for approval or to any Owner by reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove in regard to any matter within its jurisdiction under this Declaration.

Section 7. Variance. The Architectural Control Committee may grant reasonable variances or adjustments from any conditions and restrictions imposed by this Article or Article X hereof, in order to overcome practical difficulties and prevent unnecessary hardships arising by reason of the application of the conditions and restrictions contained in this Article or Article X hereof. Such variances or adjustments shall be granted only in case the granting thereof shall not be materially detrimental or injurious to the other property or improvements in the neighborhood and shall not militate against the general intent and purpose hereof.

Section 8. Waivers. The approval or consent of the Architectural Control Committee, any representative thereof, or the Board of Directors of the Association, to any application for architectural approval shall not be deemed to constitute a waiver of any right to withhold or deny approval or consent by the Committee, any representative thereof, or said Board of Directors, as to any application or other matters whatsoever subsequently or additionally submitted for approval or consent hereunder.

ARTICLE VI INSURANCE

Section 1. Insurance on Common Area. The Association shall maintain insurance covering all insurable improvements located or constructed upon the Common Area. The Association shall maintain the following types of insurance, to the extent

that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance. The cost of said coverage shall be paid by the Association as a common expense. Notwithstanding any of the specific insurance requirements of this Article VI, the Association may also consider, in determining the types and amount of insurance it needs to obtain, the then-existing requirements of HUD, VA, FNMA, and FHLMC with respect to their insurance, guaranty, or purchase of First Mortgages secured by Lots.

(a) A policy of property insurance coverage for all insurable improvements located on the Common Area, except for land, foundation, excavation and other matters normally excluded from coverage, in an amount not less than necessary to comply with any co-insurance percentage stipulated in the insurance policy. Further, said policy shall contain a "Replacement Cost Endorsement" providing that any claim will be settled on a full replacement cost basis without deduction for depreciation, and include an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement." The Association may also purchase any or all of the following: a "Demolition Endorsement," an "Increased Cost of Construction Endorsement," a "Contingent Liability from Operation of Building Laws Endorsement," a "Vacancy Permit Endorsement" or the equivalent, and coverage on personal property owned by the Association, including fixtures, building service equipment, furnishings and supplies. Insurance maintained by the Association pursuant to this subsection shall afford protection against at least the following:

(1) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and

(2) such other risks as shall customarily be covered with respect to projects similar in construction, location and use including all perils normally covered by the standard "all risk" endorsement, where such is available.

(b) A comprehensive policy of public liability insurance covering all of the Common Area, insuring the Association in an amount not less than \$1,000,000.00 covering bodily injury, including death, and for personal injury and property damage liability, arising out of a single occurrence. Such coverage shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Area, legal liability arising out of lawsuits related to employment contracts of the Association, and protection against liability for non-owned and hired automobiles; such coverage may also include, if applicable, comprehensive automo-

bile liability insurance, garagekeeper's liability, liability for property of others, host liquor liability, water damage liability, contractual liability, workmen's compensation insurance for employees of the Association, and such other risks as shall customarily be required by private institutional mortgage investors with respect to projects similar in construction, location and use.

(c) A policy providing comprehensive fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and all others who handle or are responsible for handling funds of the Association, in an amount at least equal to the estimated maximum of funds, including maintenance reserves, in the custody of the Association at any given time; provided, however, that such fidelity coverage or fidelity bonds shall not be in an amount less than the greater of three (3) months' aggregate assessments on all Lots, plus such reserve funds, or one hundred and fifty percent (150%) of the Association's estimated annual operating expenses and reserves. Such fidelity coverage or bonds shall meet the following requirements:

(1) all such fidelity coverage or bonds shall name the Association as an obligee;

(2) such fidelity coverage or bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

In the event that the Association has delegated some or all of its responsibility for the handling of funds to a managing agent, the Association may require the managing agent to purchase, at its own expense, a policy of fidelity insurance or bonds which fully complies with the provisions of this subparagraph (c).

(d) If the Common Area, or any portion thereof, is located within an area identified by the Federal Emergency Management Agency as having special flood hazards, and flood insurance coverage on the Common Area has been made available under the National Flood Insurance Program, then such a policy of flood insurance on the Common Area in an amount at least equal to the lesser of:

(1) the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or

(2) one hundred percent (100%) of current replacement cost of all buildings and other insurable

property located within a designated flood hazard area.

(e) In addition, the Association may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate, to the extent that such coverage is reasonably available, including but not limited to personal liability insurance to protect directors and officers of the Association from personal liability in relation to their duties and responsibilities in acting as directors and officers on behalf of the Association and, if appropriate, coverage for loss or damage resulting from steam boiler equipment or air conditioning equipment accidents in an amount not less than \$100,000.00 per accident per location, or such greater amount as may be deemed prudent by the Association based on the nature of the property.

Section 2. Insurance on the Structures on Lots. The Board of Directors of the Association or its agent may, but shall not be obligated to, obtain and maintain, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, a policy of property insurance covering the structures located on each Lot, except for land, foundation, excavation and other items normally excluded from coverage, in an amount not less than that necessary to comply with any co-insurance percentage stipulated in the insurance policy. Further, said policy shall contain a "Replacement Cost Endorsement" providing that any claim will be settled on a full replacement cost basis without deduction for depreciation, and including an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement." The Association may also purchase a "Demolition Endorsement," an "Increased Cost of Construction Endorsement," a "Contingent Liability from Operation of Building Laws Endorsement," or a "Vacancy Permit Endorsement" or the equivalent. Such insurance as maintained by the Association pursuant to this section shall afford protection against at least the following:

(a) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and

(b) such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available.

Section 3. General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association as insured, or its designee as trustee and attorney-in-fact for all Owners,

and each Owner shall be an insured person under such policies with respect to liability arising out of any Owner's membership in the Association. The policy or policies shall contain a standard non-contributory First Mortgagee's clause in favor of each First Mortgagee, and a provision that it cannot be cancelled or materially altered by either the insured or the insurance company until thirty (30) days' prior written notice thereof is given to the insured and to each First Mortgagee, insurer or guarantor of a First Mortgage on a Lot. The Association shall furnish a certified copy or duplicate original of such policy or renewal thereof, with proof of premium payment and a certificate identifying the interest of the Owner in question, to any party in interest, including First Mortgagees of Lots, upon request. Any such Owner's policy shall also contain waivers of subrogation. All policies shall contain waivers of any defense based on invalidity arising from any acts or neglect of an Owner where such Owner is not under the control of the Association.

Section 4. Deductibles. No policy of insurance of which the Association or its designee is the beneficiary shall include a deductible clause in an amount greater than \$500.00 or 1% of the face amount of the policy, whichever is less. Any loss falling within the deductible portion of such policy shall be borne by the person or entity who is responsible for the repair and maintenance of the property which is damaged or destroyed. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible shall be borne by the Association. Notwithstanding the foregoing, after notice and hearing, the Association may determine that a loss, either in the form of a deductible to be paid by the Association or an uninsured loss, resulted from the act or negligence of an Owner. Upon said determination by the Association, any such loss or portion thereof may be assessed to the Owner in question and the Association may collect the amount from said Owner in the same manner as any annual assessment.

Section 5. Insurance Trustee. The Association may authorize a representative to act for it, including any trustee or successor thereto, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance. Such insurance trustee shall act as attorney-in-fact for the purpose of purchasing and maintaining insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. Said party may also receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Owners and their First Mortgagees as their interest may appear.

Section 6. Association Insurance as Primary Coverage. If at the time of any loss under any policy which is in the name of the Association, there is other insurance in the name of any Owner and such Owner's policy covers the same property or loss, or any portion thereof, which is covered by such Association policy, such Association policy shall be primary insurance not contributing with any of such other insurance. An Owner shall be liable to the Association for the amount of any diminution of insurance proceeds to the Association as a result of policies of insurance of an Owner, and the Association may collect the amount from said Owner in the same manner as any annual assessment. Any such Owner's policy shall also contain waivers of subrogation.

Section 7. Acceptable Insurance Companies. Each hazard insurance policy purchased by the Association must be written by a hazard insurance carrier which has a current rating by Best's Insurance Reports of B/VI or better, or a financial rating of Class V provided it has a general policy holder's rating of at least A, and is authorized by law to do business in the State of Colorado. The Association shall not obtain any policy where (a) under the terms of the insurance company's charter, bylaws, or policy, contributions or assessments may be made against the mortgagor or mortgagee's designee or (b) under the terms of the carrier's charter, bylaws, or policy, loss payments are contingent upon action by the carrier's Board of Directors, policy holders or members, or (c) the policy includes any limiting clauses (other than insurance conditions) which could prevent mortgagees or any Owner from collecting insurance proceeds.

Section 8. Insurance to be Maintained by Owners. Insurance coverage on the furnishings and other items of personal property belonging to an Owner, as well as risk coverage with respect to any and all structures located on an Owner's Lot to the extent the Association does not elect to purchase a policy in conformance with the provisions of Section 2 of this Article VI, shall be the responsibility of each Owner. Owners shall also be responsible for obtaining such policies of title insurance related to any sale of a Lot other than the purchase by the initial Owner from the Declarant.

Section 9. Annual Review of Insurance Policies. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors of the Association to ascertain that the coverage provided by such policies adequately covers those risks insured by the Association. Prior to obtaining any policy of fire insurance or renewal thereof, the Board of Directors or the managing agent of the Association may obtain a written appraisal from a duly qualified real estate or insurance appraiser, or other person knowledgeable as to replacement costs, which appraiser shall reasonably estimate the full replacement value of the improvements to be insured for the purpose of determining the amount of insurance required pursuant to the

provisions of this Article. Any First Mortgagee of a Lot shall be furnished with a copy of such appraisal upon request.

ARTICLE VII
DAMAGE OR DESTRUCTION

Section 1. Damage to Common Area. In the event of damage or destruction to all or a portion of the Common Area due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such Common Area damage or destruction are insufficient to repair and reconstruct the damaged or destroyed Common Area, the Association shall levy a reconstruction assessment in the aggregate amount of such insufficiency pursuant to Article IV, Section 6 hereof and shall proceed to make such repairs or reconstruction, unless the Owners and First Mortgagees of Lots agree not to repair and reconstruct such damage, in accordance with the terms and provisions of Article XI hereof. No distributions of insurance proceeds shall be made unless made jointly payable to the Owners of Lots and their respective First Mortgagees, if any. The reconstruction assessment provided for herein shall be a debt of each Owner and a lien on such Owner's Lot and the improvements thereon, and may be enforced and collected in the same manner as any assessment lien provided for in this Declaration.

Section 2. Destruction of Improvements on Lot. In the event of damage or destruction to any structure located on a Lot or on an Easement Area due to fire or other adversity or disaster, the insurance proceeds shall be adjusted with the Association and paid or payable to the Association as trustee for the Owners, but to be held by the Association in trust for Owners and First Mortgagees as their interests may appear. "Repair and reconstruction" of any structure, as used in this Section 2, shall mean restoring the improvements to substantially the same condition in which they existed prior to such damage or destruction, with each such structure having the same boundaries as before. The Owner of a Dominant Tenement shall be deemed to be the Owner of the appurtenant Easement Area for the purposes of this Article VII.

(a) If such insurance proceeds are sufficient to repair or reconstruct any damaged or destroyed structure, the Association shall promptly authorize the necessary repair and reconstruction work, and the insurance proceeds shall be applied by the Association to defray the cost thereof.

(b) If the insurance policy covering the loss is a policy of property insurance carried by the Association pursuant to Article VI, Section 2 of this Declaration, and such insurance

proceeds are insufficient to repair or reconstruct any damaged or destroyed structure, such damage or destruction shall be promptly repaired and reconstructed by the Association, using the insurance proceeds and the proceeds of a reconstruction assessment levied as provided in Article IV, Section 6 hereof. The reconstruction assessment provided for herein shall be a debt of each Owner and a lien on such Owner's Lot and the improvements thereon, and shall be enforced and collected as provided in Article IV hereof.

(c) If the insurance policy covering the loss is not a policy of property insurance carried by the Association pursuant to Article VI, Section 2 of this Declaration, and the insurance proceeds are insufficient to repair or reconstruct any damaged or destroyed structure, such damage or destruction shall be promptly repaired and reconstructed using the available insurance proceeds and other personal funds of the Owner(s) of the Lot on which such damaged or destroyed structure is located.

ARTICLE VIII PARTY WALLS

Section 1. Definition. For purposes of this Article VIII, "Party Wall" shall mean and refer to any wall, including landscape walls or patio walls, which is part of the original construction of the structures located on Lots, any part of which wall is placed on or immediately adjacent to a Lot line or on the line dividing a Servient Tenement and the Easement Area located thereon. Wooden or metal fences on Lot Lines or Easement Area Lines shall not be deemed to be Party Walls, and the maintenance and repair of fences shall be governed by Article IX and Article X hereof.

Section 2. General Rules of Law to Apply. To the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to the Party Walls located on the Properties.

Section 3. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a Party Wall shall be shared by the Owners who make use of the Party Wall in proportion to such use.

Section 4. Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, any Owner of a Lot on which the Party Wall is or was located may restore it, and if other Owners thereafter make use of the Party Wall, they shall contribute to the cost of restoration thereof in proportion to such use; without prejudice, however, to the right of any of such Owners to call for a larger contribution from the

others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 5. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes a Party Wall to be exposed to and damaged by the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 6. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to and run with the land and shall pass to such Owner's successors in title.

Section 7. Arbitration. In the event of any dispute arising under this Article concerning a Party Wall, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and a decision resolving the dispute shall be by a majority of all the arbitrators. Should any party refuse to appoint an arbitrator within 10 days after written request therefor by an Owner, the Board of Directors of the Association shall select an arbitrator for the refusing party. The parties to the arbitration shall share the costs thereof, but each party shall pay its own attorneys' fees.

ARTICLE IX EXTERIOR MAINTENANCE

Section 1. General.

(a) Subject to Section 1(b) of this Article IX, the maintenance and repair of each Lot, including but not limited to the interior and exterior of the residences and other improvements constructed thereon, shall be the responsibility of the Owners thereof. Maintenance responsibility for fences shall be apportioned among the Owners in accordance with the ownership of the fences. Each Owner and his agents and contractors is hereby granted an easement for the purpose of maintenance and repair of his Lot or of the Easement Area appurtenant to the Lot, or of any Party Wall or fence located thereon, on over, across, under and through adjacent Lots upon reasonable notice to the Owners thereof. Any damage occurring to such adjacent Lots or the improvements thereon in performing such repairs or maintenance shall be the responsibility of the Owners performing or authorizing such repairs or maintenance. The Association shall be responsible for maintaining the Common Area and the adjoining or interior public rights of way which are not maintained by the City of Aurora.

(b) Notwithstanding the provisions contained in Section 1(a) of this Article IX, the Board of Directors of the

Association may, with the concurrence of 2/3 of a quorum of the Class A members voting in person or by proxy at a duly held meeting of the Association, determine that the Association shall provide exterior maintenance upon the structures of each Lot which is subject to assessment hereunder, as follows: paint, stain and repair of the exterior facade, replacement and care of roofs, gutters, downspouts, exterior building surfaces, walks, or other exterior improvements, with the nature and extent of such maintenance to be as may be established from time to time by the Board of Directors with the concurrence of the members of the Association, as aforesaid; provided, however, that such exterior maintenance shall not include cleaning or replacement of windows or other glass surfaces. In the event that the Association elects to provide any or all of such exterior maintenance, as provided in this Section 1(b), the costs thereof shall be common expenses of the Association as provided in Article IV hereof, and the amount of the actual assessments levied by the Association pursuant to Article IV shall be adjusted accordingly, with regard to the anticipated costs of providing such maintenance and any reserve requirements which may be incident thereto. Any determination that the Association shall provide exterior maintenance, as provided in this Section 1(b), may be revoked, at any time and from time to time, by the Board of Directors of the Association with the concurrence of 2/3 of a quorum of the Class A members voting in person or by proxy at a duly held meeting of the Association.

Section 2. Association's Right to Repair, Maintain and Restore. In the event any Owner shall fail to perform his maintenance or repair obligations as provided in Section 1(a) of this Article IX in a manner satisfactory to the Board of Directors of the Association, the Association shall, if said failure continues for a thirty (30) day period after written notice to said Owner by the Board, enter upon said Lot within a reasonable time period subsequent to the expiration of said thirty (30) day time period to repair, maintain and restore the Lot, the exterior of the structure and any other improvements erected thereon. The cost of such maintenance, repair or restoration shall be the personal obligation of the Owner of the Lot on which such work is performed, shall be added to and become part of the assessment to which such Lot is subject, and shall become a lien against such Lot as provided in Article IV hereof.

Section 3. Access Easement. Each Lot and Easement Area shall be subject to an easement in favor of the Association (including its agents, employees and contractors) for performing maintenance as provided in this Article IX during reasonable hours after reasonable notice to the Owners or occupants of any affected Lot, except that in emergency situations entry upon a Lot may be made at any time, provided that the Owners or occupants of affected Lots shall be warned of impending emergency

entry as early as is reasonably possible. The interior of any residence located on a Lot shall not be subject to such easements as provided for in this Section 3.

Section 4. Maintenance of Landscaping. The Association shall be responsible for the landscaping and maintenance of the Common Area, including maintenance of the decorative brick entry monuments located on Lots 1, 39, 40 and 71 in Block 1; Lots 6 and 17 in Block 2; and Lots 1 and 23 in Block 3, and for maintenance of all lawn and landscaping between the peripheral fence surrounding the Properties and the adjacent public rights of way, including any necessary replacement, repair, snow removal, weeding, pest control, fertilizing, mowing, cutting, pruning, watering and trimming. All other landscape maintenance shall be the responsibility of the individual Owners, but no Owner shall, in whole or in part, change the landscaping of a Lot or any portion of the Common Area by the addition or removal of any items thereon without the prior written approval of the Architectural Control Committee.

Section 5. Owners' Negligence. Notwithstanding anything to the contrary contained in this Declaration, in the event that the need for maintenance or repair of the Common Area, a Lot, or any fences, walls or other improvements located thereon, is caused by the willful or negligent act or omission of any Owner, or by the willful or negligent act or omission of any member of such Owner's family or by a guest or invitee of such Owner, the cost of such repair or maintenance shall be the personal obligation of such Owner, and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction shall be added to and become part of the assessment to which such Owner's Lot is subject, and shall become a lien against such Owner's Lot as provided in Article IV of this Declaration. A determination of the negligence or willful act or omission of any Owner or any member of an Owner's family or a guest or invitee of any Owner, and the amount of the Owner's liability therefor, shall be made by the Association at a hearing after notice to the Owner, provided that any such determination which assigns liability to any Owner pursuant to the terms of this Section may be appealed by said Owner to a court of law.

ARTICLE X **SPECIAL EASEMENTS**

Section 1. Description of Easement Area. Attached hereto and marked Exhibit D, and incorporated herein by this reference, is a plot plan showing each of the Lots. There is hereby reserved over each of such Lots upon which a cross-hatched area (the "Easement Area") is shown on Exhibit D (the Lot upon which the Easement Area is located shall hereinafter be referred to as the "Servient Tenement") for the benefit of and appurtenant

to the Lot immediately adjoining such cross-hatched area (the Lot which is benefitted by the Easement Area shall hereinafter be referred to as the "Dominant Tenement") a perpetual, exclusive easement running with the land for the benefit of the Dominant Tenement, subject to the terms and conditions hereinafter set forth. Attached hereto and marked Exhibit E, and incorporated herein by this reference, is a designation of each Servient Tenement and the Dominant Tenement to which the Easement Area located on such Servient Tenement is appurtenant. The length of each Easement Area shall be either: (a) conterminous with the residence erected upon the Dominant Tenement, or (b) the distance from the rear Lot line of the Dominant Tenement to the front wall of the residence, or, (c) as otherwise shown on Exhibit D to this Declaration or a supplement thereto. The approximate width of each Easement Area is shown by the cross-hatched areas on the attached Exhibit D, with the width of such Easement Area being bounded by and consisting of the distance between the applicable Lot line of the Servient Tenement and the exterior wall of the residence constructed or to be constructed by the Declarant thereon. Subsequent to the construction of all residences, the Declarant may, in its discretion, without obtaining the consent or approval of any Owner, any First Mortgagee, any Agencies, the Association, or any other person, record an addendum to this Declaration for the purpose of clarifying the measured width of each Easement Area. The easement described in this Article shall be governed by the provisions hereof, and shall be automatically granted as and when each Lot is conveyed by Declarant to the first Owner other than a Declarant. Until such time as a Dominant Tenement or its Servient Tenement has been conveyed by Declarant to an Owner other than a Declarant, Declarant shall have the right to relocate any Easement Areas owned by the Declarant by recording amendments to Exhibits D and E.

Section 2. Purpose of Easement Area. The Owner of the Dominant Tenement shall have the right to use the Easement Area for planting shrubs, plants, flowers, trees, and grass, and for any other landscaping consistent with the terms hereof, for installation of sprinklers and drainage devices, and for the construction of decks, fences, patios, and other structures ancillary to the primary residential structure on the Dominant Tenement. The Easement Area may be used as a general recreational and garden area, but no enclosed structure, other than heretofore permitted, shall be constructed or placed upon the easement by the Owner of the Dominant Tenement or of the Servient Tenement.

Section 3. Right of Entry. The Owner of the Servient Tenement shall have the right at all reasonable times to enter upon the Easement Area, including the right to cross over the Dominant Tenement to accomplish such entry, for the purpose of performing work related to the use and maintenance of the Servient Tenement.

Section 4. Right of Drainage. The Servient Tenement shall have the right of drainage over, across and upon the Easement Area for water resulting from normal precipitation upon and irrigation of the Servient Tenement, and the Owner of the Dominant Tenement shall not do or permit to be done any act which interferes with such drainage.

Section 5. Right of Support. The Servient Tenement shall have the right of lateral and subjacent support for all improvements now or hereafter constructed upon the Servient Tenement, and no use of or construction upon the Easement Area shall adversely affect such right of support.

Section 6. Indemnity of Dominant Tenement Owner. The Owner of the Servient Tenement shall indemnify and hold the Owner of the Dominant Tenement harmless from damage to shrubs, plants, flowers, trees, lawn, sprinklers, fences, walls and other landscaping or structures resulting from the exercise of the right of access reserved to the Owner of the Servient Tenement.

Section 7. Indemnity of Servient Tenement Owner. The Owner of the Dominant Tenement shall indemnify and hold the Owner of the Servient Tenement harmless from damage to any improvements now or hereafter constructed on such Servient Tenement caused by any use of the Easement Area by the Owner and Related Users of the Dominant Tenement, and shall indemnify and hold the Owner of the Servient Tenement harmless from any and all claims for personal injury, including death, and for damage to property occurring upon the Easement Area. The Owner of the Dominant Tenement shall acquire and keep in force adequate hazard and liability insurance covering the Easement Area.

Section 8. Maintenance of Easement Area. The Owner of the Dominant Tenement shall be responsible for maintaining the Easement Area and all landscaping, fences and improvements located thereon for the benefit of the Dominant Tenement to the same extent as if it were a portion of such Owner's Lot.

Section 9. Scenic Easement. A scenic easement across portions of Lots 67 through 71 in Block 1 is hereby created for the use and benefit of all of the Owners of Lots in the Properties, and all Owners of the aforesaid Lots shall take title subject to such easement. The Scenic Easement is located between the peripheral fence surrounding the Properties and the adjoining street or right of way as such improvements exist as of the date this Declaration is recorded. The Scenic Easement area shall remain open, with no additions or improvements other than ornamental landscaping, and no buildings or improvements shall be constructed or maintained upon it. The Association shall maintain the landscaping located within the Scenic Easement area.

ARTICLE XI
RESTRICTIONS

Section 1. General Plan. It is the intention of the Declarant to establish and impose a general plan for the improvement, development, use and occupancy of the Properties, all in order to enhance the value, desirability, and attractiveness of the Properties and subserve and promote the sale thereof.

Section 2. Restrictions Imposed. The Declarant hereby declares that all of the Properties shall be held and shall henceforth be sold, conveyed, used, improved, occupied, owned, resided upon, and hypothecated subject to the following provisions, conditions, limitations, restrictions, agreements, and covenants, as well as those contained elsewhere in this Declaration.

Section 3. Use of Common Area.

(a) No use shall be made of the Common Area which will in any manner violate the statutes, rules, or regulations of any governmental authority having jurisdiction over the Common Area.

(b) No Owner shall engage in any activity which will temporarily or permanently deny free access to any part of the Common Area to all Members, nor shall any Owner place any structure whatsoever upon the Common Area.

(c) The use of the Common Area shall be subject to such rules and regulations as may be adopted from time to time by the Board of Directors of the Association.

(d) No use shall ever be made of the Common Area which will deny the right of ingress to and egress from Lots which are accessible only over the Common Area, and the right of ingress to and egress from said Lots is hereby expressly granted.

Section 4. Residential Use. Subject to Section 5 of this Article XI, Lots shall be used for residential purposes only, including uses related to the convenience and enjoyment of such residential use, and no business or profession of any nature shall be conducted on any Lot or in any structure located thereon.

Section 5. Declarant's Use. Notwithstanding anything to the contrary contained in this Declaration, it shall be expressly permissible and proper for Declarant, its employees, agents, and contractors, to perform such reasonable activities, and to maintain upon portions of the Properties such facilities as Declarant deems reasonably necessary or incidental to the

construction and sale of Lots and development of the Properties, specifically including, without limiting the generality of the foregoing, maintaining business offices, storage areas, construction yards and equipment, signs, model units, sales offices, parking areas and lighting facilities. Notwithstanding the foregoing, Declarant shall not perform any activity or maintain any facility on any portion of the Properties in such a way as to interfere unreasonably with or disturb any Owner, or to interfere unreasonably with the use, enjoyment or access of such Owner, his family members, guests or invitees, of and to his Lot, the Common Area, parking areas and to a public right of way.

Section 6. Household Pets. No animals, livestock, poultry or insects of any kind shall be raised, bred, kept or boarded in or on the Properties; provided, however, that the Owners of each Lot may keep a reasonable number of dogs, cats, fish, or other domestic animals which are bona fide household pets, so long as such pets are not kept for any commercial purpose and are not kept in such number or in such manner as to create a nuisance to any resident of the Properties. The Association shall have, and is hereby given, the right and authority to determine reasonably that dogs, cats or other household pets are being kept for commercial purposes or are being kept in such number or in such manner as to be unreasonable or to create a nuisance to any resident of the Properties, or that an Owner is otherwise in violation of the provisions of this Section 6, and to take such action or actions as it deems reasonably necessary to correct the same. An Owner's right to keep household pets shall be coupled with the responsibility to pay for any damage caused by such Owner's pet or pets, and to comply with all rules and ordinances pertaining to pet ownership.

Section 7. Lots to be Maintained. Each Lot and Easement Area shall at all times be kept in a clean, sightly, and wholesome condition. No trash, litter, junk, boxes, containers, bottles, cans, implements, machinery, lumber, or other building materials shall be permitted to remain exposed upon any Lot so that the same are visible from any neighboring Lot, the Common Area, or any street, except as necessary during the period of construction.

Section 8. Temporary Structures. Except as hereinafter provided, no structure of a temporary character, including but not limited to a house trailer, tent, shack, or outbuilding, shall be placed or erected upon any Lot, and no residence shall be occupied in any manner at any time prior to its being fully completed, nor shall any residence when completed be in any manner occupied until made to comply with all requirements, conditions, and restrictions herein set forth; provided, however, that during the actual construction, alteration, repair or remodeling of a residence, necessary temporary structures for

storage of materials may be erected and maintained by the person doing such work. The work of constructing, altering or remodeling any residence shall be prosecuted diligently from the commencement thereof until the completion thereof.

Section 9. Miscellaneous Structures.

(a) No advertising or signs of any character shall be erected, placed, permitted or maintained on any Lot other than a name plate of the occupant and a street number, and except for a "For Sale," "Open House," or "For Rent" sign not to exceed five (5) square feet. Notwithstanding the foregoing, reasonable signs, advertising, or billboards used by the Declarant in connection with its sale or rental of Lots, or otherwise in connection with its development of the Properties, shall be permissible, provided that such use by the Declarant shall not interfere with the Owners' use and enjoyment of their Lots, the Common Area, or with their ingress to or egress from a public way to the Common Area or their Lots.

(b) All types of refrigerating, cooling, or heating apparatus shall be concealed.

(c) Except as may otherwise be permitted by the Architectural Control Committee, all antennae shall be installed inside residences.

(d) No clotheslines, dog runs, drying yards, service yards, wood piles or storage areas shall be so located on any Lot as to be visible from a street, any other Lot, or from the Common Area.

Section 10. Vehicular Parking, Storage and Repairs.

(a) No house trailer, camping trailer, boat trailer, hauling trailer, boat, or accessories thereto, motor-driven cycle, truck (larger than 3/4 ton), self-contained motorized recreational vehicle, or other type of recreational vehicle or equipment, may be parked or stored on the Properties unless such parking or storage is done wholly within the enclosed garage, if any, located on a Lot, or within any area which may, from time to time, be designated by the Association for the parking or storage of such vehicles, except that any such vehicle may be otherwise parked as a temporary expedience for loading, delivery, or emergency. This restriction shall not apply to trucks or other commercial vehicles temporarily located within the Properties which are necessary for construction or for the maintenance of the Common Area, Lots, or any improvements located thereon.

(b) Except as hereinabove provided, no abandoned or inoperable automobiles or vehicles of any kind shall be stored or parked on the Properties. An "abandoned or inoperable vehicle" shall be defined as any automobile, truck, motorcycle, boat, trailer, camper, house trailer, self-contained motorized recreational vehicle, or other similar vehicle, which has not been driven under its own propulsion for a period of two (2) weeks or longer, or which does not have an operable propulsion system installed therein; provided, however, that otherwise permitted vehicles parked by Owners while on vacation or during a period of illness shall not constitute abandoned or inoperable vehicles. In the event that the Association shall determine that a vehicle is an abandoned or inoperable vehicle, then a written notice describing said vehicle shall be personally delivered to the owner thereof (if such owner can be reasonably ascertained) or shall be conspicuously placed upon the vehicle (if the owner thereof cannot be reasonably ascertained), and if the abandoned or inoperable vehicle is not removed within 72 hours thereafter, the Association shall have the right to remove the vehicle at the sole expense of the owner thereof.

(c) No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting, or servicing of any kind of vehicles, trailers or boats, may be performed or conducted on the Properties, unless it is done within completely enclosed structures which screen the sight and sound of the activity from the street and from adjoining property. The foregoing restriction shall not be deemed to prevent washing and polishing of any motor vehicle, boat, trailer, or motor-driven cycle, together with those activities normally incident and necessary to such washing and polishing.

Section 11. Nuisances. No nuisance shall be permitted on the Properties, nor shall any use, activity or practice take place which is the source of annoyance or embarrassment to, or which offends or disturbs any residents of the Properties, or which interferes with the peaceful enjoyment or possession and proper use of the Properties, or any portion thereof, by its residents. As used herein, the term "nuisance" shall not include any activities of Declarant which are reasonably necessary to the development of and construction on the Properties; provided, however, that such activities of the Declarant shall not unreasonably interfere with any Owner's use and enjoyment of his Lot or the Common Area, or with any Owner's ingress to and egress from his Lot and a public way. Further, no immoral, improper, offensive or unlawful use shall be permitted or made of the Properties or any portion thereof. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction over the Properties, or any portion thereof, shall be observed.

Section 12. Lots Not to be Subdivided. No Lot shall be subdivided, except for the purpose of combining portions of a Lot with an adjoining Lot, provided that no additional building site is created thereby. Not less than one entire Lot, as conveyed, shall be used as a building site.

Section 13. No Hazardous Activities. No activities shall be conducted on the Properties or within improvements constructed on the Properties which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any of the Properties and no open fires shall be lighted or permitted on the Properties except in a contained barbecue unit while attended and in use for cooking purposes or within an interior fireplace.

Section 14. No Annoying Light, Sounds or Odors. No light shall be emitted from any Lot which is unreasonably bright or causes unreasonable glare; no sound or vibration shall be emitted from any Lot which is unreasonably loud or annoying; and no odor shall be permitted from any Lot which is noxious or offensive to others.

Section 15. Garbage and Refuse Disposal. No garbage, refuse, rubbish, or cuttings shall be deposited on any street, the Common Area, or any Lot, unless placed in a suitable container suitably located, solely for the purpose of garbage pickup. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. No garbage or trash cans or receptacles shall be maintained in an exposed or unsightly manner. Garbage and rubbish removal shall be the responsibility of the Association, which shall direct, by rules and regulations, the times and locations for waste disposal, and which may restrict the times and locations that garbage is left out for pick-up.

Section 16. Leases. The term "lease," as used herein, shall include any agreement for the leasing or rental of a Lot or any portion thereof, and shall specifically include, without limitation, a month-to-month rental. Whether or not the lease so states, all leases of Lots shall be subject to the following conditions:

(a) All leases shall be in writing; and

(b) All leases shall provide that the terms of the lease and lessee's occupancy of the Lot shall be subject in all respects to the provisions of this Declaration, and the Articles of Incorporation, Bylaws and Rules and Regulations of the Association, and that any failure by the lessee to comply with any of the aforesaid documents, in any respect, shall be a default under the lease; and

(c) No lease shall be for less than thirty (30) days.

Section 17. Minor Violations of Setback Restrictions. If upon the erection of any structure, it is disclosed by survey that a violation or infringement of setback lines has occurred, such violation or infringement shall be deemed waived by the Owners of Lots immediately adjoining the Lot containing the structure which is in violation of the setback, and such waiver shall run with the land. However, nothing contained in this Section 17 shall prevent the prosecution of a suit for any other violation of the restrictions contained in this Declaration. This provision shall apply only to the original structures and shall not be applicable to any alterations or repairs to any of such structures.

Section 18. Rules and Regulations. Rules and regulations concerning and governing the Properties or any portion thereof may be adopted, amended or repealed, from time to time, by the Board of Directors of the Association, and the Board of Directors may establish and enforce penalties for the infraction thereof, including without limitation the levying and collecting of fines for the violation of any of such rules and regulations.

Section 19. Management Agreements and Other Contracts.

(a) The Association may utilize professional management in performing its duties hereunder. Any agreement for professional management of the Association's business or any other contract providing for the services of the Declarant shall have a maximum term of three (3) years, and any such agreement shall provide for termination by either party thereto, with or without cause and without payment of a termination fee, upon thirty (30) days' prior written notice. Any such management agreements entered into by the Association with a manager or managing agent prior to the termination of the Class B membership shall be subject to review and approval by HUD or VA, and shall terminate absolutely, in any event, no later than thirty (30) days after termination of the Class B membership.

Section 20. Restrictions on Grading. Each Owner shall be responsible for continual maintenance of the grading of such Owner's Lot, including the correction of any settling, shifting or erosion which occurs, in order to ensure that the grading of the Lot does not differ materially from the final grade originally established by Declarant. Water resulting from precipitation or irrigation must drain away from the residences on the Lots, and shall not be permitted to accumulate.

Section 21. Restrictions on Landscaping and Irrigation. No plants shall be placed within two feet from the foundation of

any residences on Lots. Landscape plants which require only minimal, low-volume (drip) irrigation, and no other kind of planting, may be placed between two feet and five feet from the foundations of residences. No sod or other landscape planting which requires regular, high volume irrigation shall be located closer to a foundation than five feet, and all irrigation equipment shall be located, and the water volume adjusted, so as to avoid soaking or flooding the ground within five feet of any foundation.

ARTICLE XII
FIRST MORTGAGEES

Section 1. Member and First Mortgagee Approval.
Subject to Article XIII, Section 8(b) of this Declaration, but notwithstanding any other provisions of this Declaration to the contrary, the Association shall not:

(a) unless it has obtained the prior written consent of at least sixty-seven percent (67%) of each class of Members and sixty-seven percent (67%) of the First Mortgagees of Lots (based upon one vote for each First Mortgage owned):

(1) by act or omission, change, waive, or abandon any scheme of architectural control, or enforcement thereof, as set forth in this Declaration, regarding the design or maintenance of the Lots, the improvements thereon or the Common Area;

(2) fail to maintain full current replacement cost fire and extended insurance coverage on the Common Area;

(3) use hazard insurance proceeds for Common Area property losses for purposes other than to repair, replace, or reconstruct such property;

(4) by act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer any common property owned, directly or indirectly, by the Association for the benefit of the Owners (excluding the granting of permits, licenses and easements for public utilities, roads, or other purposes reasonably necessary or useful for the proper maintenance or operation of the Properties or the Association);

(5) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner; or

(6) terminate the legal status of the Properties as a planned unit development, provided that this subsection (6) shall not apply to amendments to this Declaration, the Articles of Incorporation or Bylaws of the Association made as a result of destruction, damage or condemnation of the Properties or improvements thereon; provided, however, that any distribution made as a result of said termination shall be accomplished on a reasonable and equitable basis.

(b) unless it has obtained the prior written consent of at least sixty-seven percent (67%) of each class of Members, and fifty-one percent (51%) of the First Mortgagees of Lots (based upon one vote for each First Mortgage owned) add or amend any material provisions of this Declaration, the Articles of Incorporation or Bylaws of the Association which establish, provide for, govern or regulate any of the following, provided that such additions or amendments shall not be considered material if they are for the purpose of correcting technical errors or for clarification only:

- (1) voting rights;
- (2) assessments, assessment liens or subordination of such liens;
- (3) reserves for maintenance, repair and replacement of those elements of the Common Area which must be maintained, repaired or replaced on a periodic basis;
- (4) responsibility for maintenance and repair of any portion of the Properties;
- (5) rights to use of the Common Area;
- (6) boundaries of any Lot;
- (7) convertibility of Lots into Common Area or of Common Area into Lots;
- (8) expansion or contraction of the Properties or the addition, annexation or withdrawal of property to or from the Properties;
- (9) insurance, including but not limited to fidelity bonds;
- (10) leasing of Lots or dwellings constructed thereon;

(11) imposition of any restriction on the right of any Owner to sell or transfer his Lot;

(12) any decision by the Association to assume self-management of the Association, when professional management has previously been required by any First Mortgagee of a Lot or insurer or guarantor of a First Mortgage;

(13) any restoration or repair of the Properties, after a partial condemnation or damage due to an insurable hazard, other than substantially in accordance with this Declaration, and the Articles of Incorporation and Bylaws of the Association;

(14) any action to terminate the legal status of the Properties after substantial destruction or condemnation.

(15) any provisions which are for the express benefit of First Mortgagees, or insurers or guarantors of First Mortgages; or

Section 2. Notice of Action. Upon written request to the Association, identifying the name and address of the First Mortgagee or insurer or guarantor of the First Mortgage and the residence address of the property which is subject to such First Mortgage, each such First Mortgagee of a Lot, or insurer or guarantor of such a First Mortgage, shall be entitled to timely written notice of:

(A) any condemnation loss or casualty loss which affects a material portion of the Properties or any Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, or insurer or guarantor of a First Mortgage;

(B) any delinquency in the payment of assessments or charges owed to the Association by the Owner of the Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or guarantor, or any default by such Owner in any obligation under the Declaration, Articles of Incorporation or Bylaws of the Association and the Board of Directors of the Association has actual knowledge of such default, when such delinquency or default remains uncured for a period of sixty (60) days;

(C) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(D) any proposed action which would require the consent of a specified percentage of First Mortgagees as provided in this Article XII.

Section 3. Audit. At any time after that date on which the Project has been expanded, pursuant to Article XIII, Section 6 hereof, to include fifty (50) or more Lots, the Association shall provide an audited financial statement for the immediately preceding fiscal year, free of charge to the party so requesting, to any First Mortgagee of any Lot, or any insurer or guarantor of a First Mortgage, within a reasonable time after written request therefor is made by any such First Mortgagee, insurer or guarantor of such a First Mortgage. So long as the Project includes less than fifty (50) Lots, fifty-one percent (51%) or more of the First Mortgagees of Lots shall be entitled to have an audited financial statement prepared at their expense if one is not otherwise available.

ARTICLE XIII GENERAL PROVISIONS

Section 1. Enforcement. The covenants, conditions, restrictions, easements, reservations, rights-of-way, liens, charges and other provisions contained in this Declaration, the Articles of Incorporation, Bylaws or Rules and Regulations of the Association, as amended, may be enforced by any proceeding at law or in equity, including but not limited to injunctive relief, against any person or persons violating or attempting to violate any such provision. The Association and any aggrieved Owner shall have the right to institute, maintain and prosecute any such proceedings, and the Association shall further have the right to levy and collect fines for the violation of any provision of any of the aforesaid documents. In any action instituted or maintained under this Section, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto, as well as any and all other sums awarded by the Court. Failure by the Association or any Owner to enforce any covenant or restriction herein contained, or any other provision of any of the aforesaid documents, shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidity of any of these covenants or restrictions by judgment or court order shall in no way affect or limit any other provisions, which shall remain in full force and effect.

Section 3. Construction and Maintenance Easement. If any portion of any exterior wall of a structure is situated within five feet of any adjoining Lot line, a valid easement shall and does exist, five feet in width, along the adjoining Lot and adjacent to the said Lot line, which easement may be used for .

the purpose of construction, reconstruction, maintenance and repair of said exterior wall of a structure which is situated within five feet from the nearest point of said easement.

Section 4. Utilities. There is hereby created a blanket easement upon, across, over and under the Properties for utilities and the installation, replacement, repair and maintenance of utilities, including but not limited to water, sewer, gas, telephone, electricity, master television antenna systems, and cable television. By virtue of this blanket easement, it shall be expressly permissible to erect and maintain the necessary facilities, equipment and appurtenances on the Properties and to affix, repair, and maintain water and sewer pipes, gas, electric, telephone and television wires, circuits, conduits and meters. In the event that any utility or quasi-utility company furnishing a service covered by the general easement created herein requests a specific easement by separate recordable document, Declarant reserves and is hereby given the right and authority to grant such easement upon, across, over or under any part or all of the Common Area without conflicting with the terms hereof; provided, however, that such right and authority shall cease and determine upon conveyance by Declarant of the last Lot to the first purchaser thereof (other than Declarant), or on that date which is twenty years after the date of recording this declaration, whichever occurs first, at which time such right and authority shall vest in the Association.

Section 5. Conflict of Provisions. In case of any conflict between this Declaration, the Articles of Incorporation or the Bylaws of the Association, this Declaration shall control. In case of any conflict between the Articles of Incorporation and the Bylaws of the Association, the Articles of Incorporation shall control.

Section 6. Annexation. Additional residential property or Common Area, or both, may be annexed with the consent of two-thirds of each class of Members. Notwithstanding the foregoing, the Declarant may annex additional residential property and Common Area within the lands described on Exhibit C, attached hereto and incorporated herein by this reference, until that date which is seven (7) years after the date of recording of this Declaration in Arapahoe County, Colorado, without consent of the individual Owners or First Mortgagees, subject to a determination by HUD or VA that the annexation is in accord with the general plan heretofore approved by them. Each such annexation shall be effected, if at all, by recording a document entitled "Annexation of Additional Land" in the Office of the Clerk and Recorder of the County of Arapahoe, Colorado, which document shall provide for annexation to this Declaration of the property described therein, and may include such other provisions as deemed appropriate by the Declarant. All provisions of this Declaration,

including but not limited to those provisions regarding obligations to pay assessments to the Association and any right to cast votes as Members, shall apply to annexed property immediately upon recording the Annexation of Additional Land, as aforesaid. Prior to transferring ownership of the first Lot conveyed in the Properties and in any property which is annexed by Declarant pursuant to this Section 6, Declarant shall convey the Common Area contained in the Properties or in such annexed property, as applicable, to the Association. If annexed property contains Easement Areas, as hereinafter defined, or Maintenance Easement Areas, as hereinafter defined, the Annexation of Additional Land shall so specify, and the Declarant shall identify and describe such easements in the same manner as in Article X hereof.

Section 7. Condemnation. In the event proceedings are initiated by any government or agency thereof, seeking to take the Common Area or any part thereof, interest therein or improvement thereon by condemnation or the power of eminent domain, the Association shall give prompt notice thereof, including a description of the part of or interest in the Common Area or improvement thereon sought to be so condemned, to all Members. The Association shall have full power and authority to defend in said proceedings, and to represent the Owners in any negotiations, settlements and agreements with a condemning authority for acquisition of the Common Area, any part thereof, or any interest therein, and each Owner hereby appoints the Association as such Owner's attorney-in-fact for such purposes. Any award or proceeds of settlement shall be payable to the Association for the use and benefit of the Members and their mortgagees as their interests may appear.

(a) In the event that all of the Common Area is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, any award or settlement shall be apportioned by the Association on a reasonable basis as the Association determines to be equitable in the circumstances, or as determined by judicial decree. If the allocation of condemnation award is already established in the negotiations, judicial decree, or otherwise, then in allocating the condemnation award the Association shall employ such allocation to the extent that it is relevant, equitable and applicable.

(b) In the event that less than the entire Common Area is taken, condemned, sold or otherwise disposed of in lieu of or in avoidance of condemnation, the condemnation award shall first be applied by the Association to the rebuilding and replacement of those improvements on the Common Area damaged or taken by the condemning public authority, unless sixty-seven percent (67%) of the Owners and sixty-seven percent (67%) of the First Mortgagees of Lots (based upon one vote for each First Mortgage held) agree otherwise. Any surplus of the award or

other portion thereof not used for rebuilding and replacement shall be distributed by the Association on the same basis as indicated in subparagraph (a) of this Section 7. No provision of the Declaration or any other document relating to the Properties shall be deemed to give an Owner or any other party priority over the rights of a First Mortgagee, pursuant to a First Mortgage, in the case of a distribution of insurance proceeds or condemnation award for losses to or taking of Lots or Common Area or both.

Section 8. Duration, Revocation, and Amendment.

(a) Each and every provision of this Declaration shall run with and bind the land for a term of twenty (20) years from the date of recording of this Declaration, after which time this Declaration shall be automatically extended for successive periods of ten (10) years each. Except as provided in Article XII hereof, this Declaration may be amended during the first twenty (20) year period, and during subsequent extensions thereof, by any instrument approved in writing by not less than fifty-one percent (51%) of the Members of each class.

(b) Notwithstanding anything to the contrary contained in this Declaration:

(1) Declarant hereby reserves and is granted the right and power to record technical amendments to this Declaration, the Articles of Incorporation and the Bylaws of the Association, at any time prior to the sale of the last Lot by Declarant to the first Owner thereof (other than Declarant) or seven years from the date this Declaration is recorded in the County of Arapahoe, Colorado, whichever occurs first, for the purposes of correcting spelling, grammar, dates, typographical errors, or as may otherwise be necessary to clarify the meaning of any provisions of this Declaration;

(2) Declarant hereby reserves and is granted the right and power to record special amendments to this Declaration, the Articles of Incorporation and the Bylaws of the Association, at any time prior to the sale of the last Lot by Declarant to the first Owner thereof (other than Declarant) or seven years from the date this Declaration is recorded in the County of Arapahoe, Colorado, whichever occurs first, in order to comply with any requirements of the Agencies or to induce any of the Agencies to make, purchase, sell, insure, or guarantee First Mortgages on Lots; provided, however, that each such special amendment must have the prior written consent of VA or HUD.

(c) To be effective, all amendments to or revocation or termination of this Declaration must be recorded in the office of the Clerk and Recorder of the County of Arapahoe, Colorado, and must contain evidence of the required approval thereof.

(d) One method of satisfying the requirements of Subsection (c) of this Section 8 shall be the recordation of a certificate of the Secretary of the Association, certifying that Owners representing the requisite percentage of the Lots, and that the requisite percentage of First Mortgagees, if any, have given notarized written consent to the amendment. The Secretary must further certify that originals of such written consents by Owners and First Mortgagees, as applicable, along with the recorded amendment, are in the corporate records of the association and available for inspection.

Section 9. Rights of Declarant Incident to Construction. An easement is hereby retained by and granted to Declarant, its successors and assigns, for access, ingress, and egress over, in, upon, under, and across the Common Area, including but not limited to the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to Declarant's construction on the Properties; provided, however, that no such rights or easements shall be exercised by Declarant in such a manner as to interfere unreasonably with the occupancy, use, or enjoyment of, or access to a Lot by its Owner, and such Owner's family members, guests, lessees or invitees.

Section 10. Easement for Encroachments. If any portion of a structure encroaches upon the Common Area or upon any adjoining Lot, including any future encroachments arising or resulting from the repair or reconstruction of a structure subsequent to its damage, destruction or condemnation, a valid easement on the surface and for subsurface support below such surface and for the maintenance of same, so long as its stands, shall and does exist. Such easement shall not be considered a defect in the legal title to the Lot on which it is located, and shall run with the land.

Section 11. Registration by Owner of Mailing Address. Each Owner and each First Mortgagee or insurer or guarantor of a First Mortgage shall register a mailing address with the Association, and except for monthly statements and other routine notices, all other notices or demands intended to be served upon an Owner, First Mortgagee, or insurer or guarantor of a First Mortgage shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner at such registered mailing address. All notices, demands, or other notices intended to be served upon the Board of Directors of the

Association or the Association shall be sent by certified mail, postage prepaid, to Southlight Homeowners' Association, c/o Hanover Homes Corporation, 650 South Cherry Street, Denver, Colorado 80222, until such address is changed by the Association.

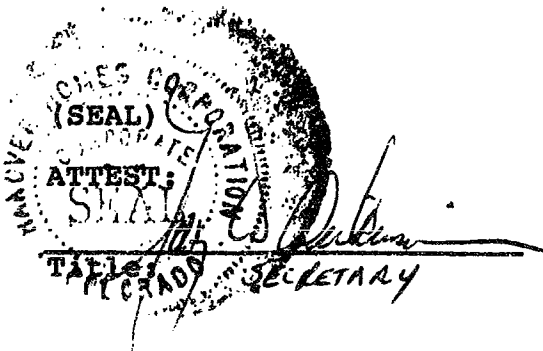
Section 12. FHA/VA Approval. As long as there is a Class B membership, the following actions shall require the prior approval of HUD or VA: annexation of additional properties, dedication of Common Area, and amendment of this Declaration.

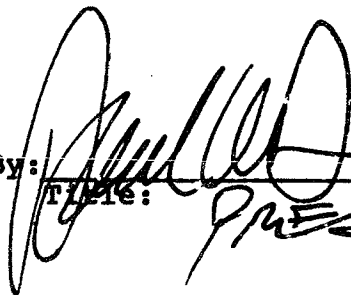
Section 13. Dedication of Common Area. Declarant in recording this Declaration of Covenants, Conditions and Restrictions has designated certain areas of land as Common Area intended for the common use and enjoyment of Owners for recreation and other related activities. The Common Area is not dedicated hereby for use by the general public but is dedicated to the common use and enjoyment of the Owners, as more fully provided in this Declaration of Covenants, Conditions and Restrictions.

Section 14. Interpretation. In this Declaration, unless the context otherwise requires, the use of one gender shall include all genders, and the use of the singular shall include the plural, and the plural the singular. The paragraph captions are intended for ready reference purposes, and are not intended to alter or limit the meaning of the provisions hereof.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal as of the day and year first above written.

HANOVER HOMES CORPORATION, a
Colorado corporation



By: 
Title: PRESIDENT

STATE OF COLORADO

COUNTY OF Denver

)
) ss.
)

The foregoing instrument was acknowledged before me this
6th day of July, 1984 by PAUL W. Powers
 as President and GARY W. Dickinson
 as Secretary of HANOVER HOMES CORPORATION, a
 Colorado corporation.

WITNESS my hand and official seal.

My commission expires: 8-12-85

Margaret A. Berson
 Notary Public
 Address: 650 S. Cherry #600
Denver, Co. 80522



EXHIBIT A
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SOUTHLIGHT HOMES

Phase I Legal Description:

Lots 40-59, Block 1 and Lots 1-11, Block 5 and Tract A,
Quincy Creek Subdivision Filing No. 1.
County of Arapahoe, State of Colorado

EXHIBIT B
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SOUTHLIGHT HOMES

Phase I Common Area Legal Description:

Tract A, Quincy Creek Subdivision Filing No. 1.
County of Arapahoe, State of Colorado.

EXHIBIT C
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SOUTHLIGHT HOMES

Annexable Area Legal Description

Lots 1-39 and 60-71, Block 1; Lots 1-17, Block 2; Lots
1-23, Block 3 and Lots 1-15, Block 4; Quincy Creek Subdivision
Filing No. 1.
County of Arapahoe, State of Colorado.

**EXHIBIT D
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SOUTHLIGHT HOMES
Easement Areas**

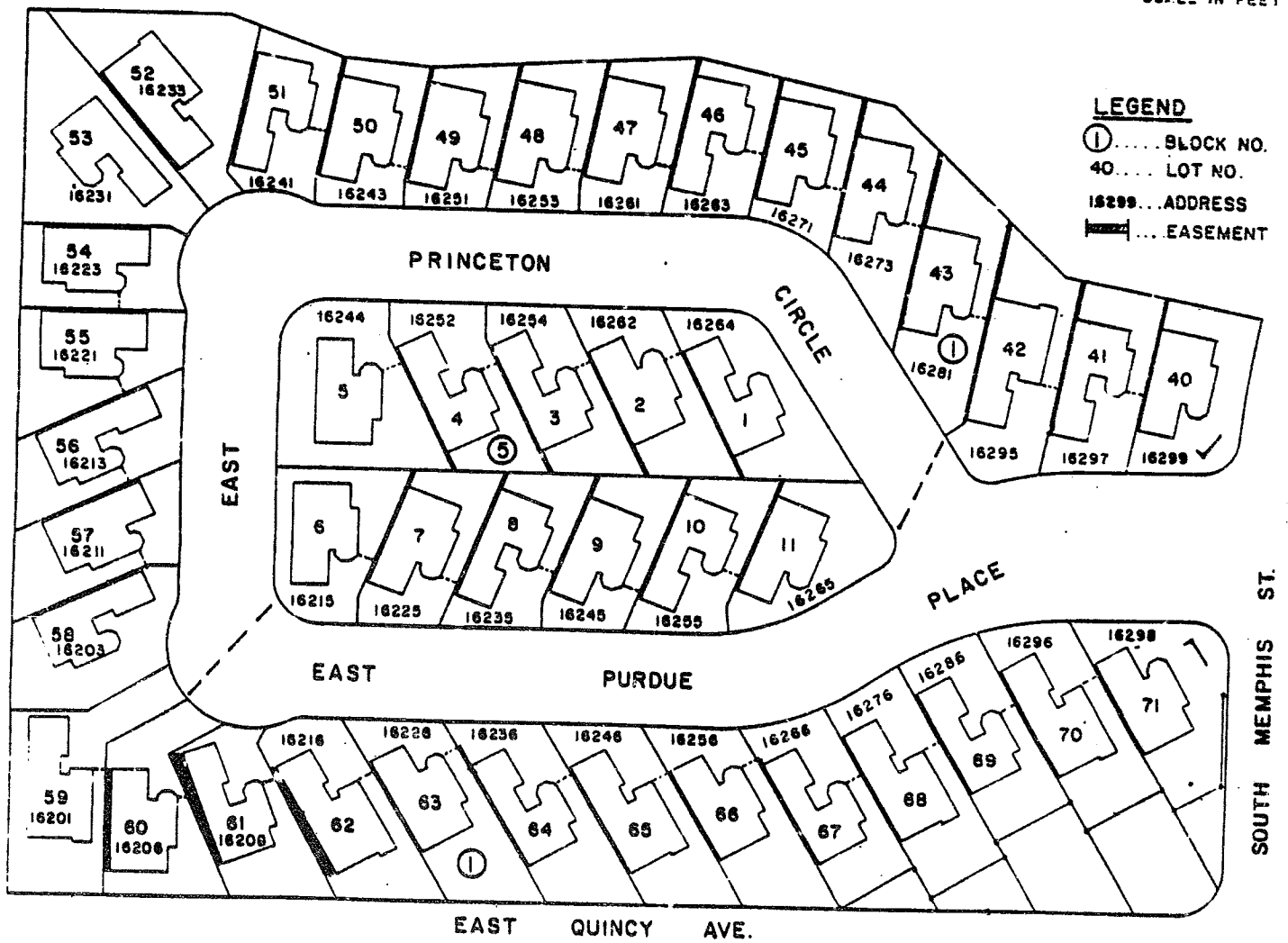
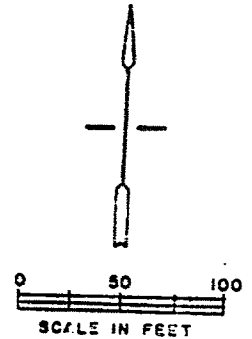


EXHIBIT E
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SOUTHLIGHT HOMES
Description of Easement Areas

<u>SERVIENT TENEMENT</u>				<u>DOMINANT TENEMENT</u>			
<u>STREET</u>	<u>STREET NO.</u>	<u>LOT</u>	<u>BLK.</u>	<u>STREET</u>	<u>STREET NO.</u>	<u>LOT</u>	<u>BLK.</u>
E. PURDUE PL.	16299	40	1	E. PURDUE PL.	16297	41	1
" "	16297	41	1	" "	16295	42	1
" "	16295	42	1	E. PRINCETON CIR.	16281	43	1
E. PRINCETON CIR.	16281	43	1	" "	16273	44	1
" "	16273	44	1	" "	16271	45	1
" "	16271	45	1	" "	16263	46	1
" "	16263	46	1	" "	16261	47	1
" "	16261	47	1	" "	16253	48	1
" "	16253	48	1	" "	16251	49	1
" "	16251	49	1	" "	16243	50	1
" "	16243	50	1	" "	16241	51	1
" "	16241	51	1	" "	16233	52	1
" "	16233	52	1	" "	16231	53	1
" "	16223	54	1	" "	16231	53	1
" "	16221	55	1	" "	16223	54	1
" "	16213	56	1	" "	16221	55	1

<u>SERVIENT TENEMENT</u>				<u>DOMINANT TENEMENT</u>			
<u>STREET</u>	<u>STREET NO.</u>	<u>LOT</u>	<u>BLK.</u>	<u>STREET</u>	<u>STREET NO.</u>	<u>LOT</u>	<u>BLK.</u>
E. PRINCETON CIR.	16211	57	1	E. PRINCETON CIR.	16213	56	1
"	"	16203	58	"	"	16211	57
E. PURDUE PL.	16206	60	1	"	"	16201	59
"	"	16208	61	E. PURDUE PL.	16206	60	1
"	"	16216	62	"	"	16208	61
"	"	15226	63	"	"	16216	62
"	"	16236	64	"	"	16226	63
"	"	16246	65	"	"	16236	64
"	"	16256	66	"	"	16246	65
"	"	16266	67	"	"	16256	66
"	"	16276	68	"	"	16266	67
"	"	16286	69	"	"	16276	68
"	"	16296	70	"	"	16286	69
"	"	16298	71	"	"	16296	70
E. PRINCETON CIR.	16264	1	5	E. PRINCETON CIR.	16262	2	5
"	"	16262	2	"	"	16254	3
"	"	16254	3	"	"	16252	4
"	"	16252	4	"	"	16244	5
E. PURDUE PL.	16265	11	5	E. PURDUE PL.	16255	10	5
"	"	16255	10	"	"	16245	9
"	"	16245	9	"	"	16235	8
"	"	16235	8	"	"	16225	7
"	"	16225	7	"	"	16215	6

Recorded at 10:54 A M NOV 15 1985
Reception No. 2601446 MARJORIE PACK, Recorder

BOOK 4600 PAGE 6

FIRST ANNEXATION OF ADDITIONAL LAND

TO

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF SOUTHLIGHT HOMEOWNER ASSOCIATION, INC.

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS HANOVER HOMES CORPORATION, A COLORADO CORPORATION, ("Declarant") has heretofore executed and caused to be recorded that certain Declaration of Covenants, Conditions, and Restrictions of Southlight Homeowner Association, Inc. recorded July 12, 1984, in Book 4208, Page 512 in the office of the Clerk and Recorder of Arapahoe County, Colorado ("Declaration"); and

WHEREAS, Article XIII, Section 6 of the Declaration permits the annexation additional land thereto by the Declarant subject to a determination by the Federal Housing Administration of the U.S. Department of Housing and Urban Development or the Veterans Administration that the Annexation is in accord with the general plan heretofore approved by them, which annexation shall be effected, if at all, by recording a document in the office of the Clerk and Recorder of the County Arapahoe, Colorado, which document shall provide for annexation to the Declaration of the property described therein, and

NOW, THEREFORE, the undersigned Declarant does annex the land described below, to be effective upon the recording of this First Annexation of Additional Land in the office of the Clerk and Recorder of the County of Arapahoe, Colorado:

Lots 60-71, inclusively of the Southlight Subdivision, Filing No. 1, recorded September 14, 1983, Book 57, Page 50-53, in the Office of the Clerk and Recorder, County of Arapahoe, State of Colorado.

The property described above shall be subject to all provisions of the Declaration, including but not limited to those provisions regarding obligations to pay assessments to the Southlight Homeowner Association, Inc., and any right to cast votes as members of said Association.

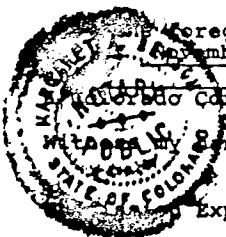
IN WITNESS WHEREOF, Declarant has hereunto set his hand and seal this 11th day of November, 1985.



Hanover Homes Corporation,
a Colorado Corporation

Paul W. Powers, President

STATE OF COLORADO)
County of Arapahoe)



Foregoing instrument as acknowledged before me this 11th day of November, 1985 by Paul W. Powers, President of Hanover Homes Corporation,

with my hand and official seal.

Expires: 8/12/89

Notary Public

Records: 650 S. Cherry Street, #600
Denver, Co. 80222

WF 28480

Recorded OK 54 NOV 15 1985 CJ
Reception No. 2651416 MARJORIE PAGE, Recorder

BOOK 4600 PAGE 6 ①

Recorded at 10:17 o'clock A M JAN 28 1986
Reception No. 2626146 MARJORIE PAGE, Recorder

TO BOOK 4657 PAGE 491

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF SOUTHLIGHT HOMEOWNER ASSOCIATION, INC.

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS HANOVER HOMES CORPORATION, A COLORADO CORPORATION, ("Declarant") has heretofore executed and caused to be recorded that certain Declaration of Covenants, Conditions, and Restrictions of Southlight Homeowner Association, Inc. recorded July 12, 1984, in Book 4208, Page 512 in the office of the Clerk and Recorder of Arapahoe County, Colorado ("Declaration"); and

WHEREAS, Article XIII, Section 6 of the Declaration permits the annexation additional land thereto by the Declarant subject to a determination by the Federal Housing Administration of the U.S. Department of Housing and Urban Development or the Veterans Administration that the Annexation is in accord with the general plan heretofore approved by them, which annexation shall be effected, if at all, by recording a document in the office of the Clerk and Recorder of the County Arapahoe, Colorado, which document shall provide for annexation to the Declaration of the property described therein, and

NOW, THEREFORE, the undersigned Declarant does annex the land described below, to be effective upon the recording of this First Annexation of Additional Land in the office of the Clerk and Recorder of the County of Arapahoe, Colorado:

Lots 60-71, inclusively of the Southlight Subdivision, Filing No. 1, recorded September 14, 1983, Book 57, Page 50-53, in the Office of the Clerk and Recorder, County of Arapahoe, State of Colorado.

The property described above shall be subject to all provisions of the Declaration, including but not limited to those provisions regarding obligations to pay assessments to the Southlight Homeowner Association, Inc., and any right to cast votes as members of said Association.

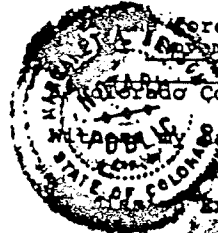
IN WITNESS WHEREOF, Declarant has hereunto set his hand and seal this 11th day of November, 1985.



Hanover Homes Corporation,
a Colorado Corporation

Paul W. Powers
Paul W. Powers, President

STATE OF COLORADO)
County of Arapahoe)



foregoing instrument as acknowledged before me this 11th day of November, 1985 by Paul W. Powers, President of Hanover Homes Corporation.

Expires: 8/12/89

Maureen A. Quinn
Notary Public
Records: 650 S. Cherry Street, #600
Denver, Co. 80222

WF-28480

(2)

CONSENT OF VETERANS ADMINISTRATION

BOOK 4657 PAGE 492

The Veterans Administration hereby consents to the foregoing Annexation of the real property described on Exhibit "A" attached hereto as being in accord with the general plan previously approved by it.

IN WITNESS WHEREOF, the undersigned has executed this document on this 21 day of JAN, 1986.

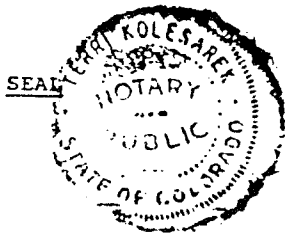
VETERANS ADMINISTRATION

BY *Merle C. Shipley*

STATE OF COLORADO)
COUNTY OF JEFF.) ss.

The foregoing instrument was acknowledged before me this 21 day of JAN, 1986 by MERLE C. SHIPLEY,
as AGENT of the Veterans Administration.

WITNESS my hand and official seal.



Terry Kolesarek
NOTARY PUBLIC
Address: _____

My commission expires: 9-26-87

Construction and Valuation (262)
VA Regional Office
44 Union Boulevard
Box 25126
Denver, CO 80225

WF 28480

RECEIVED JAN 23 1986

Recorded at 2:40 o'clock MAR 23 1987
Reception No. 2810616 MARJORIE PAGE, Recorder

BOOK 5085: 147

AGREEMENT
TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF SOUTHLIGHT HOMEOWNER ASSOCIATION, INC.

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS HANOVER HOMES CORPORATION, A COLORADO CORPORATION, ("Declarant") has heretofore executed and caused to be recorded that certain Declaration of Covenants, Conditions, and Restrictions of Southlight Homeowner Association, Inc., recorded July 11, 1984, in Book 4208, Page 512 in the office of the Clerk and Recorder of Arapahoe County, Colorado ("Declaration"); Recorder of Arapahoe County, Colorado ("Declaration"); and

WHEREAS, ARTICLE XIII, Section 6 of the Declaration permits the annexation of additional land thereto by the Declarant,

AND WHEREAS, ARTICLE XI, Section 5 of the Declaration permits the Declarant to maintain one sign and lighting facilities in the Common area and public right of way, limited to the corner of Quincy and Memphis, said sign to be insured by owner of SIGN. *now 12/82/82*

NOW, THEREFORE, the undersigned Declarant and owners agree to the following:

1. For the period of three (3) years from the date of this agreement, Declarant shall have the use of the Common Area and public right of way to erect and maintain an advertising sign for development of future properties in the area within city and county ordinances.

2. The Common Area and public right of way will be maintained by the Southlight Homeowner Association, Inc.

3. Declarant agrees to not annex properties to the Association in accordance with Article XIII, Section 6 of the Declaration other than those already annexed to the Association.

4. Declarant is absolved of any further obligations to the Southlight Homeowner Association, Inc. except for Hanover Homes' present obligation to Southlight Homeowner Association.

All rights and obligations subject to the provisions in the Declaration shall be enforced by the Southlight Homeowner Association, Inc.

BOOK 5085 PAGE 148

IN WITNESS WHEREOF, Declarant and Owners of the
Southlight Homeowner Association, Inc. have hereunto set
their hand and seal this 16TH day of DECEMBER,
1986.

HANOVER HOMES CORPORATION,
a Colorado Corporation

William B. Whipple

SOUTHLIGHT HOMEOWNER ASSOCIATION, INC.

NAME	ADDRESS
<u>Jay H. White</u>	<u>16226 E. PUEBLO PL</u>
<u>Henry Rem</u>	<u>16225 E. Purdue Pl</u>
<u>Stan L. Smith</u>	<u>16241 E. PUEBLO</u>
<u>John H. Smith</u>	<u>16221 E. Princeton Cir</u>
<u>Michael Lynch</u>	<u>16235 E. Purdue Pl</u>
<u>Wm. Wilber</u>	<u>16236 E. Purdue Pl</u>
<u>John Robinson</u>	<u>16215 E. Purdue Pl</u>
<u>Mitzi M. Erickson</u>	<u>16254 E. Princeton Circle</u>
<u>Marion Kolsch</u>	<u>16203 E. Princeton Cir.</u>
<u>Duke Mueller</u>	<u>16241 E. Kinkaid Cir</u>
<u>Henry Kevin</u>	<u>16244 E. Princeton Cir.</u>
<u>Robert S. Smith</u>	<u>16241 E. Princeton Cir</u>
<u>Jim Smith</u>	<u>16246 E. Purdue Pl.</u>
<u>Ed B. Cowell</u>	<u>16256 E. Purdue Pl.</u>
<u>Ralph D. Bell</u>	<u>16455 E. PUEBLO PL</u>
<u>Frank Bell</u>	
<u>Frank D. Jones</u>	<u>16246 E. PUEBLO PL</u>