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DECLARATION
OF
SONNET SPRINGS
A PLANNED COMMUNITY

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DECLARATION
OF
SONNET SPRINGS
A PLANNED COMMUNITY

THIS DECLARATION is made on the date hereinafter set forth by Sonnet Springs Development, LLC, a Colorado limited liability company, with an address of 19915 Doewood Drive, Monument, Colorado 80132 ("Declarant").

RECITALS:

A. Declarant is the owner of certain real estate in the County of El Paso, State of Colorado, which is more particularly described as set forth in Exhibit C attached hereto and by reference made a part hereof.

B. Declarant desires to create a Community on the real estate or to be described in Exhibit A under the name of "Sonnet Springs," in which portions of the real estate described in Exhibit A are designated for separate ownership and uses of a residential nature, and in which portions of the real estate described in Exhibit A are designated for ownership by an owners association.

C. Declarant has caused the "Sonnet Springs Owners Association, Inc." a nonprofit Colorado corporation (the "Association"), to be incorporated under the laws of the State of Colorado, as an owners' association, for the purpose of exercising the functions as herein set forth.

ARTICLE 1
SUBMISSION/DEFINED TERMS

Section 1.1 Submission of Real Estate. The Declarant hereby submits the real estate described in Exhibit A and such additional real property as may be subsequently added, pursuant to the expansion rights reserved in this Declaration, together with all easements, rights, and appurtenances thereto and the buildings and improvements erected or to be erected thereon (collectively, the "Real Estate") to the provisions of the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101, et seq., as it may be amended from time to time (the "Act") and to the terms and conditions of this Declaration. In the event the Act is repealed, the Act on the effective date of this Declaration shall remain applicable. Declarant hereby declares that all of the Real Estate described in Exhibit A, and as added by expansion, shall be held or sold, and conveyed subject to

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the easements, restrictions, covenants, and conditions of this Declaration, as this Declaration may be amended from time to time. Declarant further declares that this Declaration is made for the purpose of protecting the value and desirability of the Real Estate, that this Declaration shall run with the Real Estate and shall be binding on all parties having any right, title or interest in the Real Estate or any part thereof, their heirs, legal representatives, successors, and assigns and shall inure to the benefit of each Unit Owner thereof.

Section 1.2 Defined Terms. Each capitalized term in this Declaration or in the Plat shall have the meaning specified or used in the Act, unless otherwise defined in this Declaration or as set forth below:

(a) Act means the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101, *et seq.*, as it may be amended from time to time.

(b) Articles means the Articles of Incorporation for Sonnet Springs Owners Association, Inc., and any amendments which may be made to those Articles from time to time.

(c) Assessment shall include all Common Expense assessments, insurance assessments, utility assessments, and any other expense levied to a Unit pursuant to this Declaration or the Act.

(d) Association shall mean and refer to Sonnet Springs Owners Association, Inc., a Colorado nonprofit corporation, its successors and assigns.

(e) Board of Directors, Board or Executive Board means the governing body of the Association, regardless of name, designated in this Declaration to act on behalf of the Association.

(f) Bylaws means the Bylaws adopted by the Association, and as amended from time to time.

(g) Common Elements means the Real Estate within this Common Interest Community owned by the Association, other than a Unit; which Real Estate is designated in a recorded Plat, and which Real Estate is also generally and sometimes specifically described in this Declaration.

(h) Common Expense means (i) all expenses expressly declared to be common expenses by this Declaration, or the Bylaws of the Association; (ii) all other expenses of the administering, servicing, conserving, managing, maintaining, repairing, or replacing the Common Elements or any other items for which the Association is responsible; (iii) insurance premiums for the insurance carried by the Association (except as otherwise expressly allowed in this Declaration); (iv) all expenses and any expenditure made or liability incurred by or on behalf of the Association; and (v) any allocations to reserves.

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(i) Common Expense Assessment(s) may include late charges, attorney fees, fines and interest charged by the Association.

(j) Community shall mean and refer to Sonnet Springs, which Community is a Planned Community as defined in the Act and which Community is also a Common Interest Community as defined in the Act.

(k) Declarant means the Declarant named in this Declaration, and any successor and/or assignee designated by written notice or assignment executed by the Declarant designated in this Declaration and executed by the transferee and recorded, to the extent any rights or powers reserved to Declarant are transferred or assigned to that party.

(l) Development or Special Declarant Rights means those rights set forth in this Declaration and those rights set forth in the Act.

(m) Governing Documents means this Declaration, the Plat, the Articles of Incorporation, the Bylaws, and any rules and regulations of the Association, as all of the foregoing may be amended from time to time.

(n) Improvement(s) means structures installed within or upon a Unit.

(o) Limited Common Elements means those portions of the Common Elements, if any, designated by Declarant or the Association for the exclusive use of one or more but fewer than all of the Units.

(p) Plat means the plat depicting the Units or Lots and the Common Elements in the Community, as recorded in the records of the Clerk and Recorder of the County of El Paso, State of Colorado, as may be supplemented by a map, and as amended from time to time.

(q) Real Estate shall mean and refer to that certain real property described in Exhibit A, if any, and such additional property as may be subsequently added pursuant to the expansion rights reserved in this Declaration, together with all easements, rights, and appurtenances thereto and the buildings and improvements erected or to be erected thereon. All easements and licenses which the Community is subject to as of the date of this Declaration are recited in Exhibit A.

(r) Unit means a Lot or physical portion of the Community, designated for separate ownership, shown as a Unit on the Plat for the Common Interest Community, the boundaries of which are defined in the Plat and in this Declaration.

(s) Unit Owner shall mean and refer to the record owner of a fee interest, whether one or more person or entities, of a Unit which is part of the Community, including the Declarant and contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

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ARTICLE 2
NAMES/DESCRIPTION OF REAL ESTATE

Section 2.1 Name and Type. The type of Common Interest Community is a Planned Community. The name of the Community is "Sonnet Springs." The name of the Association is "Sonnet Springs Owners Association, Inc."

Section 2.2 Real Estate and Easements. The Community is located in the County of El Paso, State of Colorado. The Real Estate of the Community is described in Exhibit A. All easements and licenses to which the Community is presently subject are recited in Exhibit A. Additional easements are established in the Act. In addition, the Community may be subject to other easements or licenses granted pursuant to this Declaration, or granted by authority reserved in any recorded document or established in the Act.

Section 2.3 Utility and Plat Easements. Easements for utilities and other purposes over and across the Units and Common Elements may be as shown upon the recorded Plat of the Community, and as may be established pursuant to the provisions of this Declaration, or granted by authority reserved in any recorded document.

Section 2.4 Easements for the Executive Board and Unit Owners. Each Unit shall be subject to an easement in favor of the Executive Board (including its agents, employees and contractors) and to each Unit Owner to allow for their performance of obligations in this Declaration. On exercising this easement right, the party exercising the right shall be responsible for any resulting damages, and a lien therefore is authorized and established against that party's property, pursuant to this Declaration.

Section 2.5 Emergency Easements. A nonexclusive easement for ingress and egress is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons, now or hereafter servicing the Community, to enter upon any part of the Community in the performance of their duties.

ARTICLE 3
THE ASSOCIATION

Section 3.1 Membership. Every person who is a record Unit Owner of a fee interest in any Unit which is subject to this Declaration shall be a member of the Association, including contract sellers. Membership shall be appurtenant to and may not be separated from ownership of any Unit. Ownership of such Unit shall be the sole qualification for such membership. Where more than one (1) person holds an interest in any Unit, all such persons shall be members.

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Section 3.2 General Purposes and Powers of the Association. The Association, through its Executive Board, shall perform functions and manage the Community as provided in this Declaration so as to protect the value and desirability of the Community and the Units and to further the interests of the residents, occupants, tenants and guests of the Community and members of the Association. Any purchaser of a Unit shall be deemed to have assented to, ratified and approved such designation and management. The Association shall have all power necessary or desirable to effectuate such purposes.

Section 3.3 Authority of the Association. The business affairs of the Community shall be managed by the Association. The Association shall be governed by the Act, this Declaration, the Plat, its Articles of Incorporation, Bylaws, and any rules and regulations adopted by the Executive Board. The Executive Board may, by written resolution, delegate authority to a manager or managing agent for the Association, provided no such delegation shall relieve the Board of final responsibility.

Section 3.4 Specific Powers. The Association shall have the powers, authority and duties as necessary and proper to manage the business and affairs of the Community. The Association shall have all of the powers, authority and duties permitted or set forth in the Act. The Association shall have the power to assign its right to future income, including the right to assign its right to receive Common Expense Assessments, but only upon the affirmative vote of a majority of the Unit Owners present at a meeting called for that purpose.

Section 3.5 Allocated Interests. The Common Expense liability and votes in the Association allocated to each Unit and are set as follows: (a) the percentage of liability for Common Expenses on an equal basis for each Unit in the Community; and (b) the number of votes in the Association, on an equal basis for each Unit in the Community. If Units are added to or withdrawn from the Community, pursuant to the provisions of this Declaration and the Act, the formulas set forth above shall be used to reallocate the Allocated Interests. If any Unit is increased in size or reduced in size, or if new Units are added by the Declarant, subject to the reasonable discretion of the Declarant, the formula for expense allocation may be charged to square footage or value or as determined.

Section 3.6 Association Agreements. Any agreement for professional management of the Community must provide for termination by either party without cause and without payment of a termination fee or penalty upon thirty (30) days' written notice. The Association shall not be bound either directly or indirectly to contracts or leases (including management contracts) entered into during the declarant control period unless the Association is provided with a right of termination of any such contract or lease without cause, which is exercisable without penalty at any time after the turnover date upon not more than thirty (30) days' notice to the other party thereto.

Section 3.7 Right to Notice and Comment. Pursuant to C.R.S. § 38-33.3-205(1)(o), whenever the Governing Documents require that an action be taken after "Notice and Comment," and at any other time the Executive Board determines, the Unit Owners have the right to receive notice of the proposed action and the right to comment orally or in writing. Further, any Unit Owner may give "Notice and Comment" to the Unit Owners of any matter affecting the Community, and

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Unit Owners shall then have the right to comment, orally or in writing, on the matter. Notice shall be given to each Unit Owner in writing, delivered personally or by mail to all Unit Owners at such address as appears in the records of the Association, or notice shall be published in a newsletter or similar publication which is routinely circulated to all Unit Owners. The notice shall be given not less than three (3) days before proposed action is to be taken. The Notice shall invite comment to the Executive Board or a Unit Owner, orally or in writing before the scheduled time of any meeting.

Section 3.8 Indemnification. To the full extent permitted by law, each officer and director of the Association shall be and are hereby indemnified by the Unit Owners and the Association against all expenses and liabilities, including attorney fees, reasonably incurred by or imposed upon them in any proceeding to which they may be a party, or in which they may become involved, by reason of being or having been an officer or director of the Association, or any settlements thereof, whether or not they are an officer or director of the Association at the time such expenses are incurred; except in such cases wherein such officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement the indemnification shall apply only when the Executive Board approves such settlement and reimbursement as being in the best interests of the Association.

Section 3.9 Declarant Control. The Declarant shall have the reserved power, pursuant to Section 303(5) of the Act, to appoint and remove officers and members of the Executive Board.

ARTICLE 4 UNITS, COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

Section 4.1 Number of Units. The number of Units initially included in the Community is zero (0). The Declarant reserves the right to create and add up to forty-seven (47) units or the maximum number of Units for the properties subject to this Declaration as allowed by any governmental entity having jurisdiction.

Section 4.2 Identification of Units/Unit Descriptions. The identification number or letter of each Unit is shown on the Plat. Every contract for sale, deed, lease, mortgage, Security Interest, will or other legal instrument may legally describe a Unit by its identifying Unit number or letter followed by the name of the Community, with reference to the Plat, and this Declaration. An illustrative description is as follows:

Unit/Lot _____, Sonnet Springs, a Planned Community, in accordance with the recorded Plat and Declaration, County of El Paso, Colorado.

Reference to the Declaration or Plat in any instrument shall be deemed to include any supplement(s) or amendment(s) to the Declaration and/or Plat, without specific references thereto.

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Section 4.3 Unit Boundaries. The lines or boundaries of a Unit shown on the Plat, are designated as boundaries of each Unit, as defined below:

(a) Inclusions. Each Unit includes the spaces and improvements lying within the boundaries described above, as depicted on the Plat. Each Unit also includes garages, the spaces and improvements containing utility meters, water heating facilities, all electrical switches, wiring, pipes, ducts, conduits, smoke detector or security systems and communications, television, telephone and electrical receptacles and boxes serving that Unit exclusively, the surface of these items being the boundaries of that Unit, whether or not the spaces are contiguous.

(b) Exclusions. Except when specifically included by other provisions of this Declaration or by the Plat, the following are excluded from each Unit: the spaces and improvements lying outside the boundaries described above, thresholds, exterior street or common lighting and all chutes, pipes, flues, ducts, wires, conduits, any designated and other facilities running through or within any interior wall or partition for the purpose of furnishing utility and other service to other Units and the Common Elements.

(c) Noncontiguous Portions. Certain Units may include special portions or pieces of equipment, such as air conditioning compressors, utility meters, meter boxes, utility connection structures, air or gas pump and storage facilities and storage portions, which are situated in buildings or structures that are detached from the Unit. Such special equipment or storage portions are a part of the Unit, notwithstanding their non-contiguity with the principal portions. Each Unit includes the spaces and improvements lying within the boundaries described above, and also includes the utilities and utility meters and communications, television, telephone and electrical receptacles and boxes serving that Unit exclusively, whether or not in the boundaries or contiguous to the Unit, unless the same are maintained by a governmental agency or entity. The Common Elements are excluded from each Unit and any utilities or other facilities running through or within any Unit for the purpose of furnishing utility and other service to other Units and/or the Common Elements are also excluded.

Section 4.4 Common Elements and Limited Common Elements. The portions of the Real Estate described in any supplement to this Declaration; or in this Declaration, are the Common Elements. The improvements on the Common Elements may be changed, from time to time, by the Executive Board of the Association. Portions of the Common Elements may be designated by Declarant as a part of a Unit or as a Limited Common Element to a Unit. Portions of Units not yet conveyed by Declarant to a third party Owner may become Common Elements or Limited Common Elements, pursuant to rights reserved elsewhere in this Declaration. In the event a Common Expense is associated with the maintenance, repair or replacement of a Limited Common Element, those Common Expenses may be assessed equally against the Units to which the Limited Common Element is assigned.

The following portions of the Common Elements are Limited Common Elements assigned to the Units as stated: (a) if a chute, flue, pipe, duct, wire, conduit, bearing wall, bearing column or

*Authority
to charge
unit owner
for maintenance
of
limited
CA*

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other fixture lies partially within and partially outside the designated boundaries of a Unit, the portion serving only the Unit is a Limited Common Element, allocated solely to the Unit, the use of which is limited to that Unit and any portion serving more than one (1) Unit is a Limited Common Element to those Units and any portion serving only the Common Elements is a part of the Common Elements; (b) Any shutters, awnings, window boxes, doorsteps, stoops, porches, decks, balconies, patios, attics, crawl spaces and exterior doors and windows or other fixtures designed to serve a single Unit, located outside the boundaries of the Unit, are Limited Common Elements allocated exclusively to the Unit and their use is limited to that Unit; (c) stoops, steps and walls above door openings at the entrances, which provide access to less than all Units, the use of which is limited to the Units to which they provide access; (d) walks, fences, walls and hedges which jointly serve or lie within the boundary plane of more than one (1) Unit or within the boundary plane of a Unit and the Common Elements shall be considered Limited Common Elements appurtenant to the Units enclosed or served; (e) utility areas, the use of which is limited to a Unit or Units; (f) the Declarant reserves, for itself, through seven (7) years after the recording of this Declaration, and to the Association, after the expiration of Declarant's seven (7) year period (except as that period of Declarant's reservation may be extended), the right to allocate areas added to the Community as Common Elements, and the right to allocate areas which constitute a part of the Common Elements as Limited Common Elements for the exclusive use of the owners of Units to which those specified areas shall become appurtenant. The Declarant or Association may allocate or assign Common Elements or Limited Common Element areas (1) by making such an allocation in a recorded instrument, or (2) in the deed to the Unit to which such Limited Common Element shall be appurtenant, or (3) by recording an appropriate amendment or supplement to this Declaration, or (4) by recording a supplement to the Plat. Such allocations by the Declarant or by the Association may be made as a matter of reserved right.

Section 4.5 Association Maintenance. The Executive Board of the Association shall determine the specifications, scope, extent, nature and parameters of the Association's maintenance responsibilities. The Association shall be responsible for: the maintenance, repair and replacement of the exterior of the buildings in which the Units are located; the improvement, maintenance, repair and replacement of the Common Elements and Limited Common Elements; including snow removal, landscape care and trash removal; the improvement, upkeep and maintenance, repair and reconstruction of landscaped areas in dedicated public rights of way or public easements; the improvement, maintenance, repair and replacement of common water and sewer lines, within the Common Elements, up to and those points that common water and sewer lines are maintained by the local government; the improvement, maintenance, repair and replacement of common drainage, within the Community or as a part of the Common Elements; and for the payment of expenses which may be incurred by virtue of agreement with local government or the County of El Paso or any other entity or requirement of any local governmental authority; and for such other maintenance and repair as set forth in this Declaration.

Section 4.6 Unit Owners' Easements of Enjoyment. Every Unit Owner shall have a right and easement access to their Unit and of enjoyment in and to any Common Elements and such easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions: (a) The right of the Association to promulgate and publish rules and regulations which each Unit Owner and their guests shall strictly comply with; (b) the right of the Association to

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suspend the voting rights and rights to use the Common Elements by an Unit Owner for any period during which any Assessment against their Unit remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations; (c) the right, power and authority of the Association to grant any easement, right of way, license, lease, dedication, transfer or conveyance or grant of any similar interest affecting the Common Elements, to the extent permitted by the Act; (d) the right of the Association to close or limit the use of the Common Elements while maintaining, repairing and making replacements in the Common Elements; and (e) the Development and Special Declarant Rights of the Declarant reserved in this Declaration.

Section 4.7 Delegation of Use. Any Unit Owner may delegate their right of enjoyment to the Common Elements and facilities to the members of their family, their tenants, guests, or contract purchasers who reside at their Unit.

ARTICLE 5 COVENANT FOR COMMON EXPENSE ASSESSMENTS

Section 5.1 Creation of Association Lien and Personal Obligation to Pay Common Expense Assessments. Declarant, for each Unit, shall be deemed to covenant and agree, and each Unit Owner, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association annual Common Expense Assessments, insurance Assessments (assessed in proportion to risk), utility Assessments (assessed in proportion to usage), and such other Assessments as imposed by the Association. Such Assessments, including fees, charges, late charges, attorney fees, fines and interest charged by the Association shall be the personal obligation of the Unit Owner of such Unit at the time when the Assessment or other charges became or fell due. The Association annual Common Expense Assessments and such other Assessments as imposed by the Association, including fees, charges, late charges, attorney fees, fines and interest charged by the Association, shall be a charge on each Unit and shall be a continuing lien upon the Unit against which each such Assessment or charge is made. If any Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment becomes due. The personal obligation to pay any past due sums due the Association shall not pass to a successor in title unless expressly assumed by them. No Unit Owner may become exempt from liability for payment of the Common Expense Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the Common Expense Assessments are made. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Association or the Executive Board is not properly exercising its duties and powers under this Declaration.

Section 5.2 Apportionment of Common Expenses. Except as provided in this Declaration or the Act, all Common Expense Assessments shall be assessed against all Units in accordance with the formula for liability for the Common Expenses as set forth in this Declaration.

Section 5.3 Annual Assessment/Commencement of Common Expense Assessments. The Common Expense Assessment may be made on an annual basis against all Units and shall be based

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upon the Association's advance budget of the cash requirements needed by it to provide for the administration and performance of its duties during such Assessment year. The budget shall be submitted to the Unit Owners for ratification pursuant to Section 303(4) of the Act and as set forth in the Bylaws, as the Bylaws may be amended from time to time. The budget may be vetoed by votes of Owners representing a majority of the votes in the Association. Common Expense Assessments shall be due and payable in monthly, quarterly, or annual installments, or in any other manner, as determined by the Executive Board. Common Expense Assessments may begin on the first day of the month in which conveyance of the first Unit to a Unit Owner other than the Declarant occurs. The omission or failure of the Executive Board to levy the Assessment for any period shall not be deemed a waiver, modification or a release of the Unit Owners from their obligation to pay.

Section 5.4 Effect of Non-Payment of Assessments. Any Assessment, charge, fine or fee provided for in this Declaration, or any monthly or other installment thereof, which is not fully paid within ten (10) days after the due date thereof, as established by the Executive Board, shall bear interest at the rate established by the Board on a per annum basis from the due date, and the Association may assess a reasonable late charge thereon as determined by the Executive Board. Failure to make payment within sixty (60) days of the due date thereof shall cause the total amount of such Unit Owner's Common Expense Assessment for the remainder of that fiscal year to become immediately due and payable at the option of the Board. Further, the Association may bring an action at law or in equity, or both, against any Unit Owner personally obligated to pay such overdue Assessments, charges or fees, or monthly or other installments thereof, and may also proceed to foreclose its lien against such Unit Owner's Unit. An action at law or in equity by the Association against a Unit Owner to recover a money judgment for unpaid Assessments, charges or fees, or monthly or other installments thereof, may be commenced and pursued by the Association without foreclosing, or in any way waiving, the Association's lien therefor. Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to estop or otherwise preclude the Association from thereafter again foreclosing or attempting to foreclose its lien for any subsequent Assessment, charges or fees, or monthly or other installments thereof, which are not fully paid when due. The Association shall have the power and right to bid on or purchase any Unit at foreclosure or other legal sale, and to acquire and hold, lease, mortgage, vote the Association votes appurtenant to ownership thereof, convey or otherwise deal with the same. If a foreclosure action is filed to foreclose any Assessment lien, and a Unit Owner abandons or leaves vacant his or her Unit, the Board may take possession and rent said Unit or apply for the appointment of a receiver for the Unit without prior notice to the Unit Owner. The rights of the Association shall be expressly subordinate to the rights of any holder of a first lien Security Interest as set forth in its deed of trust or mortgage (including any assignment of rents), to the extent permitted under the Act.

Section 5.5 Lien Priority. The lien of the Association under this Section is prior to all other liens and encumbrances on a Unit except: (1) liens and encumbrances recorded before the recordation of the Declaration; (2) a first lien Security Interest on the Unit (except as allowed by the Act with regard to the limited lien priority allowed to the Association); and (3) liens for real estate taxes and other governmental Assessments or charges against the Unit. This Section does not affect the priority of mechanics' or material men's liens. The lien of the Association under this Article is not subject to the provision of any homestead exemption as allowed under state or federal law. Sale or transfer of any Unit shall not affect the lien for said Assessments or charges except that sale or

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transfer of any Unit pursuant to foreclosure of any first lien Security Interest, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture shall only extinguish the lien of Assessment charges as provided by applicable state law. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, nor cancellation or forfeiture shall relieve any Unit from continuing liability for any Assessment charges thereafter becoming due, nor from the lien thereof.

Section 5.6 Working Fund /Ongoing Fund. The Association may require the first Unit Owner and subsequent Unit Owners of each Unit (other than Declarant) to make a non-refundable payment to the Association in an amount equal to one-fourth (1/4) of the annual Common Expense Assessment against that Unit in effect at the closing thereof, which sum shall be held, without interest and used by the Association as a working fund. Said working fund shall be collected and transferred to the Association at the time of closing of sale, and shall be for the use and benefit of the Association. Such payment shall not relieve a Unit Owner from making regular payments of Assessments as the same become due.

Section 5.7 Owner's Negligence or Misconduct. In the event that the need for maintenance, repair, or replacement of the Common Elements, or any portion thereof, is caused through or by the negligent or willful act or omission or misconduct of an Owner, or the Owner's agents, employees, guests, customers, or invitees, including, but not limited to, damage from water overflowing from a tub, hot water heater leaks, or water damage from a washing machine or hose, then the expenses, costs, and fees incurred by the Association for such maintenance, repair, or replacement shall be a personal obligation of such Owner, and if not repaid to the Association within seven (7) days after the Association shall have given notice to the Owner of such expenses, costs, and fees, then the failure to so repay shall be a default by the Owner under the provisions of this Declaration, such expenses, costs, and fees shall automatically become a default Assessment determined and levied against such Unit, and the Association may proceed in accordance with the applicable provisions of Article 5 hereof.

ARTICLE 6 UNIT MAINTENANCE AND RESTRICTIONS ON USE, ALIENATION AND OCCUPANCY

All Real Estate within the Community shall be held, used and enjoyed subject to the following limitations and restrictions. The strict application of the following limitations and restrictions in any specific case may be modified or waived, in whole or in part, by the Executive Board or by an appropriate committee (subject to review by the Executive Board) if such strict application would be unreasonable or unduly harsh under the circumstances. Any such modification or waiver must be in writing or must be contained in written guidelines or rules. The following use restrictions are also subject to the Development Rights and Special Declarant Rights reserved by the Declarant.

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Section 6.1 Units to be Maintained. Unit Owners are responsible for the maintenance, repair and replacement of the properties located within their Unit boundaries, excluding the exteriors of the building in which their Unit is located, but including exteriors of windows, doors to or of their Unit and any screen door added to a Unit by an Owner. Each Unit, at all times, shall be kept well maintained, in good repair and replacement, and in a clean, sightly, and wholesome condition. No bicycles, kayaks, sport or recreational equipment, trash, litter, junk boxes, containers, bottles, cans, implements, machinery, lumber or other building materials shall be permitted to remain exposed upon or within any Unit, or, upon or within the Limited Common Elements of a Unit, or otherwise so that the same are visible from any neighboring Unit, or any street. The Association, and its agents, shall have the authority to enter, replace, maintain, repair and clean up Units which do not conform to the provisions of this Section, and to charge and collect from the Unit Owners thereof all reasonable costs related thereto as an Assessment hereunder.

Section 6.2 Use/Occupancy. All Units within the Community shall be used only for those uses and/or purposes as allowed by the local zoning, control and regulation. Units shall not be used for any purpose other than as a residential dwelling. Commercial and business uses with any adverse external effect on the nature, perception, operation or ambiance of the Community as a first class residential Community, as reasonably determined by the Executive Board, are prohibited, unless approved by the Declarant or the Association, and allowed pursuant to restrictions of record and by local zoning ordinances and regulations.

Section 6.3 Leasing and Occupancy. Any Unit Owner shall have the right to lease or allow occupancy of a Unit upon such terms and conditions as the Unit Owner may deem advisable, subject to restrictions of this Declaration, subject to restrictions of record and subject to the following: (a) short term occupancies and rentals of less than thirty (30) consecutive days are prohibited; (b) long term occupancies and rentals of greater than thirty (30) consecutive days may be subject to reasonable regulations of the Association; (c) all occupancies, lodging, leases or rentals are subject to the terms of this Declaration, the Bylaws of the Association, the Articles of Incorporation and the rules and regulations of the Association; (d) all occupancies, lodging leases and rentals are subject to remedies in favor of the Owner or the Association or both in the event of a failure of the occupant, tenant, renter or guest to comply with the terms of the Declaration or Bylaws of the Association, Articles of Incorporation or the rules and regulations of the Association; and (e) except as restricted in this Declaration, and such Rules and Regulations as the Association may promulgate, the right to lease or allow occupancy of a Unit shall not be restricted.

Section 6.4 Approved Screen Doors/Restrictions on Structural Alterations and Exterior Improvements. No screen door or Improvement to the exterior of a building which includes a Unit, or to the Common Elements, or to any landscaping shall be constructed, erected, placed or installed within the Community, unless complete plans and specifications thereto shall have been first submitted to and approved in writing by the Executive Board, or, unless the standards for a type of proposed Improvement have been approved by the Executive Board. In this regard, the Board may, from time to time, adopt guidelines, procedure and other provisions and may also approve a standard or type of exterior Improvement as Owners may add, including screen doors. No structural alterations to any Unit or any Common or Limited Common Elements shall be done by any Owner, without the prior written approval of the Association.

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Section 6.5 Restrictions on Animals and Pets. Pets, including cats, dogs, birds, reptiles and other animals, hereinafter for brevity termed "animal," may be kept, maintained or harbored by Owners, within their Units, unless the animal becomes obnoxious to other Owners or occupants, in which event the Unit Owner or person having control of the animal shall be given a written notice to correct the problem, and if the problem is not corrected, the Unit Owner, upon written notice, may be requested and required to remove the animal from the Community. The written notices provided for herein shall be issued by the authorized representative of the Association or, if there is no authorized representative then by one or more of the members of the Executive Board of the Association. Animals may not be kept for any commercial purposes. Owners or persons having control of an animal, shall, while the animal is in the Community, keep the animal/dog on a leash, be responsible for cleaning up after their pet and shall be deemed to hold the Association harmless from any claim resulting from any action of their animal and any costs incurred by the Association. Seeing eye dogs and hearing dogs will be permitted for those persons holding certificates of necessity.

Section 6.6 Vehicular Parking, Storage, and Repairs.

(a) Vehicular parking upon the Common Elements shall be regulated by the Board of Directors, subject to interests of record.

(b) Parking areas may be subject to designation of individual spaces as a Limited Common Element appurtenant to certain designated Units.

(c) Parking designated as visitor or guest parking shall not be used by Owners or their family members residing with them.

(d) Any Common Element parking spaces shall be used by the Owners for self-service parking purposes on a "first come, first served" basis; provided, however, that no Owner shall park more than one (1) vehicle (owned or leased by such Owner, a member of his or her family or Occupant of his or her Unit) on the Common Element parking spaces without the prior written consent of the Board of Directors. While any buildings under construction or completed are owned by Declarant, use of the parking spaces adjacent to that building may be restricted to Declarant's use for construction and sales purposes.

(e) Garages and designated parking spaces (designated as either a part of a Unit, a Limited Common Element or as a part of Common Elements) are restricted to use as access or as a parking space for vehicles.

(f) The conversion or alteration of garages into living areas, storage areas, work shop areas, or any other modification or alteration of the garages which would hinder, preclude or prevent the parking of the number of vehicles for which the garage was originally designed is prohibited, without the written consent of the Association.

(g) No abandoned or inoperable automobiles or vehicles of any kind shall be stored or parked on a Unit or within the Community except operable, collectible and/or special vehicles may be stored in garage areas. 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 (excluding operable, collectible and/or special vehicles), or which does not have an operable propulsion system installed therein; provided, however, that otherwise permitted vehicles parked by Unit 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 may be conspicuously placed upon the vehicle or may be mailed to the appropriate Unit Owner. If the abandoned or inoperable vehicle is not removed within seventy-two (72) hours after providing such notice, the Association shall have the right to remove the vehicle, and the owner thereof shall be solely responsible for all towing and storage charges.

(h) No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting, or servicing of any kind of vehicle, trailer or boat, may be performed or conducted within the Community.

(i) The following vehicles may not be parked or stored within the Community, unless such parking or storage is within a garage of the Improvements on a Unit, or unless authorized in writing by the Executive Board of the Association: oversized vehicles, trailers, camping trailers, boat trailers, hauling trailers, boats or accessories thereto, trucks over 3/4 ton, self-contained motorized recreational vehicles, or other oversized types of vehicles or equipment as prohibited by rule or regulation. Any such oversized vehicle may be parked as a temporary expedience for loading, delivery of goods or services, or emergency. This restriction shall not apply to trucks or other commercial vehicles temporarily located within the Community which are necessary for construction or for the maintenance of the Common Elements, Units, or any Improvement located thereon.

(j) Each Owner shall keep any garage door of their Unit or assigned parking closed as frequently as possible, such that the visual effect of open garage doors are avoided and the contents therein are concealed from view from other Units and the streets, all for the purpose of preserving the value and appearance of the Community.

(k) Parking in fire lanes (as designated by the Association or as designated by local government or a local fire protection authority) shall not be permitted.

(l) Parking in front of garages, in a Limited Common Element area, by an Unit Owner or their guest, is permitted.

(m) Parking in alleys, private streets or other ways or lanes may be prohibited by the Association.

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Section 6.7 Use of Common Elements. There shall be no obstruction of the Common Elements, nor shall anything be kept or stored on any part of the Common Elements without the prior written approval of the Association. Nothing shall be altered on, constructed in, or removed from the Common Elements without the prior written approval of the Association.

Section 6.8 Nuisances. No Nuisance shall be permitted within the Community, nor any use, activity or practice which is the source of unreasonable annoyance or embarrassment to, or which unreasonably offends or disturbs, any Unit Owner or which may unreasonably interfere with the peaceful enjoyment or possession of the proper use of a Unit or Common Element, or any portion of the Community by Unit Owners. Further, no immoral, improper, offensive or unlawful use shall be permitted within the Community or any portion thereof. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction over the Community or a portion thereof shall be observed. As used herein, the term nuisance shall not include any activities of Declarant or its assignees which are reasonably necessary to the development and construction of Improvements within this Community; provided, however, that such activities shall not reasonably interfere with any Unit Owner's use and enjoyment of their Unit, or any Unit Owner's ingress and egress to or from their Unit and a public way.

Section 6.9 No Annoying Lights, Sounds or Odors. No light shall be emitted from any portion of the Community which is unreasonably bright or causes unreasonable glare, and no sound or odor shall be emitted from any portion of the Community which would reasonably be found by others to be noxious or offensive. Without limiting the generality of the foregoing, no exterior spotlights, searchlights, speakers, horns, whistles, bells or other light or sound devices shall be located or used on any portion of the Community except with the prior written approval of the Executive Board.

Section 6.10 No Hazardous Activities. No activity shall be conducted on any portion of the Community which is 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 portion of the Community and no open fires shall be lighted or permitted on any portion of the Community.

Section 6.11 Compliance with Insurance Requirements. Except as may be approved in writing by the Executive Board, nothing shall be done or kept on the Community which may result in a material increase in the rates of insurance or would result in the cancellation of any insurance maintained by the Association.

Section 6.12 No Unsightliness. All unsightly conditions, structures, facilities, equipment, objects and conditions shall be enclosed within an approved structure.

Section 6.13 Restriction on Signs and Advertising Devices. No sign, poster, billboard, advertising device or display of any kind shall be erected or maintained anywhere within the Community except such sign or signs as may be approved in writing by the Executive Board.

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Section 6.14 No Restrictions on Sale of a Unit. The right of a Unit Owner to sell, transfer or otherwise convey their Unit shall not be subject to any right of first refusal or similar restriction and such Unit may be sold free of any such restrictions.

Section 6.15 No Restrictions on Mortgaging of a Unit. There are no restrictions on the right of the Unit Owners to mortgage or otherwise encumber their Unit. There is no requirement for the use of a specific lending institution or particular type of lender.

Section 6.16 Restrictions on Clotheslines and Storage. No clotheslines, drying areas or yards, service yards, shops, equipment, storage or storage areas shall be installed, allowed, kept, maintained or permitted in the Community unless the same, in each instance, is expressly permitted in writing by the Managing Agent or if there is no Managing Agent, then by the Executive Board of the Association. Where such written permission is granted, such permission is revocable if the item or condition becomes obnoxious to other Owners, in which event the Unit Owner or person having the item or condition complained of shall be given a written notice to correct the problem or, if not corrected, the Unit Owner upon written notice will be required to remove the item/condition from their Unit and from the Community. The written notices provided for herein shall be issued by the Managing Agent as the authorized representative of the Association or, if there is no Managing Agent, then by one (1) or more of the members of the Executive Board of the Association. Unit Owners shall deem to hold the Association harmless from any claim resulting from any clotheslines, drying areas or yards, service yards, shops, equipment, storage or storage areas maintained on their Unit.

Section 6.17 Rules and Regulations. In furtherance of the provisions of this Declaration, and the general plan, rules and regulations concerning and governing the Community or any portion thereof may be adopted, amended, or repealed, from time to time, by the Executive Board, or its successors and assigns. The Executive Board may establish and enforce penalties or fines for the infraction thereof.

Section 6.18 Declarant's Use. Notwithstanding anything to the contrary contained in this Declaration, it shall be expressly permissible for Declarant, its assigns, employees and agents, to perform such reasonable activities, and to maintain upon portions of the Community such facilities as deemed reasonably necessary or incidental to the construction and sale of Units in the development of the Community, specifically including, without limiting the generality of the foregoing, the maintenance of temporary business offices, construction trailers, storage areas, trash bins, construction yards and equipment, signs, model units, temporary sales offices, parking areas and lighting facilities.

ARTICLE 7 DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS

Section 7.1 Development Rights and Special Declarant Rights. The Declarant reserves, for itself and its successors in title, whether specifically recited in a deed or grant of a Unit from

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Declarant to its successor in title, for seven (7) years after the recording of this Declaration, the following Development Rights and Special Declarant Rights: (a) the right to redesignate uses, relocate boundaries between adjoining Units, enlarge Units, enlarge the Common Elements, reduce or diminish the size of Units, reduce or diminish the size of areas of the Common Elements, subdivide Units or complete or make improvements, as the same may be indicated on Plats filed of record or filed with the Declaration; (b) the right to create or construct additional Units, Common Elements and Limited Common Elements, to subdivide Units and to convert Units into Common Elements or to convert Common Elements into Units; (c) the right to add Units and to subject all or any part of the property described in Exhibit C attached hereto and additional unspecified real estate to the provisions of this Declaration upon the substantial completion of improvements on any portion of that property; (e) the right to exercise any development rights reserved or allowed in the Act; (f) the right to make amendments to the Declaration or other Governing Documents to meet or comply with any requirements of FHA or VA; (g) the right to merge or consolidate the Community with another Community; (h) the right to withdraw all or any part of the Real Estate from the Community; (i) the right to use, and to permit others to use, easements through the Common Elements as may be reasonably necessary; (j) the right to appoint or remove any officer of the Association or any Director during the Declarant Control period; (k) the right to amend the use restrictions included in this Declaration, together with the right to add new use restrictions; (m) the right to amend the Declaration in connection with the exercise of any development right; (n) the right to amend the Plats in connection with the exercise of any development right; (o) the right to merge or consolidate the Community with another Community; and (p) the right to exercise any additional reserved right created by any other provision of this Declaration.

Subsequent to the initial Real Estate and improvements made subject to this Declaration, any additional buildings, structures and types of improvements to be placed on the Real Estate or any part thereof may be of such quality and type as the persons developing the same may determine, and those improvements need not be of the same quality or type as the Improvements previously constructed on the Real Estate, nor of the same size, style or configuration. The improvements may be located anywhere in the Common Elements of the Community, the same being reserved for future development, or on the additional Real Estate as may be added or as shown on the Plat.

Section 7.2 Additional Reserved Rights. In addition to the rights set forth above, Declarant also reserves the following additional rights: (a) Sales. The right to maintain mobile and other sales offices, parking lots, management offices and models in Units or on the Common Elements. (b) Signs. The right to maintain signs and advertising on the Community to advertise the Community or other communities developed or managed by, or affiliated with the Declarant. (c) Dedications. The right to establish, from time to time, by dedication or otherwise, public streets, utility and other easements for purposes including but not limited to public access, private access, paths, walkways, drainage, recreation areas, parking areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions. (d) Use Agreements. The right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulations of parking and/or recreational facilities and/or Common Elements, which may or may not be a part of the Community. (e) Construction and Access Easement. Declarant and its assignees expressly reserve the right to perform warranty work, and repairs and construction work and to store materials in secure areas, in Units and in Common

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Elements, and the future right to control such work and repairs, and the right of access thereto, until completion. All work may be performed without the consent or approval of any Unit Owner or holder of a Security Interest. Declarant and its assignees have such an access easement through the Common Elements and an access easement through the Community as may be reasonably necessary for exercising reserved rights in this Declaration. Such easement includes the right to place construction trailers on the Real Estate, and to construct underground utility lines, pipes, wires, ducts, conduits, and other facilities across the Real Estate. (f) Access Easement. Declarant, and its successors and assigns, shall have an access easement to and from real property accessible through the Community. (g) Other Rights. The right to exercise any additional reserved right created by any other provision of this Declaration.

Section 7.3 Rights Transferable/Rights Transferred. Any rights created or reserved under this Article or the Act for the benefit of Declarant may be transferred to any person by an instrument describing the rights transferred recorded in the real property records of the County of El Paso, Colorado. Such instrument shall be executed by the transferor Declarant and the transferee. The rights transferred may then be exercised in compliance with the requirements of C.R.S. Section 38-33.3-210 and C.R.S. Section 38-33.3-209(6) without the consent of the Association, any Unit Owners or any holders of Security Interest on a Unit. Any rights created or reserved under this Article or the Act for the benefit of the Declarant may also be transferred to the Association by an instrument describing the rights transferred recorded in the real property records of the County of El Paso, Colorado. Such instrument shall be executed by the transferor Declarant and the Association as transferee. The rights transferred may then be exercised by the Association in compliance with the requirements of C.R.S. Section 38-33.3-210 and C.R.S. Section 38-33.3-209(6) with the consent of the appropriate Unit Owner(s) or any holders of a Security Interest on a Unit.

Section 7.4 No Further Authorizations Needed. The consent of Unit Owners or holders of Security Interests shall not be required for exercise of any reserved rights, and Declarant or its assignees may proceed without limitation at their sole option. Declarant or its assignees may exercise any reserved rights on all or any portion of the property in whatever order determined. Declarant or its assignees shall not be obligated to exercise any reserved rights or to expand the Community beyond the number of Units initially submitted.

Section 7.5 Amendment of the Declaration or Plat. If Declarant or any assignee elects to exercise any reserved rights, that party shall comply with the Act.

Section 7.6 Interpretation. Recording of amendments to the Declaration and the Plat pursuant to reserved rights in this Declaration shall automatically effectuate the terms and provisions of that amendment. Further, such amendment shall automatically: (a) vest in each existing Unit Owner the reallocated Allocated Interests appurtenant to their Unit; and (b) vest in each existing Security Interest a perfected security interest in the reallocated Allocated Interests appurtenant to the encumbered Unit. Further, upon the recording of an amendment to the Declaration, the definitions used in this Declaration shall automatically be extended to encompass and to refer to the Community as expanded and to any Additional Improvements, and the same shall be added to and become a part of the Community for all purposes. All conveyances of Units after such amendment is recorded shall be effective to transfer rights in all Common Elements, whether or not reference is made to any

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Amendment of the Declaration Plat. Reference to the Declaration or Plat in any instrument shall be deemed to include all Amendments to the Declaration or Plat without specific reference thereto.

Section 7.7 Termination of Reserved Rights. The rights reserved to Declarant, for itself, its successors and assigns, shall expire as set forth above or in the Act, unless (a) reinstated or extended by the Association, subject to whatever terms, conditions, and limitations the Executive Board may impose on the subsequent exercise of the expansion rights by Declarant, (b) extended as allowed by law, or (c) terminated by written instrument executed by the Declarant, recorded in the real property records of the County of El Paso, Colorado.

ARTICLE 8 INSURANCE/CONDEMNATION

Section 8.1 Insurance to be Carried by the Association. The Association shall obtain and maintain in full force and effect to the extent reasonably available, and at all times, the insurance coverage set forth herein and as set forth in the Act, which insurance coverage shall be provided by financially responsible and able companies duly authorized to do business in the State of Colorado.

Section 8.2 Insurance, Generally. Commencing not later than the time of the first conveyance of a Unit to a person other than a Declarant, the Association shall maintain, to the extent reasonably available, policies of insurance with the following terms or provisions:

(a) All policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Unit Owner and shall provide that such policies may not be canceled or modified without at least thirty (30) days' prior written notice to all of the Unit Owners, holders of first lien Security Interests and the Association.

(b) If requested, duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all holders of first lien Security Interests at least ten (10) days prior to expiration of the then current policies.

(c) All liability insurance shall be carried in blanket form naming the Association, the Board, the manager or managing agent, if any, the officers of the Association, the Declarant, holders of first lien Security Interests, their successors and assigns, and Unit Owners as insureds.

(d) Prior to obtaining any policy of casualty insurance or renewal thereof, pursuant to the provisions hereof, the Board may obtain an appraisal from a duly qualified real estate or insurance appraiser, which appraiser shall reasonably estimate the full replacement value of the Units and the Common Elements, without deduction for depreciation, review any increases in the cost of living, and/or consider other factors, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions hereof. In no event shall any casualty insurance policy contain a co-insurance clause for less than one hundred percent (100%) of the full insurable replacement cost.

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(e) Unit Owners may carry and are advised to carry other insurance on the Improvements and personal property in their Unit for their benefit and at their expense, provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished by reason of any such additional insurance carried by Unit Owners and provided, further, that the policies of insurance carried by the Association shall be primary, even if a Unit Owner has other insurance that covers the same loss or losses as covered by policies of the Association. In this regard, Declarant discloses that the Association's insurance coverage, as specified hereunder and under the Act, does not obviate the need for Unit Owners to obtain insurance for their own benefit.

(f) All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Unit Owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to the Unit Owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy, as to the interests of all other insured Unit Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

Section 8.3 Hazard Insurance on the Units and Common Elements. The Association shall obtain adequate hazard insurance covering loss, damage or destruction by fire or other casualty to the Units, to the Common Elements and the other property of the Association. The insurance obtained on the Units is not required to include improvements and betterments installed by Unit Owners. If coverage purchased by the Association includes improvements and betterments installed by Unit Owners, the cost thereof shall be assessed to each Unit in proportion to risk. All policies shall contain a standard non-contributory mortgage clause in favor of each holder of first lien Security Interests, and their successors and assigns, which shall provide that the loss, if any thereunder, shall be payable to the Association for the use and benefit of such holders of first lien Security Interests, and their successors and assigns, as their interests may appear of record in the records of the office of the Clerk and Recorder of the County of El Paso, Colorado. If obtainable, the Association shall also obtain the following and any additional endorsements deemed advisable by the Executive Board: (a) an inflation guard endorsement, (b) a construction code endorsement, (c) a demolition cost endorsement, (d) a contingent liability from operation of building laws endorsement, (e) an increased cost of construction endorsement, and/or (f) any special PUD endorsements.

Section 8.4 Liability Insurance. The Association shall obtain adequate comprehensive policy of public liability and property damage liability insurance covering all of the Units and the Common Elements, including structural coverage of the Units, in such limits as the Board may from time to time determine, but not in any amount less than Two Million Dollars (\$2,000,000.00) per injury, per person, and per occurrence, and in all cases covering all claims for bodily injury or property damage. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other uses of the Community. If there are steam boilers in operation on

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the Community, or if the Community has central heating or cooling, there must be in force boiler explosion and machinery coverage insurance providing for not less than One Million Dollars (\$1,000,000.00) per accident, per location. Additionally, for such times, if any, as the Declarant has the reserved development right to expand the Community by adding additional Units, the Declarant shall purchase, at Declarant's expense, an additional general liability insurance policy for the benefit of the Association, existing Unit Owners and existing holders of first lien Security Interests.

Section 8.5 Fidelity Insurance. The Association shall obtain adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the parts of its officers, directors, trustees and employees and on the part of all others who handle or are responsible for handling the funds of the Association, including persons who serve the Association with or without compensation. The clause "officers, directors, trustees and employees" shall not include any officer, director, agent or employee of Declarant or any officer, director, agent or employee of any independent, professional manager or managing agent heretofore or hereafter employed by the Association. The fidelity coverage or bonds should be in an amount sufficient to cover the maximum funds that will be in the control of the Association, its officers, directors, trustees and employees.

Section 8.6 Worker's Compensation and Employer's Liability Insurance. The Association shall obtain worker's compensation and employer's liability insurance and all other similar insurance with respect to its employees in the amounts and forms as may now or hereafter be required by law.

Section 8.7 Officers' and Directors' Personal Liability Insurance. The Association may obtain officers' and directors' personal liability insurance to protect the officers and directors from personal liability in relation to their duties and responsibilities in acting as officers and directors on behalf of the Association. Neither the term "officers" nor the term "directors" shall include any officer, director, agent or employee of Declarant nor any officer, director, employee or agent of any professional manager or managing agent heretofore or hereafter employed by the Association.

Section 8.8 Other Insurance. The Association may obtain insurance against such other risks, of similar or dissimilar nature, including flood insurance, as it shall deem appropriate with respect to the Association responsibilities and duties.

Section 8.9 Insurance Premium. Except as assessed in proportion to risk, if permitted under the terms of this Declaration, insurance premiums for the above provided insurance shall be a Common Expense to be included as a part of the annual Assessments levied by the Association.

Section 8.10 Managing Agent Insurance. The manager or managing agent, if any, shall be adequately insured for the benefit of the Association, and shall maintain and submit evidence of such coverage to the Association. The Association may indemnify its managing agent, except for that agent's intentional acts or omissions or negligence outside the scope of their duties and obligations to the Association, or outside of direction from or of the Association.

Section 8.11 Waiver of Claims Against Association. As to all policies of insurance maintained by or for the benefit of the Association and Unit Owners, the Association and the Unit Owners hereby waive and release all claims against one another, the Board and Declarant, to the

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extent of the insurance proceeds available, whether or not the insurance damage or injury is caused by the negligence of or breach of any agreement by and of said persons.

Section 8.12 Annual Insurance Review. The Board shall review the insurance carried by and on behalf of the Association at least annually, for the purpose of determining the amount of insurance required.

Section 8.13 Adjustments by the Association. Any loss covered by an insurance policy described above shall be adjusted by the Association, and the insurance proceeds for that loss shall be payable to the Association, and not to any holder of a first lien Security Interest. The Association shall hold any insurance proceeds in trust for the Association, Unit Owners and holders of first lien Security Interests as their interests may appear. The proceeds must be distributed first for the repair or restoration of the damaged property, and the Association, Unit Owners and holders of first lien Security Interests are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored.

Section 8.14 Duty to Repair. Any portion of the Community for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly by the Association or Unit Owner, at the Unit Owner's option on whether the repair is done by the Association or the Unit Owner, except as provided in the Act.

Section 8.15 Condemnation and Hazard Insurance Allocations and Distributions. In the event of a distribution of condemnation proceeds or hazard insurance proceeds to the Unit Owners, the distribution shall be as the parties with interests and rights are determined or allocated by record, and pursuant to the Act.

ARTICLE 9 GENERAL PROVISIONS

Section 9.1 Enforcement. The Association alone may enforce the restriction on exterior alterations, without prior approval of the Association. The Association or a Unit Owner or Unit Owners of any of the Units may enforce all of the other the restrictions, conditions, covenants and reservations imposed by the provisions of this Declaration by proceedings at law or in equity against any person or persons, either to recover damages for such violation, including reasonable attorney fees incurred in enforcing these covenants, or to restrain such violation or attempted violation. Failure of the Association or of any Unit Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 9.2 Severability. Each of the provisions of this Declaration shall be deemed independent and severable. If any provision of this Declaration or the application thereof to any person or circumstances is held invalid, the invalidity shall not affect other provisions or applications of this Declaration which can be given effect without the invalid provisions or applications.

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Section 9.3 Term of Declaration. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity.

Section 9.4 Amendment of the Declaration or Plat by Declarant. If Declarant shall determine that any amendments to this Declaration or the Plat shall be necessary in order to make non-material changes, such as for the correction of a technical, clerical or typographical error or clarification of a statement or for any changes to property not yet part of the Community, then, subject to the following sentence of this Section, Declarant shall have the right and power to make and execute any such amendments without obtaining the approval of any Unit Owners. Each such amendment of this Declaration shall be made, if at all, by Declarant prior to the expiration of seven (7) years from the date this Declaration is recorded. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to make or consent to an amendment under this section on behalf of each Unit Owner and holder of a Security Interest. Each deed, Security Interest, other evidence of obligation or other instrument affecting a Unit and the acceptance thereof shall be deemed to be a grant and acknowledgment of, and a consent to the reservation of, the power of Declarant to make, execute and record an amendment under this Section.

Section 9.5 Amendment of Declaration by Unit Owners. Except as otherwise provided in this Declaration, and subject to provisions elsewhere contained in this Declaration requiring the consent of Declarant or others, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration may be amended or repealed at any time and from time to time upon approval of at least sixty-seven percent (67%) of the votes in the Association and with the written consent of the Association. Except to the extent expressly permitted in this Declaration or the Act, no amendment may create or increase any special Declarant's rights, increase the number of Units in the Community, or change the boundaries of any Unit or the Allocated Interests of a Unit, or the uses to which any Unit is restricted, in the absence of vote of sixty-seven percent (67%) of the Owners. The amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of the County of El Paso, of a certificate, setting forth the amendment in full and certifying that the amendment has been approved as set forth above, and containing the written consent and approval of the Association.

Section 9.6 Amendment Required by Mortgage Agencies. Prior to seven (7) years after recording of this Declaration, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration which a holder of a first lien Security Interest, or FHA, VA, FHLMC, GNMA, FNMA or any similar entity authorized to insure, guarantee, make or purchase mortgage loans requires to be amended or repealed may be amended or repealed by Declarant or the Association. Any such amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of the County of El Paso, Colorado, of a certificate, setting forth the amendment or repeal in full.

Section 9.7 Required Consent of Declarant to Amendment. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration reserving development rights or for the benefit of the Declarant, or the assignees, shall not be effective unless Declarant, and its assignees, if any, have given written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant or its

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assignees of any certificate of amendment or repeal. The foregoing requirement for consent to any amendment or repeal shall terminate seven (7) years after the recording of this Declaration, or upon conveyance of one hundred percent (100%) of the Units to Unit Owners, whichever occurs first.

Section 9.8 Validity of Amendments. As provided by the Act, any action to challenge the validity of an amendment of this Declaration must be brought within one year after the amendment is recorded in the real property records of the County of El Paso, Colorado.

Section 9.9 Master Association. The Real Estate is subject to the Master Declaration of Covenants, Conditions and Restrictions for University Park, recorded in the real estate records of the County of El Paso.

Section 9.10 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development of the Units and of promoting and effectuating the fundamental concepts as set forth in the recitals of this Declaration. This Declaration shall be construed and governed under the laws of the State of Colorado.

Section 9.11 Singular Includes the Plural. Unless the context otherwise requires, the singular shall include the plural, and the plural shall include the singular, and each gender referral shall be deemed to include the masculine, feminine and neuter.

Section 9.12 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any paragraph, section or article hereof.

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IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed this 3rd day of October, 2000.

Sonnet Springs Development, LLC, a Colorado limited liability company

By: Wortham Ashcroft
Wortham Ashcroft, Manager

STATE OF COLORADO)
) ss.
COUNTY OF El Paso)

The foregoing Declaration was acknowledged before me by Wortham Ashcroft, Manager of Sonnet Springs Development, LLC, a Colorado limited liability company, on this 3rd day of October, 2000.

Witness my hand and official seal.

My commission expires: _____
Notary Public M. Fanelli

MELISSA FANELLI
NOTARY PUBLIC
STATE OF COLORADO

My Commission Expires 12/12/2000

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EXHIBIT A

DESCRIPTION OF REAL ESTATE

There is no initial "Real Estate" in the community. Real Estate maybe added by exercise of reserved development rights, as set forth in this Declaration.

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EXHIBIT B

UNITS

There are no initial "Units" in the community. Units may be added or created by exercise of reserved development rights, as set forth in this Declaration.

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EXHIBIT C

**PROPERTIES OWNED BY DECLARANT
WHICH MAY BE ADDED TO THE DECLARATION**

All of that property platted as, SONNET SPRINGS AT UNIVERSITY PARK, in the City of Colorado Springs, El Paso County, Colorado, according to the plat thereof recorded December 22, 1999 at Reception No. 99191619, a replat of SONNET SPRINGS AT UNIVERSITY PARK, a replat of Lot 1, University Bluffs Filing No. 2.

Subject to the terms, conditions, obligations and provisions of the documents and exceptions to title of record, including the following:

1. Agreement dated July 12, 1997 and recorded August 22, 1997 at Reception No. 97097798.
2. Declaration recorded January 15, 1998 at Reception No. 98005438.
3. Instrument recorded December 6, 1999 at Reception No. 99183827.
4. Notes on the recorded subdivision plat of Sonnet Springs at University Park.
5. Other documents of record.

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