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RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

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OF

CANTERBURY TOWNHOMES

THIS RESTATED DECLARATION, made and entered as of this 5th day of NOVEMBER, 1980, by Arthur J. Pamas and J. C. Albertson & Co., Inc., hereinafter referred to as "Declarant", and the undersigned owners.

W I T N E S S E T H:

WHEREAS, the Declarant executed and recorded a Declaration of Covenants, Conditions and Restrictions of Canterbury Homeowners Association I, Inc., dated April 22, 1979, recorded May 7, 1979, at Reception No. 552641, in Book 3172 at Page 170 through Page 184 of the real property records of the Clerk and Recorder of El Paso County, Colorado (hereinafter referred to as the "Prior Declaration").

WHEREAS, Article XII, Section 3 of the Prior Declaration permits amendment thereof by an instrument signed by not less than 90% of the owners of Lots subject to that declaration;

WHEREAS, the Declarant owns the following real property: Lots 2 through 6 inclusive, Lots 8 through 22 inclusive, and Tracts C, D, E and F of Carefree Village North, Filing No. 1 in the City of Colorado Springs, El Paso County, Colorado, and the undersigned owners have title to Lot 1 and Lot 7 of Carefree Village North, Filing No. 1 in the City of Colorado Springs, El Paso County, Colorado.

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WHEREAS, the Declarant and the undersigned owners constitute more than 90% of the owners of Lots subject to the Prior Declaration.

WHEREAS, the Declarant and the undersigned owners desire to amend the Prior Declaration by substituting in its place this restated declaration (hereinafter called the "Declaration").

NOW, THEREFORE, the Declarant and the undersigned owners hereby amend, revoke and supersede the Prior Declaration and substitute in its place in all regards and all respects this Declaration and hereby declare that all of the properties described on Exhibit "A", attached hereto and incorporated herein by this reference shall be held, sold, used, improved, occupied, owned, resided upon, hypothecated, and conveyed subject to the following easements, restrictions, covenants, provisions and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of said real property and all of which shall run with the land and be binding on all parties having any right, title or interest in the above-described properties or any part thereof, their heirs, successors, and assigns and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to Canterbury Homeowners Association, Inc., a Colorado non-profit corporation, its successors and assigns.

Section 2. "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 3. "Properties" shall mean and refer to that certain real property described on Exhibit "A" hereto and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

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 prior to conveyance of the last Lot is described on Exhibit "B", attached hereto and incorporated herein by reference.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map including the Properties with the exception of the Common Area, but together with all appurtenances and improvements now or hereafter thereon.

Section 6. "Declarant" shall mean and refer to Arthur J. Pamas and J. C. Albertson & Co., Inc., its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Architectural Control Committee" shall mean the committee of three or more persons appointed by the Declarant or the Owners to review and approve the plans for all improvements constructed on the Properties.

ARTICLE II

PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Easements of Enjoyment. Subject to the limitations and restrictions of this Declaration, 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 to take such steps as are reasonably necessary to protect the Common Area against foreclosure; and

(b) 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 for the use of all or a portion of the Common Area if deemed necessary; and

(c) The right of the Association as provided in its Articles and By-Laws, to suspend the voting rights and the right to

the use of recreation facilities 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

(d) 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, 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. No such dedication or transfer shall be effective unless an instrument signed by Members entitled to cast two-thirds (2/3) of the votes of the Class A membership and two-thirds (2/3) of the votes of the Class B membership, if any, has been recorded, agreeing to such dedication or transfer, and unless written notice of the proposed action is sent to every Member not less than thirty (30) days nor more than sixty (60) days in advance; provided however, the granting of easements by the Declarant for public utilities or for other public purposes consistent with the intended use of such Common Area shall not be deemed a transfer within the meaning of this clause;

(f) The right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, and the rights of such mortgagee in said property shall be subordinate to the rights of the Owners hereunder.

Section 3. Extent of Owners' Liability. No absolute liability will be imposed upon individual Owners for damage to the Common Area or to the Lots, including improvements, of others where maintained by the Declarant or the Association, whether caused by themselves, their families, guests or invitees, and liability will extend only to that for which the individual Owner is legally responsible for under the laws of the State of Colorado.

Section 4. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on his Lot.

Section 5. Payment of Taxes or Insurance by Mortgagees. First mortgagees of Lots shall have the right, jointly or singularly, to pay taxes or other charges or assessments which are in default and which may 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, and any first mortgagees making any such payment shall be owed immediate reimbursement therefor from the Association.

Section 6. Title to the Common Area. The Declarant hereby covenants for itself, its heirs and assigns, that it will convey fee simple title to the Common Area to the Association. The Common Area shall remain undivided, and shall at all times be owned by the Association or its successors, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Common Area.

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. Ownership of such Lot shall be the sole qualification for membership. In the event that additional property is annexed as permitted in Article X, Section 4, the membership shall automatically be expanded thereby.

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

Class A. Class A Members shall be all Owners, with the exception of the 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. Class B Member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership by Section 1 of this Article. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) on January 1, 1986; or

(b) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; provided however, if additional properties are annexed, the Declarant's Class B membership shall revive upon each such annexation and continue until the total votes outstanding in the Class A membership for the entire project, including the annexed properties, equal the total votes outstanding in the Class B membership for the entire project, including the annexed properties.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligations of Assessments. The Declarant, and each undersigned owner, for each Lot owned within the Properties, hereby covenant, and each Owner of any Lot 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, and (2) special assessments, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, 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 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 Board of Directors or by the Managing Agent and may be recorded in the office of the Clerk and Recorder of the County of El Paso, Colorado. The lien for each unpaid assessment attaches to the Lot at the beginning of each assessment period and shall continue to be a lien against the Lot until paid. The costs and expenses for filing any notice of lien shall be added to the assessment for which it is filed and collected as part and parcel thereof. Each assessment, together with interest, 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 fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

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, for the improvement and maintenance of the Common Area and of the homes situated upon the Properties. Assessments shall include, but not be limited to, funds for the actual cost to the Association of all taxes, insurance, repair, replacement and maintenance of the Common Area and of the maintenance of the exteriors of the Lots or townhouses as may from time to time be authorized by the Board of Directors, and other facilities and activities including, but not limited to, mowing grass, caring for the grounds, sprinkler system, landscaping, grass, recreational buildings and equipment, roofs, garbage pickup, and water service furnished to townhouses by the Association, and other charges required by this Declaration of Covenants, Conditions and Restrictions or that the Board of Directors of the Association shall determine to be necessary to meet the primary purposes of the Association, including the establishment and maintenance of a reserve for repair, maintenance, taxes, and other charges as specified herein. That portion of the assessments which is designated for water service shall be maintained in a separate account and shall be disbursed only in payment for water and maintenance of the water distribution system.

Section 3. Annual Assessment. No later than July 15th of each year, the Board of Directors of the Association shall set the total annual assessment based upon advance budget of the cash requirements needed by it to provide for the administration and performance of its duties during the following assessment year, which sum shall specifically include, but shall not be limited to (a) expenses of management; (b) taxes and special assessments; (c) premiums for all insurance which the Association is required or permitted to maintain; (d) common lighting, water and other utility charges, and trash collection and sewer service charges; (e) landscaping and care of the grounds; (f) repairs and maintenance; (g) wages for Association employees; (h) legal and accounting fees; (i) any deficit remaining from a previous assessment year; (j) a working capital fund; (k) the creation of reasonable contingency reserves, surpluses and sinking funds, and (l) any other costs, expenses, and fees which may be incurred or may reasonably be expected to be incurred by the Association for the benefit of the Owners under or by reason of this Declaration. The Association shall cause to be prepared, delivered, or mailed to each Owner, at least once each year, a payment statement setting forth the estimated common expense assessment.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, 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 an emergency situation or of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that 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.

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. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots sufficient to meet the expected needs of the Association, provided that the rate set for the Lots owned by Declarant which are either unimproved or improved and unoccupied shall be fixed at one-quarter (1/4) of the assessment rate for the other Lots; provided however, that such one-quarter assessment shall terminate upon the first actual occupancy of each Lot, and further provided, however, that in the event the assessed fees due the Association fail to meet its needs because of such partial Declarant assessment, then Declarant shall, upon written notice from the Association, pay a sufficient amount, up to the amount of full parity on such assessment, to the Association to meet any such shortfall so long as such notice is given within one year after the date of closing of the last Lot owned by Declarant in the Properties and is waived if not made in such timely manner.

Section 7. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance. Any Owner purchasing a Lot between installment due dates shall pay a pro-rata share of such installment.

Section 8. Effect of Nonpayment of Assessments--Remedies of the Association. Any assessments which are not paid when due shall be delinquent. Any assessment not paid within thirty (30) days after the due date thereof shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may

bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided, and a reasonable attorney's fee to be fixed by the court, together with the costs of the action. Each such Owner, by his acceptance of a deed to a Lot, hereby expressly vests in the Association or its agents, the right and power to bring all actions against such Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or deed of trust lien on real property, and such Owner hereby expressly grants to the Association a power of sale in connection with said lien. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Lot Owners. The Association, acting on behalf of the Lot Owners shall have the power to bid at foreclosure sale and to acquire and hold, lease, mortgage and convey the same, if acquired by the Association at the foreclosure sale or by deed in lieu of foreclosure. 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 9. Working Capital. The Association may require the first private Owner of any Lot who purchases that Lot from Declarant to pay to the Association an amount equal to two times the amount of the estimated monthly assessment, which sum shall be held by the Association, as and for working capital. Such sum shall not be refundable to such Owner but, if not required for working capital, shall be placed in reserves. Further, such sum shall not relieve an Owner from making the regular payment of assessments as the same become due.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any purchase money loan evidenced by a first mortgage of record (including deed of trust) and to any executory land sales contract wherein the Administrator of Veterans Affairs (Veterans Administration) is seller, whether such contract is owned by the Veterans Administration or its assigns, and whether such contract is recorded or not. Sale or transfer of any Lot shall not affect the lien for said assessment charges except that sale or transfer of any Lot pursuant to foreclosure of any such mortgage or any such executory land sales contract, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture of any such executory land sales contract shall extinguish the lien of assessment charges which became due prior to any such sale or transfer, or foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture of any such executory land sales contract. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of executory land sales contract shall relieve any Lot from liability for any assessment charges thereafter becoming due, nor from the lien thereof, nor the personal liability of the Owner of such Lot for assessments due during the period of his ownership.

Section 11. Homestead. The lien of the Association assessments shall be superior to any homestead exemption as is now or may hereafter be provided by Colorado law. The acceptance of a deed to a Lot subject to this Declaration shall constitute a waiver of the homestead exemption as against said assessment lien.

Section 12. Notice to Mortgagee of Default. Upon written request, a first mortgagee or a seller under a Veterans

Administration executory land sales contract shall be entitled to written notification from the Association of any default in the performance by the Owner of any obligation under this Declaration and/or the By-laws of the Association, which is not cured within sixty (60) days.

Section 13. Exempt Property. The following Property subject to this Declaration shall be exempt from the assessments created herein: (a) all Property dedicated to and accepted by local public authority; (b) the Common Area; and (c) all Property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of Colorado. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 14. Management Agreements.

(a) Each Owner of a Lot shall be bound by the terms and conditions of all management agreements entered into by the Association. A copy of all such agreements shall be available to each Owner. Any and all management agreements entered into by the Association shall provide that said management agreement may be cancelled by an affirmative vote of sixty percent (60%) of the votes of each class of the members of the Association. In no event shall such management agreement be cancelled prior to the effecting by the Association or its Board of Directors of a new management agreement with a party or parties, which new management agreement will become operative immediately upon the cancellation of the preceding management agreement. It shall be the duty of the Association or its Board of Directors to effect a new management agreement prior to the expiration of any prior management contract. Any and all management agreements shall be made with a responsible party or parties having experience adequate for the management of a project of this type. Any management agreement providing for the services of Declarant or the builder of the project may not exceed three (3) years and must provide that it can be terminated by the Association without cause and without payment of a termination fee upon ninety (90) days written notice.

(b) Each and every management agreement made between the Association and a manager, or managing agent during the period when the Declarant or other developer controls the Association may be terminated no later than thirty (30) days after the termination of control by the Declarant or other developer of the Association. In the event the contract is not so terminated, it shall become binding upon the Association for the duration of its term. The provisions of this paragraph (b) shall be contained, verbatim, in each and every of such management contracts.

ARTICLE V

ARCHITECTURAL CONTROL COMMITTEE

Section 1. Composition of Committee. The Architectural Control Committee shall consist of three (3) persons appointed by the Board of Directors of the Association, provided, however, that until the entire project is completed and all Lots have been sold, Declarant shall have the right to appoint the Architectural Control Committee. A majority of the Committee may designate a representative to act for it. It shall be the duty of the Architectural Control Committee, and it shall have the power, by the exercise of its best judgment, to determine that all structures, improvements, construction, decoration and landscaping on the Properties conform to and harmonize with the existing surroundings and structures. For convenience, the Architectural Control Committee shall hereinafter sometimes be referred to in this Article V as the "Committee".

Section 2. Review by Committee. After the purchase of a Lot from Declarant, no structure, accessory building, tennis court, swimming pool, antennae, flag pole, fence, wall, house number, mail box, exterior lighting, or other improvements, shall be constructed or maintained upon any Lot and no alterations or repainting to the exterior of a structure shall be made and no landscaping performed unless complete plans, specifications, and lot plans therefore, showing the exterior design, height, building materials and color scheme thereof, the location of the structure plotted horizontally and vertically, the location and size of driveways, the general plan of landscaping, fencing, walls and windbreaks, and the grading plan shall have been submitted to and approved in writing by the Committee, and a copy of such plans, specifications and Lot plans as finally approved, deposited with the Committee.

Section 3. Procedures.

(a) The Committee shall approve or disapprove all plans and requests within thirty (30) days after requests have been submitted. In the event the Committee fails to take action within thirty (30) days after requests have been submitted, approval will not be required, and this Article will be deemed to have been fully complied with. A majority vote of the members of the Committee is required for approval or disapproval of proposed improvements. The Committee shall maintain written records of all applications submitted to it and of all action taken. In approving or disapproving the plans submitted to it, the Committee shall take into consideration the design, style and construction of the proposed building or alteration, its location on the Lot, the harmony of its design, architecture and location with the terrain and surrounding neighborhood and shall determine whether such proposed building is consistent with the general terrain, the architecture of other buildings located upon the properties subject to this Declaration and whether or not the construction or alteration of said building will adversely affect or decrease the value of other Lots and/or dwellings because of its design, location, height or type of material used in construction. The Committee may make reasonable requirements of the Lot Owner, including the submission of additional plans, to insure conformance of such building or alteration when erected with these restrictions and covenants and with the plans submitted and approved. The Committee may require such changes as may be necessary to conform to the general purposes as herein expressed. The Committee shall be responsible for enforcing compliance with the approved plans and with these covenants and restrictions.

(b) The Committee shall have authority to grant variances from the provisions of this Declaration in cases of irregularly shaped Lots, unusual terrain, or other conditions wherein the strict enforcement of these restrictions would result in unusual hardship. The Committee shall be the sole and exclusive judge of whether or not said hardship exists.

(c) Whenever the Committee disapproves of any proposed plans or specifications, it shall state in writing its reason for such disapproval in general terms so that the objections can be met by alterations acceptable to the Committee.

(d) All plans submitted to the Committee shall be left on file with the Committee.

(e) It is the intent of these Declarations that the Committee shall exercise broad discretionary powers hereunder and its decisions shall be final and conclusive except for an arbitrary abuse of its discretion or an excess of its authority.

(f) The Committee shall resolve all questions of interpretation under the covenants of this Declaration. They shall be interpreted in accordance with their general purpose and intent as herein expressed.

Section 4. Liability of Committee...The Architectural Control Committee shall not be liable in damages to any person submitting requests for approval or to any Lot Owner by reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove with regard to such requests.

Section 5. Minor Violations of Setback Restrictions. If, upon the erection of any residence upon any of the Lots which are subject to these restrictions, it is disclosed by survey that a minor violation or infringement of setback lines has occurred, such violation or infringement shall be deemed waived by the Owners of the Lots immediately adjoining the Lot upon which the violation or infringement occurs, and such waiver shall be binding upon all other Owners who are subject to this Declaration. Nothing herein contained shall prevent the prosecution of a suit for any other violation of the restrictions contained in this Declaration. A "minor violation" for the purpose of this Section is a violation of not more than one (1) foot beyond the required setback lines or lot lines. This provision shall apply only to the original structures and shall not be applicable to any alterations or repairs to such structures.

ARTICLE VI

MAINTENANCE

Section 1. Association Maintenance. In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: Paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks and other exterior improvements. Such exterior maintenance shall not include glass surfaces, air conditioning condensers and apparatus, or patios, and shall not include any loss, damage or destruction covered by or paid for by the insurance described in Section 3 of Article VIII.

Section 2. Maintenance of Common Area. The Association shall be responsible for the landscaping and maintenance of the Common Area, excepting any air conditioning condensers and apparatus located upon the Common Area and shall have the grass, weeds, trees, and vegetation cut or trimmed when necessary. No Owner shall, in whole or in part, change the landscaping adjacent to his Lot by the addition or removal of any items thereon without the prior written approval of the Architectural Control Committee.

Section 3. Wilful or Negligent Damage. In the event that the need for maintenance or repair described in Sections 1 and 2 of this Article is caused through the wilful or negligent acts or omissions of any Owner, his family, guests or invitees, the cost of such maintenance shall be added to and become part of the assessment to which the Lot of such Owner is subject.

Section 4. Access at Reasonable Hours. For the purpose solely of performing the maintenance referred to in Sections 1 and 2 of this Article, the Board of Directors of the Association, through its duly authorized agents or employees shall have the right, after reasonable notice to the Owner, to enter upon any Lot or exterior of any structure situate thereon at reasonable hours on any day, and such entry shall not be deemed a trespass.

Section 5. Owner Maintenance. Except as provided in Sections 1 and 2 of this Article, the Owner shall be responsible for all other maintenance and repairs, including without limitation maintenance of the interior of his Lot and townhome, any fixtures, furnishings, equipment and appliances located thereon, the air conditioning condensers and apparatus, and any patio. All utilities, fixtures and equipment installed within a Lot, commencing at a point where the utility lines, pipes, wires, conduits or systems enter the exterior walls of such Lot shall be maintained and kept in repair by the Owner thereof. An Owner shall do no act nor any work that will impair any easement or utility service, nor do any act nor allow any condition to exist which will adversely affect the use and enjoyment of the other Lots or the provision of utility services to such Lots.

ARTICLE VII

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 thereof in order to enhance the value, desirability, and attractiveness of the Properties and serve and promote the sale thereof.

Section 2. Easements.

(a) Utility Easements. Declarant reserves the right to create, grant and transfer non-exclusive easements in, under, over, across, through, and upon the Common Area, any Lot and/or the roofs or walls of any residence for the purpose of installing, maintaining, repairing and replacing any utilities or related services, including but not limited to any gas, electric, water or sewer line, mains or laterals, any telephone and cable television lines, any heating or cooling installations, any master television antenna system and any other necessary and related facilities. The foregoing easements shall include the right of ingress and egress and the right to erect and maintain the necessary pipes, wires, poles and other equipment. Should any person or party furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, Declarant shall have the right to grant such easement on the Properties without conflicting with the terms hereof. The foregoing easements shall not affect any other recorded easement on the Properties, including but not limited to any easements granted in the recorded subdivision map. The right reserved herein for Declarant shall pass to the Association upon Declarant's sale of the last Lot owned by it in the Properties.

(b) Association Easement. An easement is hereby granted to the Association, its officers, agents, employees and assigns upon, across, over, in and under the Common Area and any Lot as may be necessary or appropriate to perform the duties and functions which it is obligated or permitted to perform pursuant to this Declaration or otherwise, including without limitation any maintenance required or permitted hereunder.

(c) Air Conditioning Equipment. An easement is hereby granted to any Owner whose air conditioning condensers and apparatus related thereto is located upon the Common Area or another Lot; this easement is granted for such equipment in its location, at the time this Declaration is recorded.

(d) Emergency Easement. A non-exclusive easement is further granted to all police, fire protection, ambulance and all similar persons to enter upon the streets and Common Area in the performance of their duties.

(e) Common Wall Easement. Each Owner, his agents and contractors, are granted an easement for the purpose of maintenance, construction, reconstruction and repair, in, over, under and upon adjacent Lots and in and upon adjacent dwelling units for purposes of common wall repair or maintenance, in accordance with Section 28 of Article VII, upon reasonable notice to the Owners thereof. Any damage occasioned to the adjacent Lot or improvements, including the dwelling unit, thereon in exercising said easement shall be the responsibility of the Owner whose negligent or wilful acts or omissions cause such damage.

(f) Exterior Wall Easement. Each Owner, his agents and contractors are granted an easement in, over, under and upon the adjacent Common Area for the purpose of maintenance, construction, reconstruction and repair of any exterior wall on such Owner's Lot, provided, however, that such Owner shall be liable for any damage to the Common Area, which shall be restored to its condition prior to such work.

(g) Easement for Encroachments. If any portion of a residence encroaches upon the Common Area or upon any adjoining Lot, a valid easement on the surface and for subsurface support below such surface and for the maintenance of same, so long as it stands, shall and does exist.

(h) Easement for Ingress and Egress. Each Owner, his agents and guests are hereby granted an easement over the Common Area for the purpose of vehicular and pedestrian ingress to and egress from such Owner's Lot.

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 place any structure whatsoever upon the Common Area, nor shall any Owner engage in any activity which will temporarily or permanently deny free access to any part of the Common Area to all Members.

(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 ingress and egress to those Owners having access to Lots only over Common Area and the right of ingress and egress to said Lots upon the Properties by vehicle and otherwise is hereby expressly granted.

(e) Except in the individual patio area appurtenant to a Lot, no planting or gardening shall be done, and no fences, hedges or walls shall be erected or maintained upon the Properties except such as are installed in accordance with the initial construction of the buildings located thereon or as approved by the Architectural Control Committee. Except for the right of ingress and egress, and other rights set forth in this Declaration, the Owners of Lots are

hereby prohibited and restricted from using any of the Properties outside the exterior building lines and the patio areas of their lots, except as may be allowed by the Association's Board of Directors. It is expressly acknowledged and agreed by all parties concerned that this paragraph is for the mutual benefit of all Owners of Lots and is necessary for the protection of said Owners.

Section 4. Single Family Use. Except for the Common Area, all Lots shall be used for private family residence purposes only. No business or profession of any nature shall be conducted on any Lot or in any structure constructed thereon except as provided below, provided, however, the Declarant may use Lots and residences erected thereon for show homes and sales offices, field construction offices, storage facilities, general business offices, and all uses reasonably related thereto.

Section 5. Animals. No horses, cattle, sheep, goats, pigs, rabbits, poultry or other animals of any description shall be kept or maintained on any Lot except that Owners may keep, subject to the rules of the Association, dogs, cats, fish or other domestic animals which are bonafide household pets so long as such pets are not kept for commercial purposes and do not make objectionable noises or otherwise constitute a nuisance or inconvenience to any of the residents of adjacent property, and are kept in compliance with all existing applicable local ordinances and any rules and regulations of the Association.

Section 6. Structures. All buildings or structures erected upon the Properties shall be of new construction and no buildings or structures shall be moved from other locations onto the Properties and no subsequent buildings or structures other than townhome buildings, being single family townhomes joined together by a common exterior, roof and foundation, shall be constructed. No temporary house, trailer, tent, garage or outbuilding shall be placed or erected upon any Lot, and no residence placed or erected upon any Lot shall be occupied in any manner at any time prior to its being fully completed in accordance with approved plans, 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 or alteration of a structure on any Lot, 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 structure on any part of any Lot shall be prosecuted diligently from the commencement thereof until the completion thereof.

Section 7. Miscellaneous Structures. 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; except that the Declarant shall be permitted to use larger signs such as will not unreasonably interfere with Owners' use of the Common Area until all Lots, including Lots in annexed Properties, are sold by the Declarant. All types of refrigerating, cooking or heating apparatus shall be concealed, except as installed at the time this Declaration is recorded. No garbage or trash cans or receptacles shall be maintained in an exposed and unsightly manner. All antennae shall be installed inside the improvement of any Lot.

Section 8. Lots to be Maintained. Each Lot at all times shall 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 same are visible from any neighboring Lot or street, except as necessary during the period of construction.

Section 9. Lots Not to be Subdivided. No Lot or Lots shall be subdivided, except for the purpose of combining portions with an adjoining Lot, provided that no additional building site is created thereby. No less than one entire Lot, as conveyed, shall be used as a building site.

Section 10. Underground Electric Lines. All electric, television, radio and telephone line installations and connections from a Lot Owner's property line to a residence or other structures shall be placed underground, except that during the construction of a residence the contractor or builder may install a temporary overhead utility line which shall be promptly removed upon completion of construction.

Section 11. No Noxious or Offensive Activity. No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done or placed on any Lot which is or may become a nuisance or cause embarrassment, disturbance, or annoyance to others.

Section 12. No Hazardous Activities. No activities shall be conducted on the Properties and on improvements constructed on the Properties which are or might be unsafe or hazardous to any person or property or might cause the cancellation or diminution of insurance or an increase in insurance premiums. 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 a safe and well-designed interior fireplace or except such campfire or picnic fires on property designated for such by the Association.

Section 13. No Annoying Light, Sounds or Odors. No light shall be emitted from any Lot which is unreasonably bright or causes unreasonable glare; no sound shall be emitted on any Lot which is unreasonably loud or annoying; and no odor shall be emitted on any Lot which is noxious or offensive to others.

Section 14. Restrictions on Parking and Storage. Except as expressly heretofore provided, no Lot, including the street and Association-owned private streets, drives, or parking areas, unless specifically designated by the Association therefor, shall be used as a parking, storage, display or accommodation area for any type of house trailer, camping trailer, boat trailer, hauling trailer, running gear, boat, or accessories thereto, motor-driven cycle, truck, self-contained motorized vehicle, or any type of van except as a temporary expedience for loading, delivery or emergency. The same shall be stored, parked, or maintained wholly within a garage area of the Lot or in an area designated by the Association, the making of such designation to be in the sole discretion of the Association. This restriction, however, shall not restrict trucks or other commercial vehicles within the Properties which are necessary for the construction of residential dwellings or maintenance of the Common Area.

Section 15. Dwelling Cost, Quality and Size. No dwelling shall be permitted unless the ground floor area of the dwelling, exclusive of open porches and garages, is at least 1,000 square feet for a one-story dwelling, or at least 500 square feet in upper two

levels of a tri-level dwelling, it being the intention and purpose hereof to assure that all dwellings shall be of a quality of workmanship and materials substantially the same or better than that which can be produced on the date this instrument is recorded

Section 16. Clotheslines and Storage. Outside aerials, clotheslines, antennas or basketball hoops and backboards, whether on buildings or free standing, carports and patio covers or similar structures shall not be allowed unless approved by the Architectural Control Committee, and all clotheslines shall be confined to the enclosed patio areas. All such approved structures shall be located out of view of the street or of any neighboring townhomes. Drying yards, service yards or storage areas shall be so located as not to be visible from a street or road. Any exterior lighting installed on any Lot shall either be indirect or of such controlled focus and intensity so as not to disturb the residents of the neighboring properties. Ornamental post lights must be approved by the Architectural Control Committee.

Section 17. Garbage and Refuse Disposal. No garbage, refuse, rubbish or cuttings shall be deposited on any street, or on any Lots unless placed in a suitable container suitably located, solely for the purpose of garbage pickup. All trash and refuse containers, except when placed as noted above for the sole purpose of garbage pickup, will be kept inside garages. The burning of trash in outside incinerators, barbeque pits or the like is prohibited, it being intended that all refuse, trash, garbage and the like shall be hauled from the Properties. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition.

Section 18. Repair. No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting or servicing of any kind of vehicles, trailers, boats, or vans may be performed on any Lot unless it is done within completely enclosed structures located on the Lot 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 19. Tanks. No tanks of any kind, either elevated or buried, shall be erected, placed or permitted upon any Lot.

Section 20. Party Walls.

(a) General Rules of Law to Apply. Each wall which is built as a part of the original construction of the townhomes upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, 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 wilful acts or omissions shall apply thereto.

(b) 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 wall in proportion to such use.

(c) Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost

of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or wilful acts or omissions.

(d) Weatherproofing. Notwithstanding any other provisions of this Section 20, an Owner who by his negligent or wilful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section 20 shall be appurtenant to the land and shall pass to such Owner's successors in title.

(f) Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Section 20, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision 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.

Section 21. Access to Public Utility Meters. No garage door or other obstruction to the entry of any garage space shall be so constructed, installed, attached, placed or maintained as to prevent, hinder or limit access to public utility meters by any public utility company employee for the purpose of reading such public utility meters.

Section 22. Garage Doors. Garage doors are to be kept closed at all times except when not in immediate use for ingress or egress of motor vehicles, equipment and the like and subject further to Section 21 above.

Section 23. Conflict with Zoning. In the event the terms and conditions of the Declaration conflict with the applicable zoning laws of the City or County, then the higher standards shall control.

ARTICLE VIII

INSURANCE

Section 1. Common Insurance. The Association shall obtain and maintain at all times, to the extent obtainable, policies involving standard premium rates, established by the Colorado Insurance Commissioner, and written with companies licensed to do business in Colorado and having a Best's Insurance Report rating of Class VI or better or Class V with a general policy holder's rating of at least A, covering the risks set forth below. The premiums for such insurance shall be a common expense and included in the annual and special assessments described herein. The Board of Directors of the Association shall not obtain any policy where: (i) 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 (ii) by the terms of carrier's charter, bylaws or policy, loss payments are contingent upon action by the company's Board of Directors, policyholders or members; or (iii) the

policy includes any limiting clauses (other than insurance conditions) which could prevent mortgagees or the mortgagor from collecting insurance proceeds. The types of coverages to be obtained and risks to be covered are as follows, to-wit:

(i) Fire insurance with extended coverage and standard all risk endorsements, which endorsements shall include endorsements for vandalism and malicious mischief. Said casualty insurance shall insure the Properties together with all buildings, fixtures, improvements, and service equipment located thereon and a part thereof (including all of the fixtures therein initially installed by the Declarant but not including furniture, furnishings or other personal property supplied, maintained, or installed by an Owner) in an amount equal to the full replacement value, without deduction for depreciation. All policies shall contain a standard non-contributory mortgage clause in favor of each Mortgagee of a Lot, which shall provide that the loss, if any, thereunder, shall be payable to the Association, for the use and benefit of Owners and Mortgagees as their interests may appear. Unless at least two-thirds (2/3) of all Owners (other than Declarant) and at least two-thirds (2/3) of all first mortgagees, including sellers under Veterans Administration executory land sales contracts (based upon one vote for each first mortgage owned or executory land sales contract held), the Association shall not be entitled to:

(1) Fail to maintain fire and extended coverage on insurable Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost); or

(2) Use hazard insurance proceeds for losses to any Common Area property for other than the repair, replacement or reconstruction of such property.

(ii) Public liability and property damage insurance in such limits as the Board of Directors of the Association may from time to time determine, but not in an amount less than \$500,000.00 for bodily injury, per person, per occurrence and umbrella liability limits of \$1,000,000.00 per occurrence covering claims for bodily injury and \$50,000 for property damage arising out of one occurrence. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the project. Said policy shall also contain a "severability of interest endorsement" which shall preclude the insurer from denying the claim of an Owner because of the negligent acts or omissions of the Association or other Owners. However, such policy need not cover the individual liability of an Owner arising from occurrences within his Lot.

(iii) Workmen's Compensation and employer's liability insurance and all other similar insurance with respect to employees of the Association in the amounts and in the forms now or hereafter required by law.

(iv) The Association shall purchase adequate fidelity coverage against dishonesty of directors, managers, volunteers and employees, destruction or disappearance of money or securities and forgery. The fidelity insurance shall name the Association as the named insured and shall be written in an amount not less than one and one-half times the insured's estimated annual

operating expenses and reserves. Said policy shall also contain endorsements thereto covering any persons who serve the Association without compensation.

(v) The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the project.

Section 2. Appraisal. At least annually and prior to obtaining any insurance policy required under Section 1 of this Article, the Board of Directors shall obtain an appraisal of the full replacement value of each Lot, including all buildings, fixtures, improvements and service equipment located thereon, and of the Common Area improvements, without deduction for depreciation, for the purpose of determining the amount of insurance required under that Section. Such appraisal may be done by a licensed real broker who shall give a written estimation of the current fair market value of each Lot and of the Common Area Improvements. A copy of such appraisal shall be sent to each Owner.

Section 3. Owner Insurance. Each Owner may carry other insurance for his benefit and at his expense, provided that all such policies shall contain waivers of subrogation, and provided further that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any Owner. Insurance coverage on furnishings, including carpet, draperies, oven, range, refrigerator, wallpaper, disposal and other items of personal property belonging to an Owner and public liability coverage within each Lot shall be the sole and direct responsibility of the Owner thereof, and the Board of Directors, the Association and/or the Managing Agent shall have no responsibility therefor.

ARTICLE IX

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 1. Attorney-in-Fact. This Declaration does hereby make mandatory the irrevocable appointment of an attorney-in-fact to deal with the Properties in the event of their destruction, damage, or condemnation, including the repair, replacement and improvement of any buildings, fixtures, improvements and service equipment located on the Properties (but excluding any furniture, furnishings or other personal property installed by the Owners, rather than Declarant). Title to any Lot is declared and expressly made subject to the terms and conditions hereof, and acceptance by any grantee of a deed or other instrument of conveyance from the Declarant or from any Owner or grantor shall constitute appointment of the attorney-in-fact herein provided. All of the Owners irrevocably constitute and appoint the Canterbury Homeowners Association, Inc. as their true and lawful attorney in their name, place and stead, for the purpose of dealing with the Properties upon their damage, destruction, restoration or condemnation as is hereinafter provided. As attorney-in-fact, the Association, by its President and Secretary or Assistant Secretary or its other duly authorized officers and agents, shall have full and complete authorization, right and power to make, execute and deliver any contract, deed, or other instrument with respect to the interest of an Owner which are necessary and appropriate to exercise the powers herein granted. The proceeds of any insurance collected shall be available to the Association for the purpose of repair, restoration, reconstruction or replacement unless two-thirds (2/3's) of all the Owners and two-thirds (2/3's) of all first Mortgagees agree not to rebuild in accordance with the provisions hereinafter set forth.

Section 2. Damage or Destruction.

(a) In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvements, shall be applied by the Association, as attorney-in-fact, to such reconstruction, and the improvements shall be promptly repaired and reconstructed. The Association shall have full authority, right and power as attorney-in-fact to cause the repair and restoration of the improvements. The annual assessments set forth in Article IV shall not be abated during the period of insurance adjustments and repair and reconstruction.

(b) If the insurance proceeds are insufficient to repair and reconstruct the improvements, and if such damage is not more than sixty percent (60%) of the total replacement cost of all of the property described in Section 1 of this Article, not including land, such damage or destruction shall be promptly repaired and reconstructed by the Association as attorney-in-fact, using the proceeds of insurance and the proceeds of a special assessment to be made against all of the Owners and their Lots. Such special assessment shall be made and shall be due and payable as provided in Article IV, Section 4 hereof. The Association shall have full authority, right and power as attorney-in-fact, to cause the repair, replacement or restoration of the improvements using all of the insurance proceeds for such purpose, notwithstanding the failure of an Owner to pay the assessment. The assessment provided for herein shall be a debt of each Owner and a lien on his Lot and may be enforced and collected as is provided in Article IV.

(c) If the insurance proceeds are insufficient to repair and reconstruct the improvements, and if such damage is more than sixty percent (60%) of the total replacement cost of all of the property described in Section 1 of this Article, not including land, such damage or destruction shall be promptly repaired and reconstructed by the Association, as attorney-in-fact, using the proceeds of insurance and the proceeds of a special assessment to be made against all of the Owners and their Lots, provided, however, that two-thirds (2/3's) or more of the Owners and at least two-thirds (2/3's) of the first Mortgagees of record may agree not to repair or reconstruct the improvements; and in such event, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association's President and Secretary or Assistant Secretary, the Properties shall be sold by the Association pursuant to the provisions of this Section, as attorney-in-fact, for all of the Owners, free and clear of the provisions contained in this Declaration, the Map, Articles of Incorporation and Bylaws. Annual assessments shall not be abated during the period prior to sale. The insurance settlement proceeds shall be collected by the Association, and such proceeds shall be divided by the Association according to each Owner's interest therein based upon the appraised value of that Owner's Lot, and the improvements and fixtures thereon, and such divided proceeds shall be paid into separate accounts, each such account representing one of the Lots. Each such account shall be in the name of the Association, and shall be further identified by the Lot designation and the name of the Owner. From each separate account the Association, as attorney-in-fact shall forthwith use and disburse the total amount of each of such accounts, without contribution from one account to another, toward the partial or full payment of the lien of any first Mortgagee encumbering the Lot represented by such separate account. Thereafter, each such account shall be supplemented by the apportioned amount of the proceeds obtained from the sale of the entire Properties. Such apportionment shall be

based upon each Owner's interest therein based upon the appraised value of that Owner's Lot. The total funds of each account shall be used and disbursed, without contribution, from one account to another by the Association, as attorney-in-fact, in the following order:

- (1) For payment of the balance of the lien of any first Mortgage;
- (2) For payment of taxes and special assessments liens in favor of any assessing entity and the customary expenses of sale;
- (3) For payment of unpaid assessments and any and all unpaid liens and costs, expenses and fees incurred by the Association;
- (4) The balance remaining, if any, shall be paid to the Lot Owner.

Section 3. Condemnation. In the event proceedings are initiated by any government or agency thereof, seeking to take by eminent domain the Common Area, any part thereof or any interest therein, any improvement thereon, or any interest therein, with a value (including loss of value to the balance of the Common Area and improvements thereof), as reasonably determined by the Association in excess of \$10,000.00, 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 first Mortgagees of Lots, Owners and to the Declarant. The Association shall have full power and authority to defend in said proceedings, but the Association shall not enter into proceedings, pursuant to which the Common Area or any part thereof or any interest therein, or any improvement thereon or any part thereof or interest therein is relinquished without giving all first mortgagees of Lots, Owners, and Declarant at least fifteen (15) days prior written notice thereof.

In the event, following such proceedings, there is such a taking in condemnation or by eminent domain of a part or all of the Common Area, the award made for such taking shall be payable to the Association, subject to the rights of all first mortgagees. If seventy-five percent (75%) or more of the Owners approve the repair and restoration of the Common Area, the Association shall arrange for the same and shall disburse the proceeds of such award to the contractors engaged in such repair and restoration in appropriate progress payments. In the event that seventy-five percent (75%) or more of the Owners do not duly and promptly approve the repair and restoration of such Common Area, the Association shall disburse the net proceeds of such award to the Owners, the Owner of each Lot receiving one (1) equal share, provided that the Association shall first pay out of the shares of each Owner the amount of any unpaid liens or encumbrances on his Lot in the order of the priority of such liens or encumbrances. No provision of this Declaration or of 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 the mortgage or deed of trust or seller or holder of any Veterans Administration installment contract for sale of real estate on such Owner's Lot in the case of a distribution to an Owner of insurance proceeds or condemnation awards for losses to or taking of Lots or Common Area, or both.

ARTICLE X

GENERAL PROVISIONS

Section 1. Enforcement. The Association or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any 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 2. Severability. Invalidation 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. Conflicts of Provisions. In case of conflict between this Declaration and the Articles of Incorporation or the By-Laws, this Declaration shall control.

Section 4. Annexation.

(a) Declarant reserves the right to annex all or any portion of the following described property to the Properties. By acceptance of Deed, all purchasers consent to the annexation of all or any portion of the real property hereinafter described to the Properties without further vote therefore. Said property is described as follows: Tracts A and B of Carefree Village North, Filing No. 1 in the City of Colorado Springs, County of El Paso County, Colorado.

(b) Annexation of additional property beyond that described in paragraph (a) above shall require the assent of two-thirds (2/3) of the Class A members and two-thirds (2/3) of the Class B members, if any, at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. The presence of members or of proxies entitled to cast sixty percent (60%) of the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth above, and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event that two-thirds (2/3) of the Class A membership or two-thirds (2/3) of the Class B membership are not present in person or by proxy, members not present may give their written assent to the action taken thereat.

(c) Such annexation shall be accomplished by filing for record with the Clerk and Recorder of El Paso County a supplement or supplements to this Declaration together with a new or supplemental subdivision map or maps. Any such annexation may be accomplished in "phases" by successive supplements.

Section 5. Duration, Revocation and Amendment. 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. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than 90% of the Members of all classes, and thereafter by any instrument signed by not less than 75% of the Members of all classes; provided however,

the Declarant reserves the right to make such amendments, without vote of the Owners, as may be required by primary or secondary lending institutions or agencies, and each Owner by accepting a deed to his Lot appoints Declarant as his attorney-in-fact for purposes of executing in said Owner's name and recording any such amendments to this Declaration, and each deed, mortgage, trust deed, other evidence of obligation or other instrument affecting a Lot and the acceptance thereof shall be deemed to be a grant and acknowledgment of, and a consent to the reservation of, the power to the Declarant to make, execute and record any such amendments.

Section 6. Registration by Owner of Mailing Address. Each Owner shall register his 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 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 2993 Broadmoor Valley Road, Colorado Springs, Colorado, 80906, until such address is changed by a notice of change of address mailed to each Owner by the Association.

Section 7. Leases. Any lease agreements between an Owner and a lessee shall provide that the term of such lease shall be subject in all respects to the provisions of this Declaration and the Articles of Incorporation and By-Laws of the Association, and that any failure by the lessee to comply with the terms and provisions of such documents shall be a default under the lease. Further, all leases shall be in writing.

Section 8. Number and Gender. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

Section 9. Captions. The captions to the Articles and Sections are inserted herein only as a matter of convenience and for reference, and are in no way to be construed to define, limit, or otherwise describe the scope of the Declaration nor the intent of any provisions hereof.

Section 10. Dedication of Common Areas. 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.

IN WITNESS WHEREOF, the Declarant and the undersigned Owners have hereunto set their hands and seals as of the day and year first above written.

Arthur J. Pasmaz
ARTHUR J. PASMAS

J. C. ALBERTSON & CO., INC.

BY: John C. Albertson
JOHN C. ALBERTSON, President



Secretary

OWNERS:

George Hudson and Ruth R. Hudson, owners of Lot #1, Carefree Village North, Filing No. 1 in the City of Colorado Springs, El Paso County, Colorado

Mervin Travis Black and Thelma L. Black, owners of Lot #7, Carefree Village North, Filing No. 1 in the City of Colorado Springs, El Paso County, Colorado

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 5th day of November, 1980, by John C. Albertson and Beverley K. Albertson, President and Secretary respectively, of J. C. Albertson & Co., Inc.

WITNESS my hand and official seal.



Patricia L. Jacobs
NOTARY PUBLIC

My commission expires: 6/16/84

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 5th day of November, 1980, by Arthur J. Pasmaz.

WITNESS my hand and official seal.



Patricia L. Jacobs
NOTARY PUBLIC

My commission expires: 6/16/84

STATE OF COLORADO)
) ss.
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me
this _____ day of _____, 1980, by George Hudson and Ruth R.
Hudson.

WITNESS my hand and official seal.

SEAL

NOTARY PUBLIC

My commission expires: _____

STATE OF COLORADO)
) ss.
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me
this _____ day of _____, 1980, by Marvin Travis Black and
Thelma L. Black.

WITNESS my hand and official seal.

SEAL

NOTARY PUBLIC

My commission expires: _____

EXHIBIT "A"

Lots 1-22 inclusive and Tracts C, D, E & F, Carefree Village North
Filing No. 1, in the City of Colorado Springs, County of El Paso,
Colorado.

EXHIBIT "B"

Lot 22 and Tracts C, D, E & F, Carefree Village North Filing No. 1,
in the City of Colorado Springs, County of El Paso, Colorado.