

COUNTY OF LARIMER

PARKWOOD EAST CONDOMINIUMS
DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
FOR
THE FIRST PHASE

THIS DECLARATION, made on the date hereinafter set forth by KEM Homes, Inc., a Colorado corporation, its successors and assigns, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of and intends to develop a tract of land consisting of (I) twenty-one (21) building envelopes (A through U); (II) three (3) recreational envelopes (V, W, and X) and (III) the open area surrounding such envelopes, commonly known as "Parkwood East Condominiums" and legally described as all of Tract A, Parkwood East Second Filing, a subdivision of the City of Fort Collins, Larimer County, Colorado (the "Property");

WHEREAS, Declarant hereby intends to establish and construct a condominium regime on the building envelopes described as follows:

BUILDING ENVELOPE	UNITS WITHIN THE BUILDING ENVELOPE
T	18
U	12

Total Units In the First Phase -- 30

The First Phase includes two (2) building envelopes as listed above and adjacent parking and open areas, all of which is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference, (herein called "The First Phase");

WHEREAS, Owner desires to establish, by this Declaration a plan for the individual ownership of that part of the Property known as "The First Phase", consisting of the area or space contained in each of the condominium units in the above listed buildings in the First Phase and the co-ownership as tenants in common, of all the remainder of the First Phase and improvements thereon, which are hereinafter defined and referred to as the "Common Elements". Such plan is hereby declared to be for the benefit of the First Phase and the Owners thereof, their heirs, successors, administrators, grantees and assigns, and is for the purpose of designating the First Phase as condominium property under the provisions of the Condominium Ownership Act of the State of Colorado, Article 33 of Chapter 38 of 1973 Colorado Revised Statutes as amended;

WHEREAS, Declarant desires, at Declarant's sole election, to later construct and establish one additional 257-unit condominium regime on all of the Property except the First Phase (herein called "The Second Phase") which will be subject to the same or similar declarations and condominium documents as referred to herein; and

WHEREAS, Declarant intends to make membership in such recreational facilities in the Second Phase available to Owners of the First Phase;

NOW, THEREFORE, Declarant hereby declares that the following terms, covenants, conditions, easements, reservations, restrictions, uses, limitations and obligations shall be deemed to run with the land in the First Phase, shall be a burden and a benefit to Declarant, its transferees, assigns and successors, and any person acquiring or owning an interest in the real property and improvements in the First Phase, their grantees, successors, heirs, executors, administrators, devisees or assigns.

1. DEFINITIONS:

A. All applicable portions of definitions as contained in 1973 Colorado Revised Statutes, Chapter 38-33-103 shall apply to this Declaration and The First Phase except as particularly modified or changed by individual definitions hereinafter contained.

B. "Unit" means the air space contained within the boundaries of perimeter walls (including windows and doors in such walls), floors and ceilings of a unit, such boundaries are shown and described on the Condominium Map (as hereinafter defined) recorded in the real property records of Larimer County, together with: (i) all fixtures and improvements therein; (ii) the inner decorated or finished surfaces of such Unit's perimeter walls, floors and ceilings; and (iii) the interior non-supporting walls within the Unit. "Unit" does not include, however, the undecorated or unfinished surfaces of the perimeter walls, floors, ceilings, or supporting walls of a Unit, and is further subject to a blanket easement for any utilities running through the Unit that serve more than one Unit, or any other Common Elements or part thereof located within the Unit.

C. "Condominium Unit" means the fee simple interest in title in and to the Unit and the appurtenant undivided interest in and to the general and limited Common Elements.

D. "Building" means one of the building improvements containing Units as shown on the Map.

E. "Map" or "Condominium Map" or "Supplemental Map" means and includes the engineering survey of the real property in The First Phase depicting and locating thereon all of the improvements, the floor and elevation plans and any other drawings or diagrammatic plan depicting a part of or all of the real property and improvements thereon.

F. "General Common Elements" means that portion of the real property in the First Phase as shown and described on the Map; the structural components of the buildings thereon, and all other parts of such real property and improvements thereon necessary or convenient to its existence, maintenance and safety which are normally and reasonably in common use; all of which shall be owned as tenants in common by the Owners of the separate Units in undivided interests; and including the air space above such real property, except those air spaces identified on the Map as Units.

G. "Limited Common Elements" are those portions of the General Common Elements which are reserved for the exclusive use of the individual Owners of the respective Units. The Limited Common Elements so reserved shall be identified on the Map as a court, terrace, patio, lobby, balcony, deck, fenced area, storage locker, or by being designated on the Map as a Limited Common Element. Any court, terrace, patio, lobby, balcony, deck, fenced area, storage locker, which is accessible from, associated with or which adjoins a Unit and any other Limited Common Element identified in connection with such Unit. Notwithstanding the foregoing, all of the Owners shall have a non-exclusive right in common with all of the other Owners to the use of sidewalks and pathways located within the condominium project. No reference thereto whether such Limited Common Elements are exclusive or non-exclusive, need to be made in any deed, instrument of conveyance or other instrument.

H. "Owner" means a person, firm, corporation, partnership, association or other legal entity, or any combination thereof, who owns one or more Condominium Units.

I. "Mortgagee" shall mean and include Mortgagee, holder of a Deed of Trust, or any other legally recognized real property security interest in a Unit.

J. "Condominium Project" means and includes the building envelopes, surrounding parking and open areas, the buildings, all improvements and structures thereon and all rights, easements and appurtenances belonging thereto in the First Phase.

K. "Common Expenses" means and includes expenses for the operation, maintenance, repair, replacement and improvement of the Common Elements, including but not limited to expenses for water and sewer utilities, for trash removal and for management and administrative expenses declared Common Expenses by the provisions of this Declaration and by the By-Laws and Articles of Parkwood East First Condominium Association, and all sums lawfully assessed against the General Common Elements by the Association.

Assessment of the Unit Owners shall be determined by the Board of Directors of the Association from time to time, and each Unit Owner shall be responsible for that proportion of the total assessment in accordance with the Schedule of Undivided Interests and Share of Profits and Common Expenses, attached hereto as Exhibit "B", incorporated herein by reference.

L. "Condominium Association" or "Association" means Parkwood East First Condominium Association, a Colorado corporation, not for profit, the Articles and By-Laws of which shall govern the administration of the Condominium Project, the members of which shall be all the owners of the Condominium Units in the First Phase.

M. "Second Phase Association" means "Parkwood East Second Condominium Association", a Colorado corporation, not for profit, the Articles and By-Laws of which shall govern the administration of the recreational facilities and surrounding open areas, the members of which shall be all the Owners in the Second Phase if, as, and when it is formed, and the Owners in the First Phase, if, as and when they elect to become members in accordance with Paragraph 20 hereof.

N. "Condominium Documents" means and includes the following listed documents which are attached hereto and incorporated herein by reference as follows:

1. Articles of Incorporation of Parkwood East First Condominium Association Exhibit "C-1"
2. By-Laws of Parkwood East First Condominium Association Exhibit "C-2"
3. Condominium Map of Parkwood East First Condominium Exhibit "D"
4. F.H.A. Regulatory Agreement Exhibit "E"
5. Management Agreement Exhibit "F"

2. MAP: A Map shall be filed of record prior to the conveyance of any Condominium Unit to a purchaser. The Map shall depict and show at least the legal description of all of the First Phase, together with a survey thereof, and the outside perimeter boundary of each Building within which Units shall be located in the First Phase. There shall be filed for record as part of any Map the certificate of a Registered Professional Land Surveyor, certifying that the data and information shown on such Map is a survey of the Condominium Project, that it was made under his supervision, and that it is an accurate delineation of the survey. In interpreting the Map, the physical boundaries of each separate Unit as constructed shall be conclusively presumed to be its boundaries. Declarant reserves the right to conform such Maps to the actual location of any of the constructed improvements, and Declarant further reserves the right, for a period of five (5) years from the date hereof, to amend any plat or map in order to vacate, extend the use to other property, establish or relocate easements, access roads and off-site parking areas including, but not limited to, easements

constructed as provided at Paragraphs 5D and 5E. All easements shown on any Map are reserved to Declarant for such use and disposition as Declarant deems appropriate, provided ingress and egress easements are granted as stated in Paragraphs 5D and 5E.

3. FEE SIMPLE ESTATES: The Property is hereby divided into separate fee simple estates, each estate consisting of the following:

A. The Unit, each such Unit to be identified and located on the Map.

B. An appurtenant undivided interest in the General Common Elements, the percentage of undivided interest of each Unit being set forth on the "Schedule of Undivided Interests and Share of Profits and Common Expenses", attached hereto as Exhibit "B", and incorporated herein by reference.

C. The Limited Common Elements allocable to each such Unit to be identified and located on the Map.

4. INSEPARABILITY: Each Unit and the undivided interest in the General and Limited Common Elements appurtenant thereto shall be inseparable and may be conveyed, leased, rented or encumbered only as a Condominium Unit.

5. COMMON ELEMENTS AND EASEMENTS: The Declarant, its successors and assigns, by these Declarations, and all future Owners of the "Units," by their acceptance of their deeds, covenant and agree as follows:

A. That the Common Elements shall remain undivided; and no Owner shall bring any action for partition, 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 condominium.

B. Encroachments: Every Owner shall have a perpetual easement in, upon, through and over The First Phase to keep, maintain, use, operate, repair and replace: (a) every Condominium Unit, in its original position, and in every subsequent position to which it changes by reason of the radical forces of nature and of the elements, whether such subsequent position be, in whole or part, adjacent, subjacent, or superjacent to said original position; (b) every chimney, cupola, weathervane, stack, or vent, if originally installed by the Declarant; (c) every threshold, screen door, storm window, shutter, hood, awning and all hardware pertaining thereto; and (d) every rain gutter, downspout, roof overhang, and exterior wall light, if originally installed by the Declarant.

C. Access and Utility Easements within The First Phase: A blanket easement is hereby created upon, across, over, through and under the First Phase for ingress and egress to each Unit and for the installation, replacing, repairing and maintaining of all utilities, including but not limited to water, sewer, gas, telephone, cable television, electricity and antenna systems. By virtue of this easement, it shall be expressly permissible for the electrical, cable television and/or telephone company to install and maintain the necessary equipment and to affix and maintain wires, circuits and conduits on, above, across, under or through any part of the Common Elements, or Units. Notwithstanding anything to the contrary contained in this paragraph, no sewers, electrical lines, water lines or other utilities may be installed or relocated on the First Phase except as approved by the Association's Board of Directors. This easement shall in no way affect any other recorded easement on the First Phase.

D. Easements within the Property: Every Owner shall have a perpetual easement in The Property for ingress and egress to each Unit and for the subterranean installation, use, maintenance, repair and replacement of any utilities. If, as and when additional condominium regimes are established on The Property, the Declarant, for itself, its successors and assigns, hereby declares that the Condominium Units owned in such other condominium regimes, shall have a perpetual easement in The First Phase and the Owners of Condominium Units in The First Phase shall have a perpetual easement in the real property of such other condominium regimes as well as in the entire Property for the following purposes: (a) to maintain, use, repair and replace all existing utility and storm sewerage systems; (b) for ingress or egress to each Unit; and (c) for the subterranean installation, maintenance and repair of any pipe, cable or other conduit of liquids or energy supplying water, sewage, telephone, radio, television, electricity, heat, or other similar

services; all such work shall be done only with the written permission of the association affected thereby which permission shall not be unreasonably withheld.

E. Membership: An Owner shall automatically, upon becoming the Owner of a Condominium Unit or Units, be a member of the Association and shall remain a member of said Association until such time as such ownership ceases for any reason, at which time such membership in said Association shall automatically cease.

F. Administration: The administration of the Condominium Project shall be in accordance with the provisions of this Declaration, the By-Laws of the Association which are made a part hereof and attached as Exhibit "C-2", and shall be subject to the terms of a Regulatory Agreement executed by the Association and the Secretary of Housing & Urban Development, which Agreement is made a part hereof and is attached as Exhibit "E". Each Owner, tenant or occupant of a Unit shall comply with the provisions of this Declaration, the By-Laws, decisions and resolutions of the Association or its representative, and the Regulatory Agreement, as lawfully amended from time to time, and failure to comply with any such provisions, decisions, or resolutions, shall be grounds for an action to recover sums due, for damages, or for injunctive relief.

G. No Owner may gain exemption from liability for the contribution towards the Common Elements by waiver of the use or enjoyment of any of the Common Elements or by abandonment of a Unit.

6. UNIT DESCRIPTION: Every contract for the sale of a Condominium Unit written prior to the filing of the Map may legally describe a Unit by its identifying Unit and Building Designation followed by the words, "Parkwood East Condominium, Fort Collins, Colorado, a Condominium," with further reference to the Map to be filed for record and the recorded Declaration. Subsequent to the filing of the Map on which such Unit is designated, every contract, deed, lease, mortgage, trust deed or other instrument may legally describe such Condominium Unit by its identifying Unit designation and Building designation as shown on the Map or Maps followed by the words, "Parkwood East Condominium, Fort Collins, Colorado, a Condominium" with further reference to the Map filed for record and the recorded Declaration. Where the Condominium Unit to be conveyed is shown on a "Supplement Map", it shall be so stated.

Every such description shall be deemed good and sufficient for all purposes to sell, convey, transfer, encumber or otherwise affect the Unit, the General Common Elements, and the Limited Common Elements appurtenant thereto. The initial deed conveying a Condominium Unit may contain reservations and exceptions which the Declarant's deem to be consistent with the best interests of all Condominium Unit Owners and the Association.

7. TITLE: A Condominium Unit may be held and owned by more than one person as joint tenants, or as tenants in common, or in any real property tenancy relationship recognized under the laws of the State of Colorado.

8. MAINTENANCE OF UNIT: For purposes of maintenance, repair, alteration and remodeling, an Owner shall be deemed to own the interior non-supporting walls, the material (such as, but not limited to, plaster, paneling, wallpaper, paint, wall and floor tile, and floorings, but not including the sub-flooring) making up the finished surfaces of the perimeter walls, ceilings and floors within the Unit and the Unit doors and windows. The Owner shall not be deemed to own lines, pipes, wire, conduits or systems running through their Unit which serve one or more other Units except as a tenant in common with the other Owners. Such utilities shall not be disturbed or relocated by any Owner without the written consent and approval of the Association. Any right to repair, alter and remodel shall carry the obligation to replace any finishing or other materials removed with similar or other types or kinds of materials. An Owner shall maintain and keep in repair the interior of their Unit, including the fixtures thereof. All fixtures and equipment installed within the Unit commencing at a point where the utilities enter the Unit shall be maintained and kept in repair by the Owner thereof. An Owner shall do no act nor work that will impair the structural soundness or integrity of the Building or impair any easement or hereditament. The Association shall not be liable for any failure of water supply, or other service to be obtained and paid for by the Association hereunder, or by another Owner or person in the project, or resulting from electricity, water, rain, dust or sand which may

leak or flow from outside or from any parts of the Buildings or from any of its pipes, drains, conduits, appliances or equipment or from any other place, unless caused by gross negligence of the Association or its agents.

9. MECHANIC'S LIENS: Subsequent to the completion of the improvements described on the Map, no labor performed or materials furnished and incorporated in a Unit with the consent of or at the request of the Owner thereof, or his agent, or his contractor or subcontractor shall be the basis for filing a lien against the Condominium Unit of any other Owner not expressly consenting to or requesting the same. Each Owner shall indemnify and hold harmless each of the Owners from and against all liability arising from the claim of any lien against the Condominium Unit of any other Owner for construction performed, or for labor, materials, service or products incorporated in the Owner's Unit at such Owner's express or implied request.

10. ASSESSMENTS: All Owners shall be obligated to pay the estimated assessments imposed by the Association to meet the Common Expenses attributed to The First Phase. The Owners shall at all times maintain with the Association or its designated agent a sum on deposit equal to the estimated maintenance fee for the next following two months. On new Units sold, the two months estimated maintenance fee shall be paid at the time of closing. All assessments shall be fixed at a uniform rate for all Condominium Units. Assessments for the estimated Common Expenses shall be due monthly, in advance, on the first day of each month. The Association shall prepare and deliver by mail to each Owner a monthly statement for the estimated expenses.

Contributions for monthly assessments shall be prorated if the ownership of a Condominium Unit commences on a day other than the first day of a month.

The assessments made for the Common Expenses shall be based upon the cash requirements deemed to be the aggregate sum the Association shall from time to time determine is to be paid by all of the Owners, including Declarants, to provide for payment of all estimated expenses growing out of or connected with the maintenance, operation, repair, replacement or improvement of the Common Elements, which sum may include among other things: expenses of management; taxes and special assessments until separately assessed; fire insurance with extended coverage and vandalism and malicious mischief insurance with endorsements attached issued in the amount of the maximum replacement value of all of the Condominium Units, including all fixtures, interior walls and partitions, decorated and finished surfaces of perimeter walls, floors and ceilings, doors, windows and other elements or materials comprising a part of the Unit; casualty and public liability and other insurance premiums; common lighting; repairs and renovations; trash and garbage collections; landscaping, snow removal and grounds maintenance, wages, water charges, legal and accounting fees; management fees; expenses and liabilities incurred by the Association under or by reason of this Declaration; the payment of any deficit remaining from a previous period; the creation of reasonable contingency or surplus funds, as well as other costs and expenses relating to the Common Elements. In addition to the foregoing estimated expenses, such assessment shall include an adequate reserve for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis (such reserve shall be payable in regular installments as a part of the assessment rather than by special assessment). Any management contract or any other contract providing for services by Declarant or management services by third parties shall be for a term not to exceed three (3) years; any such agreement shall provide for termination by either party without cause and without payment of a termination fee upon advance written notice not more than sixty (60) days prior to the effective date of termination and any such contract shall have the foregoing termination provision included in the contract.

The amount of the expenses assessed by the Association against each Condominium Unit shall be the personal and individual debt of the Owner thereof at the time the assessment is made. Suit to recover a money judgment for unpaid Common Expenses shall be maintainable without foreclosing or waiving the lien securing same. No Owner may exempt himself from liability for his contribution toward the Common Expenses by a waiver of the use or enjoyment of any of the Common Elements, or by abandonment of a Unit.

The grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid assessments up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor; provided, however, that upon payment of a reasonable fee not to exceed \$50.00, and upon written request any such

prospective grantee shall be entitled to a statement from the Association setting forth the amount of the unpaid assessments, if any, with respect to the subject Unit, the amount of the current monthly assessment and the date that such assessment becomes due, credit for advance payments or for prepaid items, including but not limited to insurance premiums, which shall be conclusive upon the Association, unless such request for a statement of indebtedness shall be complied with within ten (10) days of such request, then such grantee shall not be liable for, nor shall the Condominium Unit conveyed be subject to lien for any unpaid assessments against the subject Unit.

Where the Mortgagee of a first mortgage of record or other purchase of a Condominium Unit obtains title to the Unit as a result of foreclosure of the first mortgage, such acquirer of title, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Unit which became due prior to the acquisition of title to such Condominium Unit by such acquirer. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Condominium Unit Owners, including such acquirer, his successors and assigns.

11. ASSESSMENTS LIEN: It shall be the duty of the Owner of each Condominium Unit to pay that share of the Common Expenses, assessed to each Unit as set forth in Exhibit B hereof. Payment thereof shall be in such amounts and at such times as may be determined by the Association.

If any Owner shall fail or refuse to make any such payment of the Common Expenses when due, the amount thereof shall constitute a lien on such Owner's Condominium Unit and upon the recording of the notice thereof by the Association with the Clerk and Recorder of Larimer County, Colorado, the lien shall concomitant with said recording attach and constitute a lien upon such Owner's Condominium Unit. Such lien shall be subordinate to the lien of any first mortgagee. Any first mortgagee who obtains title to a Condominium Unit pursuant to the remedies provided in the collection or foreclosure of the mortgage will not be liable for such Unit's unpaid assessments which accrued prior to the acquisition of title to such Unit by the mortgagee.

To evidence such lien for unpaid assessments, the Association shall prepare a written notice setting forth the amount, the name of the Owner of the Condominium Unit and a description of the Condominium Unit. Such notice shall be signed on behalf of the Association by an officer of the Association or by the Managing Agent acting on behalf of the Board of Directors and shall be recorded in the office of the Clerk and Recorder of the County of Larimer. Such lien may be enforced by foreclosure by the Association of the defaulting Owner's Condominium Unit in like manner as mortgages on real property. The lien provided herein shall be in favor of the Association and for the benefit of all of the members of the Association. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings and attorney's fees for filing the notice or claim of lien and all reasonable attorney's fees in connection with such foreclosure. The Owner shall also be required to pay to the Association the monthly assessment for the condominium unit during the period of foreclosure and the Association shall be entitled to a Receiver to collect the same. The Association, on behalf of the Owners, shall have the power to bid on the Condominium Unit at foreclosure sale and to acquire, hold, lease, mortgage and convey same. Suit to recover a money judgment for unpaid Common Expense shall be unattainable without foreclosing or waiving the lien provided for herein. The Association shall send to each first mortgagee a copy of the notice of lien provided for herein. Any encumbrancer holding a lien on a Condominium Unit may, but shall not be required to, pay any unpaid Common Expense payable with respect thereto and upon such payment, such encumbrancer shall have a lien on such Unit for the amounts paid, of the same rank as the lien of his encumbrance. Upon request of a mortgagee, the Association shall report in writing to the mortgagee of a Condominium Unit any unpaid assessment remaining unpaid for thirty (30) days after the same is due, or other default in any covenant, condition, obligation or term of this Declaration not cured within thirty (30) days; provided, however, that a mortgagee shall have furnished to the Association notice of such encumbrance.

The amount of the expenses assessed by the Association against each Condominium Unit shall be the personal and individual debt of the Owner thereof at the time the assessment is made. No Owner may exempt himself from liability for his contribution toward the Common Expenses by a waiver of the use or enjoyment of any of the Common Elements, or by abandonment of his Unit.

Upon payment of a reasonable fee not to exceed \$50.00 and upon the written request of any Owner, any Mortgagee, or any prospective Mortgagee of a Condominium Unit, the Association shall issue a written statement setting forth the amount of the unpaid expenses assessed to such Unit, if any, the amount of the current monthly assessment and the date such assessment becomes due, credit for advanced payments or for prepaid items, including but not limited to insurance premiums, which statement shall be conclusive upon the Association in favor of all persons who rely thereon in good faith. Unless such request for a statement of indebtedness shall be complied with within twenty (20) days, all unpaid Common Expenses which become due prior to the date of making such request shall be subordinate to the lien of the person requesting such statement.

12. NOTICE TO LARIMER COUNTY ASSESSOR. Declarant shall, in accordance with 1973 Colorado Revised Statutes, Chapter 38-33-104, give written notice to the Assessor of the creation of condominium ownership of the Phase 2 property, so that each condominium unit shall be described with its percentage of undivided interest in the Common Elements, stating that each such condominium unit shall be deemed a separate parcel and subject to separate assessment and taxation.

13. MORTGAGING: Any Owner shall have the right from time to time to mortgage or encumber such Owner's Condominium Unit by Deed of Trust, Mortgage or other security interest, provided all deeds of trust or mortgages other than a first deed of trust or first mortgage shall be subject to the following conditions: (1) that any such junior indebtedness shall always be subordinate to all terms, conditions, expenses and other obligations created by this Declaration and by the By-laws; (2) that any such junior debtor shall release, for the purpose of restoration of any improvements upon the mortgaged premises, all of its right, title and interest in and to the proceeds under all insurance policies upon the Condominium Project and the Units. Such release shall be furnished forthwith by a junior debtor upon written request of the Association and if not granted, may be executed by the Association as attorney-in-fact for such junior debtor.

14. INSURANCE:

A. The Board of Directors of 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 A & XV, covering the risks set forth below. 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 the 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 Mortgagee or the Mortgagor from collecting insurance proceeds. Such policies shall provide for (i) a waiver of the right of subrogation against unit owners individually; (ii) that the insurance is not prejudiced by any act or neglect of individual unit owners which is not within the control of such Owners collectively; and (iii) that the policy is primary in the event any Unit Owner has other insurance covering the same loss. The types of coverages to be obtained and risks to be covered are as follows, to-wit:

(1) 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 entire Condominium Project and any property, the nature of which is a Common Element (including all of the Units and fixtures therein initially installed by the Declarants but not including furniture, furnishings or other personal property supplied by or installed by unit owners) together with all service equipment contained therein in an amount equal to the full replacement value, without deduction for depreciation. All policies shall contain a standard non-contributory mortgage clause in favor of each first mortgagee of a condominium unit, which shall provide that the loss, if any, thereunder, shall be payable to the Parkwood East First Condominium Association, for the use and benefit of mortgagees as their interests may appear.

(2) 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 per injury, per person, per occurrence

and umbrella liability limits of \$1,000,000.00 per occurrence, covering claims for bodily injury or property damage. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the project. Said policy shall also contain a "severability of interest" endorsement.

(3) 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 laws.

(4) The Association shall purchase and be the owner of fidelity coverage in an amount no less than 150% of the estimated annual operating expenses and reserves of the Association against dishonesty of employees, destruction or disappearance of money or securities and forgery. Said policy shall also contain endorsements thereto covering any persons who serve the Association without compensation.

(5) The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Condominium Project, including plate or other glass insurance and any personal property of the Association located thereon.

D. All policies of insurance shall provide that such policies may not be cancelled or modified without at least ten (10) days prior written notice to all of the insureds, including mortgagees. If requested, duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all mortgagees at least ten (10) days prior to the expiration of the then current policies. The insurance shall be carried in blanket form naming the Parkwood East First Condominium Association as the insured, as attorney-in-fact for all of the Condominium Units Owners, which policy or policies shall identify the interest of each Condominium Unit Owner (owner's name and unit number designation) and first mortgagee. Further, the Association shall require the insurance company or companies providing the insurance coverages described herein to provide each Owner and mortgagee a Certificate of Insurance in regard to such Owner's individual unit.

C. Unit owners may carry other insurance for their benefit and at their 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 Unit Owner.

D. Insurance coverage on furnishings, including carpet, draperies, oven, range, refrigerator, wallpaper, disposal and other items of personal or other property belonging to an owner and public liability coverage within each unit shall be the sole and direct responsibility of the Unit Owner thereof, and the Board of Directors, the Association and/or the managing agent shall have no responsibility therefor.

E. In the event that there shall be any damage or destruction to, or loss of or taking of a unit which exceeds \$1,000.00 or any damage or destruction to, or loss to or taking of the Common Elements which exceeds \$10,000.00, then notice of such damage or loss or taking shall be given by the Association to each first mortgagee of said Condominium Unit within ten (10) days after the occurrence of such event.

15. DESTRUCTION: This Declaration does hereby make mandatory the irrevocable appointment of an attorney-in-fact to deal with the Condominium Project in the event of its destruction, damage, obsolescence or condemnation, including the repair, replacement and improvement of any Condominium Units, Buildings, Common Elements or other portion of the Condominium Project which has been so destroyed, damaged, condemned or becomes obsolete. Title to any Condominium Unit 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 Parkwood East First Condominium Association as their true and lawful attorney in their name, place and stead, for the purpose of dealing with the project upon its damage, destruction, obsolescence or condemnation as is herein 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 a Condominium Unit Owner which are necessary and appropriate to exercise the powers herein granted. In the event that the Association is dissolved or becomes defunct, a meeting of the Condominium Unit Owners shall be held within thirty (30) days of either of such event. At such meeting a new attorney-in-fact, to deal with the Condominium Project upon its destruction, damage, obsolescence, or condemnation shall be appointed. Said appointment must be approved by the owners representing an aggregate ownership interest of seventy-five percent (75%) or more of the Common Elements and at least seventy-five percent (75%) of the first mortgagees of the Condominium Units. Repair and reconstruction of the improvements as used in the succeeding subparagraphs means restoring the improvements to substantially the same condition in which they existed prior to the damage, with each Unit and the General and Limited Common Elements having substantially the same vertical and horizontal boundaries as before, and all improvements being reconstructed or repaired in conformance with the Condominium Project's original architectural plan and scheme. The proceeds of any insurance collected shall be available to the Association for the purpose of repair, restoration, reconstruction or replacement unless all of the Owners and all first mortgagees agree not to rebuild in accordance with the provisions hereinafter set forth.

A. In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvement(s), shall be applied by the Association, as attorney-in-fact, to such reconstruction, and the improvement(s) 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 improvement(s). Assessments for Common Expenses shall not be abated during the period of insurance adjustment and repair and reconstruction.

B. If the insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is not more than seventy percent (70%) of the total replacement cost of all of the Condominium Units in this project, 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 Condominium Units. Such special assessment shall be a Common Expense and made pro rata according to each owner's percentage of responsibility and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have full authority, right and power as attorney-in-fact, to cause the repair, replacement or restoration of the improvement(s) 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 Condominium Unit and may be enforced and collected as is provided in Paragraph 14. In addition, therefor, the Association, as attorney-in-fact, shall have the absolute right and power to sell the Condominium Unit of any Owner refusing or failing to pay such deficiency assessment within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Condominium Unit of the delinquent Owner shall be sold by the Association, as attorney-in-fact, pursuant to the provisions of this paragraph. Assessments for the Common Expenses shall not be abated during the period of insurance adjustment and repair and reconstruction. The delinquent Owner shall be required to pay to the Association the costs and expenses for filing the notice, interest at a rate of 10% per annum, on the amount of the assessment and all reasonable attorney's fees. The proceeds derived from the sale of such Condominium Unit shall be used and disbursed 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 Common Expenses and all costs, expenses and fees incurred by the Association;
- (4) For payment of junior liens and encumbrances in the order of and to the extent of their priority; and

(5) The balance remaining, if any, shall be paid to the condominium unit owner.

C. If the Insurance proceeds are insufficient to repair and reconstruct the improvement(s), and if such damage is more than seventy percent (70%) of the total replacement cost of all of the Condominium Units in the Property, 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 Condominium Units, provided, however, that Owners representing an aggregate ownership interest of seventy-five percent (75%) or more of the Common Elements and at least sixty-seven (67%) percent of the first mortgages 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 entire Property shall be sold by the Association pursuant to the provisions of this paragraph, 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. Assessments for Common Expenses 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 in the Common Elements, and such divided proceeds shall be paid into separate accounts, each such account representing one of the Condominium Units. Each such account shall be in the name of the Association, and shall be further identified by the Condominium Unit designation and the name of the Owner. From each separate account the Association, as attorney-in-fact, shall 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 Condominium Unit 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 Condominium Project. Such apportionment shall be based upon each Condominium Unit Owner's interest in the Common Elements. 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, for the same purposes and in the same order as is provided in subsection b (1) through (5) of this section. In the event that the damage is to be repaired or reconstruction is to be made then the provisions of Paragraph 14(b) shall apply.

D. The Owners representing an aggregate ownership interest of seventy-five percent, or more, of the General Common Elements may agree that the Condominium Units are obsolete and that the same should be sold. Such plan (agreement) must have the approval of the Association and the approval of sixty-seven (67%) percent, or more, of the first mortgagees of record at the time of the adoption of such plan. In such instance, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association the entire Property shall be sold by the Association, as attorney-in-fact, for all of the Owners, free and clear of the provisions contained in this Declaration, the map and the Bylaws. The sales proceeds shall be apportioned between the Owners evenly, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Condominium Unit. Each account shall be in the name of the Association, and shall be further identified by number of the Unit, building symbol, and the name of the Owner. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount (of each) of such accounts, without contribution from one account to another, for the same purposes and in the same order as is provided in subparagraph (b) of this paragraph.

E. The provisions of subparagraphs (a) through (d) of this Paragraph 14 shall be applicable to all Condominium Units committed to and covered by the Association.

The power of attorney hereinabove referred to shall also apply to the Association's right to maintain, repair and improve all of the Buildings and General and Limited Common Elements.

F. The Association shall give to the holder of any first mortgage, or its assigns, written notice of any loss of Common Elements exceeding \$10,000.00, or loss in any individual Condominium Unit in excess of \$1,000.00. Such notice shall be given within ten (10) days of loss.

16. CONDEMNATION: If at any time or times during the continuance of the condominium ownership pursuant to this Declaration, all or any part of the Condominium Project shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the following provisions of this Article shall apply:

A. Proceeds: All compensation, damages or other proceeds therefrom, the sum of which is hereafter called the "Condemnation Award" shall be payable to the Association.

B. Complete Taking:

(1) In the event that the entire Condominium Project is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership pursuant hereto shall terminate. The condemnation award shall be apportioned among the Owners on the same basis of each Condominium Unit Owner's interest in the Common Elements, provided however, that if a standard different from the value of the Condominium Project as a whole is employed as the measure of the condemnation award in the negotiation, judicial decree or otherwise, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable.

(2) On the basis of the principle set forth in the 1st preceding paragraph, the Association shall as soon as practicable determine the share of the condemnation award to which each Owner is entitled. Such share shall be paid into separate accounts and disbursed as soon as practicable in the same manner provided in Paragraph 14(b)(1) through (5).

C. Partial Taking: In the event that less than the entire Condominium Project is taken or condemned, sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership hereunder shall not terminate. Each Owner shall be entitled to a share of the condemnation award to be determined in the following manner: As soon as practicable the Association shall reasonably and in good faith, allocate the condemnation award between compensation, damages or other proceeds and shall apportion the amounts so allocated among the Owners as follows: (i) the total amount allocated to taking of or injury to the Common Elements, shall be apportioned among the Owners on the basis of each owner's interest respectively in the Common Elements; (ii) the total amount allocated to severance damages shall be apportioned to those Condominium Units which were not taken or condemned; (iii) the respective amounts allocated to the taking of or injury to a particular Unit and to the improvements an Owner has made within his own Unit shall be apportioned to the particular Unit involved, and (iv) the total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Association determines to be equitable in the circumstances. If the allocation of the condemnation award is already established in negotiations, judicial decree or otherwise, then in allocating the condemnation award the Association shall employ such allocation to the extent it is relevant and applicable. Distribution of apportioned proceeds shall be disbursed as soon as practicable in the same manner provided in Paragraph 14(b)(1) through (5).

D. The Association shall timely notify each first mortgage of any Condominium Unit of the commencement of the condemnation proceedings or eminent domain proceedings and shall notify said mortgagees in the event of the taking of all or any part of the Common Elements, if the value of the Common Elements taken exceeds \$10,000.00.

17. MAILING ADDRESS: Each Owner shall register his mailing address and the name and address of his first mortgagee, if any, with the Association and notices or demands intended to be served upon an Owner shall be sent by mail, postage prepaid, addressed in the name of the Owner and first mortgagee at such registered address. Copies of such notices shall be sent to first mortgagees in a like manner, except when such notices pertain to matters specifically relating to mortgagee(s), in which case such notices shall be sent certified return receipt requested or registered.

18. ACCOUNTS: Each Owner other than the Declarant, shall be required to deposit at the time of initial purchase and thereafter to maintain with the Association a sum equal to two (2) times the amount of the original estimated monthly Common Expense assessments, which sum shall be used by the Board of Directors as a reserve for paying such Owner's common expense assessment, for capital repairs and/or replacements, purchase of equipment and for extraordinary Common Expenses. Such advance payment shall not relieve an Owner

from making the regular monthly Common Expense assessment as the same come due. Upon the sale of his Condominium Unit, an Owner shall be entitled to a credit from his grantee for any unused portion thereof. Failure to so maintain said fund shall constitute a default on behalf of an Owner and the Association shall be entitled to proceed under the remedies granted to it in Paragraphs 10 and 11 hereof. Any interest accruing on such deposit shall not be required to be distributed by the Association.

19. BENEFICIAL USE: The Association may acquire and hold for the benefit of the condominium Owners, real, tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be owned by the condominium Owners in the same proportion as their respective interests in the General Common Elements and shall not be transferable except with a transfer of a Condominium Unit. A transfer of a Condominium Unit shall transfer to the transferee ownership of the transferor's beneficial interest in such real or personal property without any reference thereto or execution of a bill of sale. Each Owner may use such real and personal property in accordance with the purpose for which it is intended, without hindering or encroaching upon the lawful rights of the other Owners. Sale of a Condominium Unit under foreclosure shall thereby entitle the purchaser thereof to the beneficial interest in the real and personal property associated with the foreclosed Condominium Unit.

20. RESTRICTIVE COVENANTS:

(A) The property is hereby restricted to residential units for single-family residential use and uses related to the convenience and enjoyment of such single-family residential use. No residential buildings other than buildings shown on the Map shall be erected or constructed on the property except by vote of the majority in interest in the Condominium Unit Owners. No structures of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuildings shall be used or permitted to be kept or stored on any portion of the Property at any time either temporarily or permanently.

(B) Notwithstanding any other provisions expressly or impliedly to the contrary contained herein, it shall be expressly permissible for the Declarant, its agent, employees and contractors to maintain signs and temporary buildings (during the period of improvement and sale of the Condominium Units, upon such portion of the Condominium Project as Declarant may reasonably require, or which is convenient or incidental to the construction and sale or rental of Condominium Units and interests), including, but without limitation, a business office, storage areas, construction yards, signs, model units, sales office, construction office, parking areas and lighting.

(C) No animals, livestock or poultry of any kind shall be raised, kept or bred in or on the Condominium Project except household pets, provided they are not kept, bred or maintained for any commercial purpose and do not constitute a nuisance. Household pets shall not be permitted to roam freely around the Condominium Project but shall be kept under the strict supervision and control of their Owners at all times. Owners of household pets shall be strictly liable to each and every member of the Association for any damage to property or injury to persons, however slight, caused by any household pet.

(D) No advertising signs, billboards, unsightly objects or nuisances shall be erected, placed or permitted to remain on the Condominium Project, nor shall the Condominium Project be used in any way or for any purpose which may endanger the health or unreasonably disturb the Owner of any Condominium Unit or any resident thereof. Further, no business activities of any kind whatsoever shall be conducted in any building or in any portion of the Condominium Project; provided, further, that the foregoing covenants shall not apply to the business activities, signs and billboards, if any, of the Declarant, its agents, contractors and assigns during the construction and sale and rental period and of the Association, its successors and assigns, in furtherance of its powers and purposes as hereinafter set forth.

(E) No nuisances shall be allowed on the Condominium Project, nor any use or practice which is the source of annoyance to residents or which interferes with the peaceful enjoyment or possession and proper use of the Condominium Project by its residents. No one shall play or loiter in the common hallways and stairways. All parts of the Condominium Project shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage

shall be allowed to accumulate nor any fire hazard to exist. No Unit Owner shall permit any user of his Unit to make use of the Common Elements which will increase the rate of insurance upon the condominium project. The Association may adopt Bylaws and Rules and Regulations relative to abatement and enjoyment of nuisances.

(F) No immoral, improper, offensive or unlawful use shall be permitted or made of the Condominium Project or any part thereof. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction shall be observed.

(G) Rules and regulations may be adopted by the Board of Directors concerning and governing the use of the General and Limited Common Elements; provided, however, that such rules and regulations shall be available to Unit Owners prior to the time that they become effective and that such rules and regulations shall be uniform and non-discriminatory. Such rules and Regulations shall provide that all books and records showing expenses and disbursements of the Association shall be open to the holders of any first mortgage upon request.

(H) Except for those improvements erected or installed by Declarant, no exterior additions, alterations to or decorating of any Buildings, nor changes in fences, hedges, walls and other structures shall be commenced, erected or maintained in or on the condominium project until the plans and specifications showing the nature and kind, shape, heights, materials, location and approximate cost of same shall have been submitted to and approved in writing as to conformity and harmony of external design and location with existing structures in the condominium project by the Association or by a representative designated by it and by the Declarant. The Declarant's approval shall not be required after five (5) years from the date of recording of this Declaration.

(I) No Unit shall be rented by the Owner thereof for transient or hotel purposes, which shall be defined as (a) rental for any period less than thirty (30) days; or (b) any rental if the occupants of the Unit are provided customary hotel services, such as room service for food and beverage, maid service, furnishing laundry and linen, and bellboy service. Other than the foregoing obligations, Owners shall have the absolute right to lease their units provided that such leases are made subject to the covenants and restrictions contained in this Declaration and further subject to the By-Laws and Regulatory Agreement attached hereto.

(J) No boats, trailers, campers, trucks over one ton, recreational vehicles or similar type vehicles shall be parked in front of or in open view on any part of the Property for more than twenty-four hours.

(K) The Association shall have the power to adopt a uniform schedule of reasonable fines and penalties, and of circumstances for suspending a member's voting rights or use of the Common Area for violations of any of the terms of this Declaration or for violation of any rules adopted pursuant to this Declaration, provided that such schedule shall be approved by fifty (50%) percent of the members or at any annual meeting by a majority of the members constituting a quorum either in person or by proxy at any such meeting. The Association shall levy such fines and penalties and shall add the same to as a part of the annual assessment, and the same shall be a lien and obligation of the owner and shall become due and payable in the manner set forth in Article V hereof.

21. SECOND PHASE ASSOCIATION: With respect to the the recreational facilities and surrounding open area, said Declarant, by this Declaration and all Owners of the Condominium Units, by their acceptance of their deeds, covenant and agree as follows that:

A. As used in this Paragraph 20:

1. "Unit" or "Condominium Unit" shall mean a Condominium Unit in a condominium regime approved by the Secretary of Housing and Urban Development which is located on The Property;

2. "Grantor" shall mean any owner or owners of any of the condominium regimes to be constructed on the Property after the date of this Declaration (collectively and separately herein called "Part of The Property") until such time as a condominium regime is approved by the Secretary of Housing and Urban Development;

3. "Secretary of Housing and Urban Development" shall mean the Secretary or his duly appointed representative.

B. Condominium Unit Owners of the First Phase shall automatically have the right to use the recreational facilities without charge until the earlier of: (1) December 31, 1983 or (2) the date at least 66 condominium units in the Second Phase are ready for occupancy. Assessment for the recreational facilities shall be determined as follows:

1. If less than 66 condominium units in the Second Phase are ready for occupancy on or before December 31, 1983, the Association of the First Phase shall elect to either: (1) negotiate a year to year arrangement with Grantor for continued use of the recreational facilities until such time as the Second Phase is ready for occupancy or (11) discontinue use of the recreational facilities. In the later event Condominium Owners in the First Phase shall have no obligations, liabilities, rights or responsibilities arising out of or connected with the recreational facilities and Declarant shall indemnify and hold the First Phase harmless with respect to the recreational facilities.

2. If at least 66 condominium units in the Second Phase are ready for occupancy on or before January 1, 1984 or at such other time as the Association may have an arrangement for the continued use of the recreational facilities, then as of such "ready for occupancy" date, each Condominium Owner in the First Phase shall, pay for each Condominium Unit owned in addition to assessments due under Paragraph 10 hereof, an annual assessment equal to 1/287th of the total sum necessary to provide for the insurance, reserve fund for replacements, maintenance and operation of the Community Building, tennis courts, landscaping, sidewalks, bridges and other improvements appurtenant to the recreational facilities. For so long as there are less than 287 Condominium Units built on The Property the balance of said total sum not covered by the assessment against the Condominium Unit Owners shall be assessed against, and be payable by, the Grantor to the Second Phase Association. All books, records, receipts and disbursements pertaining to the recreational facilities shall be open for inspection by First Phase Owners during regular business hours and copies may be purchased at reasonable cost.

C. The amount of assessment against each Unit Owner and, if any, against the Grantor, as provided for in subparagraph (b) above shall be assessed by the Association as a lien at the beginning of each annual assessment period. Each assessment shall be due and payable within thirty (30) days of assessment, and upon default of payment within such period of time, shall be a lien against each Condominium Unit owned by the defaulting Owner and against the Part of The Property, if any, owned by the defaulting Grantor, and The Second Phase Association shall be entitled to enforce the payment of said lien according to the laws of the State of Colorado and to take any other actions for collection from the defaulting parties. Any such lien against a Condominium Unit or against the Part of The Property, if any, owned by the grantor shall be subordinate to any recorded first mortgage or first Deed of Trust covering such Condominium Unit, or, as the case may be, covering the Part of the Property, if any, owned by the Grantor.

D. In addition to the annual assessments as provided for in Subparagraph (b) above, the Second Phase Association may levy in any assessment year special assessments for the purpose of defraying, in whole or in part, (a) the cost of any construction, reconstruction, repair or replacement of a capital improvement, including fixtures and personal property related thereto, or (b) the expense of any other contingencies; provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of all the Condominium Unit Owners who are voting in person or by proxy at a meeting duly called for this purpose.

E. Each member for each condominium Unit shall pay to the Second Phase Association a special assessment equal to 1/287th of the total sum approved by vote of all Condominium Unit Owners to meet the costs and expenses as provided in subparagraph (e) above. For so long as there are less than 287 Condominium Units built on The Property, the balance of any such total sum not covered by the special assessment against the Condominium Unit Owners shall be assessed by the Second Phase Association against, and be payable by, the Grantor to the Second Phase Association.

F. The amount of the special assessment provided for in subparagraphs (d) and (e) shall be assessed as a lien by the Second Phase Association. Each such assessment shall be due and payable within thirty (30) days of assessment, and upon default of payment within such period of time, shall be a lien against each Condominium Unit owned by the defaulting Owner and against that Part of The Property, if any, owned by the defaulting Grantor, and the Second Phase Association shall be entitled to enforce the payment of said lien according to the laws of the State of Colorado and to take any other actions for collection from the defaulting parties. Any such lien against a Condominium Unit or against the Part of The Property, if any, owned by the Grantor shall be subordinate to any recorded first mortgage or first Deed of Trust covering such Condominium Unit, or, as the case may be, covering the part of The Property if any, owned by the Grantor.

G. Both annual and special assessments may be collected on a monthly basis.

H. Notwithstanding anything to the contrary contained in this Article, if less than 287 units are constructed at the time the entire property is fully developed, such lesser number of units shall be deemed to be the denominator instead of 287, whenever used in this Article.

The Association of the First Phase shall upon the request of the Second Phase Association collect the assessments due to the Second Phase Association and pay the same collectively to the Second Phase Association; and shall further have the right, in the event any owner defaults in the payment of assessments to the Second Phase Association, to make such payment including costs of default, add the same to the assessment due the Association of the First Phase and invoke the lien rights and other remedies provided for in this Article to obtain reimbursement from any such Owner.

22. MERGER: Notwithstanding anything to the contrary contained in this declaration upon the mutual consent of a majority of each of the Board of Directors of each of the each of the Associations for condominium regimes on the Property and prior written approval from at least fifty-one (51%) percent of the mortgagees holding first mortgages on Units, said Associations may be merged with each other. If said Boards so elect to merge, they shall jointly retain an attorney having offices in Larimer County, Colorado to prepare an amendment to properly amend this Declaration as necessary to facilitate such merger. In no event shall such amendment change this Declaration beyond the extent necessary to accomplish such merger. Such Amendment shall be submitted to (i) the Secretary of Housing and Urban Development or his or her representative; (ii) the Federal Home Loan Mortgage Corporation; and (iii) the Federal National Mortgage Association, for their review and approval. If the comments of said three organizations are in conflict or they cannot otherwise agree on the form of the Amendment, or they refuse to approve the Amendment, such conflicts shall be promptly submitted for arbitration to three representatives appointed one each by the three First Mortgagees holding the greatest number of first mortgages on the Property. If, for any reason, the arbitration is not final and accepted by all three organizations within ninety (90) days of original submittal, the attorney appointed by the Boards shall make such changes to the amendment as were requested except those in conflict, which shall be modified or deleted, in said attorney's sole discretion, to best resolve any conflicts. Such amendment shall be signed by a duly appointed officer from each of the Boards and shall be recorded. The effective date of such amendment shall be the date it is recorded.

23. AMENDMENT. Except as specified elsewhere in this Declaration, this Declaration shall not be amended without the prior written approval of at least sixty-seven (67%) percent of the Condominium Unit Owners and at least fifty-one (51%) percent of the Mortgagees holding first mortgages on Units.

Notwithstanding the foregoing:

A. The Association shall not, without the prior written approval of at least seventy-five (75%) percent of the Condominium Unit Owners and at least sixty-seven (67%) percent of the Mortgagees holding first mortgages on Units: (i) by act or omission seek to abandon or terminate the Condominium Project; (ii) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements; (iii) change the allocation for distribution of hazard insurance proceeds or condemnation awards or the method for determining pro rata share of ownership in the Common Elements; or (iv) use hazard insurance proceeds for losses to all or any part of the

Condominium Project for other than repairing, replacement or reconstruction except as provided by statute or in this Declaration in case of a substantial loss.

B. Declarant, for the purpose of meeting the requirements of the Federal Housing Administration, The Department of Housing and Urban Development, The Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (as determined by attorneys who represent lenders offering to provide financing for any part of the Property), shall have the right to amend the provisions hereof at any time and from time to time prior to the Declarant having sold 51% of the Condominium Units; provided, no such amendment shall substantially diminish the rights or increase the liabilities of the Unit Owners as initially set forth herein.

24. LIENHOLDERS RIGHTS: A holder, insurer, or guarantor of a first mortgage, upon written request to the Association (such request to state the name and address of such holder, insurer or guarantor and the Unit number), shall be entitled to timely written notice of:

1. Any proposed amendment of the Condominium Documents effecting a change in (i) the boundaries of any unit or the exclusive easement rights pertaining thereto, (ii) the interest in the General or Limited Common Elements pertaining to any unit or the liability for common expenses pertaining thereto, (iii) the number of votes in the Association pertaining to any Unit or (iv) the purposes to which any Unit or Common Elements are restricted;

2. Any proposed termination of the condominium regime;

3. Any condemnation loss or any casualty loss which affects a material portion of the Condominium Project or which affects any unit on which there is a first mortgage held, insured or guaranteed by such holder;

4. Any default in the performance by the individual Unit Owner of any obligation under this Declaration, or under the Articles of Incorporation or the Bylaws of the Association, if such delinquency has continued for a period of sixty (60) days;

5. Any lapse, cancellation or material modification of any insurance policy maintained by the Association pursuant to Paragraph 13 hereof.

25. GENERAL:

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


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

C. 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.

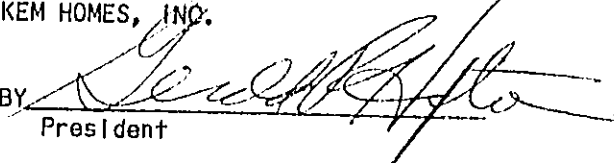
D. In the event there shall be any conflict between the provisions of this Declaration and any Bylaw or rules or regulations of the Association, the provisions of this Declaration shall be deemed controlling.

Dated this 25th day of August, 1981.

ATTEST:


Secretary

KEM HOMES, INC.

BY 
President

B2130 P0319

STATE OF COLORADO:
COUNTY OF LARIMER:

The foregoing Condominium Declaration was acknowledged before me this
via ^{25th} day of August, 1981, by Arnold R. Hanson
as President, and R. Robinson as Secretary of KEM HOMES,
INC.

WITNESS my hand and official seal.

My commission expires: 8-14-84

Clelia A. Hoyle
Notary Public



EXHIBIT "A"

DESCRIPTION OF PHASE ONE

A part of Tract "A" of Parkwood East Second Filing, which begins at the most southerly radius point of said Tract "A" at the intersection of Creekwood Drive and Kirkwood Drive, and run thence along the arc of a 363.69 foot radius curve to the right a distance of 206.69 feet, the long chord of which bears N 73° 46' 52" E 203.92 feet; thence S 89° 56' 15" E 70.00 feet; thence N 00° 03' 45" E 120.00 feet; thence N 35° 30' W 240.00 feet; thence S 54° 30' W 132.31 feet; thence N 35° 30' W 74.00 feet; thence S 54° 30' W 168.11 feet to Creekwood Drive; thence along the arc of a 439.83 foot radius curve to the left, the long chord of which bears S 24° 18' 15" E 125.40 feet; thence S 32° 30' E 165.02 feet; thence along the arc of a 15 foot radius curve to the left a distance of 23.56 feet, the long chord of which bears S 77° 30' E 21.21 feet to the point of beginning, containing 2.344 acres, more or less.

B2130 P0321

EXHIBIT "B"

SCHEDULE OF UNDIVIDED INTERESTS
AND SHARE OF PROFITS AND COMMON EXPENSES

All of the units are located in three (3) level garden style frame buildings. Each Unit is accessible by a stairway and has either a balcony or a patio with storage locker.

<u>SQUARE FEET</u>	<u>UNDIVIDED INTEREST</u>	<u>SHARE OF PROFITS AND COMMON EXPENSES</u>
BUILDING T		
Unit 2011 (940)	1/30	1/30
Unit 2012 (940)	1/30	1/30
Unit 2013 (940)	1/30	1/30
Unit 2014 (680)	1/30	1/30
Unit 2021 (940)	1/30	1/30
Unit 2022 (940)	1/30	1/30
Unit 2023 (940)	1/30	1/30
Unit 2024 (680)	1/30	1/30
Unit 2031 (940)	1/30	1/30
Unit 2032 (940)	1/30	1/30
Unit 2033 (940)	1/30	1/30
Unit 2034 (680)	1/30	1/30
BUILDING U		
Unit 2111 (940)	1/30	1/30
Unit 2112 (940)	1/30	1/30
Unit 2113 (940)	1/30	1/30
Unit 2114 (940)	1/30	1/30
Unit 2115 (940)	1/30	1/30
Unit 2116 (680)	1/30	1/30
Unit 2121 (940)	1/30	1/30
Unit 2122 (940)	1/30	1/30
Unit 2123 (940)	1/30	1/30
Unit 2124 (940)	1/30	1/30
Unit 2125 (940)	1/30	1/30
Unit 2126 (680)	1/30	1/30
Unit 2131 (940)	1/30	1/30
Unit 2132 (940)	1/30	1/30
Unit 2133 (940)	1/30	1/30
Unit 2134 (940)	1/30	1/30
Unit 2135 (940)	1/30	1/30
Unit 2136 (680)	1/30	1/30