

DECLARATION
FOR LAWSON HILL
SAN MIGUEL COUNTY, COLORADO

This Declaration is made this 16th day of April, 1992, by Telecam partnership II, Limited, a Colorado limited partnership with an office at 11500 Highway 145, Telluride, Colorado ("Declarant").

1. DECLARATION - PURPOSES:

1.1. General Purposes:

(a) Telecam Partnership II, Limited, a Colorado limited partnership, (the "Declarant"), owns certain real property and ends to develop said property as hereinafter set forth for the purpose of creating a common Interest Community and to declare and make certain property described on Exhibit LD Phase 1 subject to the following terms, covenants, restrictions and conditions.

(b) The name of the Common Interest Community is Lawson Hill." Lawson Hill is a planned community.

(c) The Lawson Hill Propertyowners' Company (the "Association" or "Propertyowners' Company"), a Colorado nonprofit corporation, has been formed to perform certain functions and to hold and manage certain property for the common benefit of all Owners within the Common Interest Community to be known as Lawson Hill. This Declaration defines certain rights and obligations of Owners within Lawson Hill with respect to the Propertyowners' Company and with respect to Functions undertaken and Facilities held by the Association. The Association may perform all tasks and functions whether or not specifically set forth herein which it deems necessary to foster and preserve the health, safety and welfare of persons in Lawson Hill and to preserve property, property rights and property values within Lawson Hill.

(d) By this Declaration, Declarant intends to establish a means to provide for and maintain the area within Lawson Hill as a pleasant and desirable environment for all persons utilizing the same.

1.2. Declaration / Special Purposes: To further the general purposes herein expressed, Declarant, for itself, its successors and assigns, hereby declares that all real property herein defined as Lawson Hill, at all times, shall be owned, held, used and occupied subject to the provisions of this Declaration and to the covenants, conditions and restrictions herein contained.

1.3. Compliance with Documents: All Unit Owners, tenants, mortgagees and occupants of Units shall comply with the covenants, terms and conditions of the Documents. The acceptance of a deed or the exercise of any incident of ownership or the entering into of a lease or the occupancy of a Unit constitutes agreement that the provisions of the Documents are accepted and ratified by that Unit Owner, tenant, mortgagee or occupant. All provisions of the Documents recorded in the records of the Clerk and Recorder of the Counties in which the real property is located are covenants running with the land and shall bind any Persons having at any time any interest or estate in any Unit.

2. DEFINITIONS:

2.1. Act: Act shall mean the Colorado Common Interest Ownership Act, C.R.S. 38-33.3-101 et seq, as the same may be amended from time to time.

2.2. Affordable Housing Community: Affordable Rousing Community shall mean those areas as within Lawson Hill described on Exhibit AFC attached hereto.

2.3. Association or Propertyowners' Company: Association or Propertyowners' Company shall mean Lawson Hill Propertyowners' Company, a Colorado nonprofit corporation, formed and incorporated to be and constituting the Association to which reference is made in this Declaration and to further the common interests of the members of the Association.

2.4. Bylaws: The Bylaws of the Association are the Bylaws as they may be amended from time to time.

2.5. Common Elements: The Common Elements are all portions of the Common Interest Community other than a Unit, specifically including Facilities, Open Space/Recreational Tracts and Property Furnished by Declarant.

2.6. Common Expenses: The Common Expenses are the expenses or financial liabilities for the operation of the Common Interest Community. These expenses include:

(a) Expenses of administration, maintenance, repair or replacement of the Common Elements;

(b) Expenses declared to be Common Expenses by the Documents;

(c) Expenses agreed upon as Common Expenses by the Association; and

(d) Such reasonable reserves as may be established by the Association, whether held in trust or by the Association, for repair, replacement or addition to the Common Elements or any other real or personal property acquired or held by the Association.

In addition, the costs and expenses imposed by the Association, benefiting fewer than all the Units, shall be a Common Expense, but assessed exclusively against those Units benefited.

2.7. Common Interest Community: The Common Interest Community is the real property described in Exhibit LD-Phase 1, and any additional real property subsequently made subject to this Declaration.

2.9. Consideration: Consideration means the gross consideration paid for the Unit affected by the Transfer and shall include actual cash paid, the fair market value of real and personal property delivered or conveyed in return for the Transfer, or contracted to be so paid or delivered or conveyed, in return for the Transfer, and shall include the amount of any lien, mortgage, contract indebtedness, other encumbrance or debt, either given to secure the purchase or any part thereof, or remaining unpaid on the property at the time of the Transfer. The term Consideration does not include as an addition to gross consideration the amount of any outstanding lien or encumbrance in favor of the United States the State of Colorado or a municipal or quasi-municipal corporation or district for taxes, or special or local benefits.

2.9. Declarant: Declarant shall mean Telecam Partnership II, Limited, a Colorado limited partnership.

2.10. Declaration: Declaration shall mean this instrument and all Amendments or Supplements hereto hereafter recorded in the real property records of San Miguel County, Colorado

2.11. Development Rights: Development Rights are the rights reserved by the Declarant under this Declaration to create Units, Common Elements and Limited Common Elements within the Common Interest Community.

2.12. Director: A Director is a member of the Executive Board of the Association.

2.13. Documents: The Documents are this Declaration, and all supplements and amendments hereto, the Plats and Maps which may be recorded in connection with this Declaration and all supplements and amendments hereto, the Bylaws and the Rules as they be amended from time to time. Any exhibit, schedule certification accompanying a Document is a part of that Document

2.14. Dwelling Unit: A living unit used for residential living by a single family unit.

2.15. Eligible Mortgagee: The Eligible Mortgagee is the holder of a first security Interest in a unit, when the holder has notified the Association, in writing, of its name and ad-

dress and that it holds a first Security Interest in a Unit. The notice must include the Unit number and address of the Unit on which it has a security interest. This notice shall be deemed to include a request that the Eligible Mortgagee be given the notices and other rights described in this Declaration.

2.16. Executive Board or Board of Directors: The Executive Board or Board of Directors is the board of directors of the Association.

2.17. Facilities: Facilities shall mean all the real or personal property, including but not limited to all common open space and landscaping installed by the Declarant, owned or leased by the Association or otherwise held or used by the Association, under the Association's management or control by, through or under contractual arrangements, licenses or other arrangements, including Property Furnished by Declarant, real property or interest therein, improvements on real property, and personal property and equipment.

2.18. Function: Function shall mean any activity, function or service required under this Declaration to be undertaken or performed by the Association as well a any activity, function or service otherwise undertaken or performed by the Association.

2.19. Guest: Guest shall mean any guest or invitee of an owner.

2.20. Industrial/Utility Unit: Industrial/Utility unit shall mean a Unit (hereafter defined) designated on the plat creating the same as such and shall be utilized only for those uses and purposes, and subject to the procedures for effecting such uses and purposes, as may be described in such plat and/or the Amendment or Supplement to this Declaration which makes such Unit subject to the provisions hereof.

2.21. Improvements: Improvements are any construction, structure, fixture, or facilities existing or to be constructed on the real property which is included the Common Interest Community, including but not limited to: buildings, trees and shrubbery planted by the Declarant or the Association, paving, utility wires, pipes and. light poles.

2.22. Lawson Hill Midsite: Lawson Hill Midsite shall mean all of the real property located in San Miguel County, described on Exhibit LD-Midsite attached hereto.

2.23. Lawson Hill: Lawson Hill shall mean all of the real property (the "Property") located in San Miguel County, Colorado, described it Exhibit LD-Phase I attached hereto together with such additional real property which may be added to the Property pursuant to the filing of supplements to the Declaration. Declarant shall have the right, without the con-

sent of any party, to make such additions to the Property. All real property added to the Property shall be dealt with in the same manner as if it was originally included in the Property.

2.24. Lessee: Lessee shall mean the person or persons, entity or entities who are the lessees under a lease of all of a Unit. All such leased property is hereinafter referred to as the Leased Premises.

2.25. Light Industrial District: Light Industrial District shall mean those areas within the Lawson Hill PUD described on Exhibit LID attached hereto.

2.26. Limited Common Elements: The Limited Common Elements are the portion of the Common Elements allocated for the exclusive use of one or more but fewer than all of the units by the Declaration. The Limited Common Elements in the Common Interest Community are described in this Declaration.

2.27. Majority or Majority of Unit Owners: The Majority or majority of Unit Owners means the owners of more than 50 percent of the votes in the Association.

2.28. Manager: A Manager is a Person employed or engaged to perform management services for the Common Interest Community and the Association.

2.29. Map: Map means a Plat as defined herein.

2.30. Notice and Comment: Notice and Comment is the right of a Unit Owner to receive notice of an action proposed to be taken by or on behalf of the Association, and the right to comment thereon. The procedures for Notice and Comment are set forth in this Declaration.

2.31. Notice and Hearing: Notice and Hearing is the right of a Unit Owner to receive notice of an action proposed to be taken by or on behalf of the Association, and the right to be heard thereon. The procedures for Notice and Hearing are set forth in this Declaration.

2.32. Plat: Plat means a map or plat filed for record in connection with the creation of the Common Interest Community created by this Declaration or the addition of real property to the Property.

2.33. Open Space / Recreation Tract: Open Space / Recreation Tract shall mean tract designated on the plat creating the same as such and shall be utilized only for those uses and purposes, and subject to the procedures for effecting such uses and purposes, as may be described in such plat and/or the Amendment or Supplement to this Declaration which makes such tract subject to the provisions hereof.

2.34. Owner: Owner shall mean the person or persons, entity entities, who own of record, according to the real property records of San Miguel County, Colorado, fee simple title

to a Unit. Each Owner shall be the holder or holders of a Regular Membership in the Association, as set forth below, which is appurtenant to ownership of such unit. The term Owner shall include Declarant to the extent it is the owner of fee simple title to a unit.

2.35. Person: Person means any individual, corporation, business trust, estate, trust, partnership, association or any other legal entity.

2.36. Property: Property is the land and all Improvements, easements, rights and appurtenances which have been submitted to this Declaration.

2.37. Property Furnished by Declarant: Property Furnished by Declarant shall mean any real property, any improvement or portion of any improvement on real property and any personal property or equipment with respect to which, and to the extent that, Declarant grants, signs or conveys to the Association title, interests in, or rights of use, or with respect to which Declarant permits use by the Association and any replacement of or substitute for any of the foregoing. The Association shall be obligated to and shall accept title to, interests in, or rights of use with respect to any Property Furnished by Declarant which may be assigned, granted, or conveyed to the Association by Declarant, subject to such reservations, restrictions and conditions as Declarant may reasonably impose.

2.38. Residential Unit: Residential unit shall mean a Unit (hereafter defined) designated on the plat creating the same as such and shall be utilized only for those uses and purposes, and subject to the procedures for effecting such uses and purposes, as may be described in such plat and/or the Amendment or Supplement to this Declaration which makes such Unit subject to the provisions hereof.

2.39. Restricted Residential Unit: Restricted Residential Unit shall mean Residential Unit subject to a Deed Restriction as provided for by the San Miguel County, Colorado, Land Use Code.

2.40. Review Board: Review Board shall mean the Design Review Board established pursuant to this Declaration.

2.41. Rules: Rules mean rules and regulations governing the use of Common Elements or Units and the conduct of persons in connection therewith within the Common Interest Community, adopted by the Executive Board pursuant to this Declaration.

2.42. Security Interest: A Security Interest is an interest in estate or personal property, created by contract or conveyance, which secures payment performance of an obligation. The term includes a lien created by a mortgage, deed of trust, trust deed, security deed, contract for

deed, land sales contract, lease intended as security, assignment of lease or rents intended as security, pledge of a ownership interest in an Association, and any other consensual lien or title retention contract intended as security for an obligation.

2.43. Special Declarant Rights: Special Declarant Rights are rights reserved for the benefit of a Declarant to (1) complete improvements indicated plats and plans filed with the Declaration; (2) exercise any Development Right; (3) maintain sales offices, management offices, signs advertising the Common Interest Community and models; (4) easements through the Common Elements for the purpose of making improvements within the Common Interest Community or within real estate that may be added to the Carbon Interest Community; or (5) appoint or remove an officer of the Association or any Executive Board member during any period of Declarant control.

2.44. Special Use Unit: Special Use Unit shall mean a Unit designated created on the plat creating the same as such and shall be utilized only for those uses and purposes, and subject to the procedures for effecting such uses and purposes, as may be described in such plat and/or the Amendment or Supplement to this Declaration which makes such Unit subject to the provisions hereof.

2.45. Taxable Lease: Taxable Lease means any lease of a Unit with a term, initial term and all renewal terms, which aggregate in length 29 years or more; provided lessee has possession or the right to possession on payment of rents. Taxable Lease also means any lease of a Unit for less than 29 years of term, or initial term and all renewal terms aggregated, if lessee has an option to purchase some or all of the Unit leased. If lessee has a lease with such an option to purchase which option may be exercised only within 3 years after the date the lease and option is entered into, then the Real Estate Transfer Assessment shall not be due and payable unless and until the exercise and consummation of such option.

2.46. Transfer: Transfer, whether or not the same is in writing or is recorded, means and includes (1) any grant, assignment, transfer, exchange, conveyance or consummated sale of any ownership or title to a unit situated in Lawson Hill; or (2) the leasing, letting, conveyance, assignment, transfer consummated sale of a possessory interest in a Unit; subject to the exemptions provided in section 5 of this Declaration.

2.47. Unit: A Unit is a physical portion of the Common Interest Community designated for separate ownership or occupancy, the boundaries of which are described in this Declaration, or any supplement or amendment hereto, or in a recorded Plat Or Map. Unit shall also mean Units resulting from the subdivision, pursuant to the San Miguel County, Colorado Land Use Code or pursuant to the Act, of a originally created Unit

into more than one Unit. Unit shall mean each parcel of real property, together with all improvements thereon, within Lawson Hill the fee simple interest of which may be conveyed in its entirety to an Owner without violating the subdivision regulations of San Miguel County, Colorado, as in effect from time to time. Condominium Unit as that term is defined in the Condominium Ownership Act of the State of Colorado shall be considered a Unit. A parcel of property owned in its entirety by the Association shall not be considered a Unit. Specifically, Unit shall not include the Open Space/ Recreation Tracts owned by either the Association or the Declarant.

2.48. Unit Owner: The Unit Owner is the Declarant or other Person who owns a Unit. Unit Owner does not include a Person having a interest in a Unit solely as security for an obligation. The Declarant is the initial owner of any Unit created by this Declaration.

3. CERTAIN OBLIGATIONS AND RIGHTS OF ASSOCIATION:

3.1. Powers and Duties: The Executive Board may act in all instances on behalf of the Association, except as provided in this Declaration, the Bylaws or Colorado law. The Executive Board shall have, subject to the limitations contained in this Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Common Interest Community, which shall include, but not be limited to, the following:

(a) Adopt and amend Bylaws, Rules and regulations. Specifically, the Association is hereby authorized to and shall have the power to adopt, amend and enforce rules and regulations applicable within Lawson Hill with respect to any Facility or Function, and to implement the provisions of this Declaration, the Articles of Incorporation or Bylaws of the Association, including but not limited to, rules and regulations to prevent or reduce fire hazard; to prevent disorder and disturbances of the peace; to regulate pedestrian and vehicular traffic; to regulate animals; to regulate signs; to regulate use of any and all Facilities to assure fullest enjoyment of use by the persons entitled to enjoy and use the same; to promote the general health, safety and welfare of persons within Lawson Hill; and to protect and preserve property, property values and property rights. All rules and regulations adopted by the Association shall be reasonable and shall be uniformly applied. The Association may provide for enforcement of such rules and regulations after Notice and Hearing, through reasonable and uniformly applied fines and penalties, through exclusion of violators from Facilities or focus enjoyment of any Functions, or otherwise. Each owner shall be ob-

ligated to and shall comply with and abide by such rules and regulations and pay such fines, damages or penalties upon failure to comply with or abide by such rules and regulations and such unpaid fines and penalties shall be enforceable in accordance with section 5;

(b) Adopt and emend budgets for revenues, expenditures and reserves;

(c) Collect Common Expense Assessments from Unit Owners;

(d) Hire and discharge managing agents;

(e) Hire and discharge independent contractors, employees and agents, other than managing agents;

(f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violation of the Association's Declaration, Bylaws or Rules in the Association's name or on behalf of the Association or two or more Unit owners on matters affecting the Common Interest Community;

(g) Make contracts and incur liabilities;

(h) Regulate the use, maintenance, repair, replacement and modification of the Common Elements;

(i) Cause additional improvements to be made as a part of the Common Elements;

(j) Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real property or personal property, but Common Elements may be conveyed or subjected to a Security Interest only pursuant to C.R.S. 39-33.3-312;

(k) Grant easements for any period of time, including permanent easements leases, licenses and concessions through or over the Common Elements;

(l) Impose and receive a payment, fee or charge for the rental or operation of the Common Elements and for services provided to Unit Owners;

(m) Impose a reasonable charge for late payment of assessments, and after Notice and Hearing, levy reasonable fines for violations of this Declaration, the Bylaws, Rules and regulations of the Association;

(n) Impose a reasonable charge for the preparation and recordation of supplements or amendments to this Declaration and for statements of unpaid assessments;

(o) Provide for the indemnification of the Association's officers and Executive Board and maintain Directors' and officers' liability insurance;

(p) Assign the Association's right to future income, including the right to receive Common expense assessments;

(q) Exercise any other powers conferred by this Declaration or the Bylaws;

(r) Exercise any other power that may be exercised in this state by legal entities of the same type as the Association;

(s) Exercise any other power necessary and proper for the governance and operation of the Association; and

(t) By resolution, establish permanent and standing committees of Directors to perform any of the above functions under specifically delegated administrative standards, as designated in the resolution establishing the committee. All committees must maintain and publish notice of their actions to Unit Owners and the Executive Board. However, actions taken by a committee may be appealed to the Executive Board by any unit Owner within 45 days of publication of the notice. If an appeal is made, the committee action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

3.2. Executive Board Limitations: The Executive Board may not act on behalf of the Association to amend this Declaration, to terminate the Common Interest Community or to elect members of the Executive Board or determine the qualifications, powers and duties or terms of office of Executive Board members, but the Executive Board may fill vacancies in its membership for the unexpired portion of any term.

3.3. Membership Duties and Obligations of Lessees and Owners;

(a) Every owner is a member of the Association. Said membership is appurtenant to the Unit of said owner and the ownership of the membership for a Unit by an Owner shall automatically pass with fee simple title to the Unit. If title of Unit is held by more than one person, the membership related to that Unit shall be shared by all such persons in the same proportionate interest and by the same type of interest in which the title or leasehold of a Unit is held. An Owner shall be entitled to one membership for each Unit owned by him. If title of a Unit is held by a corporation, the membership related to that Unit shall be issued in the name of the corporation, and the corporation shall designate to the Association in writing the name of one natural person 18 years of age or older who shall have the power to vote said membership at any meeting of members, and to serve if elected as a member of the Board of Directors of the

Association in the name of the corporation. The membership of an Owner in the Association may not be transferred except in connection with the transfer of the title of the Unit; provided, however, that the rights of membership may be signed to a mortgagee as further security for a loan secured by a first lien on a Unit.

(b) Each owner by a acceptance of his interest in a Unit agrees to accept and be bound by this Declaration, the Articles of Incorporation, Bylaws and Rules and Regulations of the Association that are in effect from time to time.

(c) No Owner may reject, repudiate, disown, renounce disclaim his membership in the Association and the rights, duties and obligations attendant to the membership.

3.4. Property Maintenance Function:

(a) The Association shall provide for the care, operation, management, maintenance, repair and replacement of all Facilities.

(b) The Association shall continually conduct fire break activities and fuel-break vegetation reduction as called for by the fire protection plan as applicable to the property.

3.5. Exterior Maintenance Function:

(a) If any owner fails to maintain his Unit or improvements or landscaping on such Unit or fails to perform any acts of maintenance or repair required under this Declaration, the Association may provide exterior maintenance and repair upon such Unit and improvements and landscaping. In addition, the Association may, without notice, make such emergency repairs and maintenance as it may in its judgment deem necessary for the safety of any person or to protection of property. The cost of all maintenance and repair, plus a reasonable charge (not to exceed 20% of such cost) for overhead and administration, performed pursuant to this section shall be assessed against the Owner of such Unit and shall be a lien and obligation of the Owner, his successors and assigns pursuant to section 5 herein and shall become due and payable in all respects as set forth in section 5 herein. For the purpose of performing the non-emergency exterior maintenance authorized above, the Association, through its duly authorized agents or employees, shall have the right, after giving written or telephonic notice to any Owner, to enter upon such Unit during reasonable hours on any day. The Association or its designee is hereby granted a irrevocable license over all property in Lawson Hill to inspect (in reasonable

manner) property within Lawson Hill in order to determine whether any maintenance or repair is necessary under this section and to perform any maintenance or repair required under this Declaration.

(b) neither Declarant, the Association, nor any of their respective directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any Unit or improvements or portion thereof or to repair or maintain the same. Declarant, the Association or any other person, firm or corporation undertaking such repair or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the regular maintenance of any Unit, improvements or portion thereof.

3.6. Vehicle Parking Control Function: The Association may provide regulations which control the locations for parking vehicles, which include but are not limited to automobiles, trucks, motorcycles, campers, trailers and boats. Regulations may also control the enclosures in which certain types of vehicles must be parked and the accessways for vehicles.

3.7. Solid Waste Collection and Disposal Function: The Association may provide for the collection, removal and disposal of all solid waste in Lawson Hill, including but not limited to, the construction, operation and maintenance of waste disposal facilities. The Association shall have the power to charge for the service and to adopt, amend and enforce rules and regulations applicable within Lawson Hill to provide for the orderly collection and disposal of such waste.

3.8. Animal Control Function: The Association may provide for regulations and funds to enforce animal control or a ban on animals in Lawson Hill.

3.9. Operation Function: The Association may do all things which may be reasonably necessary or desirable to keep and maintain Lawson Hill as a safe, attractive and desirable community.

3.10. Other Functions: The Association may undertake and perform other Functions, including the construction and improvement of Facilities, as it deems reasonable or necessary to carry out the provisions of this Declaration.

3.11. Contract for Functions: The Association may contract with any public or private entity, person or Manager to provide the functions described in this Declaration. The Association may utilize professional management in performing its duties hereunder. Any agreement for professional management of the Association's business shall have a maximum term of three (3) years and shall provide for termination by either party

thereto, with or without cause and without payment of a termination fee, upon thirty (30) days prior written notice.

3.12. Insurance: To the extent reasonably available, the Executive Board shall obtain and maintain insurance coverage as set forth below, with limits and in amounts deemed appropriate by the Board of Directors. If such insurance is not reasonably available, and the Executive Board determines that any insurance described in this Article will not be maintained, the Executive Board shall cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Unit Owners and Eligible Mortgagees at their respective last known addresses.

(a) Casualty insurance with respect to all insurable Facilities, insuring such Facilities for the full replacement value thereof, and including coverage for fire and extended coverage, vandalism and malicious mischief; and

(b) Broad form comprehensive liability coverage, vandalism and malicious mischief; and

(c) Broad form comprehensive liability coverage, covering liabilities arising out of or in connection with the use, ownership or maintenance of the Common Elements and the activities of the Association and covering both public liability and automobile liability; and

(d) Fidelity Bonds: A blanket fidelity bond or Dishonesty insurance coverage may be provided for anyone who either handles or is responsible for funds held or administered by the Association, whether or not they receive compensation for their services. The bond or insurance shall name the Association as obligee and shall cover the maximum funds that will be in the custody of the Association or the manager at any time while the bond is in force. In no event shall the bond or coverage be for a amount less than the sum of three months' assessments plus reserve funds. The bond or coverage shall include a provision that calls for 10 days' Written notice to the Association, each holder of a Security Interest in a Unit, each servicer that services a FNMA-owned or FHLMC-owned mortgage on a Unit and the insurance trustee, if any, before the bond can be canceled at substantially modified for any reason. The bond or coverage shall be in an amount equal to the maximum amount of funds in the custody and control of the Association when the bond or insurance When either: (i) separate bank accounts for working funds and reserves are maintained and monthly checks are sent directly to the Association, (ii) a management company maintains separate records and bank accounts for each association's re-

serve account, or (iii) two Directors must sign any check written on the reserve account, then the fidelity bond or coverage may be in an amount equal to three months common expense assessments on all units; and

(e) Workers' compensation Insurance: The Executive Board shall obtain and maintain Workers' Compensation Insurance to meet the requirements of the laws of the State of Colorado; and

(f) Directors' and Officers' Liability Insurance: The Executive Board shall obtain and maintain directors' and officers' liability insurance, if available, covering all of the directors and officers of the Association. This insurance will have limits determined by the Executive Board; and

(g) Other Insurance: The Association may carry other insurance which the Executive Board considers appropriate to protect the Association.

All insurance may contain such deductible provisions as good business practice may dictate. All insurance shall be properly structured to insure Declarant in the manner it deems appropriate within the limits contemplated herein and shall, to the extent reasonably possible, cover each owner without each Owner being specifically named. The Association shall provide to Declarant, upon request, certificates evidencing such insurance and copies of the insurance policies.

Other provisions. Insurance policies required by this section shall provide that:

(i) The insurer waives the right to subrogation under the policy against a Unit Owner or member of the household of a Unit Owner.

(ii) An act or omission by a Unit owner, unless acting within the scope of the Unit owner's authority on behalf of the Association, will not void the policy or be a condition of recovery under the policy.

(iii) If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner which covers the same risk covered by the policy, the Association's policy provides primary insurance.

(iv) Losses must be adjusted with the Association.

(v) Insurance proceeds shall be paid to any insurance trustee designated in the policy for that purpose, and otherwise to the Association, but, in any case, it is to be held in trust for each Unit Owner and the Unit Owner's mortgagee.

(vi) The insurer may not cancel or refuse to renew the policy until 30 days after notice of the proposed cancellation or non-renewal has been mailed to the Association, to each Unit Owner and to each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

(vii) The name of the insured shall be substantially as follows:

"Lawson Hill Pmpropertyownexs' Company, for the use and benefit of the individual Owners."

(viii) Unit Owner Policies: Insurance policies issued to the Association does not preclude Unit Owners obtaining insurance for their own benefit. Owners are advised to obtain and maintain insurance on their own property.

(ix) Premiums: Insurance premiums for insurance carried or to be carried by the Association shall be a Common Expense.

(x) Duty to Restore: If a portion of the Common Interest Community for which insurance carried by the Association is in effect, is damaged or destroyed, that portion of the Common Interest Community must be repaired or replaced promptly by the Association unless:

(A) The Common Interest Community is terminated; or

(B) Repair r replacement would be illegal under state statute municipal ordinance governing health or safety; or

(C) Eighty percent (80%) of the Unit Owners, including each corner of a Unit o signed Limited Common Element that will net be rebuilt, vote not to rebuild.

(xi) Insurance Proceeds: The Trustee, or if there is Trustee, then the Executive Hoard of the Association, acting by the President, shall hold any insurance proceeds in trust for the Association,

Unit Owners and lien holders as their interests may appear. Subject to the provisions of this Section, the proceeds shall be disbursed first for the repair or restoration of the damaged Property. The Association, Unit Owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus after the property has been completely repaired or restored, unless the Common Interest Community is terminated, or if the Unit owners vote not to rebuild.

3.13. Indemnification: The Association shall be obligated to and shall indemnify Declarant and hold it harmless from all liability, loss, cost, damage and expense, including attorneys' fees, arising with respect to any operations of the Association or say Facilities or Functions.

3.14. Charges for Use of Facilities: The Association may establish and modify charges for the use of Facilities to assist the Association in offsetting the costs and expenses of the Association, including depreciation, operation, maintenance, capital replacement and capital expenses. All charges established under this section shall be reasonable and shall be uniformly applied, except such charges may differentiate between reasonable categories. Each Owner shall be Obligated to and shall pay any such charges for use.

3.15. Charges for Functions: The Association may establish and modify charges for providing any service a required or permitted by any Function on a regular or irregular basis to an owner to assist the Association in offsetting the costs and expenses of the Association, including depreciation, operation, maintenance, capital replacement and capital expenses. All charges established under this section shall be reasonable and shall be uniformly applied, except such charges may differentiate between reasonable categories. Each Owner shall be obligated to and shall pay any such charges for such services.

3.16. Governmental Successor: Any Facility and any Function may be turned over by the Association, and with respect to Property Furnished by Declarant, by Declarant, to a governmental entity which is willing to accept and assume the same upon such terms and conditions, including consideration to be paid therefore, as (i) the Association shall deem to be appropriate and which receives the consent of the members of the Association by the Affirmative Vote of a Majority Of the Owners, or (ii) in the case by Property Furnished by Declarant, Declarant shall deem appropriate.

3.17. Association Records and Minutes of Executive Board Meetings: The Executive Board shall permit any Unit Owner, or holder, insurer or guarantor of first Security Interests se-

cured by a Unit, to inspect the records of the Association and the minutes of Executive Board and committee meetings during normal business hours. The minutes shall be available for inspection within a reasonable time after any such meeting.

3.18. Open Meetings: All meetings of the Executive Board, at which action is to be taken by vote will be open to the Unit Owners and Lessees, except as hereafter provided.

(a) Notice: Notice of every such meeting will be given not less than 24 hours prior to the time set for such meeting, by posting such notice in a conspicuous location in the Common Interest Community, except that such notice will not be required if an emergency situation requires that the meeting be held without delay.

(b) Executive Sessions: Meetings of the Executive Board may be held in executive session, without giving notice and without the requirement that they be open to Unit Owners, in either of the following situations only:

(i) If no action is taken at the executive session requiring the affirmative vote of Directors; or

(ii) If the action taken at the executive session involves personnel, pending litigation, contract negotiations, enforcement actions, matters involving the invasion of privacy of individual unit owners, matters which are to remain confidential by request of the affected parties and agreement of the Board or actions taken by unanimous consent of the Board.

3.19. Implied Rights of the Association: The Association shall have and may exercise any right or privilege given to it expressly in this Declaration or, except to the extent limited by the terms and provisions of this Declaration, given to it by law and shall have and may exercise every other right or privilege or power and authority necessary or desirable to fulfill its obligations under this Declaration, including the right to engage labor and acquire use of or purchase property, equipment or facilities; employ personnel obtain and pay for legal, accounting and other professional services; and to perform any function by, through or under contractual arrangements, licenses, or other arrangements with any governmental or private entity as may be necessary or desirable.

3.20. Regular Membership: There shall be one Regular Membership in the Association attributable to the fee simple ownership of each Unit within Lawson Hill. Each such Regular Membership shall be appurtenant to the fee simple title to such Unit. The Owner of a Unit shall automatically be the holder of the Regular Membership appurtenant to that Unit and title to and ownership of the Regular Membership for that Unit

shall automatically pass with fee simple title to the Unit. Each Owner of a Unit shall automatically be entitled to the benefits and subject to the burdens relating to the Regular Membership for his Unit as set forth in this Declaration, the Articles of Incorporation, Bylaws and all rules and regulations of the Association as from time to time are in force and effect. If fee simple title to a Unit is held by more than one person or entity, the Regular Membership appurtenant to that Unit shall be shared by all such persons or entities in the same proportionate interest and by the same type of ownership as fee simple title to the Unit is held.

4. UNIT AND BOUNDARY DESCRIPTIONS

4.1. Maximum Number of Units: (a) When created, the Common Interest Comity initially contains twenty-three (23) Units. As properties are added, the Common Interest Community contains the number of units listed in the most current supplement amendment to this Declaration. The Declarant reserves the right to create up to a total of seventy-one (71) original Units. Each original Unit may be further subdivided, pursuant to the San Miguel County, Colorado Land Use Code or pursuant to the Act, by Declarant or by an Owner of an original Unit, into more than one Unit. The total number of Units to be created within the Common Interest Community shall not exceed 750 Units.

4.2. Boundaries: Boundaries of each Unit created by the Declaration are shown on the Plat or Maps as my be recorded. Boundaries of each Unit created by subdivision of an original Unit or by submission of an original Unit to a common interest ownership regime pursuant to the Act, will he shown or plats or maps as may be recorded.

(a) Inclusions: Each Unit will include the spaces and Improvements lying within the boundaries described above.

(b) Exclusions: Except when specifically included by other provisions of this Section, the following are excluded from each Unit: The spaces and Improvements lying outside of the boundaries described above; and all chutes, pipes, flues, ducts, wires, conduits, skylights and other facilities running through or within any Unit for the purpose of furnishing utility and similar services to other Units and Common Elements or both.

(c) Inconsistency with plat: If this definition of unit boundaries is inconsistent with the plat, then this definition will control.

5. ASSESSMENTS AND OTHER AMOUNTS:

5.1. Obligation for Assessment and Other Amounts:

(a) Declarant for each Unit it owns hereby covenants and each Owner by acceptance of a deed for his Unit, whether or not it shall be so expressed in any such deed, or other conveyance, shall be deemed to covenant and agree to pay to the Association all assessments and the charges, fines, liquidated damages, penalties or other amounts, to be levied, fixed, established to pay Common Expenses, to be collected as set forth in this Declaration and the Articles of Incorporation, Bylaws, Design Regulations and rules and regulations of the Association as from time to time are in force and effect.

(b) Any Common Expense for services provided by the Association to an individual Unit at the request of the Unit Owner shall be assessed against that Unit.

(c) Any insurance premium increase attributable to a particular Unit by virtue of activities in or construction of the Unit shall be assessed against that Unit.

(d) An assessment to pay a judgment against the Association may be made only against the Units in the Common Interest Community at the time the judgment was entered, in proportion to their Common Expense liabilities.

(e) If a Common Expense is caused by the misconduct of a Unit Owner, the Association may assess that expense exclusively against that Unit Owner's Unit.

(f) Fees, charges, taxes, impositions, late charges, fines, collection costs and interest charged against a Unit owner pursuant to the Documents and the Act are enforceable as Common Expense assessments.

5.2. Purpose of Assessments and Other Amounts: The assessments levied and any charge, fine, penalty, liquidated damages or other amount collected by the Association shall be used exclusively to pay Common Expenses and expenses that the Association may incur in performing any actions permitted or required under this Declaration, or its Articles of Incorporation, Bylaws, Design Regulations or rules and regulations as from time to time are in force and effect, including but not limited to, operating expenses and the costs of constructing or purchasing Facilities and performing Functions. However, this section shall not prohibit the Association from establishing appropriate reserves to defray anticipated expenses, and investing all excess cash in a prudent manner.

5.3. Agreement to Pay Assessment: Declarant, for each Unit owned by it within the Project, and for and as the Owner of the Project and every part thereof, hereby covenants, and each owner of any Unit by the acceptance of a deed thereof,

whether or not it be so expressed in the deed, shall be deemed to covenant and agree with each other and with the Association to pay to the Association periodic assessment (hereinafter referred to as "Periodic Assessment") made by the Association for the purposes provided in this Declaration, and special assessments for capital improvements and other matters as provided in this Declaration. Such assessments shall be fixed, established and collected from time to time.

5.4. Amount of Periodic Assessments: The amount and periodic frequency of total Periodic Assessments against all Units shall be based upon advance budget estimates of the cash requirements as determined from time to time by the Board of Directors of the Association to provide for the payment of expenses of the Association which shall include but are not limited to the performance of functions; construction, operating, maintenance and repair of Facilities; routine maintenance, repair and operation of the common elements; to create reasonable contingency reserves for periodic maintenance and repair; to eliminate any deficit from a prior year; to provide the furnishing of commonly provided utilities and other services to the Units; management; insurance premiums; landscaping and care of grounds; electricity; lighting; heating; water; snow and ice removal; trash and garbage collections; routine repairs, replacements and maintenance under or by reason of this Declaration. If the Board of Directors shall not determine, levy and assess the Periodic Assessment for a particular assessment period in accordance with this paragraph, then it will be presumed that the Periodic Assessment per Unit for that particular assessment period will be the same as the Periodic Assessment per Unit for the assessment period immediately preceding that particular assessment period. The Board of Directors shall determine, apportion, levy and assess the Association's Periodic Assessments without the vote of the members of the Association.

In preparing such advance budget estimates for the purpose of determining Periodic Assessments, the Board of Directors shall specifically estimate the amount of expenses allocable to each of the line items set forth on Exhibit Budget attached hereto.

5.5. Apportionment of Periodic Assessments: Any Periodic Assessments assessed pursuant hereto by the Board of Directors against all owners shall be assessed on an equal basis to all owners, in accordance with a supplement or amendment to this Declaration or in accordance with such formulations applied to reasonably established categories of owners as may be determined by the Board of Directors. Any Periodic Assessments assessed pursuant hereto against less than all of the Owners shall be assessed on an equal basis to all Owners in accordance with such formulations applied to reasonably established

categories of Owners as may be determined by the Board of Directors in proportion to the benefits received by such an owner, relative to the benefits received by all such owners.

Anything herein contained to the contrary notwithstanding, the specific expenses described as line items on Exhibit Budget attached hereto shall be allocated between owners of Units within the Affordable Housing Community and Owners of Units within the Light Industrial District in the proportions set forth on Exhibit Budget.

Anything herein contained to the contrary notwithstanding, apportionment of Periodic Assessments shall be made between Owners of Units within the Affordable Housing Community on the basis of the total allowable Dwelling Units which could be constructed and maintained on each Unit then subject to the provisions of this Declaration (whether then constructed and maintained or not).

Anything herein contained to the contrary notwithstanding, apportionment of Periodic Assessments shall be made between Owners of Units within the Light Industrial District on the basis of the total allowable area of enclosed building space which could be constructed and maintained on each Unit then subject to the provisions of this Declaration (whether then constructed and maintained or not). The proposed small hydro easement within proposed Tract 503 shall be assessed as having an allowable building area of 10,000 square feet of enclosed building space; the liability of the user of the small hydro easement for Periodic and other Assessments hereunder shall commence as of the commencement of construction of improvements on such easement.

5.6. Payment of Periodic Assessments and Time for Payment Thereof: Unless otherwise determined by the Association, the Periodic Assessments shall be paid annually on the first day of each year in advance and shall be due and payable to the Association at its office, or as the Association may otherwise direct, without notice on the first day of each year. If any such Periodic Assessment shall not be paid within thirty (30) days after it shall have become due and payable, then the Board of Directors may assess a "late charge" thereon to cover the extra expenses involved in handling such delinquent assessment. In addition each Periodic Assessment shall bear interest at the rate of 18% per annum from the date it becomes due and payable if not paid within thirty (30) days after such date.

5.7. Special Assessments: In addition to the Periodic Assessments authorized by this Declaration, the Association may levy special assessments, payable over such periods as the

Board of Directors of the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or re-construction, unexpected repair or replacement of the Project or any part thereof, or for any other expense incurred or to be incurred as provided in this Declaration. Any amounts assessed pursuant hereto against all Owners shall be assessed on an equal basis to all Owners in accordance with such formulations applied to reasonably established categories of Owners as may be determined by the Board of Directors. Any amounts assessed pursuant hereto against less than all of the Owners shall be assessed in the same manner as set forth in paragraph 5.5. Notice in writing of the amount of such special assessments and the time for payment thereof shall be given promptly to the Owners, and payment shall be due 30 days after such notice shall have been given. A special assessment shall bear interest at the rate of 18% per annum from the date it becomes due and payable if not paid within 30 days after such due date. The Board of Directors shall determine, apportion, levy and assess the Association's Special Assessments subject only to such vote of the members of the Association as may be provided for herein, in the Articles of Incorporation or in the By-laws of the Association.

5.8. Assessment Reserves: The Association may require an Owner, other than Declarant, to deposit with the Association an amount not exceeding one half (1/2) of the amount of the then current annual total of the Periodic Assessment; which sum shall be held, with interest, by the Association as a reserve to be used for paying such Owner's Periodic Assessment and for working capital. Such an advance payment shall not relieve an Owner from making the regular periodic payment of the Periodic Assessment as the same comes due. Upon the transfer of his Unit, an Owner shall be entitled to a credit from his transferee for any unused portion thereof.

5.9. Real Estate Transfer Assessment:

5.9.1. Imposition of Assessment. There is hereby imposed an assessment ("Real Estate Transfer Assessment") to be paid to the Association on all Transfers whether by deeds, instruments, writings, leases, or any other documents or otherwise by which any lands, tenements or other interests in a Unit located in Lawson Hill are sold, granted, let, assigned, transferred, exchanged or otherwise conveyed to or vested in a Purchaser, or Purchasers thereof, or any other person or Persons, except as may be specifically exempted by this Declaration. Said Assessment shall be due and payable at the time of any such Transfer and contemporaneously therewith as hereinafter specified.

5.9.2. Amount. The amount of Real Estate Transfer Assessment payable in each case shall be as follows:

(a) Where there is no Consideration or when the Consideration is Five Hundred Dollars (\$500.00) or less, no Real Estate Transfer Assessment shall be payable.

(b) Where the Consideration shall exceed Five Hundred Dollars (\$500.00), the Real Estate Transfer Assessment payable shall be as established from time to time by the Board of Directors, but in no event in an amount greater than the Real Estate Transfer Tax rate from time to time in effect within the Town of Telluride, Colorado. The initial Real Estate Transfer Assessment shall be three (3%) percent of the Consideration.

5.9.3. Exemptions. The Real Estate Transfer Assessment imposed by this Declaration shall not apply to:

(a) Any Transfer wherein the Association or the United States, or any agency or instrumentality thereof, the State of Colorado, any county, city and county, municipality, district or other political subdivision of this State, is either the grantor or grantee.

(b) Any Transfer by gift of a Unit, where there is no Consideration other than love and affection or charitable donation.

(c) Any Transfer by document, decree or agreement partitioning, terminating or evidencing termination, of a joint tenancy, tenancy in common or other co-ownership in a unit; however, if additional Consideration or value is paid in connection with such partition or Consideration or value is paid in connection with such partition or termination, the assessment shall apply and be based upon such additional Consideration.

(d) Any Transfer of title or change of interest in a unit by reason of death, pursuant to a will, the law of decent and distribution, or otherwise.

(e) Transfers made pursuant to reorganization, merger or consolidation of corporations or partnerships, or by a subsidiary to a parent corporation or partnership for no Consideration other than cancellation or surrender of the subsidiary's stock or partnership interest, or Transfers made to or from a corporation, partnership, limited partnership, joint venture, business trust or other association or organization to the extent that the new entity is owned-by the persons by whom such Transfer was made with respect to the interests they had in the real property immediately prior to said Transfer and there is no Consideration other than

their respective interest in the new association or organization.

(f) Transfers to make effectuate any plan confirmed or ordered by a court of competent jurisdiction under the Bankruptcy Code or in an equity receivership proceeding.

(g) Any Transfer made and delivered without Consideration for the purpose of: confirming, correcting, modifying or supplementing a Transfer previously made; making minor boundary adjustments; removing clouds of titles; or granting rights-of-way, easements or licenses.

(h) Any decree or order of a court of record quieting, determining or resting title, except for a decree of foreclosure, including a final order awarding title pursuant to a condemnation proceeding.

(i) Any Transfer of cemetery lots.

(j) Any lease of any Unit (or assignment or Transfer of any interest in any such lease) provided the terms and conditions of such lease do not constitute a Taxable Lease of the property, as defined herein.

(k) Transfers to secure a debt or other obligation, or releases other than foreclosure of a Unit which is security for a debt or other obligation.

(l) An executory contract for the sale of a Unit of less than two years' duration, under which the vendee is entitled to or does take possession thereof without acquiring title thereto, or any assignment or cancellation of any such contract.

(m) A transfer of title or any lesser interest for purposes of obtaining financing, or otherwise, not intended to effect a permanent alienation of the grantor's interest.

(n) Transfers to spouses, natural children and adopted children.

(o) Transfers made to a corporation, partnership, limited partnership, joint venture, business trust or other association or organization to the extent that the transferee is owned by the transferrer or the transferrer is owned by the transferee.

(p) Transfers to a trust if the donor(s) has/have the same relative interest in the trust as they had prior to the transfer; or if there is no consideration other than love and affection or charitable donation. Transfers from such a trust conveying or releasing the

property from the trust are also exempt where there is no consideration.

(q) Any Transfer which fulfills the following two conditions:

(i) The transferror previously obtained title to the property from the transferee.

(ii) The transfer occurred pursuant to a written agreement entered into on or before the date of the deed which previously conveyed title from the transferee to the transferror. At a minimum the agreement shall either (A) allow the transferror to require the transferee to reacquire the property, or (B) allow the transferee to require the transferror to reconvey the property to the transferee.

(r) A transfer under foreclosure or power of sale, or a voluntary conveyance in lieu of foreclosure, whereby the secured party takes back the property, or the property is redeemed. However, a purchaser at a foreclosure sale who holds no security interest or redemption rights in the property, and who acquires title to the property upon expiration of all redemption periods, is required to pay the Real Estate Transfer Assessment.

(s) Exchanges of real property where (i) one of the parties to the exchange is Declarant and (ii) the exchange occurs pursuant to a contract entered into before the date of recording the final plat creating the Property being exchanged.

(t) Transfers pursuant to a decree of separation or divorce.

(u) Transfers to intermediaries for no consideration for a period not to exceed six months.

(v) Any transfer by Declarant of a Restricted Residential Unit to the San Miguel County Housing Authority ("SMCHA") or its successor in interest pursuant to a contract between Declarant and SMCHA dated April 1992.

(w) The first transfer by SMCHA of any Restricted Residential Unit purchased pursuant to the contract referred to in (v) above.

(x) Any wholesale transfer by Declarant of multiple Units to a person or entity who intends to resell such Units on a retail basis.

5.9.4. Joint and Several Liability. Each Purchaser and any other Person to whom a Transfer is made, which Transfer is subject to the Real Estate Transfer

Assessment imposed under this section 5.9, shall be jointly and severally liable for payment of the assessment. The Purchaser or Person, to whom a Transfer is made shall remit the assessment to the Association.

5.9.5. SMCHA. Nothing to the contrary withstanding, the Declarant, in its sole discretion, may require the Association to remit to SMCHA or a regional housing authority formed to succeed to the function of SMCHA, up to 25 percent of the Real Estate Transfer Assessment, .75 percent of the Consideration, assessed with respect to a Transfer.

5.9.6. Regional Transportation Authority. Nothing to the contrary withstanding, the Declarant, in its sole discretion, may require the Association to remit up to 33 1/3 percent of the Real Estate Transfer Assessment, 1.00 percent of the Consideration, to San Miguel County, Colorado, to fund regional transportation within the Telluride, Colorado, region or to an authority created for such purpose.

5.9.7. Community Center: Nothing to the contrary; withstanding, the Declarant, in its sole discretion, may require the Association to pay all or any part of the Real Estate Transfer Assessment, to discharge the capital and other costs of a community center serving Lawson Hill.

5.9.8. Exemption Application. In the event of any Transfer claimed to be exempt from the Real Estate Transfer Assessment herein imposed, the grantor or Purchaser shall apply for and attempt to obtain from the Association a Certificate of Exemption, which may be affixed to the deed or other instrument of Transfer. The burden of proving any exemption shall in all cases be upon the Person claiming it. The exemptions provided in section 5.9.3 hereof shall be allowed only upon issuance of a Certificate of Exemption by the Association prior to the date the Real Estate Transfer Assessment is payable to the Association.

5.9.9. Refund: In case of any application for an exemption which is not granted before the Transfer takes place, the Real Estate Transfer Assessment shall be paid as required by this Declaration. Thereafter if the exemption shall be allowed, upon application to the Association, the Person who has paid said assessment shall be entitled to a refund thereof or for so much of said

assessment which shall qualify for refunding pursuant to the exemption granted.

5.9.10. Exchange of Property Outside of Laws-on-Hill Development. When a Transfer subject to this Declaration includes a Unit located within Lawson Hill as well as property located elsewhere, the assessment imposed under the authority of this Declaration shall be computed only with respect to the Unit located within Lawson Hill and the Real Estate Transfer Assessment shall be assessed based on that part of the Consideration fairly attributable to such Unit.

5.9.11. Due Date and Delinquency. The Real Estate Transfer Assessment imposed herein is due and payable at the time of the Transfer of a Unit, and is delinquent if it remains unpaid for thirty days thereafter. In the event that the Real Estate Transfer Assessment is not paid prior to becoming delinquent, a delinquency penalty of fifteen percent (15%) of the amount of Real Estate Transfer Assessment shall accrue. In the event a portion of the Real Estate Transfer Assessment is paid prior to becoming delinquent, the penalty shall only accrue as to the portion which is delinquent. Interest shall accrue at the rate of 1 1/2 percent (1.5%) per month, or fraction thereof, on the amount of Real Estate Transfer Assessment exclusive of penalties, from the date the Real Estate Transfer Assessment becomes delinquent to the date of payment. Interest and penalty accrued shall become part of the Real Estate Transfer Assessment.

5.10. Retail Sales Assessment:

5.10.1. There is hereby imposed an assessment (the "Retail Sales Assessment") on all sales of tangible personal property made, consummated, conducted, transacted or occurring, services rendered and short-term accommodations rental of, any Unit or portion thereof, by any Owner, Lessee or other Person within the geographical boundaries of Lawson Hill (all of which are referred to herein as "Local Sales") which are subject to the Colorado Emergency Retail Sales Tax Act of 1935 (Colorado Revised Statutes, 1973, Title 39, Article 26), as amended (the "Colorado Sales Tax"). Each Owner's Retail Sales Assessment shall be determined by multiplying (A) the Colorado Sales Tax which an Owner, Lessee or other Person is required to collect and remit or pay to the State of Colorado in accordance with said Act in regard to Local Sales made, consummated, conducted, transacted

or occurring at a Unit ("Unit Local Sales"), times (B) the Retail Sales Assessment Rate. Each such Owner's Retail Sales Assessment shall be due and payable without notice to the Association each time and at such time as an Owner, Lessee or other Person is required to remit or pay Colorado Sales Tax to the State of Colorado with respect to Unit Local Sales. Each such Owner, Lessee or other Person shall also deliver to the Association without notice true and complete copies of all written reports, returns, statements records and declarations, including any supplements or amendments thereto (all of which are referred to herein as "Reports") made or provided to the State of Colorado by such Owner, Lessee or other Person in connection with any Unit Local Sales under the provisions of said Act at such time as such Reports are required to be made to the State of Colorado. If any subsequent adjustments, additions or modifications are made . to any Colorado Sales Tax remitted or paid or Report made by such Owner, Lessee or other Person to the State of Colorado, such Owner, Lessee or other Person shall within 30 days thereafter so notify the Association and provide it with true and complete copies of all Reports or other written material issued or received by such Owner, Lessee or other Person in regard thereto. If any adjustment increases the amount of Colorado Sales Tax any Owner, Lessee or other Person is required to remit or pay with respect to Unit Local Sales or results in a refund of such tax, such Owner, Lessee or other Person shall accordingly pay an appropriate additional Retail Sales Assessment or receive an appropriate refund from the Association of any excess Retail Sales Assessments previously paid. Any portion of any Retail Sales Assessment not paid by or on behalf of any Owner when due and payable shall become a lien on and against all of the real property owned or leased by such Owner in Lawson Hill. The Board of Directors in cases of extreme hardship may release any such lien if it receives other security for the payment of the delinquent Retail Sales Assessments which it deems sufficient to protect the interest of the Association.

5.10.2. Anything to the contrary notwithstanding, there shall be excluded from the calculation of Unit Local Sales any Local Sales which, when made, are subject to a "Use" tax or assessment imposed by any municipality or homeowners' or property owners' association or company.

5.10.3. The Retail Sales Assessment Rate shall be as established from time to time by the Board of Directors, but in no event in an amount greater than the Municipal Retail rate from time to time in effect within the Town of Telluride, Colorado.. The initial Retail Assessment Rate shall be 133.33%.

5.10.4. SMCHA. Nothing to the contrary withstanding, the Declarant, in its sole discretion, may require the Association to remit to SMCHA or a regional housing authority formed to succeed to the function of SMCHA, up to 12.5 percent of the Retail Sales Assessment, .5 percent of Unit Local Sales.

5.10.5. Community Center: Nothing to the contrary withstanding, the Declarant, in its sole. discretion, may require the Association to pay all or any part of the Retail Sales Assessment, to discharge the capital and other costs of a community center serving Lawson Hill.

5.11. Time for Payments: The amount of any assessment, charge, fine, liquidated damage, penalty or other amount payable by any Owner shall become due and payable as specified in this Declaration, the Articles of Incorporation, Bylaws, Design Regulations, rules or regulations of the Association as from time to time are in force and effect. The Association may charge interest on such amounts at the rate of 18% per annum from the date due and payable until paid. In addition, the Bylaws of the Association may authorize the Association, during the period of delinquency, to suspend an Owner's voting privileges or any other privileges or services.

5.12. Lien for Assessments and Other Amounts:

(a) The Association shall have a lien against each Unit to secure payment of any assessment, charge, fine, penalty, liquidated damages, or other amount due and owing to the Association by the owner of such Unit plus interest at the rate of 18% per annum from the date due and payable, plus all costs and expenses of collecting the unpaid amount, including reasonable attorneys' fees. The lien may be foreclosed in the manner for foreclosures of either (i) mechanics or material men liens pursuant to C.R.S. 38-22-101, et. seq. or (ii) judicial mortgage foreclosures in the State of Colorado, and the Owner shall be required to pay the costs and expenses of such proceedings, including but not limited to, reasonable attorneys' fees.

(b) A lien under this section is prior to all other liens and encumbrances on a Unit except: (1) a liens and encumbrances recorded before the recordation of the Dec-

laration; (2) a first Security Interest on the Unit recorded before the date on which the Assessment sought to be enforced became delinquent; and (3) liens for real estate taxes and other governmental assessments or charges against the Unit. This section does not affect the priority of mechanics' or materialmen's liens. A lien under this section is not subject to the provisions of C.R.S. 38-41-201 through 212 or to the provisions of C.R.S. 15-11-201.

(c) A lien under this section 5.12 is also prior to all Security Interests described in clause 5.12 (b) (2) to the extent that the Assessments are based on the periodic budget adopted by the Association pursuant to section 5.4 of this Article and would have become due, in the absence of acceleration, during the six months immediately preceding institution of an action to enforce either the Association's lien or a Security Interest described in Subdivision (2) of this Subsection.

(d) Recording of the Declaration constitutes record notice and perfection of the Association's lien. Further recording of a claim of lien for a Assessment under this section is not required.

(e) A lien for an unpaid Assessment is extinguished unless proceedings to enforce the lien are instituted within six years after the full amount of the Assessment becomes due, except that if an Owner of a Unit subject to a lien under this section files a petition for relief under the United States Bankruptcy Code, the time period for instituting proceedings to enforce the Association's lien shall be tolled until ninety days after the automatic stay of proceedings under section 362 of the Bankruptcy Code is lifted.

(f) This section does not prohibit an action to recover sums for which Subsection (a) of this section creates a lien or prohibit the Association from taking a deed in lieu of foreclosure.

(g) A judgment or decree in any action brought under this section shall include costs and reasonable attorney's fees for the prevailing party.

(h) In any action by the Association to collect Assessments or to foreclose a lien for unpaid Assessments, the court may appoint a receiver for the Unit to collect all sums alleged to be due from the Unit Owner or a tenant of the Unit Owner prior to or during the pendency of the action. The court may order the receiver to pay any sums held by the receiver to the Association during the pendency of the action to the extent of the Association's Assessments.

(i) If a holder of a first Security Interest in a Unit forecloses that Security Interest, the purchaser at the foreclosure sale is not liable for any unpaid Assessments against that Unit which became due before the sale, other than the assessments which are prior to that Security Interest under this section of the Declaration. Any unpaid Assessments, not satisfied from the proceeds of sale become Common Expenses collectible from all the Unit Owners, including the purchaser.

5.13. Certificate of Payment of Assessments: The Association, upon written request to the Association's registered agent, personally delivered or delivered by certified mail, first class postage prepaid, return receipt requested, and payment of the Association's reasonable charge therefore, shall furnish to a Unit Owner or such Unit Owner's designee or to a holder of a Security Interest or its designee, a statement, in recordable form, setting out the amount of unpaid Assessments against the Unit. The statement must be furnished within fourteen (14) business days after receipt of the request and is binding on the Association, the Executive Board and each Unit Owner.

5.14. Periodic Pavement of Common Expenses: At the option of the Board of Directors, all Common Expenses assessed under this Declaration shall be due and payable quarterly.

5.15. Acceleration of Assessments: In the event of default in which any Unit Owner does not make the payment of any Assessment levied against his Unit within 10 days of the date due, the Executive Board shall have the right, without Notice and Hearing, to declare all unpaid Assessments for the Unit owned by such Owner for the pertinent fiscal year immediately due and payable.

5.16. Commencement of Assessments: Assessments shall begin on the first day of the month in which conveyance of the first Unit to a Unit Owner other than the Declarant occurs.

5.17. No Waiver of Liability for Common Expenses: No Unit Owner may become exempt from liability for payment of the Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the Assessments are made.

5.18. Personal Liability of Unit Owners: The Unit Owner of a Unit, at the time a Assessment or portion of the assessment is due and payable, is personally liable for the Assessment. Personal liability for the Assessment shall not pass to a successor in title to the Unit unless the successor agrees to assume the obligation.

5.19. Liability of owners, Purchasers and Encumbrancers: The amount of any assessment, charge, fine, liquidated damages, or penalty, payable by any owner or with respect to such

Owner's Unit shall be a joint and several obligation to the Association of such Owner and Owner's heirs, personal representatives, successors and assigns. A party acquiring fee simple title to a Unit shall be jointly and severally liable with the former Owner of the Unit for all such amounts which had accrued and were payable at the time of the acquisition of fee simple title to the Unit by such party, without prejudice to such party's right to recover any of said amounts paid from the former owner. Each such amount, together with interest thereon, may be recovered by suit for money judgment by the Association without foreclosing or waiving any lien securing the same. Notwithstanding the foregoing, the holder of a first mortgage, first deed of trust or other first lien on a Unit shall not be liable for any such assessment, charge, fine or penalty and the lien for any such assessments, charges, fines, liquidated damages or penalties shall be junior to any first lien on a Unit taken in good faith and for value and perfected by recording in the office of the Clerk and Recorder of San Miguel County, Colorado, prior to the time either a notice intent to lien or a notice of failure to pay any such amount is recorded in said office, describing the Unit and naming the Owner of the Unit.

5.20. Declarant's Contribution: Declarant shall contribute to the Association, with respect to real estate owned by Declarant adjacent to improved roadways constructed by Declarant in connection with the creation of Lawson Hill (not including Highway 145) but not yet subject to the provisions of this Declaration, an amount equal to 25% of what the regular Periodic Assessment for such real estate owned by Declarant would be if it was then subject to the provisions of this Declaration.

6. MAINTENANCE

6.1. Common Elements: The Association shall maintain, repair and replace all of the Common Elements, except the portions of the Limited Common Elements which are required by this Declaration to be maintained, repaired or replaced by the Unit Owners.

6.2. Units: Each Unit Owner shall maintain, repair and replace, at his own expense, all portions of his Unit and all Limited Common Elements appurtenant to his Unit exclusively.

6.3. Right of Access: Any person authorized by the Executive Board shall have the right of access to all portions of the Property for the purpose of performing emergency repairs or to do other work reasonably necessary for the proper maintenance of the Common Interest Community, for the purpose of performing installations, alterations or repairs, and for the purpose of reading, repairing and replacing utility meters and related pipes, valves, wires and equipment, provided that

requests for entry are made in advance and that any entry is at a time reasonably convenient to the affected Unit Owner. In case of an emergency, no request or notice is required and the right of entry shall be immediate, and with as much force as is reasonably necessary to gain entrance, whether or not the Unit Owner is present at the time.

6.4. Repairs Resulting From Negligence: Each Unit Owner will reimburse the Association for any damages to any other Unit or to the Common Elements caused intentionally or through the Unit Owner's negligent failure to properly maintain, repair or make replacements to his Unit or to those Limited Common Elements for which he is responsible under section 6.2 of the Declaration. The Association will be responsible for damage to Units which are caused intentionally or through the Unit Owner's negligent failure to maintain, repair or make replacements to the Common Elements. If such expense is caused by misconduct, it will be assessed following notice and Hearing.

7. VOTING

7.1. Each member of the Association shall have the right to vote with respect to Association matters required or allowed to be voted upon by the members of the Association, the number of votes determined as follows:

Each Owner of a Unit within the Affordable Housing Community shall have one (1) vote for each Dwelling Unit which could be constructed and maintained on such Unit (whether then constructed and maintained or not).

Each Owner of a Unit within the Light Industrial District shall have one (1) vote for each 1000 square feet of the total allowable area of enclosed building space which could be constructed and maintained on such Unit (whether then constructed and maintained or not).

The Owner of the small hydra easement within proposed Tract 503 shall have ten (10) votes.

8. CERTAIN RIGHTS OF DECLARANT, OWNERS AND LESSEES:

8.1. Reserved Rights with Respect to Property Furnished by Declarant: Whether or not expressed at the time, all property furnished by Declarant shall be deemed accepted by the Association when such acceptance is acknowledged in writing by the Association and shall at all times remain subject to: then existing easements including but not limited to, gas, electricity, water, sewer, telephone, television or other utility services, and for intercommunication, alarm or other similar systems; then existing easements for parking purposes; then

existing easements for ingress, egress and access for the benefit of other property in Lawson Hill; and easements as provided in this Declaration.

8.2. No Sale or Abandonment of Property Furnished by Declarant:

(a) No Property Furnished by Declarant may be sold, conveyed, encumbered, leased, transferred, abandoned or otherwise disposed of without the prior written consent of

Declarant until ten (10) years after Declarant furnished the property. No improvements which may be included in Property Furnished by Declarant may be destroyed, permitted to deteriorate or waste, or disposed of by the Association for a period of ten (10) years without the prior written consent of Declarant.

(b) No Property Furnished by Declarant in which Declarant retains any interest may ever be sold, conveyed, encumbered, leased, transferred, abandoned or otherwise disposed of without the prior written consent of Declarant. No improvements which may be included in Property Furnished by Declarant in which Declarant retains any interest may ever be destroyed, permitted to deteriorate or waste, or disposed of by the Association without the prior written consent of Declarant.

8.3. Easements of Owners with Respect to Facilities: Each Owner, and Owner's guests shall have a non-exclusive easement over, upon, across and with respect to any Facilities as appropriate and necessary for: access, ingress and egress to the Unit of such owner; encroachment by improvements caused by the settling, rising or shifting of earth, and horizontal and lateral support of improvements; subject, however, in the case of easements for access, ingress and egress, to such reasonable and uniformly applied rules and regulations as the Association may impose to assure reasonable use and enjoyment of Facilities by all persons entitled to such use and enjoyment.

8.4. Existing Easements: All easements or licenses to which the Common Interest community is presently subject are recited in Exhibit LD-Phase 1 to this Declaration. In addition, the Common Interest Community may be subject to other easements or licenses granted by the Declarant pursuant to its powers under this Declaration.

8.5. Owner's Environment of Functions and Facilities: Each Owner and guest shall be entitled to use and enjoy any Facilities suitable for general use or the services provided by any Functions, subject to such reasonable rules and regulations which the Association may adopt and subject to such reasonable charges which the Association may impose to offset costs and expenses, subject to the provisions of this Declara-

tion and subject to the following specific limitations. Such rules and regulations and charges may differentiate between categories of Owners as established by the Association's Board of Directors from time to time; however, the rules, regulations and charges must be uniformly applied within such categories. There shall be no obstruction of any Facility nor shall anything be stored in or on any part of any Facility without the prior written consent of the Association. Nothing shall be altered on, constructed in or removed from any Facilities except with the prior written consent of the Association. Nothing shall be done or kept on or in any Facilities which would result in the cancellation of the insurance or any part thereof which the Association is required to maintain pursuant hereto or increase the rate of the insurance or any part thereof over what the Association, but for such activity, would pay, without the prior written consent of the Association. Nothing shall be done or kept on or in such Facilities which would be in violation of any statute, rule, ordinance, regulation, permit or other requirement of any governmental body. No damage to, or waste of, Facilities shall be committed, and each owner shall indemnify and hold the Association and the other Owners harmless against all loss resulting from any such damage or waste caused by such owner or such Owner's guests. No noxious, destructive or offensive activity shall be carried on with respect to any Facility nor shall anything be done therein or thereon which may be or become a nuisance to any other Owner or to any guest.

8.6. Owner's Rights and Obligations Appurtenant: All rights, easements and obligations of an owner under this Declaration and all rights of an Owner with respect to membership in the Association under this Declaration are hereby declared to be and shall be appurtenant to the title to the Unit owned by such Owner and may not, except as provided in section 3.3, be transferred, conveyed, devised, bequeathed, encumbered or otherwise disposed of separate or apart from fee simple title to such Owner's Unit. Every transfer, conveyance, grant, devise, bequest, encumbrance or other disposition of a Unit shall be deemed to constitute a conveyance, grant, devise, bequest, encumbrance or transfer or disposition of such rights and obligations.

8.7. Development Rights and Other Special Declarant Rights/Reservation of Development Rights: The Declarant reserves the following Development Rights:

(a) The right, by supplement or amendment, to create Units, Common Elements and Limited Common Elements in the location shown as "Development Rights Reserved in this Area" on the Plat, if any.

(b) The right, by supplement or amendment, to add additional real estate to the Property and to create Units thereon.

(c) The right to construct underground utility lines, pipes, wires, ducts, conduits and other facilities across the land not designated "Development Rights Reserved in this Area", if any, on the Plat for the purpose of furnishing utility and other services to buildings and Improvements to be constructed on the Property and on land designated "Development Rights Reserved in this Area" on the Plat. The Declarant also reserves the right to withdraw and grant easements to public utility companies and to convey Improvements within those easements anywhere in the Common Interest Community not occupied by buildings, for the purposes mentioned above.

8.8. Limitations on Development Rights: The Development Rights reserved are limited as follows:

(a) The Development Rights may be exercised at any time, but not more than ten (10) years after the recording of this Declaration;

(b) Not more than seven hundred fifty (750) additional Units may be created under the Development Rights;

(c) The quality of construction of any buildings and improvements to be created on the Property shall be consistent with the quality of those constructed pursuant to this Declaration as initially recorded; and

8.9. Phasing of Development Rights: No assurances are made by the Declarant regarding the portions of the areas not yet developed as to whether the Declarant will exercise its Development Rights or the order in which such portions, or all of the areas, will be developed. The exercise of Development Rights as to some portions will not obligate the Declarant to exercise them as to other portions.

8.10. Special Declarant Rights: The Declarant reserves the following Special Declarant Rights, to the maximum extent permitted by law, which may be exercised, where applicable, anywhere within the Common Interest Community:

(a) To complete Improvements indicated on the Plat filed with the Declaration;

(b) To exercise a Development Right reserved in the Declaration;

(c) To maintain sales offices, management offices, signs advertising the Common Interest Community and models;

(d) To use easements through the Common Elements for the purpose of making Improvements within the Common Interest Community; and

(e) To appoint or remove an officer of the Association or an Executive Board member during a period of Declarant control subject to the provisions of section 8.15 of this Declaration.

8.11. Models, Sales Offices and Management Offices: As long as the Declarant is a Unit Owner or for ten (10) years from the date of this Declaration, whichever occurs later, the Declarant, its duly authorized agents, representatives and employees may maintain any Unit owned by the Declarant or any portion of the Common Elements as a model Unit, sales office or management office.

8.12. Construction: Declarant's Easement: The Declarant reserves the right to perform warranty work, repairs and construction work in Units and Common Elements, to store materials in secure areas, and to control and have the right of access to work and repairs until completion. All work may be performed by the Declarant without the consent or approval of the Executive Board. The Declarant has an easement through the Common Elements as may be reasonably necessary for the purpose of discharging the Declarant's obligations or exercising Special Declarant Rights, whether arising under the Act or reserved in this Declaration. This easement includes the right to convey utility and drainage easements to public utilities, municipalities, the State, or other Persons to fulfill the plan of development.

8.13. Signs and Marketing: The Declarant reserves the right to post signs and displays in the Common Elements in order to promote sales of Units. Declarant also reserves the right to conduct general sales activities in a manner which will not unreasonably disturb the rights of Unit Owners.

8.14. Declarant's Personal Property: The Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the premises that has not been represented as property of the Association. The Declarant reserves the right to remove from the property (promptly after the sale of the last Unit) any and all goods and improvements used in development, marketing and construction, whether or not they have become fixtures.

8.15. Declarant Control of the Association: There shall be a period of Declarant control of the Association, during which the Declarant, or persons designated by the Declarant, may appoint and remove the officers and members of the Executive Board. The period of Declarant control terminates ten (10) years after the first Unit is conveyed to a Unit Owner other than a Declarant.

The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of that period. In that event, the Declarant may require, for the duration of the period of Declarant control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

Not later than the termination of any period of Declarant control, the Unit Owners shall elect an Executive Board of at least three members, at least a majority of whom shall be Unit Owners. The Executive Board shall elect the officers. The Executive Board members and officers shall take office upon election.

8.16. Limitations on Special Declarant Rights: Unless terminated earlier by an amendment to this Declaration executed by the Declarant, any Special Declarant Right may be exercised by the Declarant until the earlier of the following: as long as the Declarant (a) is obligated under any warranty or obligation, (b) holds a Development Right to create additional Units or Common Elements, (c) owns any Unit; or (d) owns any Security Interest in any Units; or (e) ten (10) years have elapsed after recording of this Declaration.

8.17. Interference with Special Declarant Rights: Neither the Association nor any Unit Owner may take any action or adopt any rule that will interfere with or diminish any Special Declarant Right without the prior written consent of the Declarant.

9. RESTRICTIONS APPLICABLE TO PROPERTY:

9.1. Property: Property, as used in this section and section 11 of this Declaration shall mean any and all real property included within Lawson Hill, including Units, public or private streets, roads and any public or private easement or rights-of-way, open spaces /recreation tracts and including any and all improvements on any of the foregoing.

9.2. Destruction of Improvements: No improvement which has been partially or totally destroyed by fire, earthquake or otherwise, shall be allowed to remain in such state for more than six (6) months from the time of such destruction.

9.3. Occupancy Limitations: No portion of any Property shall be used as a residence or for living or sleeping purposes other than in a room designed for living or sleeping in a completed structure for which a certificate of occupancy has been issued or final inspection has been made. No room in any structure shall be used for living or sleeping purposes by

more persons than it was designed to accommodate. Except as expressly permitted in writing by the Review Board, no mobile homes, trailers or temporary structures shall be permitted on any Property; provided however no mobile home shall be permitted except on Restricted Residential Units transferred by Declarant to SMCHA or its successor and then only when there exists a binding obligation, in form and substance satisfactory to the Association, to replace such mobile home with a permanent residential structure or upgrade such mobile home to the status of a permanent residential structure within five (5) years of the installation of such mobile home on a Restricted Residential Unit. Subject to Review Board approval applicable to construction generally, permanent manufactured housing shall be allowed to be used as residences on the Property.

9.4. Maintenance of Property: All Unit Owners shall maintain their Units, including all Improvements, shall be kept and maintained by the Owner thereof in a clean, safe, attractive and sightly condition and in good repair. No storage of trash will be permitted in or outside any Unit in a manner which may permit the spread of fire, odors, seepage or encouragement of vermin. All clothes dryers will have lint filters which will remain installed and prevent lint from accumulating in the vent duct. All stove hoods will have grease screens which will remain installed and prevent grease from accumulating in the vent duct. All such filters and screens will at all times be used and kept clean and in good order and repair by the Unit Owner.

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

9.6. No Hazardous Activities: No activities shall be conducted on any Property and no improvements may be constructed on any Property which are or might be unsafe or hazardous to any person or Property. Without limiting the generality of the foregoing, no hunting shall be allowed and no firearms shall be discharged upon any Property; and no open fires shall be lighted or permitted on any Property. This section shall not be construed to prevent the use of explosives, approved by the Review Board, required for the preparation of a Unit to allow the construction of approved improvements on the Unit.

9.7. No Unsightliness: No unsightliness shall be permitted on any Property which shall include but is not limited to: (a) All unsightly structures, facilities, equipment, objects

and conditions shall be enclosed within an approved structure; (b) Trailers, mobile homes, trucks (other than pickups), boats, bicycles, motorcycles, snowmobiles, mowers, tractors, campers not on a truck, snow removal equipment, trash storage containers and garden or maintenance equipment, shall be kept in an enclosed structure at all times, except when in actual use; provided that such equipment may be parked on parking lots or other areas specifically designated by the Review Board for such equipment; (c) Refuse, garbage and trash shall be kept in a bear proof (as required and approved by the Colorado Department of Wildlife) covered container at all times and any such container shall be kept within an approved enclosure; (d) Service areas and facilities shall be kept within an approved enclosure; (e) Pipes for water, gas, sewer, drainage or other purposes, wires, poles, transmission or reception of audio or video signals or electricity, utility facilities, gas, oil, water or other tanks (not including propane gas tanks which shall in all cases be prohibited), and sewage disposal systems or devices shall be kept and maintained within an approved enclosure or below the surface of the ground; and (f) No lumber, except split and stacked fireplace logs located and included in areas approved by the Review Board, grass, shrub or tree clippings or plant waste, compost, metals, bulk materials or scrap or refuse or trash or unused items of any kind shall be kept, stored or allowed to accumulate on any Property other than on a Commercial Unit or an Industrial/Utility Unit and then only in accordance with the requirements of the Review Board. All enclosed structures shall comply with the rules and regulations of the Review Board as in effect from time to time. The Review Board shall have the power to grant a variance from the provisions of this section from time to time as it deems necessary or desirable.

9.8. No Annoying Lights, Sounds or Odors: No light shall be emitted from any Property which is unreasonably bright or causes unreasonable glare; no sound shall be emitted from any Property which is unreasonably loud or annoying; and no odor shall be emitted from any Property which is noxious or offensive to others.

9.9. Restriction on Animals: No dog shall be allowed within Lawson Hill at any time. No other animal shall be kept on any Property which bothers or constitutes a nuisance to other owners or in contravention of any rule or regulation of the Association.

9.10. Restriction on Signs: No signs, window displays or advertising, including but not limited to real estate sales signs, or advertising devices of any nature which are visible

from outside a Unit (except for a name plate or sign not exceeding nine square inches in area, on the main door to each unit) shall be maintained or permitted in any part of a Unit except (i) as approved by the Review Board, (ii) signs required by law or legal proceedings, (iii) temporary signs to caution or warn of danger or (iv) Association signs necessary or desirable to give directions or advise of rules or regulations.

9.11. Restriction on Parking: Parking of vehicles, including but not limited to those items set forth in section 9.7(b), is permitted only within and at designated parking spaces on Units and such other spaces as may be approved by the Review Board; such parking shall be used only by the Owner or Lessee of such Unit or their guests for the parking of personal vehicles. No vehicle, including but not limited to those items set forth in section 9.7(b), may be parked on any roadway, access tract, open-space tract or other common areas without the prior written consent of the Association.

9.12. Restriction on Recreational vehicles: No motorcycle, motorbike, snowmobile, golf cart or other motorized vehicle shall be operated within or on the Property, except on designated roads or except as otherwise specifically permitted by rules and regulations of the Association.

9.13. No Water Wells: No water wells shall be permitted on any Property without the prior written approval of the Association and Declarant.

9.14. Landscape Restriction: No tree of three inches or greater in diameter (measured at a point 54 inches above grade) or ten feet or greater in height may be removed from any Property without the prior written approval of the Review Board. Vegetation on all Property must be maintained to minimize erosion and encourage growth of ground cover and all tree and shrub planting must be consistent with the landscaping plan approved by the Review Board. No construction may occur on a Unit unless a landscaping plan, approved by the Review Board, has been approved for the Unit in conjunction with the proposed construction.

9.15. Limitations on Irrigation: No Unit, unless otherwise designated on the plat creating the same, may utilize water for irrigation in an amount greater than the amount required to irrigate a garden less than or equal to 150 square feet per Dwelling Unit. Irrigation of lawns on units shall be prohibited.

9.16. No Mining or Drilling: Except as otherwise specified on the final plat therefore, no Property shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth.

9.17. Cesspools or Septic Tanks: Cesspools or septic tanks may only be permitted on any Property upon receipt of the prior written approval of the Association.

9.18. No Fences: No fences, walls or other barriers shall be permitted without the prior written approval of the Review Board. Property line and perimeter fencing shall be prohibited within 300 feet of undeveloped open space unless required for purposes of safety, as reasonably determined by the Review Board.

9.19. Construction Period Exception: During the course of actual construction of any permitted structures or improvements on any Property, except for the provisions regarding animals contained in section 9.9, the Review Board may, by written instrument, waive certain provisions contained in this section 9 to the extent necessary to permit such construction, provided that, during the course of such construction, nothing is done which will result in a violation of any of such provisions upon completion of construction.

9.20. Compliance With Law: No Property shall be used, occupied, altered, changed, improved or repaired except in compliance with all present and future laws, rules, requirements, orders, directions, ordinances and regulations of the United States of America, State of Colorado, County of San Miguel, and all other municipal, governmental or lawful authority whatsoever, affecting the Property or the improvements thereon or any part thereof, and of all their departments, bureaus and officials.

9.21. Flow Meter and Pressure Reducing Valve: The user of each water service line within Lawson Hill, if required by the entity furnishing water, shall equip each water service line with a flow meter and pressure reducing valve. The flow meter and pressure reducing valve shall meet the specifications determined by the Association, if any, and shall be installed pursuant to the specifications of the Association, if any.

9.22. Clotheslines: No clotheslines may be constructed or used on any Unit without the prior written consent of the Review Board.

9.23. Antennas: No antennas, dishes or similar facilities for the transmission or reception of audio or visual signals may be constructed on any Unit without the prior written consent of the Review Board.

9.24. Restriction On Open Space/Recreation Tract: Until the tenth anniversary of the date of this Declaration, no improvements may be constructed and no activity may occur on any portion of Lawson Hill, excluding Units, without the written approval of Declarant; after such tenth anniversary no improvement may be constructed and no activity may occur on any

portion of Lawson Hill, excluding Units, without the written approval of the Association.

9.25. Swimming Pools: No swimming pool shall be allowed on any Unit; provided however that one swimming pool may be located on a Unit designated by the plat creating the same as a community center.

9.26. Restriction on Solid Fuel Burning Devices: No solid fuel burning device shall be allowed on any Unit; provided however that up to three solid fuel burning devices may be located within Lawson Hill upon receipt of approval from the Review Board for each such device. No solid fuel burning device shall be operated during periods of adverse meteorological conditions or adverse air pollution conditions as determined by the Association. Use of solid fuel burning devices shall be subject to applicable governmental regulations.

9.27. Height Limitations: Among other things, the Design Regulations (hereafter defined) shall establish height limitations for the construction of all improvements on any Property.

9.28. Storage Prohibition: The storage or processing of any materials within a one hundred year floodplain is hereby prohibited.

9.29. Hold Harmless/Indemnification: Each owner agrees to indemnify and hold the Association, the Declarant and the Colorado Division of Wildlife harmless for any damage that they may incur, to person or property, which results from either the actions or inactions of any wildlife within Lawson Hill.

9.30. No Hunting: No hunting shall be allowed within Lawson Hill.

9.31. Building Envelopes Established: All Units shall be subject to the building site envelope limitations as set forth in the Lawson Hill PUD Zoning and Design Guidelines for Individual Treatment Areas: All Treatment Areas and Schedule of Lot Characteristics submitted to San Miguel County with the Preliminary Application for Planned Unit Development. All buildings containing Dwelling Units on Residential Units shall maintain a separation of at least twenty (20) feet from any other building containing Dwelling Units.

9.32: Restrictions on Alienation: A Unit may not be conveyed or occupied pursuant to a time-sharing plan.

All leases and rental agreements shall be in writing and subject to the requirements of the Documents and the Association. All leases of a Unit shall include a provision that the tenant will recognize and attorn to the Association as landlord, solely for the purpose of having the power to enforce a

violation of the provisions of the Documents against the tenant, provided the Association gives the landlord notice of its intent to so enforce and a reasonable opportunity to cure the violation directly, prior to the commencement of an enforcement action.

10. DESIGN REVIEW

10.1. Purpose: In order to preserve the natural beauty of Lawson Hill as a pleasant and desirable environment, to establish and preserve a harmonious design for the community, and to protect and promote the value of Property, exterior design, landscaping and use of all new development and additions, changes or alterations to existing use, landscaping and exterior design and development, including fencing and signage, shall be subject to design review.

10.2. Objectives: Design review shall be directed towards attaining the following objectives for Lawson Hill:

(a) Preventing excessive or unsightly grading, (NOTE: text error in original document. Data not known.) ...natural watercourses or scar natural land forms.

(b) Ensuring that the location and configuration of structures are visually harmonious with terrain and vegetation of the Unit and with surrounding Units and structures, and do not unnecessarily block or impair scenic views and solar access for surrounding Units or tend to dominate any general development or the natural landscape.

(c) Ensuring that the architectural design of structures and their materials and colors are visually harmonious with Lawson Hill's overall appearance, history and cultural heritage, with surrounding development, with natural land forms and native vegetation, and with development plans, zoning requirements and other restrictions approved by Declarant, the Association or any government or public authority, if any, for the areas in which the structures are proposed to be located.

(d) Ensuring that plans for the landscaping of Units and open spaces provide visually pleasing settings for structures on such Units and on adjoining and nearby Units and blend harmoniously with the natural landscape.

(e) Ensuring that any development, structure, building or landscaping complies with the provisions of this Declaration, including but not limited to, those provisions set forth in sections 9 and 10.

(f) Ensuring that building design, location and construction techniques respond to energy consumption and environmental quality considerations such as solar orientation, and run-off water quality.

(g) Administer building site location covenants and plat restrictions.

10.3. Design Review Board:

(a) The Design Review Board is hereby established and shall consist of five regular members and two alternate members. The members of the Design Review Board shall be appointed by the Board of Directors of the Association. The regular term of office for each member shall be two years, coinciding with the fiscal year of the Association; however, two members of the initial Review Board shall be appointed for an initial term of three years to ensure that two of the five members serve on staggered terms. Any such member may be removed only by the board of directors of the Association for cause by written notice to such appointee. A successor or successors appointed to fill any vacancy created for any reason shall serve the remainder of the term of the former member.

(b) The Review Board shall select its own chairman and vice-chairman from among its members. The chairman or in his absence the vice-chairman shall be the presiding officer of its meetings. In the absence of both the chairman and the vice-chairman from a meeting, the members present shall appoint a member to serve as acting chairman at such meeting. All business of the Review Board, except business reasonably required to be transacted in an executive session, shall be conducted at meetings which are open to members of the Association. Meetings shall be held at least bi-monthly or upon call of the chairman. All meetings shall be held at the offices of the Association, in the Telluride area, unless otherwise permanently or temporarily changed to another location by notice to the members of the Association. Three members shall constitute a quorum for the transaction of business, but in the absence of a quorum a lesser number may adjourn any meeting to a later time or date and place, and in the absence of all members any staff member of the Association may adjourn any meeting to a later time or date. The affirmative vote of a majority of the members of the Review Board present shall constitute the action of the Review Board on any matter before it. The Review Board shall operate in accordance with its own rules of procedure that it may establish and modify from time to time, said rules shall be filed with the Association and maintained in the re-

cords of the Association and shall be subject to inspection by members of the Association.

(c) The Review Board is hereby authorized to retain the services of adequate staff personnel and one or more consultants which shall include but are not limited to engineers, architects or landscape architects who need not be licensed to practice in the State of Colorado, to advise and assist the Review Board in performing the design review functions prescribed in this Section. Such consultants may be retained to advise the Review Board on a single project, on a number of projects, or on a continuing basis.

10.4. Review Board Approval and Control:

(a) No Owner, Lessee, or Guest or the Association shall perform such things which include but are not limited to: building location, site preparation, excavation, plant or tree disturbance, landscaping, building construction, roadway or driveway construction, sign erection, exterior change, modification, alteration or enlargement of any existing structure; paving; fencing; planting; or improvements of any nature to any unit or other property or building or structure thereon, including painting and staining; change the use of any Unit or other property or building or structure thereon unless the Review Board has approved the plans and specifications for the project and the construction procedures to be used to ensure compliance with this Declaration and the guidelines, rules and regulations promulgated pursuant hereto. Alterations or remodeling which are completely within a building or structure and which do not change the exterior appearance and are not visible from the outside of the structure may be undertaken without Review Board approval, provided such alterations or remodeling do not change the use of, or increase the number of Dwelling Units in the building or structure.

(b) All actions taken by the Review Board shall be in accordance with rules and regulations established by the Review Board which shall be published and shall be in

accordance with the purposes and intent of the Declaration. Such rules and regulations may be amended from time to time by action of the Review Board in accordance with the purpose of this Declaration. The approval or consent of the Review Board on matters properly coming before it shall not be unreasonably withheld; actions taken shall not be arbitrary or capricious and decisions shall be conclusive and binding on all interested parties, subject only to the right of appeal to and review by the Board of Directors of the Association subsequent

thereto. Such approval or consent shall not prohibit enforcement of the provisions of this Declaration. The Review Board or its designated representative shall monitor the construction or work on such project to ensure that it complies with any and all approved plans and construction procedures. The Review Board or its designated representatives and the officers of San Miguel County in the discharge of their official duties may enter upon any Unit at any reasonable time or times to inspect the progress, work status, or completion of any project. In addition to any other remedies set forth in this Declaration, the Review Board may withdraw approval of any project thereby stopping all activity at such project, if deviations from the approved plan or approved construction practices are not corrected or reconciled within 24 hours after written notification to the Owner specifying such deviations.

(c) Any material to be submitted or notice to be given to the Review Board shall be submitted at the offices of the Association in the Telluride area.

(d) All actions requiring approval of the Association pursuant to the provisions of section 9 or 10 shall be deemed approved only if such approval is obtained in writing from the Review Board.

10.5. Design Standards and Construction Procedures:

(a) The Review Board shall promulgate and publish rules and regulations (the "Design Regulations") that shall state the general design theme of all projects in Lawson Hill, specific design standards, and the general construction guidelines that will or will not be allowed in Lawson Hill.

(b) The Review Board shall also promulgate and publish rules and regulations that shall set forth the procedures to be followed and material which must be provided by any Owner or his authorized agents in order to obtain review of proposed construction by the Review Board. The Association shall be obligated for the preparation of such publications and the Review Board shall make such publications available to members of the Association for a reasonable fee. The Design Regulations shall apply to all Units and other property located within the Lawson Hill.

10.6. Insulation Requirements: All occupied buildings shall have:

(a) Roofs that are insulated to a minimum of R30;
and

(b) Walls that are insulated to a minimum of R19;
and

(c) Openings in exterior walls and roofs that are caulked all around; and

(d) Windows that are double or triple glazed; and

(e) Windows and doors that are weather stripped; and

(f) Floors that are insulated to a minimum of R 14 and foundations that are insulated to a minimum of R 17 (floors and foundations may be considered together).

10.7. Water Restrictions: Toilet tanks shall be limited to a capacity of 1.6 gallons.

10.8. Building Units and Access: All building sites and access to the building sites must be approved by the Review Board prior to construction.

10.9. Landscape Plan: A detailed landscape plan must be approved by the Review Board prior to application for a building permit for improvements on a Unit. The Review Board may require a bond, which in its sole discretion is sufficient in form and amount, to ensure the landscaping contemplated in the approved landscape plan is performed.

10.10. Restriction on Building Permit: No Owner or their agent or assign shall apply for an excavation permit, building permit or similar permit from San Miguel County unless he has received a "Final Plan Approval", as defined in the Design Regulations, from the Review Board.

10.11. Restriction on Certificate of Occupancy: No Owner or their agent or assign shall apply for a certificate of occupancy, final building approval, or temporary certificate of occupancy, temporary final building approval, or other similar occupancy approvals from San Miguel County unless he has received a "Certificate of Compliance" or "Temporary Certificate of Compliance", as defined in the Design Regulations, from the Review Board.

10.12. Exterior Maintenance: The Review Board may, by vote of a majority of the members present at any meeting, request that the Association provide exterior maintenance and repair upon any Unit in accordance with section 3.5.

10.13. Review Fee: The Review Board may set a review fee schedule sufficient to cover all or part of the cost of Review Board time, staff time, consultant's fees, and related or incidental costs and expenses. Applicants for design review may be required to deposit with the Review Board a fee which the Review Board deems sufficient to cover the costs of design review from which the actual costs shall be deducted when determined and the balance returned to the applicant following completion of the design review procedure. The Review Board may

require the applicant to supplement the deposit required herein. The Review Board may impose such additional reasonable fees and bonds which it deems necessary to insure that the intent and purpose of the Declaration and the Design Regulations are fulfilled.

10.14. Enforcement of Restrictions: Prior to the commencement and upon completion of construction or action subject to review under section 10.4, the Association shall have primary responsibility to enforce the provisions and restrictions set forth in section 4 and section 10 of this Declaration, the Design Regulations, building site location covenants and restrictions set forth in any document recorded in the records of San Miguel County, Colorado; provided, however, that such responsibility shall not limit the right of Declarant or the Review Board to take action under section 12.3. If the Association does not take action to enforce such restrictions within 15 days after being requested to do so by the Association's Board of Directors, the Review Board may assume responsibility for enforcing such restrictions in any case in which the Association declined to act. Subsequent to the completion of construction or action subject to review under section 10.4, the Association shall have primary responsibility to enforce such restrictions.

10.15. Review, Reconsideration and Appeal: The Association shall promulgate and publish rules and regulations which shall be included in the Design Regulations that set forth the procedures for appealing a decision of the Review Board. The Association may set a fee for the reconsideration or appeal of a decision of the Review Board; the provisions of section 5 shall apply to this fee.

10.16. Lapse of Design Review Approval: Approval of the design of a project shall lapse and become void one year following the date the applicant received Final Plan Approval for the project, unless prior to the expiration of one year, a building permit is issued and construction is substantially commenced and diligently pursued toward completion.

10.17. Assignment of Function: Any function to be performed by the Review Board may be assigned to the Association in whole or in part at any time at the sole discretion of the Association.

10.18. Liability: Neither Declarant, the Association nor the Review Board nor any of their respective officers, directors, employees or agents shall be responsible or liable for any defects in any plans or specifications submitted, reviewed or approved pursuant hereto nor for any defects in construction pursuant to such plans and specifications. Approval of plans and specifications pursuant hereto shall not be deemed

in lieu of compliance by owners with applicable governmental laws or regulations.

11. CONDEMNATION

If part or all of the Common Interest Community is taken by any power having the authority of eminent domain, all compensation and damages for and on account of the taking shall be payable in accordance with the Colorado Common Interest Ownership Act.

12. MISCELLANEOUS:

12.1. Duration of Declaration: Each provision contained in this Declaration which is subject to the laws or rules sometimes referred to as the rule against perpetuities or the rule prohibiting unreasonable restraints or alienation shall continue and remain in full force and effect for the period of 21 years following the death of the survivor of Werner Catsman and Gardner Catsman of Telluride, Colorado, or until this Declaration is terminated as hereinafter provided, whichever first occurs. All other provisions contained in this Declaration shall continue and remain in full force and effect until January 1 in the year 2080 A.D., and thereafter for successive periods of ten years each, unless at least one year prior to January 1, 2080 A.D. , or at least one year prior to the expiration of any, such ten year period of extended duration, this Declaration is terminated by recorded instrument, directing termination, signed by all the Owners; or unless waived, terminated, modified, changed, supplemented or nullified pursuant to section 12.13.

12.2. Effect of Provisions of Declaration: Each provision of this Declaration, and any agreement, promise, covenant and undertaking to comply with each provision of this Declaration, and any necessary exception or reservation or grant of title, estate, right or interest to effectuate any provision of this Declaration: (a) shall be deemed incorporated in each deed, lease or other instrument by which any right, title or interest in any real property within Lawson Hill is granted, devised, leased or conveyed, whether or not set forth or referred to in such deed, lease or other instrument; (b) shall, by virtue of acceptance of any right, title or interest in any real property within Lawson Hill by an Owner, or the Association, be deemed accepted, ratified, adopted and declared as a personal covenant of such Owner, or the Association, as the case may be, and, as a personal covenant, shall be binding on such Owner or the Association and such owner's or the Association's respective heirs, personal representatives, successors, lessees and assigns, and, as a personal covenant of an Owner shall be deemed a personal covenant to, with and for the bene-

fit of Declarant and to, with and for the benefit of the Association and to, with or for the benefit of any other owner and, if a personal covenant of the Association, shall be deemed a personal covenant to, with and for the benefit of Declarant and to, with and for the benefit of each Owner; (c) shall be deemed a real covenant by Declarant, for itself, its successors and assigns, and also an equitable servitude, running, in each case, as a burden with and upon the title to each parcel of real property within Lawson Hill, and, as a real covenant and also as an equitable servitude, shall be deemed a covenant and servitude for the benefit of any real property now or hereafter owned by Declarant its successors and assigns within Lawson Hill and for the benefit of any and all other real property within Lawson Hill; and (d) shall be deemed a covenant, obligation and restriction secured by a lien, binding, burdening and encumbering the title to each parcel of real property within Lawson Hill which lien with respect to any Unit shall be deemed a lien in favor of Declarant and the Association, jointly and severally, and, with respect to any real property owned by the Association, shall be deemed a lien in favor of Declarant.

12.3. Enforcement and Remedies: Each provision of this Declaration with respect to the Association or property of the Association shall be enforceable by Declarant, or by any owner who has made written demand on the Association to enforce such provision and 30 days have lapsed without appropriate action having been taken by Association by a proceeding for a prohibitive or mandatory injunction. Each provision of this Declaration with respect to an Owner or property of an Owner shall be enforceable by Declarant, the Association or by any Owner who has made written demand on the Association to enforce such provision and 30 days have lapsed without appropriate action having been taken by Association, by a proceeding for a prohibitive or mandatory injunction or by a suit or action to recover damages, or, in the discretion of the Association, for so long as any Owner fails to comply with any such provisions, by exclusion .of such Owner and such Owner's guests from use of any Facility and from enjoyment of any Function. If court proceedings are instituted in connection with the rights of enforcement and remedies provided in this Declaration, the prevailing party shall be entitled to recover its costs and expenses in connection therewith, including reasonable attorneys' fees.

12.4. Liquidated Damages: Any owner who is adjudged by a court of competent jurisdiction to be in violation of this Declaration, the Design Regulations, the Articles of Incorporation, Bylaws, any building location covenant or rules or regulations of the Association or the Design Review Board, as they exist from time to time shall be liable to the Association for liquidated damages in the amount of Two Hundred Dol-

lars (\$200.00) per day per violation for each day the violation was adjudged to exist.

12.5. Protection of Mortgagees:

(a) This section establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain Security Interests. This Article is supplemental to, not a substitution for, any other provisions of the Documents, but in the case of conflict, this Article shall control. No violation or breach of, or failure to comply with, any provision of this Declaration and no action to enforce any such provision shall affect, defeat, render invalid or impair the lien of any mortgage, first deed of trust or other first lien on any property taken in good faith and for value and perfected by recording in the office of the Clerk and Recorder of San Miguel County, Colorado, prior to the time of recording in said office of an instrument describing such property and listing the name or names of the Owner or Owners of fee simple title to the property and giving notice of such violation, breach or failure to comply; nor shall such violation, breach, failure to comply or action to enforce affect, defeat, render invalid or impair the title or interest of the holder of any such first mortgage, first deed of trust, or other first lien or title or interest acquired by any purchaser upon foreclosure of any such first mortgage, first deed of trust or other first lien or result in any liability, personal or otherwise, or any such holder or purchaser. Any such purchaser upon foreclosure shall, however, take subject to this Declaration with the exception that violations or breaches of, or failures to comply with, any provisions of this Declaration which occurred prior to the vesting of fee simple title in such purchaser shall not be deemed breaches or violations hereof or failures to comply herewith with respect to such purchaser, his heirs, personal representatives, successors or assigns.

(b) Percentage of Eligible Mortgagees: Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgagees is required, it shall mean that the

approval or consent of Eligible Mortgagees holding Security Interests in Units which, in the aggregate, have allocated to them that specified percentage of votes as compared to the total votes allocated to all Units in the Association then subject to Security Interests held by all Eligible Mortgagees.

(c) Notice of Actions: The Association shall give prompt written notice to each Eligible Mortgagee of:

(i) Any condemnation loss or any casualty loss which affects a material portion of the Common Interest Community or any Unit in which there is a first security Interest held by a Eligible Mortgagee;

(ii) Any delinquency in the payment of Common Expense assessments owed by a Unit Owner which remains uncured for a period of sixty (60) days and whose Unit is subject to a first Security Interest held by a Eligible Mortgagee;

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

(iv) Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in this Declaration; and

(v) Any judgment rendered against the Association.

(d) Consent and Notice Required:

(i) Document Changes. Notwithstanding any requirement permitted by this Declaration or the Act, no amendment of any material provision of the Documents by the Association or Unit Owners described in this section may be effective without notice to all Eligible Mortgagees, as required by section 12.5 (c) above, without the vote of at least 75 percent of the Unit Owners (or any greater Unit Owner vote required in this Declaration or the Act) and without approval by at least 25 percent of the Eligible Mortgagees (or any greater Eligible Mortgagee approval required by this Declaration). The foregoing approval requirements do not apply to amendments effected by the exercise of any Development Right. A change to any of the following is material:

(A) Voting rights;

(B) Assessments, assessment liens or priority of assessment liens;

(C) Reserves for maintenance, repair and replacement of Common Elements;

(D) Responsibility for maintenance and repairs;

(E) Reallocation of interests in the Common Elements or Limited Common Elements, except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Unit Owners and only the Eligible Mortgagees holding Security Interests in those Units need approve the action;

(F) Redefinitions of boundaries of Units, except that when boundaries of only adjoining Units are involved, or a Unit is being subdivided, then only those Unit Owners and the Eligible Mortgagees holding Security Interests in the Unit or Units need approve the action;

(G) Convertibility of Units into Common Elements or Common Elements into Units;

(H) Expansion or contraction of the Common Interest Community, or the addition, annexation or withdrawal of property to or from the Common Interest Community;

(I) Insurance or fidelity bonds;

(J) Leasing of Units;

(K) Imposition of any restrictions on Unit Owners, right to sell or transfer their Units;

(L) A decision by the Association to establish self-management when professional management had been required previously by the Documents or any Eligible Mortgagee;

(M) Restoration or repair of the project after hazard damage or partial condemnation in a manner other than that specified in the Documents;

(N) Termination of the Common Interest Community after occurrence of substantial destruction or condemnation; and

(O) Any provision that expressly benefits mortgage holders, insurers or guarantors.

(ii) Actions. Notwithstanding any lower requirement permitted by this Declaration or the Act, the Association may not take any of the following actions, other than rights reserved to the Declarant as Special Declarant Rights, without notice to all Eligible Mortgagees, as required by section 12.5(c)

above, and approval of at least 51 percent (or the indicated percentage, if higher) of the Eligible Mortgagees:

(A) Convey or encumber the Common Elements or any portion of the Common Elements, for which an 80 percent Eligible Mortgagee approval is required. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Common Interest Community will not be deemed a transfer within the meaning of this clause); and

(B) The termination of the Common Interest Community for reasons other than substantial destruction or condemnation, for which 67 percent of the Votes of Eligible Mortgagees is required.

(C) The alteration of any partition or creation of any aperture between adjoining Units (when Unit boundaries are not otherwise being affected),, for which only the owners of Units affected and Eligible Mortgagees of those Units need approve the action;

(D) The granting of any easements, leases, licenses or concessions through or over the Common Elements (excluding, however, any utility easements serving or to serve the Common Interest Community and also excluding any leases, licenses or concessions lasting for no more than one year).

(E) The restoration or repair of the Property after hazard damage or a partial condemnation in a manner other than specified in the Instruments.

(F) The merger of the Common Interest Community with any other common interest community.

(G) The assignment of the future income of the Association, including its right to receive Common Expense Assessments.

(H) Any action taken not to repair or replace the Property in the event of substantial

destruction of any part of a Unit or the Common Elements.

(iii) The Association may not change the period for collection of regularly budgeted Common Expense assessments to other than [monthly] [quarterly] [yearly] collection without the consent of all Eligible Mortgagees.

(iv) The failure of an Eligible Mortgagee or Insurer to, respond within 30 days to any written request for approval of an addition or amendment to the Document wherever Eligible Mortgagee or Insurer approval is required, when such request is delivered by certified or registered mail, return receipt requested, shall constitute an approval of the addition, supplement or amendment.

(e) Development Rights: No Development Rights may be exercised, voluntarily abandoned or terminated by the Declarant unless all persons holding Security Interests in the Development Rights consent to the exercise, abandonment or termination.

(f) Inspection of Books: The Association must maintain current copies of the Declaration, Bylaws, Rules, books, records and financial statements. The Association shall permit any Eligible Mortgagee, or other first mortgagee of Units, to inspect the books and records of the Association during normal business hours.

(g) Financial Statements: The Association shall provide any Eligible Mortgagee who submits a written request and pays the Association's reasonable fee therefore with a copy of an annual financial statement. It shall be provided within 90 days following the end of each fiscal year of the Association. This financial statement shall be audited by an independent certified public accountant if any Eligible Mortgagee requests such an audit and such Eligible Mortgagee pays the cost of the audit.

(h) Enforcement: The provisions of this Article are for the benefit of Eligible Mortgagees their successors and may be enforced by any of them by any available means, at law or in equity.

(i) Attendance at Meetings: Any representative of an Eligible Mortgagee may attend and address any meeting which a Unit owner may attend.

12.6. Limited Liability: Neither San Miguel County, Declarant, the Association, the Review Board, the Board of Directors of the Association nor any member, officer, agent or

employee of any of the same shall be liable to any party for any action for any failure to act with respect to any matter if the action taken or failure to act was in good faith and without malice.

12.7. Successors and Assigns: Except as otherwise provided herein, this Declaration shall be binding upon and shall inure to the benefit of Declarant, the Association, and each Owner and their respective heirs, personal representatives, successors and assigns.

12.8. Severability: Invalidity or unenforceability of any provision of this Declaration in whole or in part shall not affect the validity or enforceability of any other provision or any valid and enforceable part of a provision of this Declaration.

12.9. Captions: The captions and headings in this instrument are for convenience only and shall not be considered in construing any provision of the Declaration.

12.10. Construction: When necessary for proper construction, the masculine of any word used in this Declaration shall include the feminine or neuter gender, and the singular the plural, and vice versa.

12.11. No Waiver: Failure to enforce any provision of this Declaration shall not operate as a waiver of any such provision or of any other provision of this Declaration.

12.12. Mailing Address: Within thirty (30) days after receiving any right, title or interest in any Unit within Lawson Hill each Owner shall furnish to the Association a mailing address and telephone number to which all notices shall be sent pursuant to this Section. All notices, demands, or writings in this Declaration provided to be given or made or sent that may be given or made or sent by either party hereto to the other, shall be deemed to have been fully given or made or sent on the date when made by personal or telephone contact or in writing and deposited in the United States mail, certified and postage pre-paid, or over night courier service, postage pre-paid or by telephone fax, and addressed to the party at the address filed with the Association pursuant to this Section. If no address is furnished to the Association pursuant to this section then the notice shall be sent to the address given on the recorded instrument which vested title to the Unit in the owner if the existence of such instrument is within the actual acknowledge of the president of the Association. The address to which any notice, demand, or writing may be given or made or sent to any party as above provided may be changed by written notice given by such, party as above provided.

12.13. Additions Modifications or Annulment of Declaration (Declarant): Nothing to the Contrary withstanding, the covenants, agreements, Conditions, reservations, restrictions

and charges created and established herein or created or established in the Articles of Incorporation or Bylaws of the Association may be changed, waived, terminated, modified, supplemented, or annulled by Declarant acting alone whether before or after the Conveyance by Declarant of a Unit to a transferee. The waiver, change, termination, modification, supplementation or annulment shall become effective upon the recordation in the office of the San Miguel County Clerk and Recorder of a written instrument properly executed by either Declarant or by 75% of the Board of Directors of the Association after approval pursuant to the preceding sentence.

12.14. Additions, Modifications or Annulment of Declaration (County): Nothing to the Contrary withstanding, the covenants, agreements, conditions, reservations, restrictions and charges created and established in sections 9.9, 9.28, 9.29, 9.30, 10.6 and 12.14 may not be changed, waived, terminated, modified, supplemented, or annulled without the prior written approval of (i) the Board of Commissioners of San Miguel County and (ii) either (A) Declarant acting alone whether before or after the conveyance by Declarant of a Unit. to a transferee, or (B) 75% of the Board of Directors of the Association. The waiver, change, termination, modification, supplementation or annulment shall become effective upon the recordation in the office of the San Miguel County Clerk and Recorder of a written instrument properly executed by the Board of County Commissioners of San Miguel County and either the Declarant or 75% of the Board of Directors of the Association.

12.15. Additions and Modifications of Declaration (Members/Owners): Except as otherwise provided in this Declaration, and subject to provisions elsewhere Contained in this Declaration requiring the Consent of Declarant or ethers, any provision, covenant, Condition, restriction or equitable servitude Contained in this Declaration may be amended or repealed at any time and from time to time upon approval of the amendment or repeal by owners holding at least seventy-five percent (75%) of the voting power of the Association present in person or by proxy at a duly constituted meeting of the Members. The approval of any such amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of San Miguel, State of Colorado, of a certificate, executed by the President or Vice President and the Secretary or an Assistant Secretary of the Association setting forth the amendment or repeal in full and Certifying that the amendment or repeal has been approved by the necessary owners and Certified by the Board of Directors as set forth above.

12.16. Additions and modifications of declaration (As Required by Mortgage Agencies): Prior to (a) conveyance of the

last Unit by Declarant to the first Owner thereof (other than Declarant) or (b) ten (10) years from the date of this Declaration, whichever shall last occur, any provisions, covenant, condition, restriction or equitable servitude contained in this Declaration which FHA, VA, FHLMC, GNMA, FNMA, or any similar entity, public or private authorized, approved or sponsored by any governmental agency to insure, guarantee, make or purchase mortgage loans, required to be amended or repealed may be amended or repealed by the Declarant. Any such amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of San Miguel County, State of Colorado, of a certificate, executed by the Declarant setting forth the amendment or repeal in full and certifying that the amendment or repeal has been required by FHA, VA, FHLMC, GNMA, FNMA, or any similar entity, public or private, authorized, approved or sponsored by any governmental agency to insure, guarantee, make or purchase mortgage loans.

12.17. Required Consent of Declarant to Amendment: Prior to (a) Conveyance of the last Unit by Declarant to the first Owner thereof (other than Declarant) or (b) ten (10) years from the date of this Declaration, whichever shall last occur, any provisions, Covenant, Condition, restriction or equitable servitude contained in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration shall not be effective unless Declarant has given its written Consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant of any certificate of amendment or repeal.

12.18. Power of Attorney Granted for Amendment of Subdivision Plat: Declarant hereby reserves and is granted the right and power to amend at any time prior to (a) conveyance of the last Unit by Declarant to the first Owner thereof (other than Declarant) or (b) ten (10) years from the date of this Declaration, whichever shall last occur, the subdivision plat affecting the Property. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to make or consent to such amendment on behalf of each Owner. Each Owner hereby designates Declarant, its successors and/or assigns, to be his attorney-in-fact for any and all purposed relating to the amendment of the subdivision plat as set forth in this Section, including but no limited to, the execution of any and all instruments which need to be executed by the Owners in order to fully effectuate any such amendment. Said power of attorney does not give Declarant the right to modify property lines of Units that have been previously deeded to Owners, and is limited to modifying only the Units owned by the Declarant and to Common Elements. The power of attorney granted herein is a durable power of attorney which shall not terminate upon the death or disability of

any Owner. This power of attorney shall be binding upon all assignees, successors, heirs, and owners.

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

12.20. Financial Review: The Association shall provide financial statements for the immediately preceding fiscal year prepared by a Certified Public Accountant (CPA), free of charge to any Owner, holder of a first Security interest on a Unit, or any insurer or guarantor of such a first Security Interest, within a reasonable time if written request therefore is given. Such financial statements shall be obtained by the Association within 90 days after the end of any fiscal year for the Association.

12.21. Right to Notice and Comment: Before the Executive Board amends the Bylaws or the Rules, whenever the Documents require that an action be taken after "Notice and Comment," and at any other time the Executive Board determines, the Unit Owners have the right to receive notice of the proposed action and the right to comment orally or in writing. Notice of the proposed action either shall be given to each Unit Owner in writing, delivered personally or by mail to all Unit Owners at such address as appears in the records of the Association, or it shall be published in a newsletter or similar publication which is routinely circulated to all Unit Owners. The notice shall be given not less than five days before the proposed action is to be taken. It shall invite comment to the Executive Board orally or in writing before the scheduled time of the meeting. The right to Notice and Comment does not entitle a Unit Owner to be heard at a formally constituted meeting.

12.22. Right to Notice and Hearing: Whenever the Documents or the Act require that an action be taken after "Notice and Hearing," the following procedure shall be observed: The party proposing to take the action (e.g., the Executive Board, a committee, an officer, the Manager, etc.) shall give written notice of the proposed action to all Unit Owners or occupants

of Units whose interest would be significantly affected by the proposed action. The notice shall include a. general statement of the proposed action and the date, time and place of the hearing. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject. to reasonable rules of procedure established by the party conducting the meeting to assure a prompt and orderly resolution of the issues. Any evidence shall be duly considered, but is not binding in making the decision. The affected person shall be notified of the decision in the same manner in which notice of the meeting was given.

12.23. Appeals: Any person having a right to notice and Hearing shall have the right to appeal to the Executive Board from a decision of persons other than the Executive Board by filing a written notice of appeal with the Executive Board within 10 days after being notified of the decision. The Executive Board shall conduct a hearing within 60 days, giving the same notice and observing the same procedures as were required for the original meeting.

12.24. Bylaw Amendments: The Bylaws may be amended only by vote of two-thirds of the members of the Executive Board, following Notice and Comment to all Unit Owners, at any meeting duly called for such purpose.

12.25. Termination: Termination of the Common Interest Community may be accomplished only in accordance with the Colorado Common Interest Ownership Act.

12.26. Gender: The use of the masculine gender refers to the feminine gender, and vice versa, and the use of the singular includes the plural, and vice versa, whenever the context of the Documents so require.

12.27. Invalidity: The invalidity of any provision of the Documents does not impair or affect in any manner the validity, enforceability or effect of the remainder, and if a provision is invalid, all of the other provisions of the Documents shall continue in full force and effect.

12.28. Conflict: In the event of any conflict between this Declaration and any other Document, this Declaration shall control.

13. SUPPLEMENTS AND AMENDMENTS TO DECLARATION -- IN GENERAL

13.1. Special Declarant Rights: Provisions in this Declaration creating Special Declarant Rights may not be amended without the consent of the Declarant.

13.1.1. Supplements and Amendments To Create Units: To exercise any Development Right reserved under this Declaration, the Declarant shall prepare, execute and record a sup-

plement or amendment to the Declaration. The supplement or amendment to the Declaration shall assign an identifying number to each new Unit created. The supplement or amendment shall describe any Common Elements and any Limited Common Elements created and designate the Unit to which each Limited Common Element is allocated.

IN WITNESS WHEREOF Declarant has executed this Declaration the day and year first above written.

Telecam Partnership II, Limited

By: William W. Cantlin
Vice-President of Macelet, Inc., General Partner of Telecam Partnership I Limited, General Partner

STATE OF COLORADO)
)ss.
COUNTY OF SAN MIGUEL)

The foregoing instrument was acknowledged before me this day of April, 1992, by William W. Cantlin, Vice President of Macelet, Inc, a Colorado corporation, general partner of Telecam Partnership I, Limited, a Colorado limited partnership, the sole general partner of and on behalf of Telecam Partnership II Limited, a Colorado limited partnership.

Witness my hand and official seal.
My commission expires: 11/24/93

Julie Cantrell
Notary Public

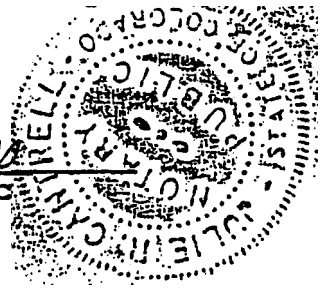


EXHIBIT LD-Phase 1

Lawson Hill Phase 1, San Miguel County, Colorado, according to the Plat recorded on April , 1992, in Plat Book 1 at page

Said Property is subject to the following:

1. Taxes and assessments for the year 1992, and subsequent years.
2. Public improvement assessments, and/or any unpaid installments thereof due the County of San Miguel, Colorado.
3. Perpetual easements and Rights of Way as granted by Robert Alexander to the Western Colorado Power company as said easements affect the Boston Placer, as recorded in Book 349 at page 1006, Book 249 at page 1007 and in Book 441 at page 962; as assigned to San Miguel Power Association, Inc., by Assignment of Easements recorded February 3, 1988 in Book 441 at page 953.
4. Right of Way and Easement from Kirk Alexander and Kathleen L. Alexander to Rocky Mountain National Gas Company, Inc., 35 feet in width, as said easement affects the Pekin, Washington, Keystone, Manhattan and Boston Placers; recorded August 19, 1986 in Book 429 at page 328.
5. The course of the San Miguel River and the continued flow of water therein.
6. Terms, Conditions, Provisions and Obligations of the Lawson Hill Planned Unit Development as granted by that Resolution of the Board of County Commissioners, San Miguel County, Colorado, Granting Preliminary Approval thereof, County Resolution No. 199122, recorded May 3, . 1991 in Book 477 at pages 367 to 414.
7. Terms, Conditions, Provisions and obligations of that Pre-Annexation, Utility Connection and Hydropower Lease Agreement for the Lawson Hill Project between the Town of Telluride, a home rule municipality and political subdivision of the State of Colorado, and 'Telecam Partnership' II, Limited, a limited partnership organized under the Laws of the State of Colorado, recorded June 7, 1991 in Book 478 at pages 607 to 641.
8. Terms, Conditions, Provisions and Obligations of that Telluride-Telecam Hydropower Lease Agreement between the Town of Telluride, a home rule municipality and political. subdivision of the State of Colorado, and Telecam Partnership II, Limited, a

limited partnership organized under the Laws of the State of Colorado, recorded June 7, 1991 in Book 478 at pages 642 to 671.

9. Right of the proprietor of a vein, or lode to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises granted; as reserved in United States Patent for the Keystone Placer, M.S. 244 recorded in Hook 21 at page 449; and as reserved in United States Patent for the Boston Placer, M.S. 2019 recorded in Book 52 at page. 129.8 Water rights, claims or title to water.

10. General Declaration for Lawson Hill recorded an April 16 1992, in Book 490 , at page 925-998

11. Subdivision Improvements Agreement recorded. on April 16 1992, in Book 490 , at page 999-1015

12. Declaration of Easements recorded on April 16 , 1992, in Book 490 at page 1016-1023

13. Reservation of easements in special warranty deed recorded on April 16 , 1992, in Book 490 , at page 1024-1025

14. Telecam/Mountain Village Metropolitan District easement agreement recorded on 9/11/1991 in Book 482 , at page 403

15. First Amendment to PUD Agreement forming a part of Resolution referred to at 6 above recorded on April 16 , 1992, in Book 490 , at page 1026-1056

16. Any and all provisions of any ordinance, municipal regulation, or public or private law, inclusive of zoning, inland wetlands, building and planning laws, rules and regulations as established in and for the County of San Miguel, Colorado.

17. Taxes of the County of San Miguel, Colorado, including taxes resulting from any reassessment or reallocation resulting from the creation of the Common Interest Community and which become due and payable after the date of the delivery of any Unit deed.

18. Public improvement assessments, and/or any unpaid installments thereof due the County of San Miguel, Colorado.

EXHIBIT BUDGET

Affordable Light Housing Industrial Community District

	Affordable Housing Community	Light Industrial District
Roads		
Summer and Winter Main- tenance and Major Main- tenance Reserve		
Parking Lot (Lots A-1 and A-2)		
Summer and Winter Maintenance and Major Maintenance Reserve	0%	100%
Trail Maintenance	50%	50%
Sign Maintenance	0%	100%
Property Taxes	*	**
Trash Removal	100%	0%
Insurance	*	**
Accounting and Legal	*	**
Office Expenses	*	**
Management Fees	*	**
Community Center		
Expenses and Major Maintenance Reserve	100%	0%
Summer Landscaping Maintenance	*	**
Perimeter irrigation	0%	100%
Playing Field Maintenance	75%	25%
Design Review Board Expense	*	**
Restriction Enforcement	*	**
Miscellaneous and All Other	*	**

* A percentage of the whole of such expense determined by dividing the total length of all improved roadways within Lawson Hill Midsite except Enterprise Drive, in feet, by the total length of all improved roadways within Lawson Hill Midsite including Enterprise Drive, in feet, plus 3072.

** A percentage of the whole of such expense determined by subtracting the percentage thereof allocable to the Affordable Housing Community from 100%.

EXHIBIT LD-Midsite

Lots 201 through 231 inclusive, Lots 302 through 327 inclusive, Lots A-1, A-2, B, C, D, E, F, G, H, I, J, K-1, K-2, R-3, K-4, R-5, L, M, N, O, U, V, R, T, Lots 501 through 509? 512 inclusive and Lots 515, 517 and 518 as shown on the Preliminary Plan for the Lawson Hill Planned Unit Development recorded in the Office of the Clerk and Recorder of San Miguel County, Colorado, in Book 477 at pages 414A-414L.

EXHIBIT AFC

Lots 201 through 231 inclusive, Lots 302 through 327 inclusive, Lots. D, E, F, L, M, N and O as shown on the Preliminary Plan for the Lawson Hill Planned Unit Development recorded in the Office of the Clerk and Recorder of San Miguel County, Colorado, in Hook 477 at pages 414A-414L.

EXHIBIT LID

Lots A-1, A-2, B, C, G, H, I and J, Lots K-1, K-2, K-3, K-4, K-5 (all within Tract 503) and Small Hydro Easement within Tract 503 as shown on the Preliminary Plan for the Lawson Hill Planned Unit Development recorded in the Office of the Clerk and Recorder of San Miguel County, Colorado, in Book 477 at pages 414A-414L.