

10

DECLARATION OF PROTECTIVE COVENANTS

OF

NAVAJO PEAK RANCH

THIS DECLARATION is executed this 23rd day of Nov., 1994, by NAVAJO PEAK RANCH, hereafter termed "Declarant."

ARTICLE I

STATEMENT OF PURPOSE OF DECLARATION

Section 1. Ownership of Property. Declarant is the owner of the real property ("Property") situate in Archuleta County, Colorado, described on the attached Exhibit "A".

Section 2. Declaration of Covenants. Declarant hereby makes, declares and establishes the following covenants, restrictions and easements which shall affect the property. This Declaration of Protective Covenants shall run with the Property and shall be binding upon all persons and entities having any right, title or interest in and to the Property or any lots, tracts or parts thereof, their heirs, successors and assigns and their tenants, employees, guests and invitee and shall inure to and be for the benefit of each Owner of the lot within the Property.

Section 3. Statement of Purpose. This Declaration of Protective Covenants is imposed for the benefit of all owners and future owners of lots, parcels and areas located within the property and to provide for the preservation of values of the Property and to provide and to preserve the covenants, easements, restriction, assessments and liens hereafter set forth, all of which are for the benefit of the Property.

ARTICLE 2

DEFINITIONS

The following terms and words shall have the following definitions:

Section 1. "Association: shall mean the Navajo Peaks Ranch Homeowners Association, a Colorado non-profit corporation, or any successor thereof, charged with the duties and obligations set forth herein.

Section 2. "Association Documents" shall mean this Declaration of Protective Covenants, The Articles of Incorporation and Bylaws of the Association, any amendments thereto, and any rules, regulation or policies adopted by the association.

Section 3. "Assessments" shall mean annual, periodic, special or default assessments levied pursuant to this declaration to provide the funds required to meet the obligations of the Association.

Section 4. "Board of Directors" or "Board" shall mean the Board of Directors of the Association duly elected and acting according to the Articles of Incorporation and Bylaws of the Association.

Section 5. "Building" shall mean a building or structure, or any similar type of improvement situate and located on a lot or parcel of land within the Property.

Section 6. "Building Site" shall mean any site as located within the individual tracts on the Plat.

Section 7. "Family Residence" shall mean the primary residence on any lot designed for occupancy by the owner of the lot.

Section 8. "Garage" shall mean any accessory building or an accessory portion of a residence designed for the storage of one or more motor vehicles and any incidental use associated therewith.

Section 9. "Improvement" shall mean all buildings, structures, parking areas, loading areas, fences, walls, hedges, plantings, poles, driveways, walkways, recreational facilities, signs, decks, enclosures, change in exterior color or shape, excavation, and all other site work including without limitation grading, road construction, utility improvements, removal of trees or planting, and any new exterior construction or exterior improvement constructed or completed on the Property.

Section 10. "Lot" shall mean a lot as shown on any plat of Navajo Peak Ranches amended or subsequent plats.

Section 11. "Maintenance Fund" shall mean the fund created by assessments and fees levied pursuant to this Declaration to provide the Association with funds it requires to carry out its duties hereunder.

Section 12. "Mortgage" shall mean any mortgage, deed of trust or other document pledging a Lot or interest therein as security for the payment of any indebtedness. "First Mortgage" shall mean any mortgage which is not subject to or junior to any lien or encumbrance, except liens for taxes and other liens which are given priority by statute.

Section 13. "Open Space" shall mean all of the Lot except for any buildings or structure located thereon and shall include, but is not limited to lawns, gardens, walkways, sidewalks, parking areas, driveways and outdoor living or recreation space.

Section 14. "Owner" shall mean the record owner, whether one or more persons or entities of fee simple title to any lot; provided, however, that prior to the first conveyance of any Lot for value after this Declaration, the Owner shall mean the Declarant unless the grantor has designated its successor in ownership of fee simple title to exercise the rights, duties and obligation of ownership.

Section 15. "Plat" shall mean any plat of Navajo Peak Ranches and all subsequent plats as filed in the records of Archuleta County, Colorado, which are subject to these Protective Covenants, and as the same may be amended, enlarged or revised from time to time and affecting the property.

Section 16. "Property" shall mean and include all of the property subject to this Declaration.

ARTICLE 3

USE OF LOTS

Section 1. "Residential Use". All Lots shall not be used exclusively for residential purposes. However, any use not exclusively for residential purposes shall be submitted to the Board of Directors as provided herein.

Section 2. "Building Permit". Each owner is responsible for obtaining all approvals, licenses and permits as may be required by Archuleta County, Colorado, and any entity or district having jurisdiction over the Lot prior to the commencement of construction.

ARTICLE 4

CONSTRUCTION AND MAINTENANCE REQUIREMENTS

Section 1. All individual water diversion, ponds, ditches and domestic water and sewage systems shall be constructed, installed and maintained in compliance with all applicable rules and regulations of any governmental or quasi-governmental entity

having jurisdiction over the property, specifically including, but not limited to the State of Colorado, County of Archuleta and the San Juan Basin Health Unit.

Section 2. "Signs". No signs of any kind shall be displayed to public view on any portion of any lot, except only a sign not to exceed four square feet identifying the Owner or business and/or address of the lot or a sign, not to exceed four square feet, advertising the property for sale.

Section 3. "Drainage" No owner shall do or permit any work, construct any improvements or do any landscaping which shall alter or interfere with the natural drainage for the Property, except to the extent the same is approved by the affected land owners and is within the Laws of the State of Colorado with regard to irrigation and water impoundment.

Section 4. "Temporary Structures" No occupied temporary structure, travel trailer, mobile home or R.V. vehicle shall be permitted on any lot on a permanent basis, except that a lot owner may occupy a travel trailer or R.V. for up to six months in a one year period.

Section 5. "Landscaping" No trees with a base diameter in excess of 8 inches shall be cut or removed from any lot except only (1) as required to permit ingress and egress to and from the Building Site; (2) to clear the actual construction site for any family residence, guest house, garage or barn; (3) to remove any diseased or dead trees; (4) to remove any tree that poses a danger to any building (5) limited tree cutting approved by the property owners in a manner that will not be visible to any other lot owner or as required for Wildfire Safety; and (6) any Oak Brush may be removed at will.

Section 6. "Trash" No trash, ashes, garbage or other refuse shall be allowed to accumulate or be placed on any Lot or other area within the Property. There shall be no burning or other disposal of refuse on the property. Each Owner shall provide suitable Wildlife resistant receptacles for the temporary storage and collection of such refuse and all such receptacles shall be screened from the public and from the wind protected from animal and other disturbances.

Section 7. "Abandoned or Inoperable Vehicles" Abandoned or inoperable automobiles or motor vehicles of any kind, except as hereinafter provided, shall not be stored or parked on any portion of a lot. "Abandoned or inoperable vehicle" shall be defined as any vehicle which has not been driven under its own propulsion for a period of three (3) months or longer provided, however, this shall not include vehicles parked by Owners while on vacation. A written notice describing the "abandoned or inoperable vehicle" and requesting removal thereof may be personally served upon the Owner or posted on the unused vehicle; and if such vehicle has not been removed within seventy-two (72) hours thereafter, the property owners shall have the right to remove the same without liability to it, and the expenses thereof shall be charged against the Owner.

Section 8. "Noise". No exterior horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of the improvements on any Lot, shall be placed or used on any lot.

Section 9. "Nuisance" No obnoxious or offensive activity shall be carried on within the Property, nor shall anything be done or permitted which shall constitute a public nuisance. No noise or other nuisance shall be permitted to exist or operate upon the Property so as to be offensive or detrimental to any other part of the Property or its owners or occupants; provided, however, that this Section shall not apply to any noise or other activity approved by the "Owners Association" as to the construction of any improvements.

Section 10. "Confinement of Animals" All animals shall be kept confined to each owner's lot. No animals shall be allowed to roam free. The Owner of any animals shall at all times be personally liable and responsible for all actions of such animals and any damage caused by such animal. Property owners should understand that Colorado Laws specify that property owners must fence out range animals from the National Forest and adjacent land owners. There will be no gates or fences across the main road, only a cattle guard will be acceptable. Cattleguard will be installed and maintained at the owners expense.

Section 11. "Density" No parcel may be divided in less than (20) twenty acres without Association approval.

Section 12. "Variances" The property owners may allow reasonable adjustments of these covenants in order to overcome practical difficulties and prevent unnecessary hardships in the application of the provisions contained herein, provided, however that such is done in conformity with the intent and purpose hereof and provided also that in every instance such variance or adjustment will not materially be detrimental or injurious to other property or improvements within the real property.

Section 13. These Covenants may be extended, added to, amended, adjusted or deleted with a majority vote by the property owners of record. Each lot owner(s) shall have one vote.

ARTICLE 5

Navajo Peak Ranches Homeowners Association

Section 1. "Government of Association". Navajo Peak Ranches, a Colorado non-profit corporation, shall be governed by and shall exercise all of the duties, privileges and obligations set forth in the Deceleration, the Articles of Incorporation and bylaws of the Association.

Section 2. "Members". Each owner shall be a member of the Association. No owner, whether one or more persons or entities, shall have more than one membership per lot Owner, but all persons owning each Lot shall be entitled to the rights of membership and the use and enjoyment appurtenant to the owership of each lot.

Section 3. "Termination of Membership". The right of membership in the Association and the status as a member shall terminate upon the termination of status as an owner of a lot. Upon conveyance, sale or assignment of the Owner's interest, the selling owner shall be relieved of liability for assessments levied from and after the date of such sale or conveyance; provided, however, that no such sale or conveyance of any ownership shall relieve an Owner of liability arising prior to the date of such sale or conveyance.

Section 4. "Voting Rights". All Owners within Navajo Peak Ranches shall be a member of the Association. Each Lot shall be entitled to one (1) vote in the Association. Declarant shall be entitled to one (1) vote per Lot for each lot that has not been sold and conveyed by Declarant. The one (1) vote for each Lot shall be exercised by the Owner and when more than one person or entity holds an interest in a lot, the vote for the Lot shall be exercised as the Owners may determine among themselves, but vote for the Lot shall be cast by only one person.

Section 5. "Compliance with Documents". Each owner shall abide by and have the benefit from the provisions, covenants, conditions and restrictions contained in the Association Documents".

Section 6. "Rules and Regulations". The Association shall from time to time adopt, amend and repeal rules and regulations to be known as the "Navajo Peak Ranches Covenants, governing among other things, and without regulation:

- 6.1 The use of the private road.
- 6.2 The use of any easements for utilities within the property.
- 6.3 Standards for the care and maintenance of all improvements, grounds and landscaping within the property, including private roads.
- 6.4 The use, maintenance and enjoyment of any real property, private road, street or easement conveyed or dedicated to the Association.

Section 7. "Grant of Utility Easements". The Declarant hereby authorizes and empowers the Association as its attorney-in-fact to give and grant a utility easement for the installation, construction and maintenance of underground utilities over and across any road easement designated on any Plat. The Owner of each Lot, by virtue of such ownership, hereby authorizes and empowers the Association, as its attorney-in-fact, to give and grant a utility easement and right of way 10 feet in width adjacent and on either side of any exterior boundary lines of any Lot for the installation, construction and maintenance of underground utilities.

Section 8. "Road Maintenance" Upon completion of construction of the road, all maintenance, repairs, snow plowing and supervision shall be the duty of and vested in the Association.

ARTICLE 6

ASSESSMENTS

Section 1. "Creation of Lien" Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in any deed, is deemed to covenant and agree to pay to the Association: (1) All regular assessments or charges; (2) any special assessments or charges; and (3) any default assessments or charges, all of which shall be fixed, established and collected as determined by the Association. The annual, special and default assessments, together with interest, cost and reasonable attorney fees, shall be a charge and continuing lien upon the Lot against which each such assessment is made until paid. Each assessment, together with interest, costs and reasonable attorney fees, shall be the personal obligation of the Owner of such Lot at the time when the assessment became due.

All such assessments shall be adopted and assessed in a manner set forth in this Article.

Section 2. "Purpose of Assessments". The assessments levied by the Association shall be limited to and used exclusively for the following:

2.1 The maintenance, repairs, snow removal, weed control and improvement of any common road, or irrigation ditch within the property.

2.2 Any maintenance, repair or improvement required to be made by any Owner to any improvement on any Lot which the Owner fails to do.

2.3 Any cost or expense pertaining to the operation of the Association in the performance of its duties.

2.4 Any other purpose approved by a majority vote of all members of the Association.

Section 3. "Types of Assessments" The Board of Directors shall have authority to levy the following types of assessments for the Association:

3.1 Regular assessments. Assessments for the business and operation of the Association pertaining to all members of the Association and to be apportioned and allocated equally among all lots.

3.2 Special Assessments. Special Assessments for the purpose of construction, improvement, repair, replacement, enlargement or other special purposes pertaining to a specific or special matter for the benefit of the entire Association. Special assessments shall be apportioned and allocated equally among all lots.

Section 4. "Regular Assessments". The Board of Directors shall prepare a budget prior to the beginning of each fiscal year of the association and not less than thirty (30) days prior to the commencement of each fiscal year, the board shall adopt a final budget and shall determine, levy and assess the Association's regular assessments for the following year.

The proposed budget for the next fiscal year shall be presented to and approved by the members at the annual meeting of the membership.

Section 5. "Special Assessments". In addition to the regular assessments set forth in Section 4 above, the Board of Directors may levy in any fiscal year one or more special assessments for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement within or upon any common road, for any other construction, repair or replacement or to make up any shortfall in the current year's budget. Notice of the amount and due dates for such special assessments shall be sent to each Owner at least thirty (30) days prior to the due date. Such special assessments shall be for the use and benefit of all lots. There shall be no special assessments until all lots have been sold by the original developer.

Prior to the Board of Directors levying a special assessment that exceeds \$250.00 in an aggregate amount, the special assessment shall be submitted to and approved by an affirmative vote of the members at either a regular meeting, or a special called meeting of the members called for such purpose.

Section 6. "Assessment for Each Lot" All regular and special assessments shall be apportioned and allocated equally among all Lots. All subdivisions assessments shall be apportioned and allocated equally among the Lots within such subdivision filing.

Section 7. "Default Assessments" Any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner's Lot may thereafter be foreclosed or otherwise collected as provided herein. Notice of the amount and due date of such default assessment shall be sent to the Owner subject to such assessment at least thirty (30) days prior to the due date.

Section 8. "Nonpayment of Assessments". Any assessment, whether regular, special or default assessments, which is not paid within thirty (30) days of its due date shall be deemed delinquent. In the event that any assessment becomes delinquent, the Association, in its sole discretion, may take any or all of the following actions.

8.1 Assess a late charge of at least 10% of the amount due and owing per delinquency. The percentage late charge may be amended by the Board of Directors.

8.2 Assess an interest rate charge from the date of delinquency at 18% per year, or such other rate as shall be established by the Board of Directors.

8.3 Suspend the voting rights of the Owner during any period of delinquency.

8.4 Bring an action against any Owner personally obligated to pay the delinquent assessment.

8.5 File a Statement of Lien with respect to the lot and foreclose such lien in the manner hereafter set forth. The Association may file a statement of Lien by recording with the Clerk and Recorder of Archuleta County, Colorado, a written statement with respect to the Lot, setting forth the name of the Owner, the legal description of the lot, the name of the Association and the amount of the delinquent assessments then owing which statement shall be signed and acknowledged by the President, Vice President, or Secretary of the Association and which shall be sent by certified mail, postage prepaid, to the Owner of the Lot at such address as the association may have in its records as to the Owner. Thirty (30) days following the mailing of such Notice, the association may proceed to foreclose the Statement of Lien in the same manner as provided for the foreclosure of mortgages under the statutes of the State of Colorado. Such Statement of Lien shall secure all assessments accruing or assessed subsequent to the date of recording of such Statement of Lien until the same has been satisfied and released, together with the Associations' attorney fees and costs incurred in the preparation and recording of such Statement of Lien and any release hereof. In any action for the payment or foreclosure of such assessment, the Association shall be entitled to recover as part of the action, the interest, costs and reasonable attorney fees with respect to the action.

8.6 The Statement of Lien shall be superior to all other liens and encumbrances on such lot, except any tax and assessments liens levied by any governmental entity and the lien of any first Mortgage.

Section 9. "Successor's Liability for Assessment". In addition to the personal obligation of each Owner of a Lot to pay all assessments and the Association's lien on a Lot for such assessments, all successors to the ownership of a Lot shall be jointly and severally liable with the prior Owner for any and all unpaid assessments, interest, costs, expenses and attorney fees against such Lot.

ARTICLE 7

ENFORCEMENT OF COVENANTS

Section 1. "Violations Deemed a Nuisance". Every violation of this Declaration of Protective Covenants, the Articles and Bylaws of the Association or any rules and regulations adopted by the Association shall be deemed to be a nuisance and is subject to all the remedies provided for the abatement thereof.

Section 2. "Failure to Comply" The failure to comply herewith shall be grounds for an action to recover damages, or for injunctive relief or for specific performance, or any of them. Reasonable notice and an opportunity for a hearing shall be provided by the Association to any delinquent Owner prior to commencing any legal proceedings.

Section 3. "Who May Enforce" Any action to enforce any violation of any provision of these Protective Covenants may be brought as follows:

3.1 By the Association in the name of the Association and on behalf of the Owners.

3.2 By the Owner of any Lot.

Section 4. "No Waiver" The failure of the Board, the Association, or any Lot Owner to enforce or obtain compliance as to any violation, shall not be deemed a waiver of the right to do so for any subsequent violation or the right to enforce any part of such documents.

ARTICLE 7

DURATION OF COVENANTS

Section 1. "Term" The term of this Declaration of Protective Covenants, and any amendments or supplements thereto, shall be from the date of recording in the records of Archuleta County, Colorado, until January 1, 2015. Thereafter, this Declaration of Protective Covenants shall be automatically extended for five successive periods of ten years each, unless otherwise terminated or amended as hereafter provided.

Section 2. "Amendment" This Declaration of Protective Covenants, or any provision thereof, may only be terminated, extended, modified or amended as to the Property subject to the Protective Covenants, or any portion thereof, upon the written consent by the owners of 75% or more of the Lots in the Property. Any such amendment shall be by an instrument duly executed, acknowledged and recorded in the records of Archuleta County, Colorado, and upon such recording shall be for the benefit of and be binding on all owners of Lots within the Property. Provided, however, the right of amendment herein granted may not be exercised by the owners of Lots in the Property until either (1) five years have passed from the date of construction of the first improvements on any Lot or (2) 75% of all Lots within the Property have been sold or conveyed to third person owners by the Declarant, whichever occurs first.

Section 3. "Amendment by Declarant". Notwithstanding the provisions of section 2, the Declarant reserves the sole right and power to modify and amend this Declaration of Protective Covenants, and all Plats subject to this Declaration of Protective Covenants, by executing and recording such amendment in the records of Archuleta County, Colorado. Such right or power of the Declarant is limited to (1) the correction of any typographical or language errors in the Declaration of Protective Covenants and/or Plats, (2) any corrections required to comply with the applicable laws, rules and regulation of any governmental entity having jurisdiction over the property, and (3) any changes or corrections required to reasonable satisfy the requirements of any commercial lender to provide financing for the purchase and/or construction of a residence upon any Lot, which are not contrary to terms of the Agreement. This right and power of the Declarant to modify or amend this Declaration of Protective Covenants and the Plats, in whole or in part, as set forth in this Section 3, shall be effective only until (1) five years after the date of construction of the first improvements on the Property or (2) the date that 75% of all Lots within the property have been sold or conveyed to Third persons owners by the Declarant, whichever occurs first.

ARTICLE 8

PRINCIPLES OF INTERPRETATION

Section 1. "Severability" This Declaration of Protective Covenants to the extent possible, shall be construed so as to give validity to all of the provisions hereof. If any provision of this Declaration of Protective Covenants is determined to be invalid, unenforceable or prohibited by any court, the same shall not effect any other provision or section thereof and all other provisions and sections shall remain in full force and effect.

Section 2. "Construction". In interpreting words herein, unless the context shall otherwise provide or require, the singular shall include the plural, the plural shall include the singular and the use of any gender shall include all genders.

Section 3. "Pleadings". The headings on any section or article are included only for purposes of convenient reference and shall not affect the meaning or interpretation of this Declaration of Protective Covenants.

Section 4. "Written Notice". All notices required under this Declaration shall be in writing. Notice to any owner shall be considered delivered and effective upon personal delivery or five days after mailing by regular mail, postage paid, to the address of such Owner on file in the records of the Association at the time of the mailing.

Section 5. "Limitation of Liability". Neither the Association nor any officer or director shall be liable to any party for any action or for any failure to take any action with respect to any matter arising by, through or under this Declaration if the action or failure to act was made in good faith. The association shall indemnify all officers and directors with respect to any action taken in their official capacity as provided in the Articles of Incorporation and Bylaws of the Association.

Section 6. "Attorney Fees". The Association shall be entitled to reasonable attorney fees, as well as its reasonable costs and expenses, incurred by it in any proceeding or action to interpret or enforce any provision of the Association documents.

Section 7. "Applicable Law". The proper jurisdiction and venue for any action pertaining to the interpretation or enforcement of the Association documents shall be the District Court of Archuleta County, Colorado, unless otherwise chosen by the Association.

Section 8. "Interest". Any sums, amounts or monies due and owing to the Association under the Association documents shall bear interest at 18% per year from the date due until paid.

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

NAVAJO PEAK RANCH HOMEOWNERS ASSOCIATION, INC.,
a Colorado non-profit corporation

Gerald S. Brinton
By: Gerald S. Brinton, Director

STATE OF COLORADO)
) ss.
County of Archuleta)

The foregoing instrument was acknowledged before me this 27th day of November 1994, by Gerald S. Brinton, Director of the Navajo Peak Ranch Homeowners Association, Inc.

Witness my hand and official seal.

My Commission expires:

April 22, 1998

Donna R. Yarnwell
Notary Public



OWNERS OF NAVAJO PEAK RANCH:

Harold L. Baxstrom
Harold L. Baxstrom

Lois C. Brinton
Lois C. Brinton

Mary Cloman
Mary Cloman

Gerald S. Brinton
Gerald S. Brinton

James L. Cloman
James L. Cloman

Jack Madore
Jack Madore
Attorney at Law

STATE OF COLORADO :
 : 55.
County of Archuleta :

The foregoing instrument was acknowledged before me this 23rd day
of November, 1994, by :
Harold L. Baxstrom, Lois C. Brinton, Mary Cloman, Gerald S. Brinton,
James L. Cloman and Gerald S. Brinton as Attorney in Fact for Jack Madore.

Witness my hand and official seal.

My commission expires:
4-22-98


Notary Public.

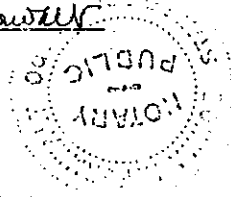


EXHIBIT "A"

Lot 3 and the NE1/4NE1/4 of Section 3, Township 32 North, Range 2 East,
W1/2, W1/2E1/2, SE1/4SE1/4 of Section 34 and the SW1/4SW1/4 of Section
35, Township 33 North, Range 2 East, N.M.P.M., Archuleta County, Colorado.

Less and except Archuleta County Road No. 382.

Also less and except tracts taken by the United States of America in Decree
on Declaration of Taking recorded June 2, 1964 in Book 111 at Page 199 and
Amended Declaration of Taking recorded April 29, 1965 in Book 113 at Page
323.