

**AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS
FOR WEDGEWOOD VILLAS**

2:00

This Amendment to Declaration of Protective Covenants for Wedgewood Villas is made this 5th day of December, 2002, by Wedgewood Builders and Development, LLC, a Colorado Limited Liability Company, and the successor in interest to Fairfield Pagosa Inc. in Wedgewood Villas, herein referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of parcel 13, in the Second Replat of South Village Lake, according to the plat thereof recorded August 3, 1982, as Reception No. 111806, now known as Wedgewood Villas, according to the corrected plat recorded March 10, 1986, as Reception No. 138367, except for Townhouse Units 12-A and 12-B, and

WHEREAS, the original developer of Wedgewood Villas was Fairfield Pagosa Inc, (formerly Fairfield-Eaton Inc.), a Delaware Corporation, and

WHEREAS, Declarant has succeeded to the interest of Fairfield Pagosa Inc, in Wedgewood Villas, and

WHEREAS, Wedgewood Villas is subject to a Declaration of Protective Covenants recorded March 10, 1986, as Reception No. 138368, in the Office of the Clerk and Recorder, Archuleta County, Colorado, and

WHEREAS, subsequent events have made portions of the Declaration of Protective Covenants for Wedgewood Villas null and void and of no force and effect, and

WHEREAS, Declarant desires to amend the Declaration of Protective Covenants recorded March 10, 1986, in order to carry out the purposes of the project, to further clarify the intent of the Declarant and to eliminate certain ambiguities therein, and

NOW, THEREFORE, pursuant to Article VIII (b), of the Declaration, the Declarant hereby amends the Declaration of Protective Covenants for Wedgewood Villas recorded March 10, 1986, as Reception No. 138367 as follows:

1. Article VI, Voting Rights and Membership in the Association and in the Master Association, shall be amended and, as amended, shall read as follows:

JERRY R. VERNON
P.O. B. 246
PAGOSA SPRINGS CO.
81147

"A. Voting Rights and Membership in the Association. Each Unit Owner within Wedgewood Villas, by reason of such ownership, shall be a member of the Wedgewood Villas Property Owner's Association, Inc. ("Association"). There shall be one person with respect to each Unit who shall be entitled to vote at any meeting of the Association and such person shall be known and is hereinafter referred to as the "Voting Member". If a Unit is owned by more than one person, the owners of the Unit shall designate one of themselves as the Voting Member, or in the case of a Unit owned by a corporation, limited liability company, partnership or other entity, an officer, employee, manager, member or partner thereof shall be the Voting Member. The designation of the Voting Member shall be made as provided for and subject to the provisions and restrictions set forth in the Bylaws of the Association.

Each Owner or group of Owners shall be entitled to one vote for each Unit owned. The vote of a Unit is not divisible. The Developer has the right to one vote for each Unit it owns or has in its unsold Unit inventory. For the purposes of membership and voting rights under this Article VI, A, Units owned by the Developer include all Lots owned by it on which a Townhouse Unit is to be constructed as shown on the plat.

It is expressly understood, however, that notwithstanding the above, the Developer reserves the right to appoint and remove the officers and members of the Association's Board of Directors until that point in time at which the earlier of the following events occurs:

- (a) Four months after 75% of the Units in Wedgewood Villas have been conveyed to Unit Owners, or,
- (b) Five years following the first conveyance of a Unit in Wedgewood Villas by the Declarant, Wedgewood Builders and Development, LLC.

It is acknowledged that pursuant to Article IV of this Declaration this regime may be expanded at the Developer's sole discretion.

B. Voting Rights and Membership in the Pagosa Lakes Property Owners Association. The Master Association is a Colorado non-profit corporation organized to further and promote the common interests of property owners in, and resident of, Fairfield Pagosa, the development within which the subject real property lies. Each Unit Owner within Wedgewood Villas, by reason of such ownership, shall be a member of the Master Association and be responsible for the payment of all Master Association Dues and Special Assessments established by

the Master Association's Board of Directors. A Unit Owner shall remain a member of the Master Association so long as a Unit(s) is owned. Membership in the Master Association and the obligation to pay Master Association Dues and Special Assessments may not be waived in any manner by a Unit Owner."

2. Article XX, Miscellaneous Provisions, paragraph G, regarding notices to the Developer and the Association shall be amended and, as amended, shall read as follows:

"Notices to the Developer shall be delivered by mail at:
Wedgewood Builders and Development, LLC,
PO Box 246, Pagosa Springs, Colorado 81147.

Notices to the Association shall be delivered by mail at:
Wedgewood Villas Property Owners Association, Inc.,
PO Box 246, Pagosa Springs, Colorado 81147."

3. Exhibit C to the Declaration recorded on March 10, 1986, at Reception No. 138368, pages 25-32 contains the original Articles of Incorporation of Wedgewood Villas Property Owners Association. Because the original Wedgewood Villas Property Owners Association formed on February 12, 1986, was dissolved by operation of law on January 1, 1998, Exhibit C to the Declaration is null and void and of no force and effect.

4. Wedgewood Villas Property Owner's Association was reincorporated in Colorado on August 6, 2002, and a copy of the Articles of Incorporation of the reincorporated association is attached to this Amendment and designated Exhibit A.

5. The original Bylaws of Wedgewood Villas Property Owner's Association, Inc. were designated Exhibit D, to the original Declaration of Protective Covenants for Wedgewood Villas, which was recorded on March 10, 1986, at Reception No. 138368, pages 33-38. As a result of the dissolution of the original Wedgewood Villas Property Owners Association on January 1, 1998, the Bylaws adopted by that Association ceased to have any legal effect. New initial Bylaws of the reincorporated Wedgewood Villas Property Association were adopted by the incorporator of that Association on August 30, 2002, in accordance with C.R.S. 7-122-105. A copy of those Bylaws which are intended to replace and shall supercede the Bylaws of the original Association are filed herewith as Exhibit B, to this Amendment.

6. Attached to the original Declaration of Protective Covenants for Wedgewood Villas as Exhibit E, were the Initial Rules and Regulations of

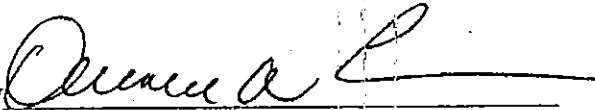
Wedgewood Villas Property Owners Association Inc, recorded on March 10, 1986, at Reception No. 138368, pages 39-41. Because the original Wedgewood Villas Property Owners Association formed on February 12, 1986 was dissolved by operation of law on January 1, 1998, the Initial Rules and Regulations ceased to have any legal effect and are null and void.

7. New rules and regulations applicable to and binding upon all Unit Owners were adopted by the Board of Directors of Wedgewood Villas Property Owners Association, Inc. on September 13, 2002. A copy of the new rules and regulations are filed herewith as Exhibit C, to this Amendment.

8. Attached to the Declaration of Protective Covenants as Exhibit F, is a management agreement between Wedgewood Villas Property Owners Association Inc. and Archuleta Management Company entered into on March 7, 1986. By reason of the dissolution of the original Wedgewood Villas Property Owners Association as described above, the Management Agreement is null and void and is no longer in effect.

IN WITNESS WHEREOF the Declarant has executed this Amendment to Declaration of Protective Covenants for Wedgewood Villas on the day and year first above written.

Wedgewood Builders and Development, LLC.

By 
Member

ACKNOWLEDGMENT

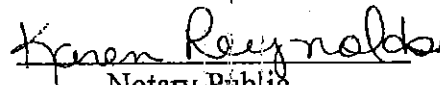
STATE OF COLORADO }
 } ss.
COUNTY OF ARCHULETA }

This instrument was acknowledged before me this 5th, day of December, 2002, by Derrance W. Curran, Member, Wedgewood Builders and Development, LLC., a Colorado Limited Liability Company.

Witness my official hand and seal.

My commission expires: 10-16-04




Notary Public

My Commission Expires 10/16/2004

ARTICLES OF INCORPORATION

OF

WEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.

The undersigned natural person of the age of eighteen years or more, acting as incorporator of a nonprofit corporation under the Colorado Revised Nonprofit Corporation Act, executes the following Articles of Incorporation for such corporation.

ARTICLE I NAME

The name of the corporation is Wedgewood Villas Property Owners Association, Inc., hereinafter called the "Association".

ARTICLE II INITIAL REGISTERED AGENT

The street address of the Association's initial registered office is 444 Lewis Street, PO Box 246, Pagosa Springs, Archuleta County, Colorado 81147. The name of the initial registered agent at that office is Jerry F. Venn. The consent of the registered agent is designated by the signature of the initial registered agent on these Articles of Incorporation.

ARTICLE III PRINCIPAL OFFICE

The address of the Association's initial principal office is 444 Lewis Street, PO Box 246, Pagosa Springs, Colorado 81147.

ARTICLE IV PURPOSES

The Association is organized for the following purposes:

A. To maintain the streets and other common areas and facilities within the Wedgewood Villas Project ("Project"), according to the plat thereof recorded in the records of Archuleta County, and to perform all duties, powers and functions of the Wedgewood Villas Property Owners Association, as set forth in the Declaration of Protective Covenants recorded under Reception No. 0138368, office of the Clerk and Recorder, Archuleta County, Colorado (the "Declaration").

B. To promote the recreation, health, safety and welfare of the owners of

the units within the Project, and, in particular, to enforce all provisions of the Declaration.

ARTICLE V POWERS

In the furtherance of the above purposes, the Association shall have and exercise all powers conferred upon a nonprofit corporation by the Colorado Revised Nonprofit Corporation Act and upon a homeowner's association by the Colorado Common Interest Ownership Act, as said statutes may from time to time be amended, including, without limitation, the following:

A. To buy, exchange, contract for, lease and in any and all other ways acquire, hold and own, and deal in, sell, mortgage, lease or otherwise dispose of personal property or real property of every kind and description, as may be desirable for use by the Association in the operation of any business conducted by it.

B. To levy annual and special assessments; to perform maintenance and capital improvements; and otherwise to exercise all powers conferred upon it by the Declaration.

C. To borrow money for the conduct of its business and in furtherance of the objects, purposes and powers herein set forth, to issue debentures, bonds, certificates of indebtedness, notes or other instruments of like character evidencing the liability of the Association; to repay the same and to secure any and all thereof by mortgages or deeds of trust on any or all of the real or personal property.

D. To carry on any business which the Association may deem proper or convenient in connection with any of the foregoing powers and purposes whether indirectly or otherwise, or which may be calculated, directly or indirectly, to promote the interest of the Association or to enhance the value of its property; and to have and exercise all the powers conferred by the laws of the State of Colorado on a corporation formed under the Act pursuant to which this Association is formed.

E. To exercise all powers conferred upon an association of owners, as set forth in the Colorado Common Interest Ownership Act, 38-33.3-101 et seq., as applicable, as the same may from time to time be amended.

F. All of the powers set forth herein or conferred by statute shall be exercised only in accordance with any applicable restrictions in the Declaration.

ARTICLE VI
BOARD OF DIRECTORS

The management of this Association shall be vested in a board of directors, the number of which shall be three. All directors shall be developers of the Project or owners or co-owners of Units within the Project.

The number of directors constituting the initial board of directors shall be three. The names and addresses of the persons who are to serve as the initial directors are:

Name

Address

To be appointed or elected after incorporation

To be appointed or elected after incorporation

To be appointed or elected after incorporation

ARTICLE VII
VOTING

The Association shall have voting members. Cumulative voting shall not be permitted.

ARTICLE VIII
DIRECTORS LIABILITY

Directors of the Association shall not be liable for monetary damages for breach of fiduciary duties as a director, except that this provision shall not eliminate or limit the liability of a director of the Association or its members for monetary damages for breach of duty of loyalty to the Association and its members; acts or admissions not in good faith or which involve intentional misconduct or violation of law; acts specified in C.R.S. 7-128-403; or any transaction from which the director derives an improper personal benefit.

ARTICLE IX
DISTRIBUTION OF ASSETS ON DISSOLUTION

The Association may be dissolved in the manner provided in Article 134, of Title 7, of the Colorado Revised Nonprofit Corporation Act. In order for the question of dissolution of the Association (when such question is duly presented in accordance with the statutory requirements at an annual or special meeting) to be approved, such dissolution shall require the assent of members possessing an aggregate voting interest of at least 2/3 of the total voting interest which members present at the meeting, or represented by proxy, are entitled to cast. Voting by mail on the question of

ARTICLE X
INCORPORATOR

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**BYLAWS
WEDGEWOOD VILLAS PROPERTY
OWNERS ASSOCIATION, INC.**

**ARTICLE 1
INTRODUCTION**

These are the Bylaws of Wedgewood Villas Property Owners Association, Inc. ("Association") which shall operate under the Colorado Revised Nonprofit Corporation Act, as amended, and the Colorado Common Interest Ownership Act, as amended ("Act").

**ARTICLE 2
DEFINITIONS**

The following terms as used in these Bylaws are defined as follows:

- (1) Association. The Wedgewood Villas Property Owners Association, Inc.
 - (2) Declarant or Developer. Means Wedgewood Builders and Development, LLC, a Colorado limited liability limited company, its successors or assigns and no others.
 - (3) Declaration. Means the Declaration of Protective Covenants for Wedgewood Villas, as supplemented and amended, which was filed in Archuleta County in connection with the Wedgewood Villas townhouse development by Fairfield Pagosa, Inc., the predecessor of the Declarant.
 - (4) Wedgewood Villas. Means the Common Interest Community comprised of all the property deed restricted by the Declaration.
 - (5) Building. Means a structure containing one or more Units, comprising a part of Wedgewood Villas.
 - (6) Townhouse Unit or Unit. Means a single family residential dwelling contained in a Building, the boundaries of which are the perimeter of that Unit and separated from contiguous Units by a party wall or party walls.
 - (7) Lot. Means the Unit identified by building and Unit number and the land beneath the exterior perimeter of the Unit.
 - (8) Owner. Means the record owner, whether one or more persons or entities, of a fee simple title to any Unit which is part of Wedgewood Villas, including
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contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

(9) **Good Standing.** A member of the Association shall be deemed to be in Good Standing if dues owed on any and all Units have been paid in full and if the member has complied with the Articles of Incorporation, the Declaration, these Bylaws, and the rules and regulations of the Board of Directors.

(10) **Common Area.** Means all of the real property and real property improvements, excluding the Units, committed by the Developer to the Declaration including, but not limited to areas which are designated on a plat as such, and, in addition, all pipes, wires, conduits or utility lines running through a Unit which are utilized for or serve more than one Unit. Common Area includes general Common Area and Limited Common Area.

(11) **Limited Common Area.** Means those portions of the Common Area which are reserved for the use of a certain Unit or Units to the exclusion of another Unit or Units and designated as such on the plat or any revision thereto.

(12) **Member.** The current Owner(s) of each Unit shall, by virtue of ownership, be a member of the Association.

(13) **Common Expenses.** Means all expenses and costs associated with and incident to the control, management, operation, administration, maintenance, repair and replacement of the Common Area and payment of insurance premiums, for which a charge is made against each owner by the Association.

(14) **Common Interest Community.** Means a Common Interest Community as that term is defined in Section 38-33.3-103(8) of the Act.

ARTICLE 3 BOARD OF DIRECTORS

Section 3.1 Number and Qualification – Termination of Declarant Control.

(a) The affairs of the Common Interest Community and the Association shall be governed by a Board of Directors (defined by the Act as the Executive Board) which, until the termination of the period of Declarant control, shall consist of three (3) persons, and following such date shall consist of three persons (unless the number of Directors is increased by action of the Board thereafter), the majority of whom, excepting the Directors appointed by the Declarant, shall be Members of the Association. If any Unit is owned by a partnership, limited

liability company or corporation, any officer, partner, manager, member or employee of the Unit Owner shall be eligible to serve as a Director and shall be deemed to be a Member for the purposes of the preceding sentence. Directors shall be elected by the Members, except for those appointed by the Declarant. At any meeting at which Directors are to be elected, the Members may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the Colorado Revised Nonprofit Corporation Act for conducting the elections.

(b) The terms of at least one-third of the Directors not appointed by the Declarant shall expire annually, as established in a resolution of the Members.

(c) The Declaration shall govern appointment of Directors of the Board of Directors during the period of Declarant control.

(d) The Board of Directors shall elect the officers. The Directors and officers shall take office upon election.

(e) At any time after Members, other than the Declarant, are entitled to elect a Director, the Association shall call a meeting and give not less than 10 nor more than 50 days notice to the Unit Owners for this purpose. This meeting may be called and the notice given by any Member if the Association fails to do so.

Section 3.2 Powers and Duties.

The Board of Directors may act in all instances on behalf of the Association, except as provided in the Declaration, these Bylaws or the Act. The Board of Directors shall have, subject to the limitations contained in the Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Common Interest Community, including the following powers and duties:

- (a) Adopt and amend Bylaws and Rules and regulations;
- (b) Adopt and amend budgets for revenues, expenditures and reserves;
- (c) Collect assessments for Common Expenses from Lot Owners;
- (d) Hire and discharge managing agents;
- (e) Hire and discharge employees, independent contractors and agents;
- (f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's Declaration, Bylaws or

Rules in the Association's name, 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 Area;
- (i) Cause additional improvements to be made as a part of the Common Area;
- (j) Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property, but the Common Area may be conveyed or subjected to a security interest only pursuant to Section 38-33.3-312 of the Act;
- (k) Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions for no more than one year, through or over the Common Area;
- (l) Impose and receive any payments, fees or charges for the use, rental or operation of the Common Area;
- (m) Impose a reasonable charge for late payment of assessments and, after notice and hearing, levy a reasonable fine for a violation of the Declaration, Bylaws, Rules and Regulations of the Association;
- (n) Impose a reasonable charge for the preparation and recording of amendments to the Declaration or statements of unpaid assessments;
- (o) Provide for the indemnification of the Association's officers and the Board of Directors and maintain Directors' and officers' liability insurance;
- (p) Exercise any other powers conferred by the Declaration or Bylaws;
- (q) Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;
- (r) Exercise any other powers necessary and proper for the governance and operation of the Association; and
- (s) By resolution, establish committees of Directors, permanent and standing, 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 the Members and the Board of Directors. However, actions taken by a committee may be appealed to the Board of Directors by any Member within 45 days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Board of Directors at its next regular meeting.

(t) By resolution, delegate to a managing agent any of the above functions.

Section 3.3 Removal of Directors.

The Members, by a two-thirds vote of all persons present and entitled to vote, at any meeting of the Members at which a quorum is present, may remove any Director of the Board of Directors, other than a Director appointed by the Declarant, with or without cause.

Section 3.4 Vacancies.

Vacancies in the Board of Directors, caused by any reason other than the removal of a Director by a vote of the Members, may be filled at a special meeting of the Board of Directors held for that purpose at any time after the occurrence of the vacancy, even though the Directors present at that meeting may constitute less than a quorum. These appointments shall be made in the following manner:

(a) As to vacancies of Directors whom Members other than the Declarant elected, by a majority of the remaining elected Directors constituting the Board of Directors; and

(b) As to vacancies of Directors whom the Declarant has the right to appoint, by the Declarant.

Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 3.5 Regular Meeting.

The first regular meeting of the Board of Directors following each annual meeting of the Association shall be held within 10 days after the annual meeting at a time and place to be set by the Members at the meeting at which the Board of Directors shall have been elected. No notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the Directors are present. The Board of Directors may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.



Section 3.6 Special Meeting.

Special meetings of the Board of Directors may be called by the President or by a majority of the Directors on at least three business days' notice to each Director. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting.

Section 3.7 Location of Meetings.

All meetings of the Board of Directors shall be held within a radius of five (5) miles of the Development, unless all Directors consent to another location.

Section 3.8 Waiver of Notice.

Any Director may waive notice of any meeting in writing. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 3.9 Quorum of Directors.

At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute a decision of the Board of Directors. If, at any meeting, there shall be less than quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 3.10 Consent to Corporate Action.

If all the Directors or all Directors of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Board of Directors or the committee, as the case may be. The secretary shall file these consents with the minutes of the meetings of the Board of Directors.

Section 3.11 Telephone Communication in Lieu of Attendance.

A Director may attend a meeting of the Board of Directors by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board of Directors. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

ARTICLE 4 MEMBERS

Section 4.1 Annual Meeting.

Annual meetings of Association shall be held in Archuleta County, Colorado at such place and date set forth in the notice. At these meetings, the Directors shall be elected by ballot of the Members, in accordance with the provisions of Article 3 of the Bylaws. The Members may transact other business as may properly come before them at these meetings.

Section 4.2 Budget Meeting.

Meetings of the Association to consider proposed budgets shall be called in accordance with the Act. The budget may be considered at Annual or Special Meetings called for other purposes as well.

Section 4.3 Special Meetings.

Special meetings of the Association may be called by the president, by a majority of the members of the Board of Directors or by Members comprising 20 percent of the votes in the Association.

Section 4.4 Place of Meetings.

Meetings of the Association shall be held at the Development or may be adjourned to a suitable place convenient to the Members, as may be designated by the Board of Directors or the president.

Section 4.5 Notice of Meetings.

The secretary or other officer specified in the Bylaws shall cause notice of meetings of the Association to be hand-delivered or sent prepaid by United States mail to the mailing address of each Unit Owner or to the mailing address

designated in writing by the Unit Owner, not less than 10 nor more than 50 days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

Section 4.6 Waiver of Notice.

Any Unit Owner may, at any time, waive notice of any meeting of the Association in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 4.7 Adjournment of Meeting.

At any meeting of the Association, a Majority of the Members who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 4.8 Order of Business.

The order of business at all meetings of the Members shall be as follows:

- (a) Roll Call (or check-in procedure);
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports;
- (e) Establish number and term of memberships of the Board of Directors (if required and noticed);
- (f) Election of inspectors of election (when required);
- (g) Election of Directors of the Board of Directors (when required);
- (h) Ratification of budget (if required and noticed);
- (i) Unfinished business; and
- (j) New Business.

Section 4.9 Membership and Voting Rights.

(a) MEMBERSHIP. Every person or entity who is a record owner of any Unit within the Development shall automatically be a member of the Association and accept the Association Bylaws and the Declaration of Covenants, Conditions and Restrictions. No Owner, whether one or more persons or entities, shall have more than one membership per Unit owned by such Owner, but all persons owning such Unit shall be entitled to the rights of membership and enjoyment appurtenant to the ownership of each Unit. The right of membership in the Association and the status as a Member shall terminate upon termination of status as an Owner of a Unit. 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.

(b) VOTING RIGHTS.

1. Each Owner or group of Owners shall be entitled to one vote for each Unit owned. The vote of the Unit is not divisible. The Developer has the right to one vote for each Unit it owns or has in its unsold Unit inventory. For the purposes of membership and voting rights under this Section 4.9, Units owned by the Developer include all Lots owned by it on which a Townhouse Unit is to be constructed as shown on the plat.

2. The Wedgewood Villas Property Owner's Association shall be activated no later than the date the first Unit constructed by the Developer is sold.

Section 4.10 Voting.

(a) There shall be one person with respect to each Unit who shall be entitled to vote at any meeting of the Association and such person shall be known and is hereinafter referred to as the "Voting Member". If a Unit is owned by more than one person, the owners of the Unit shall designate one of themselves as the Voting Member, or in the case of a Unit owned by a corporation, limited liability company, partnership or other entity, an officer, employee, manager, member or partner thereof shall be the Voting Member.

(b) Votes allocated to a Unit may be cast under a proxy duly executed by the designated "Voting Member" under paragraph (a), above. The designated Voting Member may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.

(c) The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership, limited liability company or other entity is qualified to vote.

(d) Votes allocated to a Unit owned by the Association may not be cast.



Section 4.11 Quorum.

Except as otherwise provided in these Bylaws, the Members present in person or by proxy at any meeting of the Association, (but no less than 25 percent of the members, shall constitute a quorum at that meeting.

Section 4.12 Majority Vote.

The Vote of a majority of the Members present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Members for all purposes except where a higher percentage Vote is required in the Declaration, these Bylaws or by law.

Section 4.13 Transfer of Membership.

The rights of each Owner shall be appurtenant to his or her ownership of a Unit, may not be separated from said ownership, and shall automatically pass to the heirs, successors and assigns (including mortgagees) of an Owner upon the recordation of the change in ownership in the office of the Clerk and Recorder of Archuleta County, Pagosa Springs, Colorado, and in the records of the Association.

ARTICLE 5 OFFICERS

Section 5.1 Designation.

The principal officers of the Association shall be the president, the vice president, the secretary and the treasurer, all of whom shall be elected by the Board of Directors. The president and vice president, but no other officers, must be Directors. Any two offices may be held by the same person, except the offices of president and secretary. The office of vice president may be vacant.

Section 5.2 Election of Officers.

The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors. They shall hold office at the pleasure of the Board of Directors.

Section 5.3 Removal of Officers.

Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for that purpose.

Section 5.4 President.

The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Association and of the Board of Directors. The president shall have all of the general powers and duties which are incident to the office of president of a nonprofit corporation organized under the laws of the State of Colorado, including, but not limited to, the power to appoint committees from among the Members from time to time as the president may decide is appropriate to assist in the conduct of the affairs of the Association. The president may fulfill the role of treasurer in the absence of the treasurer. The president may cause to be prepared and may execute amendments, attested by the secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable; and may certify and record any such amendments.

Section 5.5 Vice President.

The vice president shall take the place of the president and perform the president's duties whenever the president is absent or unable to act. If neither the president nor the vice president is able to act, the Board of Directors shall appoint some other Director to act in the place of the president on an interim basis. The vice president shall also perform other duties imposed by the Board of Directors or by the president.

Section 5.6 Secretary.

The secretary shall keep the minutes of all meetings of the Association and the Board of Directors. The secretary shall have charge of the Association's books and papers as the Board of Directors may direct and shall perform all the duties incident to the office of secretary of a nonprofit corporation organized under the laws of the State of Colorado. The secretary may cause to be prepared and may attest to execution by the president of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 5.7 Treasurer.

The treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Board of Directors and shall perform all the duties incident to the office of treasurer of a nonprofit corporation organized under the laws of the State of Colorado. The treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Board of Directors. Except for reserve funds described below, the treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Board of Directors decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the treasurer, and executed by two Directors, one of whom may be the treasurer if the treasurer is also a Director.

Section 5.8 Agreements, Contracts, Deeds, Checks, etc.

Except as provided in Sections 5.4, 5.6, 5.7 and 5.9 of these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any officer of the Association or by any other person or persons designated by the Board of Directors.

Section 5.9 Statements of Unpaid Assessments.

The treasurer, assistant treasurer, a manager employed by the Association or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments, in accordance with Section 38-33.3-316 of the Act.

The Association may charge a reasonable fee for preparing statements of unpaid assessments. The amount of this fee and the time of payment shall be established by resolution of the Board of Directors. Any unpaid fees may be assessed as a Common Expense against the Unit for which the certificate or statement is furnished.



ARTICLE 6 ENFORCEMENT

Section 6.1 Abatement and Enjoinment of Violation by Unit Owners.

The violation of any of the Rules and regulations adopted by the Board of Directors or the breach of any provision of the Declaration or these Bylaws shall give the Board of Directors the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws.

(a) To enter the Unit in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner(s), any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Area contrary to the intent and meaning of the provisions of the Declaration or these Bylaws. The Board of Directors shall not be deemed liable for any manner of trespass by this action; or

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

Section 6.2 Fine for Violation.

By resolution, following notice and hearing, the Board of Directors may levy a fine up to twenty-five dollars (\$25.00) per day for each day that a violation of the Declaration, these Bylaws or the Rules and regulations persists after notice and hearing, but this amount shall not exceed that amount necessary to insure compliance with the rule or order of the Board of Directors.

ARTICLE 7 INDEMNIFICATION

The Directors and officers of the Association shall be entitled to indemnification, to the fullest extent provided in the Colorado Revised Nonprofit Corporation Act, the provisions of which are incorporated by reference and made a part of this document.



ARTICLE 8 RECORDS

Section 8.1 Records and Audits.

The Association shall maintain financial records. The cost of any audit shall be a Common Expense unless otherwise provided in the Documents.

Section 8.2 Examination.

All records maintained by the Association or the Manager shall be available for examination and copying by any Unit Owner, any holder of a Security Interest in a Unit or its insurer or guarantor, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

Section 8.3 Records.

The Association shall keep the following records:

(a) An account for each Unit, which shall designate the name and address of each Unit Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Unit, the amount of each Common Expense assessment, the dates on which each assessment comes due, the amounts paid on the account and the balance due;

(b) An account on each Unit Owner showing any other fees payable by the Unit Owner;

(c) A record of any capital expenditures in excess of one thousand dollars (\$1,000.00) approved by the Board of Directors for the current and next two succeeding fiscal years;

(d) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specific project;

(e) The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;

(f) The current operating budget adopted pursuant to Section 38-33.3-315 (1) of the Act and ratified pursuant to the procedures of Section 38-33.3-303(4) of the Act;

(g) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant;

(h) A record of insurance coverage provided for the benefit of Unit Owners and the Association;

(i) A record of any alterations or improvements to Units which violate any provisions of the Declarations of which the Board of Directors has knowledge.

(j) Only to the extent the Board of Directors may become responsible for the enforcement of same, a record of any violations, with respect to any portion of the Common Interest Community, of health, safety, fire or building codes or laws, ordinances, or regulations of which the Board of Directors has knowledge;

(k) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Areas;

(l) Balance sheets and other records required by local corporate law;

(m) Tax returns for state and federal income taxation;

(n) Minutes of proceedings of incorporators, Members, Directors, committees of Directors and waivers of notice; and

(o) A copy of the most recent versions of the Declaration, Bylaws, Rules and regulations and resolutions of the Board of Directors, along with their exhibits and schedules.

ARTICLE 9 MISCELLANEOUS

Section 9.1 Notices.

All notices to the Association or the Board of Directors shall be delivered to the office of the Manager, or, if there is no Manager, to the office of the Association, or to such other address as the Board of Directors may designate by written notice to all Unit Owners and to all holders of Security Interests in the Units who have notified the Association that they hold a Security Interest in a Unit. Except as otherwise provided, all notices to any Unit Owner shall be sent to

the Unit Owner's address as it appears in the records of the Association. All notices to holders of Security Interests in the Units shall be sent, except where a difference manner of notice is specified elsewhere in the Declaration or these Bylaws, by registered or certified mail to their respective addresses, as designated by them in writing to the Association. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

Section 9.2 Fiscal Year.

The Board of Directors shall establish the fiscal year of the Association.

Section 9.3 Waiver.

No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 9.4 Office.

The principal office of the Association shall be on the Development or at such other place as the Board of Directors may from time to time designate.

Section 9.5 Working Capital.

A working capital fund is to be established in the amount of two months' regularly budgeted initial Common Expense assessments, or such other amount as the Board of Directors may determine, measured as of the date of the first such assessment, for all Units as they are constructed in proportion to their respective Allocated Interests in Common Expenses. Any amount paid into this fund shall not be considered as an advance payment of assessments. Each Unit's share of the working capital fund may be collected and then contributed to the Association by the Declarant at the time the sale of the Unit is closed or at the termination of Declarant control. Until paid to the Association, the contribution to the working capital shall be considered an unpaid Common Expense Assessment, with a lien on the Declarant's unsold Units pursuant to the Act. Until termination of Declarant control of the Board of Directors, the working capital shall be deposited without interest in a segregated fund. While the Declarant is in control of the Board of Directors, the Declarant cannot use any of the working capital funds to defray its expenses, reserve contributions or construction costs or to make up budget deficits.

Section 9.6 Reserves.

As a part of the adoption of the regular budget the Board of Directors shall include an amount which, in its reasonable business judgement, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common Area based upon the project's age, remaining life and the quantity and replacement cost of major Common Area improvements.

ARTICLE 10 AMENDMENTS TO BYLAWS

Section 10.1

The Bylaws may be amended only by vote of two-thirds of the members of the Board of Directors, following notice and comment to all Unit Owners, at any meeting of the Board duly called for such purpose.

Section 10.2

No amendment of the Bylaws of this Association shall be adopted which would affect or impair the validity or priority of any mortgage covering any Unit or which would change the provisions of the Bylaws with respect to institutional mortgages of record.

ATTEST: Certified to be the initial Bylaws adopted by the incorporator of Wedgewood Villas Property Owners Association, Inc., in accordance with C.R.S. 7-122-105, on August 30, 2002.

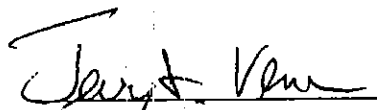

Incorporator

Exhibit C



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June Madrid

RULES AND REGULATIONS WEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.

The Rules and Regulations hereinafter enumerated shall be deemed in effect until amended by the Board of Directors of the Association, and shall apply to and be binding upon all Unit Owners. Unit Owners, at all times shall obey these Rules and Regulations and shall use their best efforts to see that they are faithfully observed by their families, guests, invitees, servants, lessees and persons over whom they exercise control and supervision. The initial Rules and Regulations shall be as follows:

1. Capitalized terms used herein shall have the same meaning as defined terms in the Declaration to which these Rules and Regulations are attached, unless the context clearly requires a different meaning.
2. The sidewalks, if any, walkways and entrances shall not be obstructed or encumbered or used for any purpose (excluding patios, decks and balconies) other than ingress and egress to and from the premises; nor shall any carriages, bicycles, wagons, shopping carts, chairs, benches, tables, or any other object of a similar type and nature be left therein or thereon.
3. The personal property of all Unit Owners shall be stored within their Units.
4. No Unit Owner shall allow anything to fall from the windows, patios, decks, balconies, entry ways or doors of the premises, nor shall any dirt or other substances be swept or thrown from a unit.
5. Refuse and bagged garbage shall be deposited only in the area(s) so designated.
6. No Unit Owner shall store or leave a boat, trailer, mobile home, recreational vehicle or any similar vehicle on the Common Area, except in areas designated for same.
7. Employees of the Association or Management Firm, if one is retained by the Association, shall not be sent from Wedgewood Villas by any Unit Owner at any time for any purpose. No Unit Owner or resident shall direct, supervise, or in any manner attempt to assert any control over the employees of the Management Firm or the Association.
8. The parking facilities shall be used in accordance with the regulations adopted by the Board of Directors or Management Firm, if one is retained by the Association. No vehicle which cannot operate on its own power shall remain

within Wedgewood Villas for more than twenty-four (24) hours, and no repair of vehicles shall be made on the premises.

9. No Unit Owner shall make or permit any disturbing noises by himself, his family, servants, employees, agents, visitors, and licenses, nor do or permit anything by such persons that will interfere with the rights, comforts or convenience of other Unit Owners. No Unit Owner shall play upon or suffer to be played upon any musical instrument, or operate or suffer to be operated, a phonograph, television, radio or sound amplifier in a Unit, in such a manner as to disturb or annoy other occupants of Wedgewood Villas. All persons and the volume of all such devices shall be lowered as of 11:00 p.m. each day. No Unit Owner shall conduct or permit to be conducted, vocal or instrumental instruction at any time.

10. No radio, wiring, television, cable or wiring, or other wiring, shall be installed without the written consent of the Board of Directors or Management Firm, if one is retained by the Association. Any antenna or aerial erected or installed on the exterior walls of a Unit or on the Common Areas, without the consent of the Board of Directors or Management Firm, if one is retained by the Association, in writing, is liable to removal without notice and at the cost of the Unit Owner for whose benefit the installation was made.

11. No sign, advertisement, notice or other lettering shall be exhibited, displayed, inscribed, painted or affixed, in, on or upon any part of a Unit or Common Area by any Unit Owner or occupant without written permission of the Board of Directors, or Management Firm, if one is retained by the Association.

12. No awning, canopy, shutter or other projection, shall be attached to or placed upon the outside walls or doors or roof of a Unit or Building without the written consent of the Board of Directors or Management Firm, if one is retained by the Association. All window coverings must be the color the Board of Directors or Management Firm, if one is retained by the Association, determines in its sole discretion. Patios, decks or balconies may not be enclosed nor anything affixed to the walls or railings within such patios, decks and balconies except with the prior written consent of the Board of Directors or Management Firm, if one is retained by the Association, which consent may be given to some Units and denied others, in the discretion of the Board of Directors or Management Firm, if one is retained by the Association.

13. Complaints regarding the services of the Association shall be made in writing to the Board of Directors or Management Firm, if one is retained by the Association.

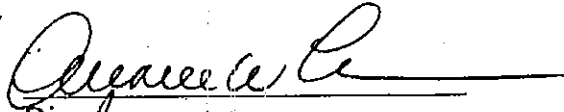
14. No flammable, combustible, or explosive fluid, chemical or substance shall be kept in any Unit or Common Areas except as required for normal household use.

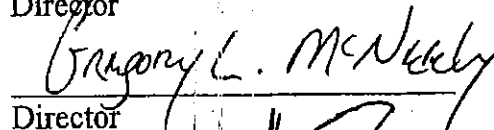
15. Payments of monthly assessments for Common Expenses, Master Association Dues, and the Developer Recreation Fee, if any, shall be made at the office of the Association or the office of the Management Firm, if one is retained by the Association. Payments made in the form of checks shall be made to the order of such party as the Board of Directors shall designate. Payment of regular assessments are due on the 1st day of each month, and if such payments are ten (10) or more days late, are subject to late fees and may become a lien against a Unit, as provided in the Declaration.

16. The Association Board of Directors or Management Firm, if one is retained by the Association, reserves the right to amend, revoke, or revise these Rules and Regulations and to adopt and enforce additional Rules and Regulations as may be required from time to time, all of which shall be binding upon Owners and Guests in the same manner as these initial Rules and Regulations.

17. No clothes line or similar device shall be permitted on any portion of Wedgewood Villas, nor shall clothes be hung anywhere except in such areas so designated by the Association Board of Directors or Management Firm, if one is retained by the Association.

18. These Rules and Regulations were adopted this 13th day of September, 2002, by the Board of Directors of the Association in accordance with Article 3, Section 3.10, of the Bylaws of the Association.


Director


Director

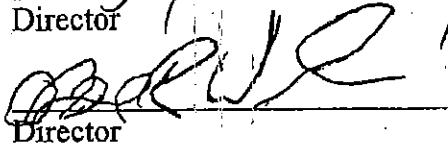

Director

Exhibit F

MANAGEMENT AGREEMENT
BETWEEN
WEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.
AND
ARCHULETA MANAGEMENT COMPANY

THIS AGREEMENT, is made and entered into this 7th day of March, 1986, by and between Archuleta Management Company, hereinafter called the "Management Firm", and Wedgewood Villas Property Owners Association, Inc., hereinafter called the "Association", which said terms shall be deemed to extend to and include the legal representatives, successors and assigns of the said parties hereto;

WITNESSETH:

THAT, WHEREAS, the Association is the Association responsible for the operation and management of those certain Townhouses located in or to be located in the development known as Fairfield Pagosa, which are referred to as the "Wedgewood Villas" or the "Units", and the Association desires to enter into a Management Agreement for the management of the Units, and,

WHEREAS, the Management Firm desires to furnish such management services; and,

NOW, THEREFORE, for and in consideration of the mutual promises contained it is agreed by and between the parties, as follows:

1. That the foregoing recitals are true and correct.
2. The Association does hereby employ the Management Firm as the exclusive Manager of the Units and the Management Firm hereby accepts such employment.
3. The term of this Agreement shall commence as of the date hereof and shall continue for one (1) year. Thereafter, it shall be automatically renewed for successive one (1) year periods until terminated by the Association Board of Directors or by the Management Firm upon written notification by the party terminating this Agreement to the other at least sixty (60) days prior to the renewal date that it will not renew this Agreement. Provided, however, that the Association may terminate this Management Agreement, without penalty or cause, upon not more than 90 days' written notice given at anytime after transfer of control of the Association to the owners.
4. Except as provided herein or as may be specifically required by the Articles of Incorporation or Bylaws of the Association, the Management Firm shall have all such powers and duties assigned to the Board of Directors of the Association as may be necessary for the purpose of managing the affairs of the Association.

5. The Management Firm shall maintain records sufficient to describe its services hereunder and such financial books and records shall be in accordance with generally accepted accounting standards so as to identify the source of all funds collected by it in its capacity as Management Firm, and the disbursement thereof. Such records shall be kept at the office of the Management Firm, and shall be available for inspection by an expert employed by and at the cost and expense of the Association and at such reasonable time as the Management Firm may agree to. The Management Firm shall perform a continual internal audit of the Management Firm's financial records relative to its services as Manager for the purpose of verifying same, and, if desired by a majority of the owners, other than Developer, an independent or external audit shall be prepared at the expense of the Association.

6. The Management Firm shall determine the budget as to the Units for the ensuing year, setting forth the anticipated income and expenses for the year, and shall specify therein the proportional share of each purchaser of an interest in a given unit. The Management Firm shall submit the proposed annual budget to the Board of Directors of the Association for its approval. Should a special assessment be required during the year, the same shall be submitted by the Management Firm to the Board of Directors of the Association for approval. Upon approval of the budget and, if applicable, a special assessment, the Management Firm shall collect such assessments.

7. The Management Firm shall use its best efforts to obtain the best price available as to any service, material or purchase as in the opinion of the Management Firm are in the best interests of the Association. For any one item of repair, replacement or refurbishing, the expense incurred as to the Townhouses as a whole, shall not exceed the sum of Five Thousand Dollars (\$5,000.00), unless specifically authorized by the Board of Directors of the Association, except however, in the case of an emergency, the Management Firm is authorized to expend any sum necessary to protect and preserve the property.

8. The Management Firm may cause a representative of its organization to attend meetings of the Board of Directors of the Association. Unless otherwise agreed in writing by the Management Firm the Minutes of all the Association's meetings shall be taken by the Management Firm, and possession of the Minute Book shall be in the custody of the Management Firm. The Management Firm shall be responsible for preparing and furnishing notices of all meetings to the required parties. The Management Firm shall have the right to determine the fiscal year and when it shall commence.

9. The Management Firm shall promulgate, adopt and amend Rules and Regulations as it deems advisable in its sole discretion for the use and occupancy of the Common Area, Limited Common Area, if any, Units therein, and Association Properties, and to enforce such Rules and Regulations. The Management Firm, in its sole discretion, shall determine all activities and programs to be carried on as to same and shall employ the personnel required therefor as it determines in its sole discretion.

10. The Management Firm shall have sole discretion to determine the application of assessments collected which determination shall be made in the best interests of the Association. The Management Firm, during the term of

this Agreement, may file a lien against the interest of any owner in a Unit should he fail to pay his assessments as required, and take such other action as it is authorized to take, either in its name or as agent of the Association. The Management Firm may compromise liens in such amounts as it deems advisable in its sole discretion, and it may satisfy liens of record and render statements as to the current status of assessments due from the purchaser of an interest in a Unit.

11. The Association shall aid and assist the Management Firm in any reasonable manner requested by the Management Firm as to the collection of assessments, and the said Association shall further aid and assist the Management Firm in any reasonable manner required by the Management Firm so as to simplify the method of collecting the assessments due from purchasers of interests in Units.

12. It is specifically understood that the Management Firm does not undertake to pay expenses from its own funds and shall only be required to perform its services and make disbursements to the extent that, and so long as, payments received from assessments or other revenue, if any, of the Association are sufficient to pay the costs and expenses of such services and the amounts of such disbursements. If it shall appear to the Management Firm that the assessments and other revenue, if any, of the said Association and its members are insufficient, the Management Firm shall forthwith determine such additional assessments as are required and advise the Board of Directors of the Association.

13. It is specifically understood and agreed that the Management Firm shall perform all of the services required of it hereunder at no cost and expense whatsoever to itself, but solely at the cost and expense of the Association and its members. As compensation, fee or profit for its services hereunder, the Management Firm shall receive the following management fee:

A net fee, free from all charges and expenses of \$16.00 per unit, per month. Such fee shall be subject to annual adjustment by the Board of Directors of the Association, if necessary and appropriate.

14. The Association shall not interfere nor permit, allow or cause any of the Officers, Directors or members to interfere with the Management Firm in the performance of its duties or the exercise of any of its powers hereunder.

15. The Management Firm shall not be liable to the Association and its members, for any loss or damage not caused by the Management Firm's own gross negligence or willful misconduct, and said Association and its members will and do hereby indemnify and save harmless the Management Firm from any such liability for damages, costs and expenses arising from injury to any person or property in, about and in connection with the Units from any cause whatsoever, unless such injury is caused by the Management Firm's own gross negligence or willful misconduct.

16. The Board of Directors of the Association, on behalf of its members, or the Management Firm, shall each have the right to assign this Agreement as herein set forth. The Association may assign its right, title and interest herein to another Property Owners Association operating and existing under the laws of the State of Colorado and the Management Firm may assign its right,

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BK N/A PG 44 MARTHA VALDEZ, RECORDER

title and interest herein to another Management Firm. However, any such Assignment shall not be valid unless and until the Assignee thereunder expressly assumes and agrees, in writing to perform each and every covenant and term of this Agreement. The Management Firm may also sub-contract all/or portions of its duties and powers under this Management Agreement.

17. The invalidity in whole or in part of any covenant, promise or undertaking, or any section, sub-section, sentence, clause, phrase or word, or of any provision of this Agreement, shall not affect the validity of the remaining portions thereof.

18. If the Association or its members interfere with the Management Firm in the performance of its duties and exercise of its powers hereunder, or if the Association fails promptly to do any of the things required of it hereunder, then the Management Firm, fifteen (15) days after having given written notice to the Association of such default by delivering notice to any officer of the Association, or in their absence, to any member of the Association, may declare this Agreement in default, unless such default is cured by the Association within fifteen (15) days after such notice. Upon default, the Management Firm may, in addition to any other remedy given it by agreement or in law or in equity, bring an action against the Association and its members for damages and/or specific performance and/or such other rights and remedies as it may have, and the Association and its members shall be liable for the Management Firm's reasonable attorney's fees and costs incurred thereby. All of the rights of the Management Firm upon default shall be cumulative and the exercise of one or more remedies shall not be deemed to exclude or constitute a waiver of any other or additional remedy.

19. Failure by the Management Firm to substantially perform its duties and obligations under this Agreement for a continuous period of forty-five (45) days after written notice of default from the Association specifying the default complained of shall be grounds for the Association's cancellation of this Agreement.

20. The Management Firm shall have the right in its sole discretion to suspend any purchaser of an interest in the Units and/or authorized user of the Association Properties from the use of such Association Properties for any infraction of the promulgated Rules and Regulations pertaining to the Association Properties for a period not to exceed seven (7) days, for failure to abide by the Rules and Regulations promulgated from time to time for the use of such facilities, and during said period of suspension, there shall be no reduction in the assessments due and payable from the purchaser of an interest in a Unit, and/or authorized user.

21. Should the purchaser of an interest in a Unit fail to pay an assessment within ten (10) days after its due date, the Management Firm at the direction of the Board of Directors of the Wedgewood Villas Property Owners Association may deny to such persons the use and enjoyment of the Association Properties until such time as all such assessments, together with any late fees or additional charges, are paid.

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IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their duly authorized officers or agents, this 7th day of March, 1986.

WEDGEWOOD VILLAS PROPERTY
OWNERS ASSOCIATION, INC.

ATTEST:

[Signature]
SECRETARY

BY:

[Signature]
Title: President

ARCHULETA MANAGEMENT COMPANY

ATTEST:

[Signature]
SECRETARY

BY:

[Signature]
Title: Vice President

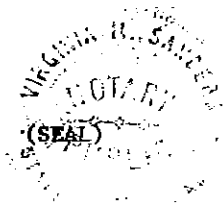
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BK N/A PG 46 MARTHA VALDEZ, RECORDER

STATE OF COLORADO)
) SS.
COUNTY OF Archuleta)

The foregoing instrument was acknowledged before me, this 7th day of
March, 1986, by Ron B. Ault as
President and Thorp Thomas as
Secretary of Wedgewood Villas Property Owners Association,
Inc., a Colorado Corporation.

Witness my hand and official seal.

My Commission Expires: 01/20/90



Virginia M. Sanders
Notary Public

Address: P.O. Box 4040
Pagosa Springs, CO 81157

STATE OF COLORADO)
) SS.
COUNTY OF Archuleta)

The foregoing instrument was acknowledged before me, this 7th day of
March, 19 86, by Ron B. Ault
as Vice President of Archuleta Management Company.

Witness my hand and official seal.

My Commission Expires: 01/20/90



Virginia M. Sanders
Notary Public

Address: P.O. Box 4040
Pagosa Springs, CO 81157

MRC/k1b/2/28/86

9/15/10

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DECLARATION OF PROTECTIVE COVENANTS FOR

WEDGEWOOD VILLAS

THIS DECLARATION OF PROTECTIVE COVENANTS FOR WEDGEWOOD VILLAS ("Declaration"), is made this 7th day of March, 1986, by Fairfield Pagosa, Inc. (formerly Fairfield-Eaton, Inc.), a Delaware corporation whose address is 60 Talisman Avenue, Pagosa Springs, Colorado 81157 ("Declarant").

WHEREAS, Developer is the owner in fee simple of the property ("Property") described in Exhibit A, attached hereto and made a part hereof, and delineated on the plat captioned "Correction Plat of Wedgewood Villas" prepared by Ernst Engineering Company dated March 7, 1986 and recorded or to be recorded in the Office of the County Clerk and Recorder for Archuleta County, Colorado in Plat File No. 3120 + 3128, as Reception No. 198367, ("Plat") and the property depicted on the Plat, if any, designated as "Reserved Property" ("Reserved Property").

WHEREAS, the Property and Reserved Property is subject to the provisions contained in the Declaration of Restrictions, recorded on August 31, 1982 in Book 190 at Page 760, ("Declaration of Restrictions") and Supplemental Declaration of Restrictions recorded August 2, 1983 in Book 201 at Page 15 ("Supplemental Declaration of Restrictions"), both in the Office of the County Clerk and Recorder for Archuleta County, Colorado, which restrictions establish the obligation of purchasers of property to make periodic payments to insure the proper maintenance and upkeep of certain recreational facilities at Fairfield Pagosa ("Master Declaration"); and

WHEREAS, the Pagosa Lakes Property Owners Association, Inc. ("Master Association"), a Colorado non-profit corporation, is the property owners association charged with furthering and promoting the interests of the development known as "Fairfield Pagosa" located in Pagosa Springs, Colorado. The Property and Reserved Property are located within Fairfield Pagosa. The Master Association has agreed that the Property and Reserved Property are acceptable additions to Fairfield Pagosa and agree(s) to the terms and conditions set forth herein, including the terms and conditions of the membership of Unit Owners in the Master Association; and

WHEREAS, Developer wishes to subject the Property to a plan ("Plan") to create Townhouse Units on the Property and to create a development to be known as Wedgewood Villas; and

WHEREAS, Developer wishes to sell Townhouse Units situated on the Property and to impose upon the Property certain mutually beneficial restrictions, covenants, equitable servitudes, and charges which provide a general plan and scheme of improvements for the benefit of Unit Owners; and

WHEREAS, the Wedgewood Villas Property Owners Association, Inc., a Colorado non-profit corporation ("Association"), has been organized as the operating entity for Wedgewood Villas and joins in the execution of this Declaration to agree to the terms, conditions and responsibilities set forth herein.

NOW, THEREFORE, for and in consideration of the premises above-stated, it is agreed and declared that all of the Units situated upon the Property are held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved subject to the provisions of this Declaration, all of which are declared and agreed to be in furtherance of a plan for the development, improvement, and sale of the Units and all of which are established and agreed upon for the purpose of enhancing and protecting the value, desirability, and attractiveness of Wedgewood Villas. The provisions of this Declaration are intended to create mutual equitable servitudes upon each of the Units in favor of each and all other Units, to create reciprocal rights between and among the respective purchasers and owners of such Units, to create privity of contract and estate between the grantees of such Units, their heirs, successors, and assigns, and to operate as covenants running with the Property and shall bind and inure to the benefit of the parties hereto, their heirs, successors, and assigns.

ARTICLE I

DEFINITIONS

As used in this Declaration, amendments hereof and supplements hereto, unless the context requires otherwise, the following definitions shall prevail:

- A. The term "Articles of Incorporation" means the Articles of Incorporation for the Association as the same may be amended from time to time, a current copy of which is attached hereto as Exhibit C and incorporated herein by reference.
- B. The term "Assessment" or "Master Association Dues" means any charge in addition to Common Expenses which from time to time is assessed against Owners by the Master Association.
- C. The term "Association" shall mean the Wedgewood Villas Property Owners Association, Inc., its successors and assigns, organized as a non-profit corporation under the laws of the State of Colorado, the Articles of Incorporation and Bylaws for which are attached, respectively, as Exhibit C and Exhibit D.
- D. The term "Association Properties" shall mean real and personal property owned by the Association from time to time in accordance with the terms of this Declaration.
- E. The term "Board of Directors" shall mean the Board of Directors for the Association.
- F. The term "Building" shall mean a structure containing one (1) or more Units, comprising a part of Wedgewood Villas.
- G. The term "Bylaws" shall mean the Bylaws of the Association, as the same may be amended from time to time, a current copy of which is attached hereto as Exhibit D and incorporated herein by reference.
- H. The term "Common Area" shall mean and include all of the real property and real property improvements, excluding the Units and Reserved Property, committed by the Developer to this Declaration, including but not limited to areas which are designated on a plat as such, and, in addition, all pipes, wires, conduits, or utility lines running through a Unit which are utilized for or serve more than one Unit. Common Area includes general Common Area and Limited Common Area.
- I. The term "Common Expenses" shall mean and include all expenses and costs associated with and incident to the control, management, operation, administration, maintenance, repair and replacement of the Common Area/Association Properties and payment of insurance premiums, for which a charge ("Association Assessment") is made against each Owner by the Association.
- J. The term "Common Surplus" shall mean the excess of all receipts of the Association including, but not limited to, assessments, rents, profits and revenues attributable to the Common Area/Association Properties over and above the amount of Common Expenses.
- K. The term "Declaration" means this Declaration of Protective Covenants for Wedgewood Villas, as the same may be amended or supplemented from time to time.
- L. The term "Declarant" or "Developer" shall mean Fairfield Pagosa, Inc., its successors and assigns.
- M. The term "Guest" means any Person other than an Owner who occupies a Unit or utilizes the Common Area at Wedgewood Villas, including, but not limited to, the Owner's family members, invitees, guests, licensees, exchange program participants, lessees, and Persons occupying a Unit with the permission of an Owner.

- N. The term "Limited Common Area" shall mean and include those portions of the Common Area which are reserved for the use of a certain Unit or Units to the exclusion of another Unit or other Units and designated as such on the Plat or any revision thereto.
- O. The term "Lot" shall mean the Unit identified by Building and Unit Number and the land beneath the exterior perimeter of the Unit.
- P. The term "Management Agreement" shall mean that certain agreement between the Association and any entity providing for the management of Wedgewood Villas. A copy of the present Management Agreement is attached hereto as Exhibit F and incorporated herein by reference.
- Q. The term "Management Firm" shall mean and refer to such firm or entity responsible for the management of Wedgewood Villas, as provided in the Management Agreement.
- R. The term "Party Wall" shall mean any wall which is built as a part of the original construction of a Townhouse Unit and which forms the dividing line between two Lots.
- S. The term "Person" shall mean an individual, firm, corporation, partnership, association, trust, or any other legal entity or combination thereof.
- T. The term "P.O.A." or "Master Association" shall mean the Pagosa Lakes Property Owners Association, Inc., a non-profit corporation organized under the laws of the State of Colorado.
- U. The term "Property" or "Wedgewood Villas" shall mean the property described in attached Exhibit A together with all real property improvements thereon and made subject to the provisions of this Declaration, together with all real property and real property improvements which may be added subsequently and made subject hereto, consisting of Units and Common Area.
- V. The term "Recreation Fee" shall mean the charge made by the Developer to Unit Owners pursuant to the Master Declaration.
- W. The term "Rules and Regulations" shall mean the Rules and Regulations of the Wedgewood Villas Property Owners Association, Inc., as amended from time to time, a current copy of which is attached hereto as Exhibit E and incorporated herein by reference.
- X. The term "Special Assessment" shall mean any special assessment made by the Master Association in accordance with its Articles of Incorporation and Bylaws or any special assessment made by the Association in accordance with its Articles of Incorporation and Bylaws.
- Y. The term "Townhouse Unit" or "Unit" shall mean a single family residential dwelling contained in a Building, the boundaries of which are the perimeter of that Unit and separated from contiguous Units by a Party Wall or Party Walls. Unless the context clearly requires otherwise, the term Townhouse Unit or Unit shall include the land thereunder and the sky above that Unit.
- Z. The term "Unit Owner" or "Owner" shall mean any Person owning a Unit, including those Persons who purchase under contract, but shall not include a mortgagee unless such mortgagee has acquired title pursuant to foreclosure or other process in lieu of foreclosure.

ARTICLE II

NAME

The name by which this development is to be identified shall be "Wedgewood Villas", located in Archuleta County, Colorado.

ARTICLE III

IDENTIFICATION AND DESCRIPTION OF WEDGEWOOD VILLAS

- A. Submission of Property. The Developer hereby submits to Wedgewood Villas the real property described in Exhibit A hereto and depicted on the plat entitled "Correction Plat of Wedgewood Villas" prepared by Ernst Engineering Company and recorded or to be recorded in the Office of the County Clerk and Recorder for Archuleta County, Colorado in Plat File No. 312 & 312A as Reception No. 138367, which shall include both Common Area and twenty-six (26) Townhouse Units situated thereon.
- B. Property Subject to Zoning and Easements. Wedgewood Villas is subject to the covenants, conditions, restrictions, easements, and reserved rights of Developer contained in this Declaration and those of record in the Office of the County Clerk and Recorder for Archuleta County, Colorado, and is subject also to all ordinances now existing or hereafter applicable to Wedgewood Villas, existing easements for ingress and egress, for pedestrian and vehicular purposes, and existing easements for utility services and drainage. In addition the Developer specifically reserves to itself the right to grant any additional easements it deems necessary for the establishment and maintenance of Wedgewood Villas and the benefit of Unit Owners, and to assign such right.
- C. Expansion of Wedgewood Villas. The Developer reserves the right to bring within this Declaration and Wedgewood Villas additional properties now owned or hereafter acquired by it, create on such properties additional Common Area, Buildings and Townhouse Units, and designate each such addition as a separate phase through recordation of a Supplemental Declaration to this Declaration. The Developer reserves the right to select the configuration, number, floor plan, and arrangement of each such additional Building and Townhouse Unit, to alter the plan of a Townhouse Unit(s), and to add Buildings and Townhouse Units which differ in plan from existing Townhouse Units, provided that any such Building(s) and Unit(s) shall be of similar quality and workmanship as those contained in Wedgewood Villas. In the event of expansion of Wedgewood Villas by the Developer, the percentage of Common Expenses attributable to each Unit and each Unit Owner shall be adjusted accordingly.

ARTICLE IV

IDENTIFICATION AND DESCRIPTION OF TOWNHOUSE UNITS

Each Townhouse Unit is identified by a separate Building and Unit Number as shown on the plat entitled "Correction Plat of Wedgewood Villas" prepared by Ernst Engineering Company and recorded or to be recorded in the Office of the County Clerk and Recorder for Archuleta County, Colorado in Plat File No. 312 & 312A as Reception No. 138367 ("Plat"). There are thirteen (13) Buildings in Wedgewood Villas designated on the Plat as Building 1, Building 2, Building 3, Building 4, Building 5, Building 6, Building 7, Building 8, Building 9, Building 10, Building 11, Building 12, and Building 13. Each Building contains 2 mirror image Units designated by Building Number and "A" or "B". A typical Unit floor plan is attached hereto as Exhibit B and incorporated herein by reference.

The boundaries of each Townhouse Unit shall be the external perimeter of the Unit itself, excluding exterior decking shown on the Plat as Limited Common Area for that Unit, and shall include the land beneath and within the perimeter of the Unit, and the sky above that Unit. Each Unit is separated from another by one Party Wall.

Owners of adjoining Units separated by a Party Wall shall own half of the wall which rests inside each of such Owner's boundary line. Each such Owner shall also have a support easement over the entire Party Wall. The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by Owners of adjacent Units. A line running longitudinally down the center of a

Party Wall shall form the boundary line between adjoining Units lying on either side of such a Party Wall, notwithstanding the fact that any plat might show such Unit boundaries being elsewhere. To the extent not inconsistent with the provisions of this Article, the general rules of the law of the State of Colorado regarding party walls and liability for damage thereto shall apply.

1. Damage Due to Negligence. If a Party Wall is damaged through the negligence or willful acts or omissions of one Owner of an adjoining Unit, that Owner shall bear the whole cost of repairing such wall to the extent necessary to put it in a condition substantially the same as it was before such negligence or willful acts or omissions occurred.

2. Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, and such fire or casualty was not caused by the negligence or willful acts or omissions of an Owner of an adjoining Unit, then either of the Owners of adjoining Units may restore the Party Wall to its original condition, and he shall thereafter be entitled to contribution from the Owner of the adjoining Unit for one-half of the cost thereof.

3. Weatherproofing. Any Owner of a Unit containing a Party Wall who, by his negligent or willful acts or omissions, causes the Party Wall to be exposed to the elements, shall bear the whole cost of furnishing the necessary protection against such elements.

4. Right to Contribution Runs With Land. The right of any Owner of a part of a Party Wall to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

5. Arbitration. In the event of any dispute arising concerning a Party Wall, such dispute shall be presented to the Board of Directors for resolution. After disqualification of any interested Director(s), the decision of a majority of the remaining Directors shall be binding upon all Owners concerned.

6. Enforcement. The Board may suspend all voting rights, if any, and all rights to use the Common Area for any period during which such Owner refuses to comply with a decision of the Board relating to disputes over Party Walls.

ARTICLE V

OWNERSHIP OF COMMON AREA

The Developer will convey to the Association the Common Area and it shall be the responsibility of the Association to manage and maintain the Common Area as Association Properties on behalf of Unit Owners. The Developer shall convey the Common Area to the Association no later than one (1) year following the conveyance of 75% of the Units created by this Declaration, including amendments hereto.

ARTICLE VI

VOTING RIGHTS AND MEMBERSHIP IN THE ASSOCIATION AND IN THE MASTER ASSOCIATION

A. Voting Rights and Membership in the Association. There shall be one person with respect to each Unit who shall be entitled to vote at any meeting of the Association and such person shall be known and is hereinafter referred to as the "Voting Member". If a Unit is owned by more than one person, the owners of the Unit shall designate one of themselves as the Voting Member, or in the case of a corporate Unit Owner, an officer or employee thereof shall be the Voting Member. The designation of the Voting Member shall be made as provided for and subject to the provisions and restrictions set forth in the Bylaws of the Association.

Each Owner or group of Owners shall be entitled to one vote for each Unit owned. The vote of a Unit is not divisible. The Developer has the right to own vote for each Unit it owns or has in its unsold Unit inventory.

It is expressly understood, however, that notwithstanding the above, the Developer reserves the right to appoint a majority of the Directors to the Association's Board of Directors until that point in time at which the earlier of the following events occurs:

- a) Four months after 75% of the Units in Wedgewood Villas have been conveyed to Unit Owners, or,
- b) Five years following the first conveyance of a Unit in Wedgewood Villas.

It is acknowledged that pursuant to Article IV of this Declaration this regime may be expanded at the Developer's sole discretion.

W. Voting Rights and Membership in the Pagosa Lakes Property Owners Association. The Master Association is a Colorado non-profit corporation organized to further and promote the common interests of property owners in, and residents of, Fairfield Pagosa, the development within which the subject real property lies. Each Unit Owner within Wedgewood Villas, by reason of such ownership, shall be a member of the Master Association and be responsible for the payment of all Master Association Dues and Special Assessments established by the Master Association's Board of Directors. A Unit Owner shall remain a member of the Master Association so long as a Unit(s) is owned. Membership in the Master Association and the obligation to pay Master Association Dues and Special Assessments may not be waived in any manner by a Unit Owner.

ARTICLE VII

COMMON EXPENSE AND COMMON PROFITS

The Common Expenses of Wedgewood Villas shall be the obligation of the Unit Owners. The Common Expenses shall be determined according to the square footage of the Unit to which such Common Expenses are assessed. The specific amount of such Common Expenses shall be equitably determined by the Board of Directors of the Wedgewood Villas Property Owners Association, Inc.

The Common Profits shall be applied to the payment of Common Expenses, and the rights in any surplus remaining shall appertain to the Units in proportion to the liability for Common Expenses appertaining to each such Unit.

ARTICLE VIII

METHOD OF AMENDMENT OF DECLARATION

This Declaration may be amended at any regular or special meeting of the Unit Owners of the Association, called and convened in accordance with the Bylaws of the Association, by the affirmative vote of voting members casting not less than 67% of the total vote of the members of the Association.

All amendments shall be recorded and certified by the Board of Directors of the Association. Subject to the provisions set forth in these Articles, no amendment shall change any Townhouse Unit, or the voting rights appurtenant to any Unit, unless the record owner(s) thereof, and all record owners of mortgages and other voluntarily placed liens thereon, shall join in the execution of the amendment. No amendment shall be passed which shall impair or prejudice rights and priorities of any mortgagees or changes the provisions of this Declaration with respect to institutional mortgages without the written approval of all institutional mortgagees of record.

No amendment shall change the rights and privileges of the Developer without the Developer's written approval.

Notwithstanding the foregoing paragraphs of this Article:

1. The Developer reserves the right to change the interior design and arrangement of all unsold Units. The Developer reserves the right, as to

Units for which it is the record owner to subdivide those Units into separate Units or may, at its option, combine two or more such Units or portions thereof into a single Unit. If the Developer shall make any changes in Units as provided in this paragraph, such changes shall be reflected by the amendment of this Declaration with a plat attached reflecting the authorized alteration of Units by the Developer. Such an amendment need only be executed and acknowledged by the Developer. If there is such a combination or division of Units as provided for herein, the Common Expenses applicable to the newly created Unit(s) shall be adjusted in accordance with the Unit's(s') square footage.

b. The Developer, so long as it has record title to more than 25% of the Townhouse Units in Wedgewood Villas, reserves the right at any time to amend the Declaration as may be required by any lending institution or public body, or in such manner as the Developer may determine to be necessary to carry out the purposes of the project. Further, the Developer may amend this Declaration in any manner in which in the opinion of the Developer is necessary or convenient to further clarify the intent of the Developer, to eliminate ambiguity herein and to correct errors in the preparation and recording of this Declaration and all documents relating to Wedgewood Villas and to insure that this Declaration is in full compliance with any and all guidelines or requirements that may be promulgated by the Federal National Mortgage Association or similar financing entities.

ARTICLE IX

BYLAWS

The operation of Wedgewood Villas shall be governed by the Bylaws of the Association. The Bylaws may be amended in the manner provided for therein, but no amendment to the Bylaws shall be adopted which would affect or impair the validity or priority of any mortgage covering any portion of Wedgewood Villas or which would change the provision of the Bylaws with respect to institutional mortgages without the written approval of all institutional mortgagees of record. No amendment shall change the rights and privileges of the Developer without the Developer's written approval.

ARTICLE X

THE OPERATING ENTITY

The operating entity of Wedgewood Villas shall be the Association which has been organized pursuant to the not-for-profit corporation statutes of the State of Colorado. The Association shall have all the powers and duties granted to or imposed upon it by this Declaration, or by the Articles of Incorporation and Bylaws of the Association. It is contemplated that the powers and duties necessary to operate Wedgewood Villas may be amended from time to time by changes and amendments to this Declaration and the Bylaws.

The Association shall be entitled to delegate all or any portion of its authority, powers, duties, responsibilities, rights and interests set forth herein to a Management Firm or any such other entity which may be responsible for the management of the Wedgewood Villas Regime.

Every Owner of a Townhouse Unit, whether ownership is acquired by purchase, gift, conveyance, transfer by operation of law, or otherwise, shall be bound by the Bylaws and Articles of Incorporation of the Association, the provisions of this Declaration, and any Management Agreement.

ARTICLE XI

ASSOCIATION ASSESSMENTS, DEVELOPER RECREATION FEE AND MASTER ASSOCIATION DUES: FEES AND LIEN RIGHTS

A. Association Assessments.

The Association, through its Board of Directors, shall have the power to fix and determine from time to time the sum or sums necessary and adequate to provide for the Common Expenses of Wedgewood Villas and such other Special

Assessments, as determined necessary by the Association's Board of Directors. The procedure for the determination of all such assessments shall be as set forth in the Bylaws of the Association and this Declaration.

Common Expenses shall be assessed against each Townhouse Unit Owner as provided in Article VII of this Declaration. Common Expenses will not be assessed against Lots or Units owned by the Developer.

The Association shall hold in an insured bank account all Association and Special Assessments which are collected from Unit Owners. Each year the Association shall prepare a budget projection of expenses and income for the upcoming year. The amount of Association Assessments and Special Assessments will be set pursuant to the discretion of the Association's Board of Directors and in appropriate proportion with such budget. The Board shall structure all such assessments so that there exists an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Area and Limited Common Area(s).

Association Assessments shall be payable in monthly installments. Association Assessments or Special Assessments which remain unpaid for more than ten (10) days after their due date shall bear interest at the highest legal rate authorized under Colorado law from due date until paid, and at the sole discretion of the Board of Directors, a late charge of \$25.00 may be imposed. Association Assessments shall be due and payable on the first of each month and monthly bills for Assessments shall not be mailed or delivered to Unit Owners. Special Assessments shall be due and payable as determined by the Association's Board of Directors.

The Association shall have a lien on each Unit for unpaid Association Assessments, Special Assessments, and interest thereon. Such liens upon the Unit(s) shall be subordinate to prior bona fide liens of record. Reasonable attorney's fees incurred by the Association incident to the collection of such assessments or the enforcement of such liens, together with all sums advanced and paid by the Association for taxes and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Association in order to preserve and protect its lien, shall be payable by the Unit Owner and secured by such lien. The Board of Directors may take such action as it deems necessary to collect assessments by personal action or by enforcing and foreclosing a lien for such assessments, and may settle and compromise the lien if deemed in the Association's best interest. The Association shall be entitled to bid at any sale held pursuant to a suit to foreclose an assessment lien, and to apply as a cash credit against its bid, all sums due, as provided herein and covered by the lien enforced. In case of such foreclosure, the Unit Owner shall be required to pay a reasonable rental for the Unit plus the percentage of Common Expenses attributable to such Unit for the period of time the Unit is occupied by the Unit Owner or Guest of the Unit Owner. The plaintiff in such a foreclosure action shall be entitled to the appointment of a receiver to collect such rent from the Unit Owner and/or occupant.

Any person who acquires an interest in a Unit, except through foreclosure of a first mortgage of record or acceptance of deed in lieu of foreclosure, including without limitation, persons acquiring title by operation of law and purchasers at judicial sales, shall not be entitled to occupancy of the Unit or enjoyment of the Common Areas until such time as all unpaid Association Assessments, Special Assessments, and interest due and owing thereon from the former Unit Owner have been paid. The Association, acting through its Board of Directors may enforce its claim and lien rights for the recovery of any unpaid assessments owed to the Developer, any Unit Owner or group of Unit Owners, or any third party.

B. Developer Recreation Fee.

All Units within Wedgewood Villas shall be held, used, occupied and conveyed subject to the provisions of the Declaration of Restrictions and Supplemental Declaration of Restrictions, as the same may be amended from time to time which provide for assessments for maintenance, repair and upkeep of recreational amenities owned by the Developer ("Recreational Fee").

The Developer shall have a lien on each Unit for any unpaid Recreational Fee, together with interest thereon. Such a lien shall be subordinate to prior bona fide liens of record. The Recreation Fee lien shall also be subordinate to the lien of any Association Assessment, Special Assessment by

the Association, or interest on either. Reasonable attorney's fees incurred by the Developer incident to the collection of the Recreational Fee or the enforcement of the lien securing the payment of the Recreational Fee, together with all sums advanced and paid by the Developer for taxes and payments on account of superior mortgages, liens or encumbrances which may be required to be advanced by the Developer in order to preserve and protect its lien, shall be payable by the Unit Owner and secured by such lien. Any person who acquires an interest in a Unit except through foreclosure of a first mortgage of record or acceptance of a deed in lieu of foreclosure shall not be entitled to occupancy of the Unit or enjoyment of the Common Areas until such time as all unpaid Recreational Fees due and owing by the former Unit Owner(s) have been paid to the Developer. The Developer shall have the right to assign its claim and lien rights for the recovery of any unpaid recreational fee to any third party.

The Developer shall have the right to deny the Unit Owner the use of that Owner's Unit during any period of time in which the Recreational Fee for that Unit remains unpaid.

C. Master Association Dues.

In addition to the assessments of the Association, Unit Owners must pay dues to the Master Association for their membership. Every Unit Owner acquiring title, legal or equitable, to any Unit in Wedgewood Villas shall become a member of the Pagosa Lakes Property Owners Association, Inc. and as long as he is the owner of any such Unit he must remain a member of the Master Association. Such membership is not intended to apply to those persons who hold an interest in any Unit merely as security for the performance of an obligation to pay money, e.g., mortgages and deeds of trust. If a mortgagee should realize upon its security and become the real owner of a Unit he will then be subject to the requirements and limitations imposed in these restrictions on Unit Owners and on members of the Master Association.

The general purpose of the Master Association is to further and promote the community welfare of the property owners in the Fairfield Pagosa Development.

The Master Association shall have all of the powers that are set out in its Articles of Incorporation and all other powers that belong to it by operation of law including but not limited to the power to levy against each member annual Master Association Dues, which shall be payable monthly, the amount of which shall be determined by the Board of Directors of the Master Association after consideration of current maintenance expenses and future needs of the Master Association. With regard to the property covered by this Declaration, no such charge shall ever be made against, or be payable by the Developer, the Master Association itself or any corporation or corporations that may be created to acquire title to and operate those facilities presently being operated and maintained by the Master Association.

If the Master Association Dues are not paid when due they shall bear interest from the date of delinquency as provided in the Declaration of Restrictions and Supplemental Declaration of Restrictions. Master Association Dues, if unpaid, shall become a lien or encumbrance upon the Unit and the acceptance of a deed to a Unit or the execution of a contract of sale for the purchase of a Unit shall be construed to be a covenant on the part of the grantee or purchaser to pay the charge. The Master Association may publish a list of the delinquent members and may record a lien to secure payment of the unpaid Master Association Dues plus costs and reasonable attorney's fees. Every such lien may be foreclosed at any time. In addition to the remedy of lien foreclosure, the Master Association shall have the right to sue for unpaid Master Association Dues, interest, costs and reasonable attorney's fees, in any court of competent jurisdiction as for a debt owed by any delinquent member to the Master Association. Each Unit Owner whether he shall have legal or equitable title to his Unit shall be conclusively held to have covenanted to pay the Master Association or its designee all charges that the Master Association shall make pursuant to any paragraph or subparagraph of this Declaration, or the Master Association's Bylaws. Any Unit acquired other than by foreclosure is taken subject to the lien for any prior unpaid Master Association Dues or related charges. The lien of the Association and the lien of the Master Association to secure the payment of the Master Association Dues shall be concurrent and on equal parity.

The Master Association shall upon demand at any time furnish a certificate in writing signed by an officer of the Master Association certifying that the Master Association Dues and related charges due on a specified Unit have been paid or that certain charges against The Unit remain unpaid. A reasonable charge may be made by the Board of Directors of the Master Association for the issuance of such certificate which shall be conclusive evidence of payment of any Master Association Dues or related charges therein stated to have been paid.

D. Superiority of Mortgage or Deed of Trust Representing First Lien on Unit.

The lien of a mortgage or deed of trust representing a first lien placed upon any Unit for the purpose of construction and/or permanent financing and recorded in accordance with the laws of Colorado shall be, from the date of recordation, superior to any and all such liens resulting from Association Assessments, Developer Recreation Fee, or Master Association Dues. A lien for such assessments is not affected by any sale or transfer of a Unit, except that a sale or transfer pursuant to a foreclosure of a first mortgage shall extinguish a subordinate lien for such assessments which become payable prior to such sale or transfer. However, any delinquent Association Assessment so extinguished may be reallocated and assessed to all of the Units as a Common Expense. Any such sale or transfer pursuant to a foreclosure does not relieve the purchaser or transferee of a Unit from liability for, nor the Unit from the lien of, any Association Assessment, Developer Recreation Fee, or Master Association Dues made thereafter.

E. Suspension of Master Association Voting Rights and Privileges.

The Board of Directors of the Master Association shall have the right to suspend the voting rights of a member and deny that member use of the properties which may be owned and operated or maintained by the Master Association, (1) for any period during which the Master Association Dues remain unpaid; (2) during the period of any continuing violation of this Declaration after the existence of the violation is declared by the Board of Directors of the Master Association; and (3) during the period that any utility bill for water or sewer service rendered to the member remains unpaid.

F. Working Capital Fund.

In addition to the Association Assessment, Master Association Dues, and Developer Recreation Fee, a contribution may be collected at closing to create a nonrefundable Working Capital Fund ("Fund") which shall be maintained by the Association or its designee. The amount of such contribution shall be equal to the Association Assessment charged by the Association over a two month period. Such funds shall be maintained in an account for the sole use and benefit of the Association. The purpose of the Fund is to insure that the Association will have cash available to meet unforeseen expenditures, or to acquire additional equipment or services deemed necessary or desirable. Amounts paid into the Fund are not to be considered as advance payment of regular assessments.

ARTICLE XII

INSURANCE, RECONSTRUCTION AND REPAIR

The following provisions shall not apply to household furnishings and appliances which are owned by Unit Owners. Unit Owners shall be responsible for purchasing, maintaining and insuring their furniture, appliances and any other personal effects belonging to such Unit Owners which may be located in or about the Unit.

A. Purchase of Insurance. The Association shall obtain policies of insurance providing coverage consistent with those standards set forth by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. In no event shall such coverage be less than as follows:

1. Casualty. The Buildings and all improvements upon the property shall be insured in an amount equal to the maximum insurable replacement value as determined annually by the Board of Directors. Such coverage shall afford protection against:

(a) Loss or damage by fire and other hazards covered by a standard extended coverage endorsement.

(b) Such other risks as from time to time customarily shall be covered with respect to Buildings similar in construction, location and use as such Buildings, including but not limited to vandalism and malicious mischief.

2. Public Liability. Public liability insurance shall be obtained in such amounts and with such coverage as shall be required by the Board of Directors including but not limited to hired automobiles and non-owned automobile coverages, and with cross-liability and endorsements to cover liabilities of the Unit Owners as a group to a Unit Owner.

3. Workers' Compensation. Workers' Compensation insurance sufficient to meet the requirements of loss shall be obtained.

4. Fidelity Bond. The Association shall obtain a fidelity bond in an amount it deems reasonable to cover the misfeasance and/or malfeasance within the scope of their employment of any of its officers, directors, agents or employees.

5. Other Insurance. Such other insurance shall be obtained as the Association Board of Directors shall determine desirable from time to time.

B. Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Unit Owners as a part of the Common Expense, provided that the Developer shall be responsible for paying its portion of the insurance premiums to cover unsold Units, and also the Common Areas and Limited Common Areas when and if owned by the Developer.

C. Insurance Trustee and Shares of Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association, Unit Owners, and their respective mortgagees, and the Developer, as their interests may appear, and shall provide that all proceeds shall be paid to the Association Board of Directors as insurance trustee. The duties of the insurance trustee shall be to receive such proceeds as are paid, to make distribution of such proceeds, and prior to distribution to hold such proceeds in trust for the benefit of those entitled thereto in undivided shares, which shares need not be set forth on the records of the insurance trustee. Proceeds on account of damage to Buildings shall be distributed as follows:

1. Reconstruction or Repair. If the damage for which the proceeds are paid is to be reconstructed or repaired, the proceeds shall be paid to defray the costs thereof. Immediately after a determination is made to reconstruct or repair damage, the Association shall obtain reliable and detailed estimates of the cost to reconstruct or repair. If the amount of the estimated costs of reconstruction and repair is less than \$5,000.00, then the proceeds shall be disbursed in payment of such costs in the discretion of the Association; provided, however, that upon request by a mortgagee which is a beneficiary of an insurance policy, such proceeds shall be disbursed in the manner hereinafter provided for the reconstruction and repair of damage in excess of \$5,000.00. If the amount of the estimated cost of reconstruction and repair is more than \$5,000.00, then the proceeds shall be disbursed in payment of such costs in a manner required by the Association only upon approval of an architect licensed to practice in Colorado and employed by the Association to supervise the work. Any proceeds remaining after defraying such costs shall be distributed to the beneficial owners, remittance to Unit Owners and their mortgagees being payable to them jointly. This is a covenant for the benefit of any mortgagee and may be enforced by such mortgagee.

2. The Failure to Reconstruct or Repair. If the damage for which the proceeds are paid is not to be reconstructed or repaired, the proceeds shall be distributed to the beneficial owners, remittances to Unit Owners and their mortgagees being made payable jointly to them. This is a covenant for the benefit of any mortgagee and may be enforced by such mortgagee.

3. Mortgagees. In the event a mortgage endorsement has been issued relating to a Unit, the share of the Unit Owner shall be held in trust for the Unit Owner and the mortgagee as their interests may appear; provided, however, that no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except distributions thereof made to the Unit Owner and mortgagee pursuant to the provisions of this Declaration.

D. Association as Agent. The Association hereby is appointed irrevocably as agent for each Unit Owner and for each holder of a mortgage or other lien upon a Unit and for each Owner of any other interest in Wedgewood Villas to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

E. Notice of Insurance Coverage. In any legal action in which the Association may be exposed to liability in excess of insurance coverage protecting it and the Unit Owners, the Association shall give notice of the exposure within a reasonable time to all Unit Owners who may be exposed to the liability and such Unit Owner shall have the right to intervene and defend.

F. Inspection of Insurance Policy. A copy of each insurance policy obtained by the Association shall be made available for inspection by Unit Owners and their mortgagees at reasonable times.

G. Developer's Interest. All insurance purchased by the Association on behalf of the Unit Owners shall include the Developer as its interest may appear, and the Developer shall share in the proceeds of any insurance payment as its interest may appear.

H. Reconstruction or Repair After Casualty. Unless the Wedgewood Villas regime is terminated as herein provided, in the event of any damage or destruction to any Building of Wedgewood Villas by virtue of fire, casualty or other hazard, the Association shall forthwith cause such damage to be repaired and the building reconstructed. If the damage is not covered by insurance or if the insurance proceeds are insufficient, the deficit shall be assessed as a Common Expense; provided, however, that if the damage was caused by the intentional or negligent act or omission of any Unit Owner or Guest(s), that Unit Owner shall be responsible to the Association for the amount of such damage and shall pay such amount within ten (10) days following submission of a statement by the Association. Upon failure of the Unit Owner to make payment of such amount to the Association when due as provided above, the Association shall be entitled to a lien on that Unit Owner's Unit and all tangible personal property owned by the Unit Owner which is located upon and within that Unit. This lien may be perfected and foreclosed as provided for herein.

In the event it is determined in accordance with this Declaration that there shall be no reconstruction or repair of a Building or any portion of a Building or Unit, then all debris shall be promptly removed and the property shall be cleared and restored to its original condition and maintained thereafter in its original condition as it existed prior to the construction of any building thereon pending ultimate reconstruction or later use of the property. The Association shall assure that said restoration is compatible with the surrounding areas. The Fairfield Pagosa Environmental Control Committee shall be required to approve the restoration and if the restoration does not meet the approval of that committee, the committee may require the Association to take whatever reasonable additional action is necessary to restore the property to meet the approval of the committee. The Association shall be required to expend such funds and make such assessments against the Unit Owners as is necessary to fulfill the requirements of this paragraph.

ARTICLE XIII

USE, OCCUPANCY AND WATER AND SEWAGE SERVICES

A. Residential Use Restriction: Unit Owners shall occupy and use their Units as a single family private dwelling for themselves and Guests, provided, however, that this single family private dwelling designation shall not prevent any Unit Owner from leasing his entire Unit or any portion thereof to any third party.

B. Prohibited Act: Unit Owners shall not permit or suffer anything to be done or kept in Units which will increase the rate of insurance on Wedgewood Villas, or which will obstruct or interfere with the rights of other Unit Owners, or annoy them by unreasonable noises, or otherwise, nor shall the Unit Owners commit or permit any nuisances, immoral or illegal acts in or about the Wedgewood Villas property.

C. Restrictions on Alterations: Unit Owners shall not cause anything to be affixed or attached to, hung, displayed or placed on the exterior walls, doors, windows of the Units or the Common Area, nor shall they cause any type of ground coverage to be installed nor shall they grow any type of plant, shrubbery, flower, vine or grass outside a Unit, nor shall they cause awnings or storm shutters, screens, enclosures and the like to be affixed or attached to any Units or Common Area; nor shall they place any furniture or equipment outside their Unit except with the prior written consent of the Board of Directors, and further, when approved, subject to the rules and regulations adopted by the Board of Directors. No clothes line or similar device shall be allowed on any portion of the Wedgewood Villas property, nor shall clothes be hung anywhere except where designated by the Board of Directors of the Association.

D. Common Area and Limited Common Area: No person shall use the Common Area or Limited Common Area or any part thereof, or any Townhouse Unit, or Wedgewood Villas property, or any part thereof, in any manner contrary to or not in accordance with the Rules and Regulations promulgated by the Association.

ARTICLE XIV

MAINTENANCE AND ALTERATIONS

A. The Board of Directors of the Association may enter into a contract with any firm, person or corporation, or may join with other associations and entities in contracting for the maintenance, repair, or management of Wedgewood Villas and may delegate to the contractor or manager all of the powers and duties of the Association, except such as are specifically required by this Declaration, or by the Bylaws, to have the approval of the Board of Directors or the membership of the Association. The contractor or manager may be authorized to determine the budget, make assessments for Common Expenses and collect all assessments provided for in this Declaration, Bylaws and Exhibits to the Declaration. The Association, through its Board of Directors, may enter into a Management Agreement, which encompasses the provisions of this paragraph. Provided, however, that the Association, prior to passage of majority control of the Association from the Developer to the Unit Owners, is not bound either directly or indirectly to any contracts, leases or Management Agreements unless there is a right of termination of any such contract, lease or Management Agreement which is exercisable without penalty or cause at any time after transfer of control, upon not more than 90 days' notice to the other party.

B. Each Unit Owner by execution of a purchase contract for and accepting title to a unit agrees as follows:

1. To maintain in good condition and repair his Unit and all interior surfaces within or surrounding his Unit (such as the surfaces of the walls, ceilings, floors) whether or not a part of the Unit or Limited Common Area, and to maintain and repair the fixtures therein and pay for any utilities which are separately metered to his Unit.

2. Not to make or cause to be made any structural addition, alteration, decoration, repair, replacement or change of the Common Area or Limited Common Area or to any outside or exterior portion of any building (including porches and wooden decking) without the prior written consent of the Board of Directors of the Association.

C. In the event a Unit Owner fails to maintain the Unit and Limited Common Area as required herein, or makes any alterations or additions without the required consent, or otherwise violates or threatens to violate the provisions hereof, the Association shall have the right to proceed in a court of equity for an injunction to seek compliance with the provisions hereof. In lieu thereof and in addition thereto the Association shall have the right to levy an assessment against the Unit Owner for such necessary sums to remove any unauthorized addition or alteration and to restore the property to good condition and repair. Such assessment shall have the same force and effect as all other Association Assessments.

D. The Association shall determine the exterior color scheme of all Units and Buildings including the porches and all exteriors and interior color scheme of the Common Areas or Limited Common Areas, and shall be responsible

for the maintenance thereof, and no Unit Owner shall paint an exterior wall, door, window, or any exterior surface, or replace anything thereon or affixed thereto, without the written consent of the Board of Directors of the Association.

E. The Association shall be responsible for the maintenance, repair and replacement of the Common Areas and Limited Common Areas and all property not required to be maintained, repaired and/or replaced by Unit Owners. The Association shall also be responsible for the maintenance, repair and upkeep of the exterior surfaces on all Units and Buildings (including porches, wooden decking and stairways) and the Common Areas and Limited Common Areas. Notwithstanding the Unit Owner's duty of maintenance, repair, replacement and other responsibilities as to his Unit, as provided in this Declaration, the Association may enter into an agreement with such firms or companies as it may determine to provide certain services and/or maintenance for and on behalf of the Unit Owners for maintenance and service on a regularly scheduled basis, for exterminating services, and other types of maintenance and services as the Association deems advisable for such period of time and on such basis as it determines. Such agreements shall be on behalf of all Unit Owners and the monthly Association Assessment due from each Unit Owner for Common Expenses shall be increased by such sum as the Association deems fair and equitable under the circumstances in relation to the monthly charge for such maintenance or service. Each Unit Owner shall be deemed a party to each such agreement with the same force and effect as though the Unit Owner had executed the agreement, and it is understood and agreed that the Association shall execute such agreements as the agent for the Unit Owners. The aforesaid assessments shall be deemed to be an Assessment as defined in this Declaration.

ARTICLE XV

TERMINATION

This Declaration shall be binding upon all parties and all persons claiming under them for a period of forty (40) years from the date of execution of this document or until January 1, 2026 at which time the Declaration shall be automatically extended for an additional ten (10) year period unless 60% of the then Unit Owners vote to amend the Declaration in whole or in part or otherwise to terminate the regime created by this Declaration.

ARTICLE XVI

USE OF COMMON AREAS AND FACILITIES AND LIMITED COMMON AREAS

The Association, its members, and Unit Owners, their successors and assigns and all parties who own or may own an interest in and to the Common Areas agree that they shall not have the right to partition any property that constitutes Common Areas and that the parties do hereby waive any right of partition or division of such facilities. The Initial Rules and Regulations, and all amendments thereof and revisions thereof pertaining to the use of the Common Area and Limited Common Areas shall be posted in conspicuous places on the elements or facilities. Unit Owners hereby covenant and agree to be bound by the Rules and Regulations, obey the Rules and Regulations, and be responsible for their compliance by Guests.

Should a Unit Owner fail to pay an Association Assessment within the time period specified herein, the Association may deny the Unit Owner or Guest(s) the use and enjoyment of Common Areas until such time as all such assessments are paid. The Association shall further have the right in its sole discretion to suspend any Unit Owner and/or Guest from the use of Common Areas for a period not to exceed 30 days for any infraction of the Rules and Regulations pertaining to the use of the Common Areas. Should the Unit Owner's or Guest's said rights to use same be suspended, there shall be no reduction in the assessments due and payable to such Unit Owner or Guest.

Any Unit Owner or Guest(s) may use the Common Areas.

Limited Common Area(s) shall be reserved for the use of the Unit Owner(s), or Guest(s), of a certain Townhouse Unit to the exclusion of all other Unit Owners and/or their Guests.

When a corporation is a Unit Owner, the use of Common Areas shall be limited at any one time to such officer, director or employee of that corporation who is in actual residence and such person shall be deemed to be the Unit Owner for the purposes of this paragraph. Where a person owns one Unit and leases that Unit, the lessee shall be entitled to the use of the Common Areas and the lessee's right thereto shall be the same as though the lessee were the Unit Owner and during the term of such lease, the Unit Owner and/or Guest(s) shall not be entitled to use the Common Area.

The Common Area(s) may contain streets and other recreational facilities, the use and maintenance of which will be shared by Unit Owners.

ARTICLE XVII

MANAGEMENT AGREEMENT

The Association may enter into a Management Agreement.

The Association may delegate to a Management Firm the powers of the Association, through its Board of Directors, to determine the budget, make Assessments and Special Assessments collect such assessments. Each Unit Owner, his heirs, successors and assigns, shall be bound by each such Management Agreement for the purpose therein expressed, including but not limited to:

1. Adopting, ratifying, confirming, and consenting to the execution of the Management Agreement by the Association.

2. Covenanting and promising to perform each and every one of the covenants, promises and undertakings to be performed by Unit Owners as provided in the Management Agreement.

3. Ratifying, confirming and approving each and every provision of the Management Agreement, and acknowledging that all of the terms and provisions thereof are reasonable.

4. Agreeing that the persons acting as directors and officers of the Association entering into such an agreement have not breached any of their duties or obligations to the Association.

It is specifically recognized that some or all of the persons comprising the original Board of Directors of the Association are or may be officers, directors and employees of the Management Firm, and that such circumstances shall not and cannot be construed or considered as a breach of their duties and obligations to the Association, nor as possible grounds to invalidate such Management Agreement, in whole or in part.

The acts of the Board of Directors and officers of the Association in entering into the Management Agreement be and the same are hereby ratified, approved, confirmed and adopted.

ARTICLE XVIII

ASSOCIATION PROPERTIES

All properties acquired by the Association, real, personal or otherwise, shall be held for the use and benefit of all Unit Owners in Wedgewood Villas with the exception of those streets running through Wedgewood Villas regime and recreational facilities, if any, located within Wedgewood Villas and designated for use by persons in addition to Wedgewood Villas Unit Owners.

ARTICLE XIX

DEVELOPER'S RIGHTS

In addition to each and every right of the Developer as set forth herein, the Developer specifically reserves the following:

DEVELOPER'S RIGHTS
IN THE COMMON AREAS AND FACILITIES

A. The right to use any unsold Unit and/or any portion of the Common Area for the purpose of aiding in the sale of Units, including the right to use portions of Wedgewood Villas for parking for prospective purchasers and such other parties as Developer determines. The foregoing right shall include the right to display and erect signs, billboards and placards and to store, keep and exhibit same and distribute audio and visual promotional materials upon the Common Area and Limited Common Area.

B. The right to deny any Unit Owner the right to use and occupy a Unit and the use of the Common Area during any period of time during which that Unit Owner may be in default on his or its contract of sale for the purchase of the Unit from the Developer.

C. The exclusive right to contract for or provide the servicing of Wedgewood Villas and Unit Owners therein with water service and sewerage disposal service to the extent not prohibited by law. Pursuant to the foregoing, the Developer or Association may contract with a utility company which may include a utility district, property owners association, a private company, a municipal or governmental agency, or a quasi-governmental authority for the furnishing of said services; and the Association and the Unit Owners agree to pay the charges therefor and to comply with all of the terms and conditions of such agreement. Provided, however, that the Association, prior to passage of majority control of the Association from the Developer to the Unit Owners, is not bound either directly or indirectly to any contracts, leases or Management Agreements unless there is a right of termination of any such contract, lease or Management Agreement which is exercisable without penalty or cause at any time after transfer of control, upon not more than 90 days' notice to the other party.

D. The right to grant such easements for utility service, drainage, pedestrian and vehicular traffic, or otherwise, as may be considered by Developer or its successors and assigns desirable for the use of the property for the purposes herein stated or to provide such utility service, drainage, pedestrian or vehicular access to other properties of Developer adjacent or contiguous thereto. Such reservation of easements shall be on an as-built basis. In conjunction with this reservation the Developer hereby expressly reserves a perpetual easement over all driveways and parking areas constituting a part of the Common Areas, together with such additional area(s) as may be needed to connect the driveways and parking areas with the boundaries of Wedgewood Villas, the location of which may be chosen by Developer or its successors and assigns for use in connection with the Unit Owner's and/or Guest's rightful use of such driveways and parking areas, for access to all adjacent and nearby property now or hereafter owned by Developer, its successors or assigns, which easement shall be considered an easement appurtenant to Wedgewood Villas and all portions thereof, to run with the land.

ARTICLE XX

MISCELLANEOUS PROVISIONS

A. Unit Owners hereby grant the Association and its designees an easement through their respective Units for the purpose of repairing pipes, wires, conduits, sewer lines or other public utility lines running through such Units which are utilized for or serve more than one Unit. This easement is specifically intended to apply to that certain sewer line which will run through the foundation works of the Units for the use and benefit of all such Units.

B. Unit Owners agree that if any portion of a Unit, Common Area, or Limited Common Area encroaches or is encroached upon by another, a valid easement for the encroachment and maintenance, so long as such encroachment exists, or shall and does exist. In the event a Unit or Building(s) are partially or totally destroyed and then rebuilt, the Unit Owners agree that encroachment on parts of the Common Areas, Limited Common Areas, nor Units, due to such construction, shall be permitted, and that a valid easement for such encroachment and the maintenance thereof exists.

C. No Unit Owner may exempt himself from liability for Association Expenses, Master Association Dues, or the Developer Recreation Fee

D. Unit Owners shall return their Unit for the purpose of ad valorem taxes with the Tax Assessor of Archuleta County or for such other future legally authorized governmental officer or authority having jurisdiction over same. Nothing herein shall be construed, however, as giving to any Unit Owner the right of contribution or any right of adjustment against any other Unit Owner on account of any deviation by the taxing authorities from the valuation herein prescribed, each Unit Owner to pay ad valorem taxes and special assessments as are separately assessed against his Unit.

E. All provisions of this Declaration and Exhibits attached hereto and amendments thereof shall be construed as covenants running with the land, and of every part thereof and interest therein, including but not limited to every part of Wedgewood Villas, and every Unit Owner and/or Guest, his heirs, executors, administrators, successors and assigns, shall be bound by all of the provisions of this Declaration and any amendments or supplements thereof. The subjection of Wedgewood Villas or surrounding properties to zoning laws and regulations shall not then or thereafter cause any provision of this Declaration to terminate.

F. If any of the provisions of this Declaration, or of the Bylaws, the Articles of Incorporation of the Association, the Management Agreement, or any section, clause, phrase, word, or the application thereof in any circumstances, is held invalid the validity of the remainder of this Declaration, the Bylaws, Articles of Incorporation, and Management Agreement and of the application of any such provision, action, sentence, clause, phrase or word, in other circumstances, shall not be affected thereby.

G. Whenever notices are required to be sent hereunder, the same may be delivered to Unit Owners either personally or by mail, addressed to such Unit Owners at their place of residence on file with the Association from time to time. Proof of such mailing or personal delivery by the Association or any Management Firm shall be given by the affidavit of the person mailing or personally delivering such notices. Notices to the Association shall be delivered by mail to the Secretary of the Association, or the President of the Association, or to any member of the Board of Directors of the Association. The change of the mailing address of any party as specified herein shall not require an amendment to this Declaration.

Notices to the Developer shall be delivered by mail at: Fairfield Pagosa, P.O. Box 4040, Pagosa Springs, Colorado 81157.

Notices to the Association shall be delivered by mail at: Wedgewood Villas Property Owners Association, Inc., P.O. Box 4040, Pagosa Springs, Colorado 81157.

Upon written request to the Association, identifying the name and address of any holder, insurer or guarantor and the Unit number or address, any mortgage holder, insurer, or guarantor will be entitled to timely written notice of:

- a. Any condemnation or casualty loss that affects either a material portion of the project or the Unit securing its mortgage.
- b. Any 60-day delinquency in the payment of assessments or charges owed by the owner of any Unit on which it holds the mortgage.
- c. A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the owners' association.
- d. Any proposed action that requires the consent of a specified percentage of mortgage holders.

All notices shall be deemed and considered sent when mailed. Any party may change his or its mailing address by written notice, duly receipted for. Notices required to be given the personal representative of a deceased Unit Owner or devisee, when there is no personal representative, may be delivered either personally or by mail to such party at his or its address appearing in the records of the court wherein the Estate of such deceased Unit Owner is being administered. The change of the mailing address of any party, as specified herein, shall not require an amendment to this Declaration.

H. Each Unit Owner and the Association shall be governed by and shall comply with this Declaration and the Bylaws and Rules and Regulations of the Association, as amended. Failure to do so shall entitle the Association or Unit Owner to recover sums due for damages or injunctive relief or both. Such actions may be maintained by or against a Unit Owner or the Association in a proper case by or against one or more Unit Owners and the prevailing party shall be entitled to receive reasonable attorney's fees. Such relief shall not be exclusive of other remedies provided by law.

I. Subsequent to the filing of this Declaration, the Association, when authorized by a vote of the majority of the total vote of the members of the Association and approved by the owners and holders of institutional first mortgages encumbering Units who represent a majority of the dollar institutionally mortgage indebtedness against Townhouse Units in Wedgewood Villas may, together with other associations and others, purchase and/or acquire and enter into agreements, from time to time, whereby it acquires leaseholds, memberships, and/or other possessory or use interests in lands or facilities, and other recreational facilities, whether or not contiguous to the lands of Wedgewood Villas intended to provide for the enjoyment, recreation or other use or benefit of the Unit Owners. The expense of ownership, rental membership fees, operations, replacements and other undertakings in connection therewith shall be Common Expenses, together with all other expenses and costs herein defined as Common Expenses.

J. Whenever the context so requires, the use of any gender shall be deemed to include all genders, and the use of the singular shall include the plural, and plural shall include the singular. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation of Wedgewood Villas.

K. The captions used in this Declaration and exhibits annexed hereto are inserted solely as a matter of convenience and shall not be relied upon and/or used in construing the effect or meaning of any of the text of this Declaration or exhibits hereto annexed.

L. Where an institutional first mortgage, by some circumstances, fails to be a first mortgage, but it is evident that it is intended to be a first mortgage, it shall, nevertheless, for the purpose of this Declaration and exhibits annexed, be deemed to be an institutional first mortgage. The terms mortgagor and mortgagee shall also refer to and mean the same as the terms "grantor" and "grantee" in a "Deed to Secure Debt", or "Deed of Trust".

M. Developer specifically disclaims any intent to have made any warranty or representation in connection with the property or the Declaration, except as specifically set forth herein, and no person shall rely upon any warranty or representation not so specifically made herein unless otherwise stated. Common expenses, taxes or other charges are estimates only and no warranty, guaranty or representation as to these charges is made or intended, nor may one be relied upon.

N. The Association, by its execution of this Declaration approves the foregoing and all of the covenants, terms and conditions, duties and obligations of this Declaration. Unit Owners, by virtue of their acceptance of the Deed of Conveyance to Unit(s) or execution of a Contract of Purchase for their Unit(s), and other persons by virtue of their occupancy of the Units approve the foregoing and all of the terms and conditions, duties and obligations of this Declaration.

O. No Unit Owner shall bring or have any right to bring any action for partition or division of the Wedgewood Villas property.

P. The real property submitted to this Declaration is subject to all applicable zoning ordinances now existing or which may hereafter exist, existing easements for ingress and egress for pedestrian and vehicular purposes, easements for utility service and drainage now existing or hereafter granted by the Developer for the benefit of such persons as the Developer designates, and the Developer shall have the right to grant such easements and designate the beneficiaries thereof, for such time as it determines, in its sole discretion, and thereafter, the Association shall be empowered to grant such easements on behalf of its members. During the period of time that the Developer has the right to grant the foregoing easements, the consent and approval of the Association and its members shall not be required. The right to

grant the foregoing easements shall be subject to said easements not structurally weakening the buildings and improvements upon the Wedgewood Villas property nor unreasonably interfering with the enjoyment of the Wedgewood Villas property by Association members.

Q. Unit Owners shall have as an appurtenance to their Units a perpetual easement for ingress and egress to and from their Units over stairs, terraces, balconies, walks and other Common Areas.

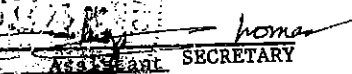
R. Unit Owners shall have an easement for ingress and egress over such streets, walks and other rights of way serving the Units as a part of the Common Areas and also as a part of the public property or property that may be owned and maintained by the Pagosa Lakes Property Owners Association, Inc. as may be necessary to provide reasonable access, and such easements shall extend to Guests. In the event that any such easement(s) for ingress and egress shall be encumbered by any leasehold or lien, other than those on the Townhouse Units, such leaseholds or liens shall be subordinate to the use rights of any Unit Owner or Guest of that Unit Owner Unit is not also encumbered by said lien or leasehold. Similarly, the Association has a reasonable right of entry upon any Unit to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of Wedgewood Villas. Additionally, the Association has the right to grant permits, licenses, and easements over the Common Area for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance or operation of Wedgewood Villas.

S. All plans and specifications for any structure or improvement whatsoever to be erected on or moved upon any portion of Wedgewood Villas, and the proposed location thereof, the construction material, the roofs and exterior color schemes, any later changes or additions after initial improvement thereof and any remodeling, reconstruction, alterations, or additions thereto in addition to being subject to the approval of the Association, shall also be subject to approval in writing before any such work is commenced of the Fairfield Pagosa Environmental Control Committee, as the same is from time to time composed. The committee shall be established and maintained in accordance with Declarations of Covenants and/or Restrictions pertaining to other properties in the Fairfield Pagosa development, as filed in previous Declarations pertaining thereto.

FAIRFIELD PAGOSA,
BY [Signature]

BY

Title: Executive Vice President



BY [Signature]

BY

PRESIDENT

ATTEST:

~~SECRETARY~~

ASSOCIATION, INC.

BY *[Signature]* PRESIDENT

BY _____

PRESIDENT

ATTEST:

~~SECRETARY~~

Vice President

STATE OF Colorado)
) SS.
COUNTY OF Archuleta)

The foregoing instrument was acknowledged before me, this 7th day of
March, 1986, by Ron B. Ault as
Executive Vice President and Thorp Thomas as
Assistant Secretary of FAIRFIELD PAGOSA, INC., a Delaware Corporation.

Witness my hand and official seal.

My Commission Expires: 01/20/90



Virginia M. Sanders
Notary Public

Address: P.O. Box 4040
Pagosa Springs, CO 81157

STATE OF COLORADO)
) SS.
COUNTY OF Archuleta)

The foregoing instrument was acknowledged before me, this 7th day of
March, 1986, by Ron B. Ault as
President and Thorp Thomas as
Secretary of WEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.,
a Colorado non-profit corporation.

Witness my hand and official seal.

My Commission Expires: 01/20/90



Virginia M. Sanders
Notary Public

Address: P.O. Box 4040
Pagosa Springs, CO 81157

ARCHULETA COUNTY, CO 01/20/86 01/20/90
BY: N/A TO: 01/20/90 NOTARY PUBLIC, RECORDER

STATE OF COLORADO)
) SS.
COUNTY OF Archuleta)

The foregoing instrument was acknowledged before me, this 7th day of
March, 1986, by Harry G. Young as
President and Lyn Beauchene as
Vice President Secretary of PAGOSA LAKES PROPERTY OWNERS ASSOCIATION, INC., a
Colorado non-profit corporation.

Witness my hand and official seal.

My Commission Expires: 01/20/90

(SEAL)

Virginia M. Sandoz
Notary Public

Address: P.O. Box 4040
Pagosa Springs, CO 81157

ARCHULETA COUNTY CO. 01583-8 03/16/1986 0041
BK N/A PG 22 MARTHA VALDEZ RECORDER

MRC/k1b/2/28/86

9/16/8

Exhibit A
Legal Description

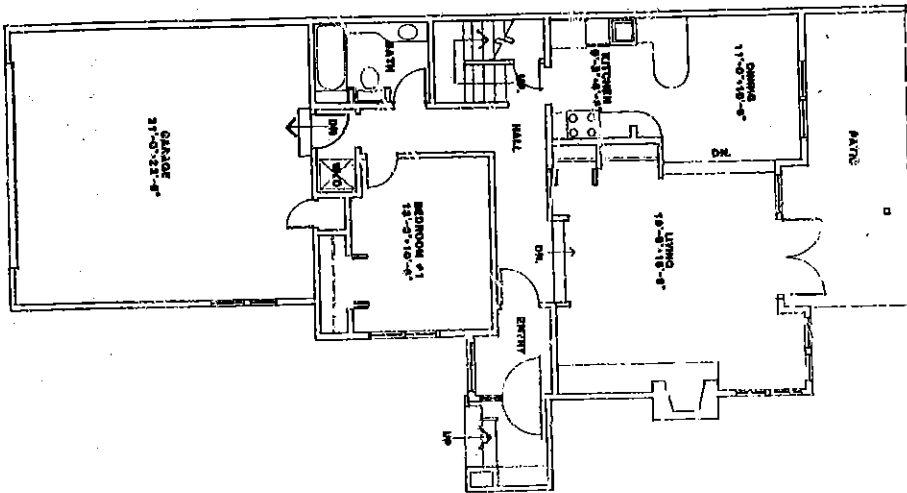
Parcel 13, Second Replat of South Village Lake, Recorded
as Reception #111806 in the Office of the County Clerk
and Recorder for Archuleta County, Colorado.



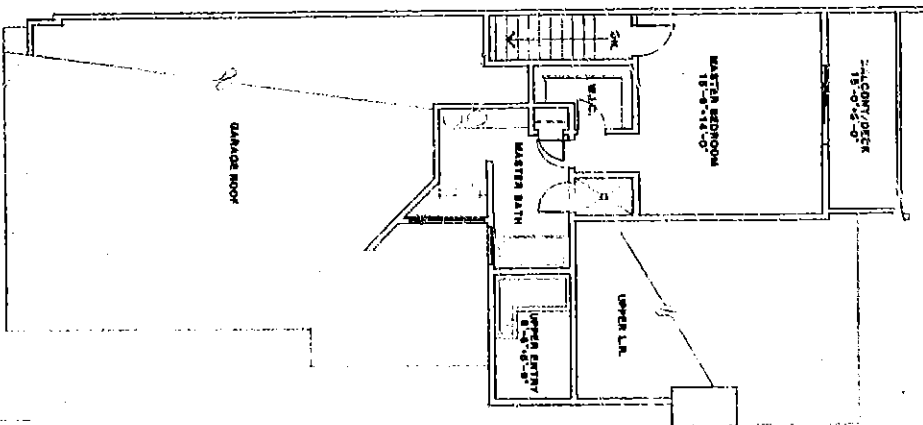
FAIRFIELD PAGOSA, COLORADO

Wedgewood Villas

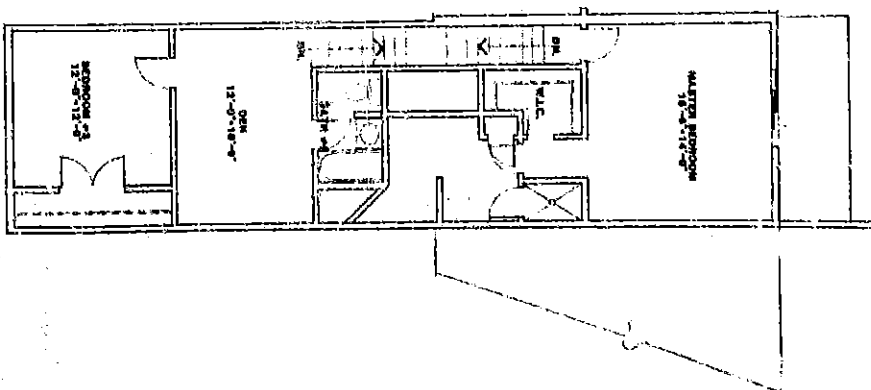
Feeney Architects
 Post Office Box 8805 Durango, Colorado
 302.258.5741 98822248



FIRST FLOOR PLAN
 1/2"=1'-0"



SECOND FLOOR PLAN
 1/2"=1'-0"



ALTERNATE SECOND FLOOR PLAN
 1/2"=1'-0"

ARTICLES OF INCORPORATION
OF
WEDGEWOOD VILLAS
PROPERTY OWNERS ASSOCIATION, INC.

In compliance with the requirements of the Colorado Nonprofit Corporation Act, cited as Articles 20 to 29, inclusive, of Title VII, Colorado Revised Statutes 1973, the undersigned has and hereby acknowledges his intent to form a corporate entity under and by virtue of said law.

ARTICLE I

NAME

The name of the corporation is Wedgewood Villas Property Owners Association, Inc., hereinafter called the "Association."

ARTICLE II

PRINCIPAL OFFICE

The principal and initial registered office of the Association is located in Archuleta County, Colorado, at Pagosa Administration Office, 3505 Highway 160 West, Pagosa Springs, Colorado 81157.

ARTICLE III

INITIAL REGISTERED AGENT

Ron Ault, whose address is Pagosa Administration Office, 3505 Highway 160 West, Pagosa Springs, Archuleta County, Colorado 81157, is hereby appointed the initial registered agent of this Association.

ARTICLE IV
PURPOSE OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation, and control of the Units and Common Area within that certain tract of real property ("Property") described in Exhibit A of that certain Declaration for Wedgewood Villas, hereinafter called the "Declaration" which is or shall be filed for record with the Clerk and Recorder of Archuleta County, Colorado (and as the same may be amended from time to time and supplemented from time to time as therein provided), said Declaration and any supplements thereto being incorporated herein as if set forth at length; and to promote the health, safety, and welfare of the residents within the above-described real property (hereinafter referred to as the "Project"). Unless otherwise specified, terms shall have the same meaning in these Articles as such terms have in the Declaration.

ARTICLE V
POWERS

In furtherance of its purposes, but not otherwise, the corporation shall have the power to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration.

(b) fix, levy, collect, and enforce payment by any lawful means of all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(c) acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, or otherwise dispose of real or personal property in connection with the affairs of the Association, subject to all restrictions imposed by the Declaration and Bylaws;

(d) borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration and Bylaws and to authorize the appropriate officers to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary, and such indebtedness shall be the several obligations of all the Owners in the same proportions as they share the Common Expenses; provided, however, that the Board shall not borrow more than \$3,000 or cause the Association to be indebted for more than \$3,000 at any one time without the prior approval of a majority of the votes entitled to be cast on such matter;

(e) dedicate, sell, or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. The Association shall not be entitled, by act or omission, to seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Area unless at least two-thirds of the First Mortgagees (based upon one vote for each First Mortgage owned) or Owners of the individual Units shall have given their prior written approval (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area by the Project shall not be deemed a transfer within the meaning of this clause);

(f) enforce covenants, restrictions, or conditions affecting the Project to the extent the Association may be authorized under any such covenants, restrictions, or conditions, and to make and enforce rules and regulations pertaining to the use of Common Area and to conduct of Owners, their licensees, guests, and invitees while on or in the Project;

(g) enter into, make, perform, or enforce contracts of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any person, firm, association, corporation, or other entity or agency, public or private;

(h) adopt, alter, and amend or repeal such Bylaws as may be necessary or desirable for the proper management of the affairs of the Association, provided, however, that such Bylaws may not be inconsistent with or contrary to any provisions of the Declaration or these Articles of Incorporation.

(i) have and to exercise any and all powers, rights, and privileges which a corporation organized under the Colorado Nonprofit Corporation Act by law may now or hereafter have or exercise.

ARTICLE VI

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any Unit shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Unit, provided, however, that any Owner may appoint in a writing furnished to the Association a Delegate to exercise the rights of such Owner to be a candidate for, and if elected, to serve as a member of the Board of Directors.

ARTICLE VII

CLASSES OF MEMBERSHIP AND VOTING RIGHTS

There shall be one class of membership. Each Unit owned by a member shall be entitled to one vote. When more than one person holds

an interest in a Unit, they may appoint one of their Co-Owners as proxy to cast the vote for that Unit. The vote for such Unit shall be cast as the Owners thereof agree, but the voting interest allocated to such Unit shall not be divided among Co-Owners. All members shall be entitled to vote on all matters, as provided in this Article VII or as otherwise provided in the Declaration, these Articles, or the Bylaws. Cumulative voting is prohibited.

ARTICLE VIII
BOARD OF DIRECTORS

The business and affairs of the corporation shall be conducted, managed, and controlled by a Board of Directors, the members of which shall be Owners of Units including Declarant, as defined in the Declaration (or Delegates of such Owners appointed pursuant to Article VI of these Articles). The Board of Directors shall consist of not less than three nor more than nine members, the specific number to be set forth from time to time in the Bylaws of the Association. In the absence of any provision in the Bylaws to the contrary, the Board shall consist of three members. The method of election and the term of office of members of the Board of Directors shall be determined by the Bylaws. Directors may be removed and vacancies on the Board of Directors shall be filled in the manner to be provided in the Bylaws. The names and addresses of three persons who are to initially act in the capacity of Directors until their successors are duly elected and qualified are as follows:

Ron B. Ault

3505 Highway 160 West

Pagosa Springs, CO 81157

Thorp Thomas

3505 Highway 160 West

Pagosa Springs, CO 81157

David Hull

3505 Highway 160 West
Pagosa Springs, CO 81157

At the first annual meeting the members shall elect one Director for a term of one year, one Director for a term of two years, and one Director for a term of three years; and at each annual meeting thereafter the members shall elect one Director for a term of three years to replace the outgoing Director.

ARTICLE IX

OFFICERS

The Board of Directors shall elect a president, a vice-president, a secretary, and a treasurer. The Board may additionally elect such other officers as the Board believes will be in the best interests of the Association. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to the Bylaws of the Association. The president must be a member of the Board of Directors. The term of office, duties, and method of removal of officers may be prescribed in the Bylaws of the Association.

ARTICLE X

MERGER, CONSOLIDATION, OR DISSOLUTION

The Association may be merged or consolidated in the manner provided in Article 25 of Title VII of the Colorado Nonprofit Corporation Act, or may be dissolved in the manner provided in Article 26 of Title VII of said Act. In order for the question of merger, consolidation, or dissolution of the Association (when such question is duly presented in accordance with the statutory requirements at an annual or special meeting) to be approved, such merger, consolidation, or dissolution shall require the assent of members of each class possessing an ag-

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aggregate voting interest of at least two-thirds of the total voting interest which members of that class present at the meeting, or represented by proxy, are entitled to cast. Voting by mail on the question of merger, consolidation, or dissolution is hereby permitted. In the event of such mail vote, said resolution shall be deemed approved upon receiving the assent of members possessing an aggregate voting interest of at least two-thirds. In the event of the dissolution of this Association, either voluntarily by the members hereof, by operation of law, or otherwise, then the assets of this Association shall be deemed to be owned by the members in proportion to each member's ownership of the Common Area of the Project.

ARTICLE XI

The corporation shall exist perpetually.

ARTICLE XII

AMENDMENTS

Amendment to these Articles shall require the assent of two-thirds of the members of the Association.

ARTICLE XIII

INCORPORATION

The incorporator of this corporation and his address is as follows:

M. Rickliffe Choate II
Corporate Attorney
Fairfield Communities, Inc.
2800 Cantrell Road
Post Office Box 3375
Little Rock, Arkansas 72203

IN WITNESS WHEREOF, for the purposes of forming this corporation under the laws of the State of Colorado, the undersigned, being the incorporator of this Association, has executed these Articles of Incorporation this 12 day of February, 1986.

M. Rickliffe Choate II
M. Rickliffe Choate II

STATE OF Arkansas)
COUNTY OF Pulaski) SS.

The foregoing instrument was acknowledged before me this 12th day of February, 1986, by M. Rickliffe Choate II.

WITNESS my hand and official seal.

My Commission expires August 6, 1989.

Nancy Maime Green
Notary Public

Address: Fairfield Communities, Inc.
2800 Cantrell Road
Little Rock, Arkansas
72202

[SEAL]

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MRC/k1b/12/9/85

9/15/7

Exhibit D

BYLAWS

OF

WEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I - APPLICATION AND DEFINITIONS.

These Bylaws shall apply to all present and future owners, mortgagees, lessees or other occupants, and all other persons who may use the facilities of the Wedgewood Villas subdivision as presently platted or as may be platted in the future (hereinafter "Wedgewood Villas"), with the mere act of occupancy of any of the units or property to signify that these Bylaws and all other of the Wedgewood Villas documentation, rules and regulations are accepted, ratified and complied with. All terms herein shall be considered to have the same definition as in the Declaration of Protective Covenants for Wedgewood Villas recorded contemporaneously herewith in the Office of the County Clerk and Recorder for Archuleta County, Colorado, as amended from time to time ("Declaration") and the Articles of Incorporation for the above-referenced not for profit corporation, whose members are owners in Wedgewood Villas.

ARTICLE II - WEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.

Section 1 - Membership and Management. All owners of Units within Wedgewood Villas as now platted or as may be platted shall be members of the Wedgewood Villas Property Owners Association, Inc. (Association") which, through its Board of Directors, shall have the responsibility of managing the Association or arranging for its management pursuant to a Management Agreement which has been or will be entered into between the Association and a management firm ("Management Firm"). All management duties, unless prohibited by the Declaration or the Colorado not for profit corporation act ("Act"), may be assigned to the Management Firm or its successors under a Management Agreement. Except as otherwise specifically provided, decisions required to be made by the members of the Association shall require approval of a majority thereof.

Section 2 - Place of Meeting. Meetings of the members of the Association shall be held at Fairfield Pagosa, Colorado, or at such other suitable place convenient to the members as may be designated by the Board of Directors.

Section 3 - Annual Meeting. The annual meetings of the members of the Association shall be held on the first Saturday in June of each year, commencing in June, 1986. At such meeting the members shall by ballot elect a

Board of Directors of the Association for the ensuing year, and transact such other business of the Association as may properly come before the meeting.

Section 4 - Special Meetings. It shall be the duty of the President of the Association to call a special meeting of the members if directed to do so by resolution of the Board of Directors, or by a petition signed by a majority of the members. Notice thereof shall state the time, place and purpose of said meeting, and no business shall be transacted at any special meeting other than that stated in said notice, except by consent of no less than 66 2/3 percent of the members present, either in person or by proxy.

Section 5 - Notice of Meeting. It shall be the duty of the Secretary to mail a notice of the annual meeting and each special meeting (stating the purpose of the special meeting) to each Unit Owner of record at least fifteen (15) days but not more than thirty (30) days in advance of each annual meeting, and at least five (5) days but not more than ten (10) days in advance of any special meeting, such notice to be accomplished upon mailing.

Section 6 - Voting and Majority. The Owner or Owners of each Unit in Wedgewood Villas shall be entitled to one vote attributable to that Unit. As used in these Bylaws, the term "majority" shall mean more than fifty percent (50%) of the total number of votes for all Units in Wedgewood Villas.

Section 7 - Quorum. Except as otherwise specifically provided herein, the presence in person or by proxy of members holding a majority of the total votes as provided in Section 6 above shall constitute a quorum. In the event a quorum is not present, the members who are present, either in person or by proxy, may adjourn the meeting to a time not less than twenty-four (24) hours from the meeting at which a quorum is not present.

Section 8 - Proxies. Votes may be cast either in person or by proxy. Proxies shall be in the form determined from time to time by the Board of Directors, and must be filed with the Secretary at least fifteen (15) days before the scheduled date and time of a regular meeting, or at least twenty-four (24) hours before the scheduled time of a special meeting.

ARTICLE III - BOARD OF DIRECTORS.

Section 1 - Number and Qualifications. The Board of Directors of the "Association" shall consist of at least three (3) persons, all of whom must be Unit Owners, officers of a corporate Unit Owner, partners of a partnership Unit Owner, a spouse of an individual Unit Owner, or agents and/or employees of the Developer.

Section 2 - Powers and Duties. The Board shall manage and control the affairs of the Association, select the officers thereof, establish Association committees and appoint the members of such committees, adopt reasonable rules of order for the conduct of Association meetings, determine procedural questions upon which no rules have been adopted, assign such duties and responsibility to Association committees as it considers desirable which are not inconsistent with these Bylaws or any other of the Declaration documentation, adopt reasonable rules and regulations for the use of the Units and Common Areas, arrange for the maintenance of the Units and Common Areas and the operation of the Units and Common Areas and the collection of assessments for that purpose, except to the extent that such duties and responsibilities have been delegated to the Management Firm under the Management Agreement.

Section 3 - Election and Term of Office. At the first annual meeting of the Association, the term of office of the candidate for the Board receiving the greatest number of votes shall be three (3) years, the term of office of the candidate receiving the next highest number of votes shall be two (2) years, and the term of office of the candidate receiving the third highest number of votes shall be one (1) year. At the expiration of the initial term of each Director, his successor shall be elected to serve a term of three (3) years. Each Director shall hold office until his successor has been duly elected and qualified. Pending the first election pursuant hereto, those persons named in the Articles of Incorporation of the Association shall serve as the initial Board of Directors. Cumulative voting will not be permitted in the election of the Board of Directors.

Section 4 - Meetings. The first meeting of the Board of Directors shall be held within ten (10) days following their election, at such place and time as they may determine by resolution at the meeting in which they were elected, of which no notice shall be required. Regular meetings of the Board may be held at such time and place as shall be determined by a majority resolution, at least two of which meetings shall be held during each fiscal year. Notices thereof shall be given to each member personally or by mail, telephone or telegraph at least ten (10) days prior thereto. Special meetings may be called by any two (2) Directors, notice of which shall be given to each member

of the Board, in the manner above described, at least three (3) days prior thereto. Notice of any meeting may be waived prior to or at any meeting of the Board. Attendance at a meeting by a member of the Board shall constitute a waiver of notice by him, unless he announces that his only purpose in attending said meeting is to object to its being held without proper notice. Any action which may be taken at a meeting may be taken without a meeting, in writing signed by all members of the Board and filed with the Secretary of the Association.

Section 5 - Quorum. A Quorum of the Board of Directors shall be constituted by the presence of one half or more of those members presently serving on the Board of Directors, and the act of a majority of the Directors present shall be deemed to be the act of the Board.

Section 6 - Vacancies and Removal. Any vacancy on the Board shall be filled by the remaining Directors, even though they might constitute less than a quorum. Any person so elected shall serve out the expired term of the vacant office. Any member of the Board of Directors may be removed with or without cause at any time by a vote of the members of the Association holding a majority of the votes cast at any regular meeting or any special meeting called for that purpose.

Section 7 - Fidelity Bond. The Board of Directors may require that any or all officers of the Association handling funds of the Association furnish a fidelity bond in an amount determined by the Board, the premium for which shall be paid by the Association.

ARTICLE IV - OFFICERS.

Section 1 - Designation, Election and Removal. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, and such additional Vice-Presidents and Assistant Secretaries and Assistant Treasurers as may be determined from time to time by the Board, all of whom shall be elected by the Board. Any two offices may be held by the same person, except that no person may serve at the same time as both President and Secretary. The officers shall be elected annually by the Board and shall hold office at the pleasure of the Board. Any officer may be removed, with or without cause, and his successor elected by majority vote of the Board.

Section 2 - President. The President shall be the chief executive officer of the Association, and shall be a member of the Board of Directors. He shall preside at all meetings of the Board and the members of the Association,

shall have all of the general powers and duties usually vested in the office of President, including but not limited to the power to appoint committees from among the Association's members from time to time as he may consider appropriate.

Section 3 - Vice-President. The Vice-President shall perform the duties of the President in the absence of the President, and perform such other duties as may from time to time be assigned to him by the Board of Directors.

Section 4 - Secretary. The Secretary shall keep minutes of all meetings of the Board and the members of the Association, have custody of the records of the Board and the Association, and perform all duties incident to the office of Secretary and such other duties as may be assigned to him from time to time by the Board.

Section 5 - Treasurer. The Treasurer shall be responsible for the funds of the Association and for keeping full and accurate accounts of all receipts and disbursements and all other financial records of the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board, and for delivering to the Management Firm any and all funds owed by the Association to the Management Firm.

ARTICLE V - MORTGAGEES.

Section 1 - Notification. Any Unit Owner who mortgages his Unit or his interest therein shall notify the Association through the Management Firm, or the President of the Board of Directors in the event there is no Management Agreement then in effect, of the name and address of his mortgagee, and the Association or Management Firm shall maintain a record of said mortgagees.

Section 2 - Notice of Unpaid Assessments. The Association or the Management Firm, at the request of any mortgagee of a Unit, shall report any unpaid assessments due from its mortgagor. The Association may charge a reasonable fee to the mortgagee for each such report.


Section 3 - Rights of Mortgagees. All mortgagees shall have the rights granted to them by the Declaration, and nothing contained herein shall contravene said rights.

ARTICLE VI - AMENDMENTS.

These Bylaws may be amended by the affirmative vote of Unit Owners having two-thirds (2/3) of the total vote of Wedgewood Villas Units. These Bylaws may also be amended by a two-thirds (2/3) vote of the Board of Directors of

the Wedgewood Villas Property Owners Association, Inc. No such amendment shall become effective until an appropriate written indication thereof is recorded in the Office of the County Clerk and Recorder in and for Archuleta County, Colorado.

These Bylaws are hereby adopted, accepted and fully ratified as the Bylaws of the Wedgewood Villas Property Owners Association, Inc., this 7th day of March, 1986.




Director

(SEAL)



Director



Director

(SEAL)

ARCHULETA COUNTY, CO 0138368 03/10/1986 03:15
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INITIAL RULES AND REGULATIONSWEDGEWOOD VILLAS PROPERTY OWNERS ASSOCIATION, INC.

The Rules and Regulations hereinafter enumerated shall be deemed in effect until amended by the Management Firm, as long as the Management Agreement remains in effect, and thereafter, by the Board of Directors of the Association, and shall apply to and be binding upon all Unit Owners. Unit Owners, at all times shall obey these Rules and Regulations and shall use their best efforts to see that they are faithfully observed by their families, guests, invitees, servants, lessees and persons over whom they exercise control and supervision. The initial Rules and Regulations shall be as follows:

1. Capitalized terms used herein shall have the same meaning as defined terms in the Declaration to which these Rules and Regulations are attached, unless the context clearly requires a different meaning.

2. The sidewalks, if any, walkways and entrances shall not be obstructed or encumbered or used for any purpose (excluding patios, decks and balconies) other than ingress and egress to and from the premises; nor shall any carriages, bicycles, wagons, shopping carts, chairs, benches, tables, or any other object of a similar type and nature be left therein or thereon.

3. The personal property of all Unit Owners shall be stored within their Units.

4. No Unit Owner shall allow anything to fall from the windows, patios, decks, balconies, entry ways or doors of the premises, nor shall any dirt or other substances be swept or thrown from a unit.

5. Refuse and bagged garbage shall be deposited only in the area(s) so designated.

6. No Unit Owner shall store or leave a boat, trailer, mobile home, recreational vehicle or any similar vehicle on the Common Area, except in areas designated for same.

7. Employees of the Association or Management Firm shall not be sent from Wedgewood Villas by any Unit Owner at any time for any purpose. No Unit Owner or resident shall direct, supervise, or in any manner attempt to assert any control over the employees of the Management Firm or the Association.

8. The parking facilities shall be used in accordance with the regulations adopted by the Management Firm, as previously provided, and thereafter, by the Board of Directors. No vehicle which cannot operate on its own power shall remain within Wedgewood Villas for more than twenty-four (24) hours, and no repair of vehicles shall be made on the premises.

9. No Unit Owner shall make or permit any disturbing noises by himself, his family, servants, employees, agents, visitors, and licensees, nor do or permit anything by such persons that will interfere with the rights, comforts or convenience of other Unit Owners. No Unit Owner shall play upon or suffer to be played upon any musical instrument, or operate or suffer to be operated, a phonograph, television, radio or sound amplifier in a Unit, in such a manner as to disturb or annoy other occupants of Wedgewood Villas. All persons and the volume of all such devices shall be lowered as of 11:00 P.M. each day. No Unit Owner shall conduct or permit to be conducted, vocal or instrumental instruction at any time.

10. No radio, wiring, television, cable or wiring, or other wiring, shall be installed without the written consent of the Management Firm, as long as the Management Agreement remains in effect, and thereafter by the Board of Directors. Any antenna or aerial erected or installed on the exterior walls of a Unit or on the Common Areas, without the consent of the Management Firm, and thereafter, the Board of Directors, in writing, is liable to removal without notice and at the cost of the Unit Owner for whose benefit the installation was made.

11. No sign, advertisement, notice or other lettering shall be exhibited, displayed, inscribed, painted or affixed, in, on or upon any part of a Unit or Common Area by any Unit Owner or occupant without written permission of the Management Firm, or, in the absence of a Management Firm, the Association.

12. No awning, canopy, shutter or other projection, shall be attached to or placed upon the outside walls or doors or roof of a Unit or Building without the written consent of the Management Firm, as long as the Management Agreement remains in effect, and thereafter, written consent of the Board of Directors of the Association. All window coverings must be the color the Management Firm, or, if no Management Firm, the Association, determines in its sole discretion. Patios, decks or balconies may not be enclosed nor anything affixed, to the walls or railings within such patios, decks and balconies except with the prior written consent of the Management Firm, or, if no Management Firm, the Association, which consent may be given to some Units and denied others, in the discretion of the Management Firm, or, if no Management Firm, the Association.

13. Complaints regarding the service of the Association shall be made in writing to the Management Firm, as long as the Management Agreement remains in effect, and thereafter, to the Board of Directors.

14. No flammable, combustible, or explosive fluid, chemical or substance, shall be kept in any Unit or Common Areas except as required for normal household use.

15. Payments of monthly assessments for Common Expenses, Master Association Dues, and the Developer Recreation Fee shall be made at the office of the Management Firm, as designated in the Management Agreement. Payments made in the form of checks shall be made to the order of such party as the Management Firm shall designate. Payments of regular assessments are due on the 1st day of each month, and if such payments are ten (10) or more days late, are subject to late fees and may become a lien against a Unit, as provided in the Declaration.

16. The Management Firm, as long as the Management Agreement remains in effect, and thereafter, the Association Board of Directors, reserves the right to amend, revoke, or revise these Rules and Regulations and to adopt and enforce additional Rules and Regulations as may be required from time to time, all of which shall be binding upon Owners and Guests in the same manner as these initial Rules and Regulations.

17. No clothes line or similar device shall be permitted on any portion of Wedgewood Villas, nor shall clothes be hung anywhere except in such areas so designated by the Management Firm, or, if no Management Firm, by the Association Board of Directors.

IN WITNESS WHEREOF, the Wedgewood Villas Property Owners Association, Inc. has caused these Rules and Regulations to be executed by its _____ President and attested by its _____ Secretary this 7th day of March, 19 36.

WEDGEWOOD VILLAS PROPERTY OWNERS
ASSOCIATION, INC.

BY: _____

Title: President

ATTEST:

Secretary

STATE OF COLORADO)
) SS.
COUNTY OF Archuleta)

The foregoing instrument was acknowledged before me, this 7th day of
March, 1986, by Ron B. Ault as
----- President and Thorp Thomas as
----- Secretary of Wedgewood Villas Property Owners Association,
Inc., a Colorado Corporation.

Witness my hand and official seal.

My Commission Expires: 01/20/90



Virginia M. Sanders
Notary Public

Address: P.O. Box 4040
Pagosa Springs, CO 81157

ARCHULETA COUNTY, CO 0138343 03/10/1986 03:15
BK N/A PG 41 MARTHA VALDEZ, RECORDER

MRO/k1b/2/28/86

9/15/9

10000 (2)

AMENDMENT OF RESTRICTIONS

SECOND RE-PLAT OF SOUTH VILLAGE LAKE

WHEREAS, Eaton International Corporation, a Delaware Corporation, was the developer of South Village Lake according to the second re-plat thereof which plat was recorded in Archuleta County, Colorado, on August 3, 1982, under Reception No. 111806; and

WHEREAS, by instrument previously recorded August 3, 1982, under Reception No. 111807 of the Archuleta County, Colorado records, South Village Lake was made subject to the terms of Declarations of Restrictions; and

WHEREAS, Fairfield Pagosa, Inc., a Delaware corporation, is the record owner of in excess of two-thirds (2/3rds) of all lots in South Village Lake; and

WHEREAS, Fairfield Pagosa, Inc. desires to amend said Declarations of Restrictions in certain respects;

NOW THEREFORE, Fairfield Pagosa, Inc. declares said Declarations of Restrictions for the second re-plat of South Village Lake shall be amended as follows:

1. Paragraph 3.A., permitted uses, is hereby amended by the addition of Parcel 7 (Mallard Point) as a parcel covered by said Paragraph 3.A. and by the addition of the following subparagraph (5):

(5) Single family residential dwelling structures.

2. Paragraph 3.D. is amended to delete the words, "except Parcel 7."

3. Paragraph 3.E. is hereby deleted in its entirety and the limitation on commercial uses for Parcel 7 is hereby eliminated.

Except as expressly herein modified, the Declarations of Restrictions
for the second re-plat of South Village Lake shall remain in full force and
effect.

Dated this _____ day December, 1985.

FAIRFIELD PAGOSA, INC.
a Delaware Corporation

BY: 

Roy B. Ault,
Executive Vice President

ATTEST:


Thorp Thomas
Assistant Secretary

COLORADO LAND TITLE COMPANY
AS NOMINEE

BY: 

Robert W. Ptolemy, President

ARCHULETA COUNTY, CO

0135166 12/30/1985 01:54

BK

N/A PG 2

MARTHA VALDEZ, RECORDER

Recorded **AUG - 2 1983** 8:35 A.M.
117710 Martha Valdez-Reynier
J.J.

SUPPLEMENTAL DECLARATION OF RESTRICTIONS

FOR

FAIRFIELD - EATON, INC.

This Supplemental Declaration of Restrictions (hereinafter referred to as Supplemental Declaration) made and entered into this 24th day of July, 1983, by and between Fairfield - Eaton, Inc., a Delaware Corporation, (hereinafter referred to as Declarant) and Colorado Land Title Company, a Colorado Corporation, (hereinafter referred to as Title Company) parties of the first part ; and SUCCESSORS IN TITLE TO DECLARANT AND/OR TITLE COMPANY IN AND TO ANY AND ALL NUMBERED LOTS IN THE HEREINAFTER ENUMERATED SUBDIVISIONS WHICH LOTS ARE EITHER OWNED BY DECLARANT AND/OR TITLE COMPANY AT THE DATE OF RECORDATION OF THIS SUPPLEMENTAL DECLARATION OF RESTRICTIONS OR ARE HEREAFTER ACQUIRED BY DECLARANT AND/OR TITLE COMPANY, ITS SUCCESSORS OR ASSIGNS, parties of the second part;

For the purpose of this Supplemental Declaration the term "lot" shall mean and include any and all townhouses and condominiums platted of record, any and all timeshare units platted of record, and any and all land subdivided and platted of record as single family residences;

WITNESSETH:

WHEREAS, Declarant is the developer of that certain resort development known as "Fairfield Pagosa" located in Pagosa Springs, Archuleta County, Colorado; and

WHEREAS, Declarant has conveyed the legal title to certain properties in Fairfield Pagosa to Title Company pursuant to a Title Clearing Agreement dated June 21, 1983 for the purpose of providing a convenient method of conveying title, releasing encumbrances and protecting the interest of the parties as their interests may appear; and

WHEREAS, Declarant is the developer of certain lots in the subdivisions hereinafter enumerated, which subdivisions are located in Fairfield Pagosa,

Plats of said subdivisions being recorded in the Archuleta County Recorder's Office in the Books at the Pages hereinafter enumerated, the aforesaid subdivisions and the recordation data of the respective plats and Declaration of Restrictions being attached hereto as Exhibit A; and

WHEREAS, Declarant is also the owner and/or developer of certain unnumbered land or lands in Fairfield Pagosa which lands are intended for commercial, multiple dwelling, condominium or hotels, or recreational uses; and,

WHEREAS, certain of the aforesaid unnumbered land or lands have been developed by Declarant as recreational amenities; and,

WHEREAS, Declarant may hereafter develop other of said lands as recreational amenities; and,

WHEREAS, the recreational amenities hereinabove referred to include or may hereafter include but shall not be limited to, dams, lakes, beaches, golf courses, tennis courts, swimming pools, club houses and adjacent clubhouse grounds, and campgrounds; and

WHEREAS, the aforesaid recreational amenities are provided to further and promote the community welfare of property owners in Fairfield Pagosa; and

WHEREAS, any or all of the aforesaid recreational amenities may be conveyed by the Declarant or the operation thereof may be transferred to one or more non-profit property owners associations, whereupon the maintenance, repair, and upkeep, of such recreational amenities will be provided by said association(s); and

WHEREAS, Declarant desires to insure the maintenance, repair, and upkeep of such recreational amenities until such time if ever, as any or all of such recreational amenities may be conveyed or the operation thereof transferred to one or more non-profit property owners associations; and

WHEREAS, Declarant also desires to insure that all purchasers of lots in the subdivisions hereinafter enumerated in Exhibit A will be members of the Pagosa Property Owners Association, a Colorado non-profit corporation, hereinafter referred to as "Association";

NOW, THEREFORE, Declarant hereby declares that all numbered lots in the aforesaid subdivisions listed on Exhibit A attached hereto (1) owned by Declarant or Title Company at the date and time of recordation of this Supplemental Declaration or (2) hereafter acquired by Declarant or Title Company, its successors and assigns, are held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved subject to this

Supplemental Declaration as well as to the applicable Declaration of Restrictions hereinafter set forth in Exhibit A attached hereto; provided however that any lot heretofore sold by Declarant for which a deed has not been recorded shall not be subject to this Supplemental Declaration (unless hereafter acquired by Declarant, its successors or assigns) provided that the deed for such lot is recorded without reference therein to this Supplemental Declaration.

THE COVENANTS, CONDITIONS AND CHARGES HEREBY IMPOSED UPON SUCH LOTS ARE AS FOLLOWS:

Article I. Recreational Amenity Fee

Section 1. Power to Levy Fee. The Declarant shall have the power to levy against each lot subject to the provisions hereof an annual charge, the amount of said charge to be determined solely by the Declarant after consideration of current and future needs of Declarant for the reasonable and proper maintenance, repair and upkeep of all recreational amenities owned by the Declarant or Title Company and actually provided at the date of the levy of such charge. The recreational fee may be collected for the Declarant by one or more designated property owners associations as a part of their common expenses.

Section 2. Successors and Assigns. The power to levy such charge shall inure also to the successors and assigns of each such recreational amenity, provided however, that no charge shall be levied by any such successor or assign within twelve (12) months following the date of levy by Declarant or by the predecessor in title to such successor or assign of a charge as provided herein for the maintenance, repair, and upkeep of the recreational amenity or amenities acquired by such successor or assign.

Section 3. Entities Not Subject to Fee. No such charge shall ever be levied against lots owned by the Declarant or Title Company, by any non-profit property owners association, or by any corporation or corporations that may acquire title to or operate any water or sewer utilities serving the area, or any dams, lakes, beaches, golf courses, tennis courts, swimming pools, club house grounds, or other like recreational facilities, regardless of whether such facilities are used by persons other than lot owners.

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Section 4. Liens. Charges to be levied by the Declarant, its successors and assigns, for the maintenance, repair and upkeep of the recreational amenity or amenities during the ensuing year shall be determined on or before the first day of each year. Each such charge shall become a lien or encumbrance upon the lot upon which same is levied as of the aforesaid first day of January, and acceptance of each deed for a lot or the execution of the Contract of Purchase for a lot, shall be construed to be a covenant by the lot owner or lot purchaser to pay each such charge. Any lot acquired shall be taken subject to the lien for any unpaid prior charges, and every person who shall become the owner of the title, legal or equitable, to any lot subject to such a charge by any means whatsoever (other than a mortgagee under a mortgage or a trustee under a Deed of Trust) shall be deemed conclusively to have covenanted to pay to Declarant, its successors or assigns, any such charge or charges. However, if a mortgagee or trustee under a Deed of Trust should, through foreclosure or otherwise, become the equitable or real owner of the lot, he will then be subject to all provisions of these Covenants.

Section 5. Payment. Each such charge shall become due and payable on the first day of March of the year in which such charge is levied, and each such charge shall bear interest from its due date at the highest rate of interest allowed by law, which interest until paid shall also constitute a lien or encumbrance upon the lot to which said charge is applicable. Such charge shall be pro-rated from the date of execution of the lot purchase contract.

Section 6. Place of Payment. Payment of all charges provided for herein, whether levied by Declarant, its successors or assigns, shall be made to Declarant, its agents, successors, or assigns at Fairfield Pagosa, P. O. Box 4100, Pagosa Springs, Colorado, 81157 or to such replacement address or addresses of Declarant, its agents, successors or assigns as may be designated by Declarant.

Section 7. Remedies. The lien of each charge as provided for hereunder may be foreclosed by Declarant, its successors or assigns, at any time following the due date of the charge levied. In addition and as an alternative to the remedy of lien foreclosure, the Declarant, its successors and assigns, shall have the right and option to sue the lot owner or lot purchaser and any successor owner or owners of same for any and all unpaid charges, interest, costs and reasonable attorney's fees, in any court of competent

jurisdiction as for a debt owed by such lot owner or lot purchaser or successor lot owner or lot purchaser to Declarant, its successors or assigns.

Section 8. Priority. Any and all liens as provided for in this item shall be subordinate to the lien of a bona fide mortgage or Deed of Trust representing a first lien at any time placed upon any lot for the purpose of permanent financing provided said mortgage or Deed of Trust is recorded in accordance with the laws of the State of Colorado.

Section 9. Record Keeping. All funds accumulated from the charges levied hereunder by the Declarant, its successors and assigns, shall be separately reflected on the books of account of the Declarant or any other such owner, if any, of said amenities as pertaining to the recreational facilities of the subdivision.

Section 10. Suspension of Privileges. Declarant, its agents, successors or assigns shall have the right to publish a list of lots subject to charges hereunder, which charges are in a delinquent status; and Declarant, its successors and assigns, shall have the right to suspend the use of all recreational facilities owned by Declarant, its successors and assigns, by any person or persons basing the right of use of such recreational facilities upon the ownership or possession of any such lot for which charges provided for hereunder are delinquent.

Section 11. Use Fee. Nothing contained herein shall be interpreted or construed to prevent Declarant, its successors or assigns, from charging any user for the use of any amenities owned or operated by them, or any of them; including charges for individual services or goods provided users through such facilities.

Article II. Pagosa Property Owners Association

Section 1. General. The Pagosa Property Owners Association, Inc. is a Colorado non-profit corporation which is organized for the benefit of the residents and owners of property within the Fairfield Pagosa Resort to promote community welfare, strengthen and enhance property values and operate and be responsible for certain of the common areas.

Section 2. Membership in the Association. Every person acquiring legal or equitable title to any Lot shall automatically be a member of the Association, subject to the requirements imposed by these Covenants and the Articles.

Bylaws, rules and regulations of the Association. The provisions of this Section 1 will not apply to any persons who hold an interest in any Lot solely as security for the performance of an obligation to pay money, such as mortgages or deeds of trust. However, if any such person should, through foreclosure or otherwise, become the equitable or real owner of the Lot, he will then be subject to all provisions of these Covenants.

Section 3. Powers and Duties. The Association will have the powers and duties set forth in its Articles, Bylaws, rules and regulations, and applicable Declaration of Covenants and Restrictions, including the power to assess its Members, and the duty to maintain parks, recreational facilities and provide such other community services such as police and fire protection as it determines advisable. If the Association does not properly perform any of its required duties, Declarant shall have the right, but not the obligation, to perform such duties.

Section 4. Assessments.

- (a) Lots Subject to Assessments. All Lots subject to the provisions hereof shall be subject to assessments by the Association. However, no assessment shall be payable by Declarant, the Title Company, or the Association itself. In addition, neither Declarant, the Association, or any other entity shall pay assessments for portions of the Property utilized for public water or sewer services, community waterways, nonexclusive beaches, access tracts, marinas, golf courses, tennis courts, swimming facilities, clubhouses or grounds, campgrounds or other similar recreational facilities so designated by Declarant on any recorded plat or subsequently recorded document.
- (b) Basis of Assessments. The Association will adopt a budget at the beginning of each fiscal year and will set assessments for the year sufficient to fund its budgeted operations. The Association will then set the level of assessment for each Lot in a manner which equitably shares the expenses of the Association's operations based on the benefit each Lot derives from the Association, its size, value and other pertinent factors determined by the Association. Lots determined by the Association to be comparable will be assessed equally. The Association will promptly notify Lot Owners of their Lot's assessment by the first day of April each year.

- (c) Payment. All assessments are payable annually on or before the first day of May each year. Every person who shall become the legal or equitable Owner of a Lot subject to assessments hereunder by any means is, by the act of acquiring such title, or by the act of contracting to acquire such title, held to have agreed to pay the Association all charges that the Association shall make in accordance with these Covenants. If such payment is not made when due, it shall bear interest from the due date at the rate of 12 percent per annum. Until paid, such charges, together with costs and reasonable attorneys' fees required to secure payment thereof, shall constitute a perpetual lien on and against the Lot charged. The Association may publish the name of a delinquent Member and may file notice that it is the holder of a lien to secure payment of the unpaid charge plus costs and reasonable attorneys' fees and may foreclose the lien in accordance with the laws of the State of Colorado. The Association shall, upon demand at any time, furnish a list of Members who have paid such assessments or of such Members who are then delinquent in payment of such assessments.
- (d) Priority. The lien for unpaid Association assessments shall be junior and subordinate to any properly recorded First Lien on any portion of Fairfield Pagosa. However, all assessments coming due after any holder of a First Lien acquired actual or equitable title through foreclosure or otherwise shall constitute a lien on the lot involved as provided above. The Declarant's lien for unpaid recreational assessments provided in Article I and the Association's lien for unpaid assessments provided in this Article II shall be concurrent and on equal parity.
- (e) Suspension of Voting Rights. The Association shall have the right to suspend voting rights (if any) and the right to the use of the recreational facilities owned by the Association of any Member or associate Member if any charge owed remains unpaid; or for any continuing violation of these Covenants, after the existence of the violation has been brought to the attention of the Member in writing by the Association; or during the period that any utility bill for water or sewer service remains unpaid.

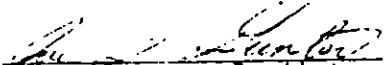
Section 5. Additional Common Areas. Some areas within Fairfield Pagosa may have additional common areas or facilities designed to serve specific portions of the Property. If so, there may be additional owner's associations with supplemental assessment rights for purposes of operating and maintaining these additional facilities. Any such additional associations or assessment rights will be specified in the Supplemental Covenants for the areas involved.

Article III. Purpose

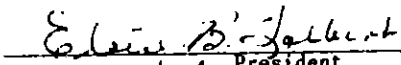
It being the intent and purpose of this Supplemental Declaration to include any and all lands hereinafter developed and sold by Declarant for residential, resort or retirement purposes. Property added to the Fairfield Pagosa development by Declarant by way of execution of a Declaration of Restrictions shall incorporate this Supplemental Declaration therein by reference.

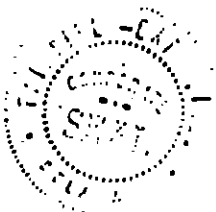
IN WITNESS WHEREOF, Fairfield - Eaton, Inc. and Colorado Land Title Company have caused these presents to be executed and their corporate seals to be hereto affixed all by order of their Board of Directors duly given, this the day and year first above written.

FAIRFIELD - EATON, INC.

By: 
President

COLORADO LAND TITLE COMPANY

By: 
President



STATE OF ARKANSAS)
) SS.
COUNTY OF PELASKI)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____ as Vice President for Fairfield - Eaton, Inc.

WITNESS my hand and official seal.



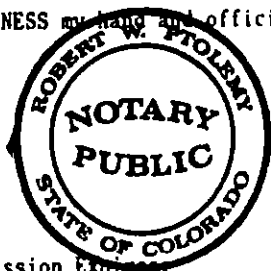
My Commission Expires: _____

[Signature]
Notary Public
Address: _____

STATE OF COLORADO)
COUNTY OF La Plata) SS.

The foregoing instrument was acknowledged before me this 27th day of July, 1983 by Eloise B. Talbert as Vice-President of Colorado Land Title Company.

WITNESS my hand and official seal.



My Commission Expires: _____

[Signature]
Notary Public
Address: 970 1/2 Main Ave
Durango, Colorado 81301

RECORDING INFORMATION

STATE OF COLORADO)
COUNTY OF ARCHULETA) SS.

I hereby certify that this instrument was filed for record in my office at _____ o'clock _____ M., _____, 19____, and is duly recorded under Reception No. _____, and in Book _____, Page _____.

Recorder

Deputy Recorder

EXHIBIT "A"

RECORDED SUBDIVISIONS

The following lots, parcels and tracts are all recorded in the office of the County Clerk and Recorder in and for Archuleta County, Colorado. Date included with the following legal descriptions represent the dates on which specific plats were recorded. Also included is the recording information and any amendments or supplements thereto, for each subdivision in Fairfield Pagosa.

1. Lake Pagosa Park

Lake Pagosa Park consisting of:
Lots 1 through 39, inclusive and Tracts A, B and C of Block 1
1 parcel consisting of Block 2
Lots 1 through 16, inclusive and Tract A of Block 3
Lots 1 through 6, inclusive of Block 4
Lots 1 through 41 of Block 5
Lots 1 through 23, inclusive of Block 6
Lots 1 through 24, inclusive of Block 7
Lots 1 through 25, inclusive of Block 8
Lots 1 through 29, inclusive of Block 9
Lots 1 through 9, inclusive of Block 10
Lots 1 through 46, inclusive of Block 11
Lots 1 through 71, inclusive of Block 12
Lots 1 through 76, inclusive of Block 13
Lots 1 through 48, inclusive of Block 14
Lots 1 through 43, inclusive of Block 15
Lots 1 through 21, inclusive and Tract A of Block 16
Lots 1 through 18, inclusive of Block 17
Lots 8 through 13, inclusive of Block 18
Lots 1 through 35, inclusive of Block 19
Lots 1 through 24, inclusive of Block 20
Lots 1 through 15, inclusive of Block 21

Plat recorded in Archuleta County, Colorado, March 13, 1970; Reception
No. 72998, Plat File # 71-86 (Total of 614 Lots, 5 Tracts) thru 73013

Lake Pagosa Park Declaration of Restrictions -	Recording date	Book/Page
	June 24, 1970	122/224
	Jan. 11, 1978	156/134

2. Pagosa in the Pines

Pagosa In The Pines consisting of:
Lots 1 through 10, inclusive and Tract A of Block 1
Lots 1 through 24, inclusive of Block 2
Lots 1 through 30, inclusive of Block 3
Lots 1 through 38, inclusive of Block 4
Lots 1 through 17, inclusive of Block 5
Lots 1 through 28, inclusive of Block 6
Lots 1 through 16, inclusive of Block 7
Lots 1 through 21, inclusive of Block 8
Lots 1 through 34, inclusive, and Tract A of Block 9
Lots 1 through 14, inclusive of Block 10
Lots 1 through 61, inclusive of Block 11
Lots 1 through 6, inclusive of Block 12
Lots 1 through 61, inclusive of Block 13
Lots 1 through 30, inclusive of Block 14
Lots 1 through 10, inclusive of Block 15
Lots 1 through 21, inclusive of Block 16

Plat recorded in Archuleta County, Colorado, March 13, 1970; Reception
No. 73014 thru 73027, Plat File # 87-100 (Total of 421 Lots)

Pagosa In the Pines Declaration of Restrictions -	Recording Date	Book/Page
	June 24, 1970	122/224
	Jan. 11, 1978	156/134

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3. Pagosa In The Pines Unit Two

Pagosa in The Pines Unit Two consisting of Lots 1 through 384, inclusive.

Plat recorded in Archuleta County, Colorado, February 4, 1972; Reception No. 75408, Plat File # 138 A-L. (Total of 384 lots)

Pagosa In The Pines Unit Two Declaration of Restrictions -	Recording Date	Book/Page
	June 24, 1970	122/224
	March 1, 1972	127/275
	Jan. 11, 1978	156/134

4. Pagosa Vista

Pagosa Vista consisting of lots 1 through 658, inclusive.

Plat recorded in Archuleta County, Colorado September 13, 1971; Reception No. 74884, Plat File # 131 A-K. (Total of 658 lots)

Pagosa Vista Declaration of Restrictions -	Recording Date	Book/Page
	Sept. 13, 1971	126/71
	June 6, 1972	128/271
	Jan. 11, 1978	156/134
	Jan. 25, 1980	171/247

5. Pagosa Meadows

Pagosa Meadows consisting of Lots 1 through 106, inclusive.

Plat recorded in Archuleta County, Colorado, June 1, 1970; Reception No. 73220 Plat File # 102. (Total of 106 lots)

Pagosa Meadows Declaration of Restrictions -	Recording Date	Book/Page
	June 24, 1970	122/213

6. Pagosa Meadows Unit Two

Pagosa Meadows Unit Two consisting of Lots 1 through 116, inclusive.

Plat recorded in Archuleta County, Colorado September 13, 1971; Reception No. 74883, Plat File # 130. (Total of 116 lots)

Pagosa Meadows Unit Two Declaration of Restrictions -	Recording Date	Book/Page
	Sept. 13, 1971	126/95
	Jan. 11, 1978	156/134

7. Pagosa Meadows Unit Three

Pagosa Meadows Unit Three consisting of Lots 1 through 122, inclusive, and 4 Tracts.

Plat recorded in Archuleta County, Colorado, May 23, 1972, Reception No. 75834, Plat File # 141 A-D. (Total of 122 lots and 4 tracts)

Pagosa Meadows Unit Three Declaration of Restrictions -	Recording Date	Book/Page
	Sept. 13, 1971	126/95
	May 23, 1972	128/72
	Jan. 11, 1978	156/134

8. Pagosa Meadows Unit Four

Pagosa Meadows Unit Four consisting of Lots 1 through 329, inclusive.

Plat recorded in Archuleta County, Colorado, June 4, 1973, Reception No. 77867, Plat File # 153 A-H, Replats -	Date	Reception No.	Plat File#
(Total of 329 lots)	10-9-75	84139	184
	8-4-76	85910	188

Pagosa Meadows Unit Four Declaration of Restrictions -	Recording Date	Book/Page
	Sept. 13, 1971	126/95
	June 7, 1973	132/250
	Jan. 11, 1978	156/134

9. Chris Mountain Village

Chris Mountain Village consisting of Lots 1 through 1747, inclusive.

Plat recorded in Archuleta County, Colorado, June 6, 1972; Reception No. 75934, Plat File # 142 A-72. (Total of 1747 lots)

Chris Mountain Village Declaration of Restrictions - Recording Date	Book/Page
June 24, 1970	122/224
June 6, 1972	128/264
Jan. 11, 1978	156/134
Jan. 25, 1980	171/242

10. Chris Mountain Village Unit Two

Chris Mountain Village Unit Two consisting of Lots 1 through 413, inclusive.

Plat recorded in Archuleta County, Colorado, June 4, 1973; Reception No. 77868, Plat File # 154 A-F. (Total of 413 lots)

Chris Mountain Village Unit Two Declaration of Restrictions - Recording Date	Book/Page
June 6, 1972	128/264
June 4, 1973	132/243
Jan. 25, 1980	171/242

11. Pagosa Highlands Estates

Pagosa Highlands Estates consisting of Lots 1 through 795, inclusive.

Plat recorded in Archuleta County, Colorado, February 27, 1972; Reception No. 75409, Plat File # 139 A-G. (total of 795 lots)

Pagosa Highlands Estates Declaration of Restrictions - Recording Date	Book/Page
June 24, 1970	122/224
March 1, 1972	127/275
Jan. 11, 1978	156/134

12. Lake Forest Estates

Lake Forest Estates consisting of Lots 1 through 612 inclusive.

Plat recorded in Archuleta County, Colorado, June 4, 1973, Reception No. 77869, Plat File # 155 A-6. (Total of 612 Lots)

Lake Forest Estates Declaration of Restrictions - Recording Date	Book/Page
June 4, 1973	132/231
Jan. 11, 1978	156/134

13. Pagosa Alpha

Pagosa Alpha consisting of portions of Section 15, 21, 22 and 23, Township 35 North, Range 2 West.

22 parcels in Section 15
36 parcels in Section 21
62 parcels in Section 22
45 parcels in Section 23

Plat recorded in Archuleta County, Colorado, June 13, 1969; Reception No. 72213, Plat File # 63. (Total of 165 parcels) Replat of Pagosa Alpha recorded July 17, 1978; Reception No. 91872 in the Clerk and Recorders Office of Archuleta County, Colorado. Declaration of Restrictions recorded 1-17-79 in Book 20, Page 74.

14. Pagosa Village Service Commercial

Pagosa Village Service Commercial consisting of Lots 2 through 49, inclusive.

Plat recorded in Archuleta County, Colorado, August 7, 1975; Reception No. 83662, Plat File # 178. (Total of 48 lots)

Pagosa Village Service Commercial Declaration of Restrictions	- Recording Date	Book/Page
	June 4, 1973	132/235
	August 7, 1975	144/417

15. Pagosa In The Pines Annex

Pagosa In The Pines Annex consisting of lots 11 through 17, inclusive.

Plat recorded in Archuleta County, Colorado, June 4, 1973; Reception No. 77864, Plat File # 151. (Total of 7 lots)

Pagosa In The Pines Annex Declaration of Restrictions - Recording Date	Book/Page
June 24, 1970	122/224
June 4, 1973	132/245

16. Pagosa Meadows Annex

Pagosa Meadows Annex consisting of Lots 107, 108 and 109.

Plat recorded in Archuleta County, Colorado, June 4, 1973; Reception No. 77866, Plat File # 152. (Total of 3 lots)

Pagosa Meadows Annex Declaration of Restrictions - Recording Date	Book/Page
June 24, 1970	122/213
June 4, 1973	132/244

17. Pagosa Trails

Pagosa Trails consisting of Lots 1 through 502, inclusive.

Plat recorded in Archuleta County, Colorado, September 13, 1971; Reception No. 74885, Plat File # 13 A-1, Replat - Reception No. 105244, Plat File # 236. (Total of 502 lots)

Pagosa Trails Declaration of Restrictions - Recording Date	Book/Page
Sept. 13, 1971	126/71
April 1, 1977	151/428
Jan. 11, 1978	156/134

18. Lake Hatcher Park

Lake Hatcher Park consisting of Lots 1 through 293, inclusive and 5 Tracts.

Plat recorded in Archuleta County, Colorado, November 5, 1973; Reception No. 78738, Plat File # 160 A-C. (Total of 293 Lots and 5 Tracts)

Lake Hatcher Park Declaration of Restrictions - Recording Date	Book/Page
November 5, 1973	134/35
April 1, 1977	151/439
Jan. 11, 1978	156/134

19. Twincreek Village

Twincreek Village consisting of Lots 431 through 825 and 854 through 1017 inclusive.

Plat recorded in Archuleta County, Colorado, November 5, 1973; Reception No. 78739, Plat File # 161 A-Q. (Total of 559 lots)

Twincreek Village Declaration of Restrictions - Recording Date	Book/Page
November 5, 1973	134/37
Jan. 11, 1978	156/134

20. Martinez Mountain Estates

Martinez Mountain Estates consisting of Lots 1 through 136, inclusive.

Plat recorded in Archuleta County, Colorado, November 8, 1978; Reception No. 93208, Plat File # 205 A-E. (Total of 136 lots)

Martinez Mountain Estates Declaration of Restrictions - Recording Date	Book/Page
November 8, 1978	161/554
November 8, 1978	161/556

21. Lakewood Village

Lakewood Village consisting of Lots 1 through 325 inclusive and 1 Tract

Plat recorded in Archuleta County, Colorado, April 30, 1979, Reception No. 94867, Plat File # 209 A-F. (Total of 325 lots and 1 Tract)

Lakewood Village (continued)

Lakewood Village Declaration of Restrictions -	Recording Date	Book/Page
	June 24, 1970	122/224
	April 30, 1979	164/574

22. Lakeview Estates

Lakeview Estates consisting of of Lots 1 thorough 118 inclusive and 1 Tract.

Plat recorded in Archuleta County, Colorado, April 30, 1979; Reception No. 94868, Plat File # 210 A-B. (Total of 118 lots and 1 Tract)

Lakeview Estates Declaration of Restrictions -	Recording Date	Book/Page
	June 24, 1970	122/224
	April 30, 1979	164/574

23. Martinez Mountain Estates Unit Two

Martinez Mountain Estate Unit Two consisting of Lots 1 through 78, inclusive and 1 Tract.

Plat recorded in Archuleta County, Colorado, March 31, 1980; Reception No. 99072, Plat File # 218 A-D. (Total of 78 lots and 1 Tract)

Martinez Mountain Estate Unit Two Declaration of Restrictions	- Recording Date	Book/Page
	Nov. 5, 1973	134/37
	Jan. 11, 1978	156/134
	March 31, 1980	172/350

24. The Ranch Community

The Ranch Community consisting of Lots 1 through 90, inclusive.

Plat recorded in Archuleta County, Colorado, May 29, 1981; Reception No. 104681, Plat File # 234 A-D. Replat recorded in Archuleta County, Colorado September 30, 1982, Reception No. 112863, Plat File # 234 E. (Replat of lots 1 through 19 and 75 through 90, Total of 90 lots)

The Ranch Community Declaration of Restrictions -	Recording Date	Book/Page
	June 24, 1970	122/224
	Jan. 11, 1978	156/134
	May 29, 1981	180/247

25. North Village Lake

North Village Lake consisting of Lots 1 through 159, inclusive.

Plat recorded in Archuleta County, Colorado, March 16, 1982, Reception No. 109817, Plat File # 248 A-D. (Total of 159 lots) Correction Plat recorded in Archuleta County, Colorado, September 30, 1982, Reception No. 112864, Plat File # 248 A-1 - #248 C-1, Affidavit of Correction for North Lake Village recorded April 4, 1982 in Book 197 at Page 366, in the office of the Clerk and Recorder of Archuleta County, Colorado.

North Village Lake Declaration of Restrictions -	Recording Date	Book/Page
	March 16, 1982	187/692
	June 7, 1982	189/508

26. South Village Lake

All of that Subdivision known as a Second Replat of South Village Lake, according to the plat of said Subdivision filed for record August 3, 1982 as Reception No. 111806, and corrected by Affidavit of Correction for Second Replat of South Village Lake recorded January 18, 1983 as Reception No. 114579, in the Office of the Clerk and Recorder of Archuleta County, Colorado, as Plat File # 238 H-L.

South Village Lake Declaration of Restrictions -	Recording Date	Book/Page
	July 31, 1981	181/626
	March 17, 1982	187/691
	August 3, 1982	190/760

27. Central Core

All of that Subdivision known as "Central Co." according to the plat filed for record August 3, 1982 as Reception No. 111809, in the office of the Clerk and Recorder of Archuleta County, Colorado, as Plat File # 258 A-G.

Central Core Declaration of Restrictions -	Recording Date	Book/Page
	August 3, 1982	190/775

Recorded AUG - 3 1982 At 8:58 AM
Recpt. No. 111807 Mary Ann Cullen - - Recorder *ms*

DECLARATION OF RESTRICTIONS

SECOND REPLAT OF SOUTH VILLAGE LAKE

THIS DECLARATION is made this 23rd day of July, 1982, by Eaton International Corporation, a Delaware corporation, herein referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of all the real property set forth and described on that certain plat entitled Second Replat of South Village Lake, a subdivision of Pagosa, which plat was recorded in the records of Archuleta County, Colorado, on August 3, 1982, Reception No. 111806, Plat File No. 188H-2, and is made a part hereof and incorporated herein by reference; and

WHEREAS, the real property described in the plat has been resubdivided into numbered or lettered parcels identified on the plat as Parcels or Tracts (herein collectively called "Parcel" or "Property"), which shall be subject to the terms of these restrictions; and

WHEREAS, Declarant is about to sell and convey said Property and has subjected the Property to a Declaration of Restrictions for A Replat of South Village Lake, which document is dated February 23, 1982, and was recorded in Archuleta County, Colorado, on March 16, 1982, in Book 187 at Page 691; and

WHEREAS, Declarant desires to replace the above-mentioned Declaration of Restrictions recorded March 16, 1982 in their entirety with the following mutual and beneficial restrictions, covenants, conditions and charges, hereinafter collectively referred to as "Restrictions", under a general plan or scheme of improvement for the benefit and complement of all the Property and the future owners of said Property;

NOW, THEREFORE, Declarant hereby declares that all the Property shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved subject to the following Restrictions, all of which are declared and agreed to be in furtherance of a general plan for the improvement and sale of said Property and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of a South Village Lake Subdivision and of the Development as a whole. All of the Restrictions shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in and to the Property or any part or parts thereof subject to such Restrictions. Any development of the Property must comply with all laws and government regulations and together with the resulting additional restrictions must be approved by Declarant.

1. TERM

These Restrictions shall affect and run with the land and shall exist and be binding upon all parties and all persons claiming under them until January 1, 2000, after which time the same shall be extended for successive periods of ten (10) years each, unless an instrument signed by a majority of the then owners of the Property subject thereto has been recorded, agreeing to change the Restrictions in whole or in part; provided, however, with the prior approval of Declarant, that at any time before January 1, 1990, these Restrictions may be amended by the vote of the then record owners of two-thirds (2/3) of such Property and thereafter by a majority of such owners.

2. ENVIRONMENTAL CONTROL COMMITTEE

A. All plans and specifications for any structure or improvement whatsoever to be erected on or moved upon the Property, and the proposed location thereof on the Property, the construction material, the roofs and exterior color schemes, any later changes or additions after initial approval thereof and any remodeling, reconstruction, alterations, or additions thereto on any Parcel shall be subject to and shall require the approval in writing, before any such work is commenced, of the Environmental Control Committee (herein called "Committee"), as the same is from time to time composed.

B. The Committee shall be composed of a minimum of three (3) members to be appointed by Declarant. Committee members shall be subject to removal by Declarant and any vacancies from time to time existing shall be filled by appointment of Declarant, or in the event of Declarant's failure to so appoint within two (2) months after any such vacancy, then by the Board of Directors of the Pagosa Property Owners Association, Inc. (herein called "Association"); provided, however, that at any time hereafter Declarant may, at its sole option, relinquish to the Board of Directors of the Association the power of appointment and removal reserved herein to Declarant. Such transfer of power must be evidenced in writing.

C. Purchasers should submit schematic plans to the Committee prior to submission of preliminary plans. There shall be submitted to the Committee a building application on forms approved by Declarant together with two (2) complete sets of the preliminary plans, elevations, sections, site plan, grading plan, etc., prepared by an architect licensed and registered in Colorado, to be reviewed before the final plans and specifications are submitted. Upon Committee approval of the preliminary plans, the detailed drawings and specifications can be completed with two (2) complete sets being submitted to the Committee, covering any and all proposed improvements, the erection or alteration of which is desired. No structures or improvements of any kind shall be erected, altered, placed or maintained upon the Property unless and until the final plans, elevations and specifications have received such written approval as herein provided. Such plans shall include plot plans showing the location on the Property of the building, wall, fence, or other structure proposed to be constructed, altered, placed or maintained, together with the schemes for roofs, and exteriors thereof and proposed landscape planting. A filing fee of \$25.00 per proposed unit (subject to increase without notice) shall accompany the submission of the preliminary plans, etc. to defray Committee expenses. No additional fees shall be required for subsequent submissions or resubmissions of plans revised in accordance with Committee recommendations.

D. The Committee shall approve or disapprove plans, specifications and details within thirty (30) days from the receipt of the preliminary plans, and within sixty (60) days from receipt of a complete set of final plans and specifications. One (1) set of said plans and specifications and details with the approval or disapproval endorsed thereon, shall be returned to the person submitting them and the other copy thereof shall be retained by the Committee for its permanent files.

E. The Committee shall have the right to disapprove any plans, specifications or details submitted to it in the event the same are not in accordance with all the provisions of these Restrictions; if the design materials or color scheme of the proposed building or other structure is not in harmony with the general surroundings of such Property or with the adjacent buildings or structures; if the plans and specifications submitted are incomplete; or in the event the Committee deems the plans, specifications or details, or any part thereof, to be contrary to the interest, welfare or rights of all or any part of the Property subject hereto, or the owners thereof. The decisions of the Committee shall be final.

F. Neither the Committee nor any architect or agent thereof or of Declarant shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans and specifications.

G. The Committee shall have the authority to set up regulations as to the materials, height and size requirements for all other types of outbuildings and structures, including fences, walls, copings, etc.

H. Landscaping, walls and other screening devices are utilized to provide an attractive appearance along public streets and to screen from view those uses which may be unattractive to the public eye. Landscaping materials including ground cover, shrubs and trees further facilitate the control of erosion and the reduction of glare and dust as well as the visual softening of the building masses. Walls and screening devices allow for the separation of buildings and uses and for the buffering of intensive activities. Landscaping walls and screening devices together help to effectuate privacy, logical development and enhancement of property values. A layout of specific materials by name and description shall be submitted to the Committee for approval. Landscaping may include trees, shrubs, ground cover, vines, walkways, ponds, fountains, sculpture and other organic and inorganic materials used for creating an attractive appearance as long as all is blended with the surrounding landscape and architecture. Species shall conform to native and/or those recommended for existing soil and elevation conditions.

I. No docks and/or piers shall be erected, altered, placed, or maintained in Village Lake until the final plans and specifications have received written approval of the Environmental Control Committee. Such approval shall constitute a mere revocable privilege from Declarant or its successor or successors in interest for the construction, placement and maintenance of the proposed structure. Once approved, the same dock and/or pier may be erected each subsequent year unless otherwise informed by the Environmental Control Committee.

3. LAND USE AND IMPROVEMENTS

The following are the various land uses. These land use classifications, as hereinafter described, limit and prescribe the use of the Property. Any use not specifically permitted is hereby declared to be prohibited. See attached map showing Parcel locations.

A. Uses Permitted for Parcels 1a and b; 2a, b, c, d, and e; 3a, b, and c; 4; 5; 6; 8; 9a and b; 10a, b, and c; 11a, b, c, d, e, and f; 12a, b, and c; and 13.

(1) Multiple-family dwelling structures of one to three stories, but not to exceed 50 feet in building height. Included are individual lodges, "party-wall" apartments, townhouses and condominiums subject to the provisions of the Colorado Condominium Ownership Act.

(2) Cluster, detached, multiple-family dwelling structures of one or two stories, but not to exceed 35 feet in building height.

(3) Club or recreation facilities including swimming pool, sundeck, tennis courts, boat slips, etc.

(4) Churches with off-street parking and hotel or motel structures as approved by the Committee.

B. Density and Property Coverage

(1) On lake frontage Parcels, no building shall be constructed on any Parcel or Sub-Parcel which covers more than thirty (30) percent of the total area of the Parcel. No less than eight (8) or more than eleven (11) living units per acre may be constructed on the Parcels without the prior consent of Declarant.

(2) On all other Parcels, no building shall be constructed on any Parcel or Sub-Parcel which covers more than thirty-five (35) percent of the total area of the Parcel. No less than eight (8) or more than fifteen (15) living units per acre may be constructed on the Parcels without the prior consent of Declarant.

(3) A minimum of twenty (20) percent of the total area of each Parcel must be landscaped.

C. Minimum Living Area

No dwelling unit shall contain less than six hundred (600) square feet of actual living area exclusive of porches, patios, garages, breezeways, and other appurtenances.

D. Set-back Requirements for All Parcels except Parcel 7

(1) No building or structure shall be located within twenty-five (25) feet of North Pagosa Boulevard and Park Avenue. Where parking is used within this twenty-five (25) feet, a minimum of seven (7) feet adjacent to the road must be landscaped. A minimum of ten (10) feet of landscaping shall be provided if parking is not used within the setback.

(2) No building or structure shall be located within twenty (20) feet of Davis Cup Drive, Paposa Circle, Northlake Drive, Spoon Drive, and Lake Forest Avenue (Lakeside Drive). A minimum of seven (7) feet adjacent to the street must be landscaped.

(3) No building or structure shall be located within twenty (20) feet of a street that traverses a Parcel.

(4) No building or structure shall be located within fifteen (15) feet from any common Parcel boundary line or ten (10) feet from a greenbelt/open space and within fifteen (15) feet of another detached building, except on Parcels 11c, d, e and f, buildings or structures may be located at the nearest edge of the greenbelt/open space easement.

(5) No building or structure shall be located within fifteen (15) feet of the high-water elevation of Village Lake. However, upper floor balconies may encroach to within ten (10) feet of the high-water elevation.

(6) Parking areas shall not be located within five (5) feet of any common Parcel boundary line or greenbelt/open space.

E. Limited Commercial Uses for Parcel 7

(1) Declarant desires this Parcel to be subject to the terms of paragraph 5.1 of a Declaration of Restrictions made on the thirteenth (13th) day of March, 1970, and recorded on the twenty-fourth (24th) day of June, 1970, in the Public Records of Archuleta County, Colorado in Book 122, at pages 224 through 247 inclusive, thereof, which are made a part hereof and are incorporated herein by reference.

(2) In addition to the requirements of paragraph 5.1, no building or structure shall cover more than 40 percent of the total area of the Parcel, with a minimum of 20 percent of the total area of the Parcel in landscaping. A three-story building up to 50 feet in height will be allowed if it covers no more than 35 percent of the total area of the Parcel, with a minimum of 25 percent of the total area of the Parcel in landscaping.

(3) No building or structure on Parcel 7 shall be located within twenty-five (25) feet of North Pagosa Boulevard or within twenty (20) feet of Lake Forest Avenue (Lakeside Drive).

(4) Parking areas shall not be located within five (5) feet of any greenbelt/open space.

F. Parking

Adequate off-street parking shall be provided to accommodate all parking needs for residents, visitors, employees, and company vehicles.

4. GENERAL PROHIBITIONS AND REQUIREMENTS

The following general prohibitions and requirements shall prevail as to the construction or activities conducted on the Property:

A. No outside toilet shall be constructed on the Property. With the prior written consent of the Committee, water wells and septic systems may be constructed on the Property prior to its being served by central water or sewage systems; provided, however, such water or septic facilities shall comply with all requirements of the Health Department of the State of Colorado and other governmental agencies having jurisdiction thereof. All plumbing fixtures, dishwashers or toilets shall be connected to the central sewage system, or individual septic systems as permitted above. Storm water shall not be allowed to flow into the sewage system. At such time as central water or sewer facilities become available to an owner who has constructed a water well and/or septic system, the water well and/or septic system shall be abandoned and the central system made available shall be utilized exclusively. Unless otherwise determined by the entity having jurisdiction in the matter, the central water system shall be deemed to be available for purposes of this paragraph when water lines are installed, operative, and ready for connection within one hundred (100) feet of the property line. The central sewage system shall be deemed to be available when sewer lines are installed, operative and ready for connection within four hundred (400) feet of the property line.

B. No temporary house, trailer, tent, garage, or other outbuilding shall be placed or erected on the Property; provided, however, that the Committee may grant permission for any such temporary structure for storage of materials during construction. No such temporary structures as may be approved shall be used at any time as a dwelling place, nor shall any overnight camping be permitted on the Property.

C. Once construction of improvements is started on the Property, the improvements must be substantially completed in accordance with plans and specifications, as approved, within six (6) months from commencement.

D. No building or residence shall be occupied until the same has been substantially completed in accordance with its approved plans and specifications.

E. All structures constructed or placed on the Property shall be constructed with new material and no used structures shall be relocated or placed on the Property.

F. No animals or livestock of any description, except the usual household pets, shall be kept on the Property. Said pets shall be confined to the occupant's property or at all times be under the direct control of occupant when in other areas.

G. All signs, billboards or advertising structures of any kind are prohibited except upon application to and receipt of written permission from the Committee.

H. No stripped down, partially wrecked, or junk motor vehicles, or sizeable part thereof, shall be permitted to be parked anywhere on the Property. No cars or motor vehicles can be worked on for mechanical repairs on the Property. No vehicles shall be parked overnight on streets. No junk equipment which is visible to the occupants or users of any street or waterway within the Property is allowed on the Property.

I. Every tank for the storage of fuel installed outside any building on the Property shall be either buried below the surface of the ground or screened to the satisfaction of the Committee by fencing or shrubbery. All exterior storage areas, service areas, loading docks and ramps, and electrical cage enclosures are to be screened to the satisfaction of the Committee by fencing or shrubbery. Mechanical equipment on roofs shall be screened to the satisfaction of the Committee. Every outdoor receptacle for ashes, trash, rubbish or garbage shall be installed underground, screened or so placed and kept as not to be visible from any street or waterway within the Property at any time except during refuse collections. These requirements may be extended to any facility or activity which, in the opinion of the Committee, warrants it; the Committee, at its discretion, may also allow exceptions to these requirements.

J. All outdoor drying yards, clothes poles, clothes lines and similar equipment shall be so placed or screened by shrubbery as not to be visible from any streets or waterway within the Property.

K. Dwelling units may be used as model houses or sales offices provided they are not used in such a way as to unreasonably interfere with or disturb any unit purchaser or owner, including the use, enjoyment or access of such owner, his family or guests.

L. The Property, whether occupied or unoccupied, and any improvements placed thereon, shall at all times be maintained in such manner as to prevent its becoming unsightly by reason of unattractive growth on such Property or the accumulation of rubbish or debris thereon.

M. No noxious, offensive or illegal activities shall be carried on on the Property nor shall anything be done that shall be or become an unreasonable annoyance or nuisance to the neighborhood. No building or operation shall be conducted on the Property which shall give off, discharge, or emit any obnoxious noises, fumes, odors, glare, vibrations, or otherwise be offensive to or injure the public health. Nuisances, if not removed within ten (10) days of notification, may be removed by the Committee and removal costs charged to owner or lessee. Storage or disposal of hazardous or radioactive material on the Property is prohibited.

N. No water, oil or natural gas drilling, refining, quarrying, or mining operations of any kind shall be permitted upon the Property and no derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted on the Property.

O. No commercial type truck shall be parked for storage overnight or longer on the Property in such a manner as to be visible to the occupants or users of any street or waterway within the Property, unless the prior written approval of the Committee has been obtained.

P. Any dwelling or outbuilding on the Property which may be destroyed in whole or in part by fire, windstorm or for any other cause, or act of God must be rebuilt or all debris removed and the Property restored to a slightly condition with reasonable promptness; provided, however, that in no event shall such debris remain longer than sixty (60) days.

Q. No tree over three (3) inches in diameter shall be removed from the Property without the written consent of the Committee.

R. No exterior television or radio antenna of any kind shall be constructed or erected on the Property or residence after such time as a central television system has been made available to the Property at rates commensurate with those prevailing in the area.

S. No trash, ashes, garbage or other refuse shall be dumped or stored or accumulated on the Property or be thrown into or left on the shoreline of any waterway in the Subdivision. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted. In order to enhance the appearance and orderliness of the Property, the Declarant hereby reserves for itself, its successors and assigns, the exclusive right to operate, or from time to time to grant an exclusive license to a third party to operate a commercial scavenging service within the Property for the purpose of removing garbage, trash and other like household refuse. Such refuse collection and removal service shall be provided not less often than once each week on a day or days designated by the Declarant or its successors or assigns. The charge to be made for such refuse collection and removal service shall be at a reasonable rate commensurate with the rates charged by commercial scavengers serving other subdivisions of high standards in the area, and shall be subject to change from time to time.

T. No change in ground level may be made on the Property in excess of one foot from existing grades without the written approval of the Committee obtained prior to the commencement of work.

U. Overnight parking of recreational vehicles (boats, trailers, campers, etc.) is not permissible in regular parking areas or on streets, or anywhere else on the Property not specifically designated for parking of recreational vehicles. Declarant or its successors or assigns will provide an enclosed screened area for the purpose of storing recreational vehicles on the basis of one space at least 10' X 20' per 10 residential units occupying the site; provided, however, that the Committee may at its discretion adjust parking space requirements, according to the demand for recreational vehicle parking. The Committee shall have the right to move the site for parking of recreational vehicles to different locations.

V. All utilities must be installed underground.

W. Landscaped areas shall be reasonably maintained by the owner or the lessee of the Property as to pruning, trimming, watering, or other requirements, to create an attractive appearance. Any plant material not surviving shall be replaced as soon as possible in the growing season. Lack of maintenance shall constitute a violation of these Restrictions and may be accomplished by the Committee and the cost thereof charged to the appropriate owner or lessee. Maintenance of Pedestrian Easement Improvements shall be the responsibility of each adjacent Parcel owner until such time as these Improvements are conveyed to the Pagosa Property Owners Association.

X. Fishing in Village Lake is prohibited unless a permit is first obtained from the proper authority.

5. VARIANCES

The Committee may allow reasonable variances and adjustments of these Restrictions 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 purposes hereof and provided also that in every instance such variance or adjustment will not be materially detrimental or injurious to other property or improvements in the neighborhood.

6. EASEMENTS

A. The Declarant reserves unto itself, its successors and assigns, certain easements along, across, over and upon the real estate that constitutes the Property. The easements so reserved by the Declarant are described as follows:

(1) Declarant, for itself, its successors and assigns and licensees, reserves a ten (10) foot wide easement along all present and subsequent road rights-of-way, and a ten (10) foot easement along the side lines of the Property for the purpose of installing, maintaining and operating utility lines and mains thereon, together with the right to trim, cut or remove any trees and/or brush, and the right to locate guy wires, braces and anchors wherever necessary for said installation, maintenance and operation, together with the right to install and maintain and operate utility lines and mains and appurtenances thereto, and reserving unto itself, its successors, assigns and licensees, the right to ingress and egress to such areas for any of the purposes heretofore mentioned. No permanent building shall be placed on such easements, but the same may be used for gardens, shrubs, landscaping and other purposes, provided that such use does not interfere with the use of such easements for their intended purposes.

(2) Declarant further reserves for itself, its successors, assigns and licensees, for lake and shoreline maintenance and control along that portion of the Property contiguous to the shoreline of Village Lake, an easement ten (10) feet wide. This property shall be subject to a flowage easement to an elevation on a Parcel equal to the high-water elevation of the adjacent lake.

(3) Declarant for itself, its successors, assigns and licensees, reserves a twenty-five (25) foot wide easement within all rights-of-way for the purpose of cutting and filling and drainage. Declarant further reserves unto itself, its successors and assigns and licensees, the right to cause or permit drainage of surface water over and/or through said Parcels, and further it reserves an easement on, over and under all road rights-of-way for the purpose of installing, maintaining and operating utilities or drainage.

(4) The Property shall further be subject to an easement for the maintenance and permanent stabilization control of slopes.

(5) No owner of the Property shall have any claim or cause of action against Declarant, its successors, assigns or licensees, either in law or in equity, and arising out of exercise of any easement reserved hereunder, excepting in cases of willful or wanton negligence.

7. SIGN REGULATIONS

Declarant desires the Property be subject to the terms of paragraph H. of an Amended Declaration of Restrictions for Pagosa Village Service Commercial and for Village Center made on the 6th

day of July, 1979, and recorded on the 23rd day of July, 1979, in the Public Records of Archuleta County, Colorado, in Book 166 at Pages 435 through 451 inclusive, which are made a part hereof and incorporated herein by reference.

8. PAGOSA PROPERTY OWNERS ASSOCIATION, INC.

A. Every person acquiring legal or equitable title to any of the Property, except limited commercial parcels, becomes a member of the Pagosa Property Owners Association, Inc., a Colorado non-profit corporation herein referred to as "Association", and with such ownership in the Property and membership in the Association, he then becomes subject to the requirements and limitations imposed in these Restrictions and to the regulations and assessments of the Association, with the exception, however, of such person or persons who hold an interest in any such Property merely as security for the performance of an obligation to pay money, e.g., mortgages, deed of trust, or real estate contract purchases. However, if such a person should realize upon his security and become the real owner of the Property, he will then be subject to all the requirements and limitations imposed in these Restrictions on owners and on members of the Association, including those provisions with respect to alienation and the payment of an annual charge.

B. The general purpose of the Association is to further and promote the community welfare of property owners at Pagosa and to strengthen and enhance Pagosa property values.

C. The Association shall be responsible for the maintenance, upkeep and repair, and the establishment and enforcement of rules and regulations concerning the operation and use, of all recreational facilities, and other properties at Pagosa as it may from time to time own or agree to maintain. The Association may provide police protection for the residents of the community.

In the event that the Association at any time fails to properly maintain such parks and recreational facilities, or fails to provide adequate police protection, the Declarant may in its sole discretion enter upon and make any and all repairs, or may maintain any of the properties under the responsibility of the Association, or the Declarant may adopt measures to provide adequate police protection and may charge the Association for all such repairs or protection; provided, however, that Declarant shall under no circumstances be obligated to take any such action.

D. The Association shall have all the powers that are set out in its Articles of Incorporation and all other powers that belong to it by operation of law, including (but not limited to) the power to assess and collect from every member of the Association a uniform annual charge per multiple-family residential parcel within the Subdivision. The amount of such charge is to be determined by the Board of Directors of the Association for the purposes set forth in the Articles of Incorporation, and the charge in no event shall be less than \$50.00 per each multiple-family unit.

No such charge shall ever be made against, or be payable by the Declarant, the Association itself, or any entity that may be created to acquire title to, and operate, the water or sewer utilities serving the Subdivision, any commercial operations or any waterway, beach, access tract, marina, golf course, tennis courts, swimming pool, clubhouse, clubhouse grounds, campgrounds, or other like recreational facilities within the Subdivision.

All charges are payable annually by the member to the Association on or before the first day of May of each year, for the ensuing year. The Board of Directors of the Association shall fix the amount of the annual charge per unit by the first

day of April of each year, and written notice of the charge so fixed shall be sent to each member in the event it is changed from the previous year.

Every person who shall become the legal or equitable owner of the Property by any means is, by the act of acquiring such title, or by the act of contracting to acquire such title, held to have agreed to pay the Association all charges that the Association shall make in accordance with these Restrictions. If such payment is not made when due, it shall bear interest from the due date at the rate of twelve (12) percent per annum. Until paid, such charges together with costs and reasonable attorney's fees required to secure payment thereof shall constitute a perpetual lien on and against the Property charged. The Association may publish the name of a delinquent member and may file notice that it is the owner of a lien to secure payment of the unpaid charge plus costs and reasonable attorney's fees and may foreclose the lien in accordance with the laws of the State of Colorado.

The Association shall upon demand at any time furnish a list of members who have paid such assessments or of such members who are then delinquent in payment of such assessments.

E. The fund accumulated as a result of the charges levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the members of the Association and in particular providing police protection and the maintenance of the waterways, parks and other recreational facilities.

F. The lien of a mortgage or deed of trust placed upon the Property for the purpose of permanent financing and/or constructing a residence or other improvement thereon, shall be superior to any such lien as provided for in these Restrictions.

G. The Board of Directors of the Association shall have the right to suspend voting rights (if any) and the right to the use of the recreational facilities of any member or associate member if any charge owed remains unpaid; or for any continuing violation of the Restrictions, after the existence of the violation has been brought to the attention of the member in writing by the Board of Directors of the Association; or during the period that any utility bill for water or sewer service remains unpaid.

9. ASSOCIATION'S RIGHT TO PERFORM CERTAIN MAINTENANCE

In the event an owner of the Property shall fail to maintain the premises and the improvements situated thereon in a manner satisfactory to the Board of Directors of the Association, the Association shall have the right to enter upon said Property and repair and restore the Property and the exterior of any improvements erected thereon. Such right shall not be exercised unless two-thirds (2/3) of the Board of Directors shall have voted in favor of such action. The cost of such exterior restoration and maintenance shall be added to and become a part of the annual charge to which such Property is subject. The Association shall not be liable for any damage which may result from any maintenance work performed hereunder.

10. LAKE FRONTAGE PROPERTY

A. Certain portions of the Property are contiguous to Village Lake. The water in, and the land under, said lake is and will be owned by Declarant. The normal pool water elevation and the high water elevation of said lake is, and will be, as determined by the spillway elevation of said lake. The title that will be acquired by the grantee of the Declarant's title to any of said contiguous Property (and by the successors and assigns of such grantee) will and shall extend only to the shoreline of the lake to which such Property is contiguous, as said shoreline would be established on the date hereof if the

water elevation in said lake were at an elevation one vertical foot above the normal pool water elevation and as the shoreline may hereafter be established by the water, at an elevation one vertical foot above normal pool water elevation, by erosion from said shoreline. No such grantee, nor any of such grantee's successors or assigns, shall have any right with respect to any stream that is a tributary to said lake, or with respect to said lake, the land thereunder, the water therein, or its or their elevations, use or conditions, and none of said Property shall have any riparian rights or incidents appurtenant; provided further that title shall not pass by reliction or submergence or changing water elevations. The Declarant, its successors and assigns, shall have the right at any time to dredge or otherwise remove any accretion or deposit from any of said Property in order that the shoreline of the lake to which the Property is contiguous may be moved toward, or to, but not inland beyond, the location of said shoreline as it would exist as of the date hereof if the water elevation in said lake were at an elevation one vertical foot above the normal pool water elevation and title shall pass with such dredging or other removal as by erosion.

B. The Declarant reserves to itself, and to the Association, and its successors and assigns, such an easement upon, across and through Property adjacent to said lake as is necessary in connection with operating said lake. Without limiting the generality of the immediately preceding sentence, it is declared that neither the Declarant nor any successor or assign of the Declarant shall be liable for damages caused by ice, erosion, washing or other action of the water.

C. The Declarant reserves to itself, and its successors and assigns, the right to raise and lower the elevation of said lake; but neither the Declarant or any successors or assigns of the Declarant shall have an easement to raise (by increasing the height of any dam or spillway, or otherwise) the high water elevation of any of said lake to an elevation above the normal pool water elevation.

D. No fence, wall or retaining element shall be constructed within twenty-five (25) feet of the high water elevation of said lake.

11. CHARGES FOR WATER AND SEWER SERVICE

A. Every legal or equitable owner of the Property shall pay charges for water and sewer service in accordance with rates approved by the entity having jurisdiction in the matter. At such time as water or sewer service is available to the owner of the Property, he shall pay a water connection fee and/or a sewer connection fee in amounts established by the entity having jurisdiction in the matter. Unless otherwise determined by the entity having jurisdiction in the matter, water service shall be deemed to be available for purposes of this paragraph when water lines are installed, operative and ready for connection within one hundred (100) feet of any property line and sewer service shall be deemed to be available when sewer lines are installed, operative and ready for connection within four hundred (400) feet of any property line.

B. Easements in addition to those reserved throughout these Restrictions shall be granted for the practical construction, operation and maintenance of such water and sewer facilities upon request of the Declarant or the entity having jurisdiction in the matter.

12. RIGHTS OF MORTGAGEES

All Restrictions and other provisions herein contained shall be deemed subject and subordinate to all mortgages and deeds of trust now or hereafter executed upon land subject to these Restrictions, and none of said Restrictions shall supersede or in any way reduce the security or affect the validity of any such mortgage or deed of trust; provided, however, that if any

portion of said Property is sold under a foreclosure of any mortgage or under the provisions of any deed of trust, any purchaser of such sale and his successors and assigns, shall hold any and all Property so purchased subject to all of the Restrictions and other provisions of this Declaration.

13. REMEDIES

A. Violation or breach of any Restriction herein contained shall, should such violation or breach continue for a period of twenty (20) days after written notice thereof, entitle Declarant and/or the Environmental Control Committee on behalf of the Association to the right to enter upon the Property with respect to which said violation or breach exists, and summarily to remove at the expense of the owner, lessee or occupant thereof, any structure, thing or condition that may be or exist thereon contrary to the intent and meaning of the provisions hereof.

B. The Association or any party to whose benefit these Restrictions inure, including the Declarant, its successors and assigns, may proceed at law or in equity to prevent the occurrence, continuation or violation of any of these Restrictions; provided, however that it is expressly understood that neither Declarant nor the Association shall be liable for damages of any kind to any party for failing to either abide by, enforce, or carry out any of these Restrictions.

C. No delay or failure on the part of any aggrieved party to invoke an available remedy set forth in 12-B above in respect to a violation of any of these Restrictions shall be held to be a waiver by that party of (or an estoppel of that party to assert) any right available to him upon the recurrence or continuation of said violation or the occurrence of a different violation.

14. GRANTEE'S ACCEPTANCE

A. The Grantee of the Property subject to the coverage of this Declaration, by acceptance of a deed conveying title thereto, or the execution of a contract for the purchase thereof, whether from Declarant or a subsequent owner of such Property, shall accept such deed or contract upon and subject to each and all of these Restrictions and the agreements herein contained, and also the jurisdiction, rights and powers of Declarant and of the Association, and by such acceptance shall for himself, his heirs, personal representatives, successors and assigns, covenant, consent and agree to and with Declarant, the Association, and to and with the grantees and subsequent owners of portions of the Property within the Development to keep, observe, comply with and perform said Restrictions and agreements.

B. Each Grantee also agrees, by such acceptance, to assume, as against Declarant, its successors or assigns, all the risks and hazards of ownership or occupancy attendant to such Property, including but not limited to its proximity to waterways, club or recreation facilities.

15. SEVERABILITY

Every one of the Restrictions is hereby declared to be independent of, and severable from, the rest of the Restrictions and of and from every other one of the Restrictions and of and from every combination of the Restrictions. Therefore, if any of the Restrictions shall be held to be invalid or to be unenforceable or to lack the quality of running with the land, that holding shall be without effect upon the validity, enforceability, or "running" quality of any other one of the Restrictions.

16. CAPTIONS

The underlined captions preceding the various paragraphs and subparagraphs of these Restrictions are for convenience of reference only, and none of them shall be used as an aid to the construction of any provisions of the Restrictions. Wherever and whenever applicable, the singular form of any word shall be taken to mean or apply to the plural, and the masculine form shall be taken to mean or apply to the feminine or to the neuter.

IN WITNESS THEREOF, the Declarant has executed this Declaration on the day and year first above written.



EATON INTERNATIONAL CORPORATION
A Delaware corporation

BY: David H. Eaton
President

ATTEST:

Fred B. Thielen
Secretary

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me this 24th day of July, 1982, by David H. Eaton, President, and Fred B. Thielen, Secretary, of EATON INTERNATIONAL CORPORATION, a Delaware corporation.

M. Carol Decker
Notary Public

My commission expires 1/3/84



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PAGOSA LAKES AREA SUDIVISIONS

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DECLARATION OF RESTRICTIONS SOUTH VILLAGE LAKE

[BOOK 181 PAGE 626-635] Recept. # 105687

THIS DECLARATION is made this 12th day of May, 1981 by Eaton International Corporation, a Delaware corporation, herein referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of all the real property set forth and described on that certain plat entitled South Village Lake, a subdivision of Pagosa, which plat is recorded in the records of Archuleta County, Colorado, and is made a part hereof and incorporated herein by reference; and

WHEREAS, the real property described in the plat has been subdivided into numbered or lettered parcels identified on the plat as Parcels or Tracts (herein collectively called "Parcel" or "Property"), which shall be subject to the terms of these restrictions; and

WHEREAS, Declarant is about to sell and convey said property and before doing so desires to subject the property to mutual and beneficial restrictions, covenants, conditions and charges, herein after collectively referred to as "Restrictions", under a general plan or scheme of improvement for the benefit and complement of all the property and the future owners of said property;

NOW, THEREFORE, Declarant hereby declares that all property shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved subject to the following Restrictions, all of which are declared and agreed to be in furtherance of a general plan for the improvement and sale of said property and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of South Village Lake subdivision and of the Development as a whole. All of the Restrictions shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in and to the real property or any part or parts thereof subject to such Restrictions. Any development of the property must comply with all laws and government regulations and together with the resulting additional restrictions must be approved by Declarant.

1. TERM

These Restrictions shall affect and run with the land and shall exist and be binding upon all parties and all persons claiming under them until January 1, 2000, after which time the same shall be extended for successive periods of ten (10) years each, unless an instrument signed by a majority of the then owners of the property subject thereto has been recorded, agreeing to change the covenants in whole or in part; provided, however, with the prior approval of Declarant, that at any time before January 1, 1990, these Restrictions may be amended by the vote of the then record owners of two-thirds (2/3) of such property and thereafter by a majority of such owners.

2. ENVIRONMENTAL CONTROL COMMITTEE

A. All plans and specifications for any structure or improvement whatsoever to be erected on or moved upon the property, and the proposed location thereof on the property, the construction material, the roofs and exterior color schemes, any later changes or additions after initial approval thereof and any remodeling, reconstruction, alterations, or additions thereto on any parcel shall be subject to and shall require the approval in writing, before any such work is commenced, of the Environmental Control Committee (herein called "Committee"), as the same is from time to time composed.

B. Committee shall be composed of a minimum of three (3) members to be appointed by Declarant. Committee members shall be subject to removal by Declarant and any vacancies from time to time existing shall be filled by appointment of Declarant, or in the event of Declarant's failure to so appoint within two (2) months after any such vacancy, then by the Board of Directors of the Pagosa Property Owners Association, Inc. (herein called "Association"); provided, however, that at any time hereafter the Declarant may, at its sole option, relinquish to the Board of Directors of the Association the power of appointment and removal reserved herein to the Declarant. Such transfer of power must be evidenced in writing.

C. There shall be submitted to the Committee a building application or forms approved by Declarant together with two (2) complete sets of the preliminary plans, elevations, sections, site plan, etc. to be reviewed before the final plans and specifications are submitted. Upon Committee approval of the preliminary plans, the detailed drawings and specifications can be completed with two (2) complete sets being submitted to the committee covering any and all proposed improvements, the erection or alteration of which is desired. No structures or improvements of any kind shall be erected, altered, placed or maintained upon the property unless and until the final plans, elevations and specifications have received such written approval as herein provided. Such plans shall include plot plans showing the location on the property of the building, well, fence, or other structure proposed to be constructed, altered, placed or maintained, together with the schemes for roofs, and exteriors thereof and proposed landscape planting. A filing fee of \$25.00 per proposed unit shall accompany the submission of the preliminary plans, etc. to defray Committee expenses. No additional fees shall be required for subsequent submissions or resubmissions of plans revised in accordance with Committee recommendations.

D. The Committee shall approve or disapprove plans, specifications and details within thirty (30) days from the receipt of the preliminary plans, and within sixty (60) days from receipt of a complete set of final plans and specifications. One (1) set of said plans and specifications and details with the approval or disapproval endorsed thereon, shall be returned to the person submitting them and the other copy thereof shall be retained by the Committee for its permanent files.

E. The Committee shall have the right to disapprove any plans, specifications or details submitted to it in the event the same are not in accordance with all the provisions of these Restrictions; if the design materials or color scheme of the proposed building or other structure is not in harmony with the general surroundings of such property or with the adjacent buildings or structures; if the plans and specifications submitted are incomplete; or in the event the Committee deems the plans, specifications or details, or any part thereof, to be contrary to the interest, welfare or rights of all or any part of the real property subject hereto, or the owners thereof. The decisions of the Committee shall be final.

F. Neither the Committee nor any architect or agent thereof or of Declarant shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans and specifications.

G. The Committee shall have the authority to set up regulations as to the materials, height and size requirements for all other types of outbuildings and structures, including fences, walls, copings, etc.

H. Whenever the Committee shall approve plans and specifications for a pier or similar structure on or extending into any waterway, such approval shall constitute a mere revocable privilege from Declarant or its successor or successors in interest for the construction, placement and maintenance of the proposed structure.

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3. LAND USE AND IMPROVEMENTS

The following are the various land uses. These land use classifications, as hereinafter described, limit and prescribe the use of the property. Any use not specifically permitted is hereby declared to be prohibited.

A. Uses Permitted for Parcels 1a and b, 2a and b, 3a and b and c, 4, 5, 6, 8, 9a, and b, 10, 11a and b and c, and 12.

- (1) Multiple-family dwelling structures of more than one story, but not to exceed three stories or 50 feet in building height. Included are individual lodges, "party-wall" apartments, townhouses and condominiums subject to the provisions of the Colorado Condominium Ownership Act.
- (2) Detached (one living unit per building) multiple-family dwelling structures of more than one story, but not to exceed two stories or 35 feet in building height.
- (3) Club or recreation facilities including swing pool, sundeck, tennis courts, boat slips, etc.
- (4) Churches with off-street parking and hotel or motel structures as approved by the Committee.

B. Density and Property Coverage

- (1) On lake frontage parcels, no building shall be constructed on any parcel or sub-parcel which covers more than 30 percent of the total area of the parcel. No less than eight (8) or more than eleven (11) living units per acre may be constructed on the parcels without the prior consent of the Declarant.
- (2) On all other parcels, no building shall be constructed on any parcel or sub-parcel which covers more than 35 percent of the total area of the parcel. No less than eight (8) or more than fifteen (15) living units per acre may be constructed on the parcels without the prior consent of the Declarant.

C. Set-Back Requirements

- (1) No building or structure shall be located within twenty (20) feet of streets that may transverse any parcel.
- (2) No building or structure shall be located within fifty (50) feet from any parcel boundary line and within fifteen (15) feet of another detached building.
- (3) No building or structure shall be located within fifteen (15) feet of the high-water elevation of Village Lake. However, upper floor balconies may encroach to within ten (10) feet of the high-water elevation.

D. Limited Commercial Uses for Parcel 7

Declarant desires this parcel to be subject to the terms of paragraph 5.1 of a Declaration of Restrictions made on the thirteenth (13th) day of March, 1970, and recorded on the twenty-fourth (24th) day of June, 1970, in the Public Records of Archuleta County, Colorado in Book 122, at pages 224 through 247 inclusive, thereof, which are made a part hereof and are incorporated herein by reference.

4. GENERAL PROHIBITIONS AND REQUIREMENTS

The following general prohibitions and requirements shall prevail as to the construction or activities conducted on the property:

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A. No outside toilet shall be constructed on the property. With the prior written consent of the committee, water wells and septic systems may be constructed on the property prior to being served by central water or sewage systems; provided, however, such water or septic facilities shall comply with all requirements of the Health Department of the State of Colorado and other governmental agencies having jurisdiction thereof. All plumbing fixtures, dish-washers or toilets shall be connected to the central sewage system, or individual septic systems as permitted above. Storm water shall not be allowed to flow into the sewage system. At such time as central water or sewer facilities become available to an owner who has constructed a water well and/or septic system, the water well and or septic system shall be abandoned and the central system made available shall be utilized exclusively. Unless otherwise determined by the entity having jurisdiction in the matter, the central water system shall be deemed to be available for purposes of this paragraph when water lines are installed, operative, and ready for connection within one hundred (100) feet of the property line. The central sewage system shall be deemed to be available when sewer lines are installed, operative and ready for connection within four hundred (400) feet of the property line.

B. No temporary house, trailer, tent, garage, or other out-building shall be placed or erected on the property; provided, however, that the Committee may grant permission for any such temporary structure for storage of materials during construction. No such temporary structures as may be approved shall be used at any time as a dwelling place, nor shall any overnight camping be permitted on the property.

C. Once construction of improvements is started on the property, the improvements must be substantially completed in accordance with plans and specifications, as approved, within six (6) months from commencement.

D. No residence shall be occupied until the same has been substantially completed in accordance with its plans and specifications.

E. All structures constructed or placed on the property shall be constructed with substantial quantity of new material and no used structures shall be relocated or placed on the property.

F. No animals or livestock of any description, except the usual household pets, shall be kept on the property.

G. All signs, billboards or advertising structures of any kind are prohibited except upon application to and written permission from the Committee.

H. No stripped down, partially wrecked, or junk motor vehicles, or sizeable part thereof, shall be permitted to be parked anywhere on the property. No cars or motor vehicles can be worked on for mechanical repairs on the property.

I. Every tank for the storage of fuel installed outside any building on the property shall be either buried below the surface of the ground or screened to the satisfaction of the Committee by fencing or shrubbery. Every outdoor receptacle for ashes, trash, rubbish or garbage shall be installed underground, screened or so placed and kept as not to be visible from any street or waterway within the property at any time except during refuse collections.

J. All outdoor drying yards, clothes poles, clothes lines and similar equipment shall be so placed or screened by shrubbery as not to be visible from any streets or waterway within the property.

K. Dwelling units may be used as model houses or sales office provided they are not used in such a way as to unreasonably interfere with or disturb any unit purchaser or owner including the use, enjoyment or access of such owner, his family or guests.

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L. The property, whether occupied or unoccupied, and any improvements placed thereon, shall at all times be maintained in such manner as to prevent its becoming unsightly by reason of unattractive growth on such property or the accumulation of rubbish or debris thereon.

M. No noxious, offensive or illegal activities shall be carried on on the property nor shall anything be done that shall be or become an unreasonable annoyance or nuisance to the neighborhood.

N. No water, oil or natural gas drilling, refining, quarrying, or mining operations of any kind shall be permitted upon the property and no derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted on the property.

O. No commercial type truck shall be parked for storage overnight or longer, on the property in such a manner as to be visible to the occupants or users of any street or waterway within the property, unless the prior written approval of the Committee has been obtained.

P. Any dwelling or outbuilding on the property which may be destroyed in whole or in part by fire, windstorm or for any other cause, or act of God must be rebuilt or all debris removed and the property restored to a slightly condition with reasonable promptness, provided, however, that in no event shall such debris remain longer than sixty (60) days.

Q. No tree over three (3) inches in diameter shall be removed from the property without the written consent of the Committee.

R. No exterior television or radio antenna of any kind shall be constructed or erected on the property or residence after such time as a central television system has been made available to the property at rates commensurate with those prevailing in the area.

S. No trash, ashes, garbage or other refuse shall be dumped or stored or accumulated on the property or be thrown into or left on the shoreline of any waterway in the Subdivision. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted. In order to enhance the appearance and orderliness of the property, the Declarant hereby reserves for itself, its successors and assigns, the exclusive right to operate, or from time to time to grant an exclusive license to a third party to operate a commercial scavenging service within the property for the purpose of removing garbage, trash and other like household refuse. Such refuse collection and removal service shall be provided not less often than once each week on a day or days designated by the Declarant or its successors or assigns. The charge to be made for such refuse collection and removal service shall be at a reasonable rate commensurate with the rates charged by commercial scavengers serving other subdivisions of high standards in the area, and shall be subject to change from time to time.

T. No change in ground level may be made on the property in excess of one foot from existing grades without the written approval of the Committee obtained prior to the commencement of work.

U. Parking of recreational vehicles (boats, trailers, campers, etc.) is not permissible in regular parking areas or on streets, or anywhere else on the property not specifically designated for parking of recreational vehicles. The developer (builder of the units and facilities) will provide an enclosed screened area for the purpose of storing recreational vehicles on the basis of one space at least 10' X 20' per 10 residential units occupying the site; provided, however, that the committee may at its discretion waive this requirement.

V. All utilities must be installed underground.

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5. VARIANCES

The Committee may allow reasonable variances and adjustments of these Restrictions 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 purposes hereof and provided also that in every instance such variance or adjustment will not be materially detrimental or injurious to other property or improvements in the neighborhood.

6. EASEMENTS

A. The Declarant reserves unto itself, its successors and assigns, certain easements along, across, over and upon the real estate that constitutes the property. The easements so reserved by the Declarant are described as follows:

- (1) Declarant, for itself, its successors and assigns and licensees, reserves a ten (10) foot wide easement along all present and subsequent road rights-of-way, and a five (5) foot easement along the side lines of the property for the purpose of installing, maintaining and operating utility lines and mains thereon, together with the right to trim, cut or remove any trees and/or brush, and the right to locate guy wires, braces and anchors wherever necessary for said installation, maintenance and operations, together with the right to install and maintain and operate utility lines and mains and appurtenances thereto, and reserving unto itself, its successors, assigns and licensees, the right to ingress and egress to such areas for any of the purposes heretofore mentioned. No permanent building shall be placed on such easements, but the same may be used for gardens, shrubs, landscaping and other purposes, provided that such use does not interfere with the use of such easements for their intended purposes.
- (2) Declarant further reserves for itself, its successors, assigns and licensees, for lake and shoreline maintenance and control along that portion of the property contiguous to the shoreline of Village Lake, an easement ten (10)

feet wide. This property shall be subject to a flowage easement to an elevation on a parcel equal to the high-water elevation of the adjacent lake.

- (3) Declarant for itself, its successors, assigns and licensees, reserves a twenty-five (25) foot wide easement along all rights-of-way for the purpose of cutting and filling and drainage. Declarant further reserves unto itself, its successors and assigns and licensees, the right to cause or permit drainage of surface water over and/or through said parcels, and further it reserves an easement on, over and under all road rights-of-way for the purpose of installing, maintaining and operating utilities or drainage.
- (4) The property shall further be subject to an easement for the maintenance and permanent stabilization control of slopes.
- (5) No owner of the property shall have any claim or cause of action against Declarant, its successors, assigns or licensees, either in law or in equity, and arising out of exercise of any easement reserved hereunder, excepting in cases of willful or wanton negligence.

7. **PAGOSA PROPERTY OWNERS ASSOCIATION, INC.**

A. Every person acquiring legal or equitable title to any of the property, except limited commercial parcels, becomes a member of the Pagosa Property Owners Association, Inc., a Colorado non-profit corporation herein referred to as "Association", and with such ownership in the property and membership in the Association, he then becomes subject to the requirements and limitations imposed in these Restrictions and to the regulations and assessments of the Association, with the exception, however, of such person or persons who hold an interest in any such property merely as security for the performance of an obligation to pay money, e.g., mortgages, deed of trust, or real estate contract purchases. However, if such a person should realize upon his security and become the real owner of the property, he will then be subject to all the requirements and limitations imposed in these Restrictions on owners and on members of the Association, including those provisions with respect to alienation and the payment of an annual charge.

B. The general purpose of the Association is to further and promote the community welfare of property owners at Pagosa.

C. The Association shall be responsible for the maintenance, upkeep and repair, and the establishment and enforcement of rules and regulations concerning the operation and use of all recreational facilities, and other properties at Pagosa as it may from time to time own or agree to maintain. The Association may provide police protection for the residents of the community.

In the event that the Association at any time fails to properly maintain such parks and recreational facilities, or fails to provide adequate police protection, the Declarant may in its sole discretion enter upon and make any and all repairs, or may maintain any of the properties under the responsibility of the Association, or the Declarant may adopt measures to provide adequate police protection and may charge the Association for all such repairs or protection; provided, however, that Declarant shall under no circumstances be obligated to take any such action.

D. The Association shall have all the powers that are set out in its Articles of Incorporation and all other powers that belong to it by operation of law, including (but not limited to) the power to assess and collect from every member of the Association a uniform annual charge per multiple-family residential parcel within the Subdivision. The amount of such charge is to be determined by the Board of Directors of the Association for the purposes set forth in the Articles of Incorporation, and the charge in no event shall be less than \$50.00 per each multiple-family unit.

No such charge shall ever be made against, or be payable by the Declarant, the Association itself, or any entity that may be created to acquire title to, and operate, the water or sewer utilities serving the Subdivision, any commercial operations or any waterway, beach, access tract, marina, golf course, tennis courts, swimming pool, clubhouse, clubhouse grounds, campgrounds, or other like recreational facilities within the Subdivision.

All charges are payable annually by the member to the Association on or before the first day of May of each year, for the ensuing year. The Board of Directors of the Association shall fix the amount of the annual charge per unit by the first day of April of each year, and written notice of the charge so fixed shall be sent to each member in the event it is changed from the previous year.

Every person who shall become the legal or equitable owner of any property by any means is, by the act of acquiring such title, or by the act of contracting to acquire such title, held to have agreed to pay the Association all charges that the Association shall make in accordance with these Restrictions. If such payment is not made when due, it shall bear interest from the due date at the rate of twelve (12) percent per annum. Until paid, such charges together with costs and reasonable attorney's fees required to secure payment thereof shall constitute a perpetual lien on and against the property charged. The Association may publish the name of a delinquent member and may file notice that it is the owner of a lien to secure payment of the unpaid charge plus costs and reasonable attorney's fees and may foreclose the lien in accordance with the laws of the State of Colorado.

BOOK 181 PAGE 632

The Association shall upon demand at any time furnish a list of members who have paid such assessments or of such members who are then delinquent in payment of such assessments.

E. The fund accumulated as a result of the charges levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the members of the Association and in particular providing police protection and the maintenance of the waterways, parks and other recreational facilities.

F. The lien of a mortgage or deed of trust placed upon the property for the purpose of permanent financing and/or constructing a residence or other improvement thereon, shall be superior to any such lien as provided for in these Restrictions.

G. The Board of Directors of the Association shall have the right to suspend voting rights (if any) and the right to the use of the recreational facilities of any member or associate member if any charge owed (as assessed under paragraphs 7-D and 8 of these Restrictions) remains unpaid; or for any continuing violation of the restrictive covenants, after the existence of the violation has been brought to the attention of the member in writing by the Board of Directors of the Association; or during the period that any utility bill for water or sewer service remains unpaid.

8. **ASSOCIATION'S RIGHT TO PERFORM CERTAIN MAINTENANCE**

In the event an owner of any property shall fail to maintain the premises and the improvements situated thereon in a manner satisfactory to the Board of Directors of the Association, the Association shall have the right to enter upon said property and repair and restore the property and the exterior of any improvements erected thereon. Such right shall not be exercised unless two-thirds (2/3) of the Board of Directors shall have voted in favor of such action. The cost of such exterior restoration and maintenance shall be added to and become a part of

the annual charge to which such property is subject. The Association shall not be liable for any damage which may result from any maintenance work performed hereunder.

9. LAKE FRONTAGE PROPERTY

A. Certain portions of the property are contiguous to Village Lake. The water in, and the land under, said lake is and will be owned by Declarant. The normal pool water elevation and the high water elevation of said lake is, and will be, as determined by the spillway elevation of said lake. The title that will be acquired by the grantee of the Declarant's title to any of said contiguous property (and by the successors and assigns of such grantee) will and shall extend only to the shoreline of the lake to which such property is contiguous, as said shoreline would be established on the date hereof if the water elevation in said lake were at an elevation one vertical foot above the normal pool water elevation and as the shoreline may hereafter be established by the water, at an elevation one vertical foot above normal pool water elevation, by erosion from said shoreline. No such grantee, nor any of such grantee's successors or assigns shall have any right with respect to any stream that is a tributary to said lake, or with respect to said lake, the land thereunder, the water therein, or its or their elevations, use or conditions, and none of said property shall have any riparian rights or incidents appurtenant; provided further that title shall not pass by reliction or submergence or changing water elevations. The Declarant, its successors and assigns, shall have the right at any time to dredge or otherwise remove any accretion or deposit from any of said property in order that the shoreline of the lake to which the property is contiguous may be moved toward, or to, but not inland beyond, the location of said shoreline as it would exist as of the date hereof if the water elevation in said lake were at an elevation one vertical foot above the normal pool water elevation and title shall pass with such dredging or other removal as by erosion.

BOOK 181 PAGE 633

B. The Declarant reserves to itself, and to the Association, and its successors and assigns, such an easement upon, across and through property adjacent to said lake as is necessary in connection with operating said lake. Without limiting the generality of the immediately preceding sentence, it is declared that neither the Declarant nor any successor or assign of the Declarant shall be liable for damages caused by ice, erosion, washing or other action of the water.

C. The Declarant reserves to itself, and its successors and assigns, the right to raise and lower the elevation of said lake, but neither the Declarant or any successor or assign of the Declarant shall have an easement to raise (by increasing the height of any dam or spillway, or otherwise) the high water elevation of any of said lake to an elevation above the normal pool water elevation.

D. No fence, wall or retaining element shall be constructed 15 feet of the high water elevation of said lake.

10. CHARGES FOR WATER AND SEWER SERVICE

A. Every legal or equitable owner of the property shall pay charges for water and sewer service in accordance with rates approved by the entity having jurisdiction in the matter. At such time as water or sewer service is available to the owner of the property, he shall pay a water connection fee and/or a sewer connection fee in amounts established by the entity having jurisdiction in the matter. Unless otherwise determined by the entity having jurisdiction in the matter, water service shall be deemed to be available for purposes of this paragraph when water lines are installed, operative and ready for connection within one hundred (100) feet of any property line and sewer service shall be deemed to be available when sewer lines are installed, operative and ready for connection within four hundred (400) feet of any property line.

B. Easements in addition to those reserved throughout these Restrictions shall be granted for the practical construction, operation and maintenance of such water and sewer facilities upon request of the Declarant or the entity having jurisdiction in the matter.

11. REMEDIES

A. The Association or any party to whose benefit these Restrictions inure, including the Declarant, its successors and assigns, may proceed at law or in equity to prevent the occurrence, continuation or violation of any of these restrictions; provided, however that it is expressly understood that neither Declarant nor the Association shall be liable for damages of any kind to any party for failing to either abide by, enforce, or carry out any of these Restrictions.

B. No delay or failure on the part of an aggrieved party to invoke an available remedy set forth in 11-A above in respect to a violation of any of these Restrictions shall be held to be a waiver by that party of (or an estoppel of that party to assert) any right available to him upon the recurrence or continuation of said violation or the occurrence of a different violation.

12. GRANTEE'S ACCEPTANCE

A. The Grantee of any property subject to the coverage of this Declaration, by acceptance of a deed conveying title thereto, or the execution of a contract for the purchase thereof, whether from Declarant or a subsequent owner of such property, shall accept such deed or contract upon and subject to each and all of these Restrictions and the agreements herein contained, and also the jurisdiction, rights and powers of Declarant and of the Association and by such acceptance shall for himself, his heirs, personal representatives, successors and assigns, covenant, consent and agree to and with Declarant, the Association, and to and with the grantees and subsequent owners of portions of the property within the Development to keep, observe, comply with and perform said Restrictions and agreements.

BOOK 181 PAGE 634

B. Each grantee also agrees, by such acceptance, to assume, as against Declarant, its successors or assigns, all the risks and hazards of ownership or occupancy attendant to such property including but not limited to its proximity to waterways, club or recreation facilities.

13. SEVERABILITY

Every one of the Restrictions is hereby declared to be independent of, and severable from, the rest of the Restrictions and of and from every other one of the Restrictions and of and from every combination of the Restrictions. Therefore, if any of the Restrictions shall be held to be invalid or to be unenforceable or to lack the quality of running with the land, that holding shall be without effect upon the validity, enforceability, or "running" quality of any other one of the Restrictions.

14. CAPTIONS

The underlined captions preceding the various paragraphs and subparagraphs of these Restrictions are for convenience of reference only, and none of them shall be used as an aid to the construction of any provisions of the Restrictions. Wherever and whenever applicable, the singular form of any word shall be taken to mean or apply to the plural, and the masculine form shall be taken to mean or apply to the feminine or to the neuter.

IN WITNESS THEREOF, the Declarant has executed this Declaration on the day and year first above written.



BY: David H. Eaton
President

ATTEST:

Thomas H. Kent
Secretary

STATE OF ARIZONA)
)ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me this 12th day of May, 1981, by David H. Eaton, President and Thomas H. Kent, Secretary, respectively, of EATON INTERNATIONAL CORPORATION, a Delaware corporation.

My commission expires: 1/13/84

M. Carl Shewhart
Notary Public

BOOK 187 PAGE 635

HIGH
COUNTRY
TITLE

DECLARATION OF RESTRICTIONS
A REPLAT OF SOUTH VILLAGE LAKE
[BOOK 187 PAGE 691]

THIS DECLARATION is made this 23rd day of February, 1982 by EATON INTERNATIONAL CORPORATION, a Delaware corporation, herein referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of all the real property set forth and described on that certain plat entitled "A REPLAT OF SOUTH VILLAGE LAKE", a subdivision of Pagosa, which plat is recorded in the records of Archuleta County, Colorado on March 16, 1982, under Reception No. 109815, and is made a part hereof and incorporated herein by reference; and

WHEREAS, the real property described in the plat has been resubdivided into numbered or lettered parcels identified on the plat as Parcels or Tracts (herein collectively called "Property"), which Property Declarant desires to be subject to the terms of the Declaration of Restrictions for SOUTH VILLAGE LAKE subdivision, made on the 12th day of May, 1981 and recorded on the 31st day of July, 1981 in the Public Records of Archuleta County, Colorado, in Book 181 at Pages 626-635, inclusive, which is made a part hereof and incorporated herein by reference.

NOW, THEREFORE, Declarant hereby declares that all the Property contained in A REPLAT OF SOUTH VILLAGE LAKE is held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved, subject to the Declaration of Restrictions for SOUTH VILLAGE LAKE subdivision referred to above.

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

EATON INTERNATIONAL CORPORATION,
a Delaware corporation



H I G H

By: David H. Eaton
David H. Eaton, President

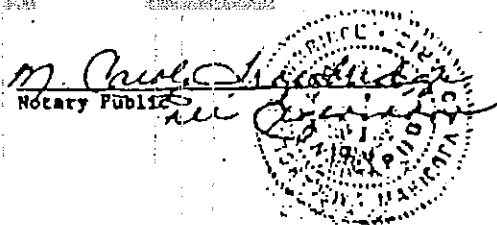
Fred B. Thielen
Fred B. Thielen, Secretary

STATE OF ARIZONA)
County of Maricopa)

This instrument was acknowledged before me this 23rd day of February, 1982, by David H. Eaton as President and Fred B. Thielen as Secretary of EATON INTERNATIONAL CORPORATION, a Delaware corporation.

My commission expires January 13, 1984.

T I T



BOOK 187 PAGE 691

**DECLARATION OF RESTRICTIONS
SECOND REPLAT OF SOUTH VILLAGE LAKE
[BOOK 190 PAGE 760-772]**

THIS DECLARATION is made this 23rd day of July, 1982, by Eaton International Corporation, a Delaware corporation, herein referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is owner of all the real property set forth and described on that certain plat entitled Second Replat of South Village Lake, a subdivision of Pagosa, which plat was recorded in the records of Archuleta County, Colorado, on August 3, 1982, Reception No. 111806, Plat File No. 238 H-L, and is made a part hereof and incorporated herein by reference; and

WHEREAS, the real property described in the plat has been resubdivided into numbered or lettered parcels identified on the plat as Parcels or Tracts (herein collectively called "Parcel" or "Property"), which shall be subject to the terms of these restrictions; and

WHEREAS, Declarant is about to sell and convey said Property and has subjected the Property to a Declaration of Restrictions for A Replat of South Village Lake which document is dated February 23, 1982, and was recorded in Archuleta County, Colorado, on March 16, 1982, in Book 187 at Page 691; and

WHEREAS, Declarant desires to replace the above mentioned Declaration of Restrictions recorded March 16, 1982 in their entirety with the following mutual and beneficial restrictions, covenants, conditions and charges, hereinafter collectively referred to as "Restrictions", under a general plan or scheme of improvement for the benefit and complement of all the Property and the future owners of said Property;

NOW, THEREFORE, Declarant hereby declares that all the Property shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied and improved subject to the following Restrictions, all of which are declared and agreed to be in furtherance of a general plan for the improvement and sale of said Property and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of a South Village Lake Subdivision and of the Development as a whole. All of the Restrictions shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in and to the Property or any part or parts thereof subject to such Restrictions. Any development of the Property must comply with all laws and government regulations and together with the resulting additional restrictions must be approved by Declarant.

1. TERM

These Restrictions shall affect and run with the land and shall exist and be binding upon all parties and all persons claiming under them until January 1, 2000, after which time the same shall be extended for successive periods of ten (10) years each, unless an instrument signed by a majority of the then owners of the Property subject thereto has been recorded, agreeing to change the Restrictions in whole or in part; provided, however, with the prior approval of Declarant, that at any time before January 1, 1990, these Restrictions may be amended by the vote of the then record owners of two-thirds (2/3) of such Property and thereafter by a majority of such owners.

BOOK 190 PAGE 760

2. ENVIRONMENTAL CONTROL COMMITTEE

A. All plans and specifications for any structure or improvement whatsoever to be erected on or moved upon the Property, and the proposed location thereof on the Property, the construction material, the roofs and exterior color schemes, any later changes or additions after initial approval thereof and any remodeling, reconstruction, alterations, or additions thereto on any Parcel shall be subject to and shall require the approval in writing, before any such work is commenced, of the Environmental Control Committee (herein called "Committee"), as the same is from time to time composed.

B. The Committee shall be composed of a minimum of three (3) members to be appointed by Declarant. Committee members shall be subject to removal by Declarant and any vacancies from time to time existing shall be filled by appointment of Declarant, or in the event of Declarant's failure to so appoint within two (2) months after any such vacancy, then by the Board of Directors of the Pagosa Property Owners Association, Inc. (herein called "Association") provided, however, that at any time hereafter Declarant may, at its sole option, relinquish to the Board of Directors of the Association the power of appointment and removal reserved herein to Declarant. Such transfer of power must be evidenced in writing.

C. Purchasers should submit schematic plans to the Committee prior to submission of preliminary plans. There shall be submitted to the Committee a building application on forms approved by Declarant together with two (2) complete sets of the preliminary plans, elevations, sections, site plan, grading plan, etc., prepared by an architect licensed and registered in Colorado, to be reviewed before the final plans and specifications are submitted. Upon Committee approval of the preliminary plans, the detailed drawings and specifications can be completed with two (2) complete sets being submitted to the Committee, covering any and all proposed improvements, the erection or alteration of which is desired. No structures or improvements of any kind shall be erected, altered, placed or maintained upon the Property unless and until the final plans, elevations and specifications have received such written approval as herein provided. Such plans shall include plot plans showing the location on the Property of the building, wall, fence, or other structure proposed to be constructed, altered, placed or maintained, together with the schemes for roofs, and exteriors thereof and proposed landscape planting. A filing fee of \$25.00 per proposed unit (subject to increase without notice) shall accompany the submission of the preliminary plans, etc. to defray Committee expenses. No additional fees shall be required for subsequent submissions or resubmissions of plans revised in accordance with Committee recommendations.

D. The Committee shall approve or disapprove plans, specifications and details within thirty (30) days from the receipt of the preliminary plans, and within sixty (60) days from receipt of a complete set of final plans and specifications. One (1) set of said plans and specifications and details with the approval or disapproval endorsed thereon, shall be returned to the person submitting them and the other copy thereof shall be retained by the Committee for its permanent files.

E. The Committee shall have the right to disapprove any plans, specifications or details submitted to it in the event the same are not in accordance with all the provisions of these Restrictions; if the design materials or color scheme of the proposed building or other structure is not in harmony with the general surroundings of such Property or with the adjacent buildings or structures; if the plans and specifications submitted are incomplete, or in the event the Committee deems the plans, specifications or details, or any part thereof, to be contrary to the interest, welfare or rights of all or any part of the Property subject hereto, or the owners thereof. The decisions of the Committee shall be final.

BOOK 190 PAGE 761

F. Neither the Committee nor any architect or agent thereof or of Declarant shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans and specifications.

G. The Committee shall have the authority to set up regulations as to the materials, height and size requirements for all other

types of outbuildings and structures, including fences, walls, copings, etc.

H. Landscaping, walls and other screening devices are utilized to provide an attractive appearance along public streets and to screen from view those uses which may be unattractive to the public eye. Landscaping materials including ground cover, shrubs and trees further facilitate the control of erosion and the reduction of glare and dust as well as the visual softening of the building masses. Walls and screening devices allow for the separation of buildings and uses and for the buffering of intensive activities. Landscaping walls and screening devices together help to effectuate privacy, logical development and enhancement of property values. A layout of specific materials by name and description shall be submitted to the Committee for approval. Landscaping may include trees, shrubs, ground cover, vines, walkways, ponds, fountains, sculpture and other organic and inorganic materials used for creating an attractive appearance as long as all is blended with the surrounding landscape and architecture. Species shall conform to native and/or those recommended for existing soil and elevation conditions.

I. No docks and/or piers shall be erected, altered, placed, or maintained in Village Lake until the final plans and specifications have received written approval of the Environmental Control Committee. Such approval shall constitute a mere revocable privilege from Declarant or its successor or successors in interest for the construction, placement and maintenance of proposed structure. Once approved, the same dock and/or pier may be erected each subsequent year unless otherwise informed by the Environmental Control Committee.

3. LAND USE AND IMPROVEMENTS

The following are the various land uses. These land use classifications, as hereinafter described, limit and prescribe the use of the Property. Any use not specifically permitted, is hereby declared to be prohibited. See attached map showing Parcel locations.

A. Uses Permitted for Parcels 1a and b; 2a, b, c, d, and e; 3a, b, and c, 4; 5; 6; 8; 9a and b; 10a, b, and c; 11a, b, c, d, e, and f; 12a, b, and c; and 13.

- (1) Multiple-family dwelling structures of one to three stories, but not to exceed 50 feet in building height. Included are individual lodges, "party-wall" apartments, townhouses and condominiums subject to the provisions of the Colorado Condominium Ownership Act.
- (2) Cluster, detached, multiple-family dwelling structures of one or two stories, but not to exceed 35 feet in building height.
- (3) Club or recreation facilities including swimming pool, sundeck, tennis courts, boat slips, etc.
- (4) Churches with off-street parking and hotel or motel structures as approved by the Committee.

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B. Density and Property Coverage

- (1) On lake frontage Parcels, no building shall be constructed on any Parcel or Sub-Parcel which covers more than thirty (30) percent of the total area of the Parcel. No less than eight (8) or more than eleven (11) living units per acre may be constructed on the Parcels without the prior consent of Declarant.
- (2) On all other Parcels, no building shall be constructed on any Parcel or Sub-Parcel which covers more than thirty-five (35) percent of the total area of the Parcel. No less than eight (8) or more than fifteen (15) living units per acre may be constructed on the Parcels without the prior consent of Declarant.
- (3) A minimum of twenty (20) percent of the total area of each Parcel, must be landscaped.

C. Minimum Living Area

No dwelling unit shall contain less than six hundred (600) square feet of actual living area exclusive of porches, patios, garages, breezeways, and other appurtenances.

D. Set-back Requirements for All Parcels except Parcel 7

- (1) No building or structure shall be located within twenty-five (25) feet of North Pagosa Boulevard and Park Avenue. Where parking is used within this twenty-five (25) feet, a minimum of seven (7) feet adjacent to the road must be landscaped. A minimum of ten (10) feet of landscaping shall be provided if parking is not used within the setback.
- (2) No building or structure shall be located within twenty (20) feet of Davis Cup Drive, Papoa Circle, Northlake Drive, Spoon Drive, and Lake Forest Avenue (Lakeside Drive). A minimum of seven (7) feet adjacent to the street must be landscaped.
- (3) No Building or structure shall be located within twenty (20) feet of a street that traverses a Parcel.
- (4) No building or structure shall be located within fifteen (15) feet from any common Parcel boundary line or ten (10) feet from a greenbelt/open space and within fifteen (15) feet of another detached building, except on Parcels 11c, d, e and f, buildings or structures may be located at the nearest edge of the greenbelt/open space easement.
- (5) No building or structure shall be located within fifteen (15) feet of the high-water elevation of Village Lake. However, upper floor balconies may encroach to within (10) feet of the high-water elevation.
- (6) Parking areas shall not be located within five (5) feet of any common Parcel boundary line or greenbelt/open space.

E. Limited Commercial Uses for Parcel 7

- (1) Declarant desires this Parcel to be subject to the terms of paragraph 5.1 of a Declaration of Restrictions made on the thirteenth (13th) day of March, 1970, and recorded on the twenty-fourth (24th) day of June, 1970, in the Public Records of Archuleta County, Colorado in Book 122, at pages 224 through 247 inclusive, thereof, which are made a part hereof and are incorporated herein by reference.

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- (2) In addition to the requirements of paragraph 5.I, no building or structure shall cover more than 40 percent of the total area of the Parcel, with a minimum of 20 percent of the total area of the Parcel in landscaping. A three-story building up to 50 feet in height will be allowed if it covers no more than 35 percent of the total area of the Parcel, with a minimum of 25 percent of the total area of the Parcel in landscaping.
- (3) No building or structure on Parcel 7 shall be located within twenty-five (25) feet of North Pagosa Boulevard or within twenty (20) feet of Lake Forest Avenue (Lakeside Drive).
- (4) Parking areas shall not be located within five (5) feet of any greenbel/open space.

F. Parking

Adequate off-street parking shall be provided to accommodate all parking needs for residents, visitors, employees, and company vehicles.

4. **GENERAL PROHIBITIONS AND REQUIREMENTS**

The following general prohibitions and requirements shall prevail as to the construction or activities conducted on the Property:

A. No outside toilet shall be constructed on the Property. With the prior written consent of the Committee, water wells and septic systems may be constructed on the Property prior to its being served by central water or sewage systems; provided, however, such water or septic facilities shall comply with all requirements of the Health Department of the State of Colorado and other governmental agencies having jurisdiction thereof. All plumbing fixtures, dishwashers or toilets shall be connected to the central sewage system, or individual septic systems as permitted above. Storm water shall not be allowed to flow into the sewage system. At such time as central water or sewer facilities become available to an owner who has constructed a water well and/or septic system, the water well and/or septic system shall be abandoned and the central system made available shall be utilized exclusively. Unless otherwise determined by the entity having jurisdiction in the matter, the central water system shall be deemed to be available for purposes of this paragraph when water lines are installed, operative, and ready for connection within one hundred (100) feet of the property line. The central sewage system shall be deemed to be available when sewer lines are installed, operative and ready for connection within four hundred (400) feet of the property line.

B. No temporary house, trailer, tent, garage, or other outbuilding shall be placed or erected on the Property; provided, however, that the Committee may grant permission for any such temporary structure for storage of materials during construction. No such temporary structures as may be approved shall be used at any time as a dwelling place, nor shall any overnight camping be permitted on the Property.

C. Once construction of improvements is started on the Property, the improvements must be substantially completed in accordance with plans and specifications, as approved, within six (6) months from commencement.

D. No building or residence shall be occupied until the same has been substantially completed in accordance with its approved plans and specifications.

E. All structures constructed or placed on the Property shall be constructed with new material and no used structures shall be relocated or placed on the Property.

F. No animals or livestock of any description, except the usual household pets, shall be kept on the Property. Said pets shall be confined to the occupant's property or at all times be under the direct control of occupant when in other areas.

G. All signs, billboards or advertising structures of any kind are prohibited except upon application to and receipt of written permission from the Committee.

H. No stripped down, partially wrecked, or junk motor vehicles, or sizeable part thereof, shall be permitted to be parked anywhere on the Property. No cars or motor vehicles can be worked on for mechanical repairs on the Property. No vehicles shall be parked overnight on streets. No junk equipment which is visible to the occupants or users of any street or waterway within the Property is allowed on the Property.

I. Every tank for the storage of fuel installed outside any building on the Property shall be either buried below the surface of the ground or screened to the satisfaction of the Committee by fencing or shrubbery. All exterior storage areas, service areas, loading docks and ramps, and electrical cage enclosures are to be screened to the satisfaction of the Committee by fencing or shrubbery. Mechanical equipment on roofs shall be screened to the satisfaction of the Committee. Every outdoor receptacle for ashes, trash, rubbish or garbage shall be installed underground, screened or so placed and kept as not to be visible from any street or waterway within the Property at any time except during refuse collections. These requirements may be extended to any facility or activity which, in the opinion of the Committee, warrants it; the Committee, at its discretion, may also allow exceptions to these requirements.

J. All outdoor drying yards, clothes poles, clothes lines and similar equipment shall be so placed or screened by shrubbery as not to be visible from any streets or waterway within the Property.

K. Dwelling units may be used as model houses or sales offices provided they are not used in such a way as to unreasonably interfere with or disturb any unit purchaser or owner, including the use, enjoyment or access of such owner, his family or guests.

L. The Property, whether occupied or unoccupied, and any improvements placed thereon, shall at all times be maintained in such manner as to prevent its becoming unsightly by reason of unattractive growth on such Property or the accumulation of rubbish or debris thereon.

M. No noxious, offensive or illegal activities shall be carried on on the Property nor shall anything be done that shall be or become an unreasonable annoyance or nuisance to the neighborhood. No building or operation shall be conducted on the Property which shall give off, discharge, or emit any obnoxious noises, fumes, odors, glare, vibrations, or otherwise be offensive to or injure the public health. Nuisances, if not removed within ten (10) days of notification, may be removed by the Committee and removal of costs charged to owner or lessee. Storage or disposal of hazardous or radioactive material on the Property is prohibited.

N. No water, oil or natural gas drilling, refining, quarrying, or mining operations of any kind shall be permitted upon the Property and no derrick or other structure designed for use in boring oil or natural gas shall be erected, maintained or permitted on the Property.

O. No commercial type truck shall be parked for storage overnight or longer on the Property in such a manner as to be visible to the occupants or users of any street or waterway within the Property, unless the prior written approval of the Committee has been obtained.

P. Any dwelling or outbuilding on the Property which may be destroyed in whole or in part by fire, windstorm or for any other cause, or act of God must be rebuilt or all debris removed and the Property restored to a slightly condition with reasonable promptness; provided, however, that in no event shall such debris remain longer than sixty (60) days.

Q. No tree over three (3) inches in diameter shall be removed from the Property without the written consent of the Committee.

R. No exterior television or radio antenna of any kind shall be constructed or erected on the Property or residence after such time as a central television system has been made available to the Property at rates commensurate with those prevailing in the area.

S. No trash, ashes, garbage, or other refuse shall be dumped or stored or accumulated on the Property or be thrown into or left on the shoreline of any waterway in the Subdivision. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted. In order to enhance the appearance and orderliness of the Property, the Declarant hereby reserves for itself, its successors and assigns, the exclusive right to operate, or from time to time to grant an exclusive license to a third party to operate a commercial scavenging service within the Property for the purpose of removing garbage, trash and other like household refuse. Such refuse collection and removal service shall be provided not less than once each week on a day or days designated by the Declarant or its successors or assigns. The charge to be made for such refuse collection and removal service shall be at a reasonable rate commensurate with the rates charged by commercial scavengers serving other subdivisions of high standards in the area, and shall be subject to change from time to time.

T. No change in ground level may be made on the Property in excess of one foot from existing grades without the written approval of the Committee obtained prior to the commencement of work.

U. Overnight parking of recreational vehicles (boats, trailers, campers, etc.) is not permissible in regular parking areas or on streets, or anywhere else on the Property not specifically designated for parking of recreational vehicles. Declarant or its successors or assigns will provide an enclosed screened area for the purpose of storing recreational vehicles on the basis of one space at least 10' X 20' per 10 residential units occupying the site; provided, however, that the Committee may at its discretion adjust parking space requirements, according to the demand for recreational vehicle parking. The Committee shall have the right to move the site for parking of recreational vehicles to different locations.

V. All utilities must be installed underground.

W. Landscaped areas shall be reasonably maintained by the owner or the lessee of the Property as to pruning, trimming, watering, or other requirements, to create an attractive appearance. Any plant material not surviving shall be replaced as soon as possible in the growing season. Lack of maintenance shall constitute a violation of these Restrictions and may be accomplished by the Committee and the cost thereof charged to the appropriate owner or lessee. Maintenance of Pedestrian Easement Improvements shall be the responsibility of each adjacent Parcel owner until such time as these Improvements are conveyed to the Pagosa Property Owners Association.

X. Fishing in Village Lake is prohibited unless a permit is first obtained from the proper authority.

5. VARIANCES

The Committee may allow reasonable variances and adjustments of these Restrictions 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 purposes hereof and provided also that in every instance such variance or adjustment will not be materially detrimental or injurious to other property or improvements in the neighborhood.

6. EASEMENTS

A. The Declarant reserves unto itself, its successors and assigns, certain easements along, across, over and upon the real estate that constitutes the Property. The easements so reserved by the Declarant are described as follows:

- (1) Declarant, for itself, its successors and assigns and licensees, reserves a ten (10) foot wide easement along all present and subsequent road rights-of-way, and a ten (10) foot easement along the side lines of the Property for the purpose of installing, maintaining and operating utility lines and mains thereon, together with the right to trim, cut or remove any trees and/or brush, and the right to locate guy wires, braces and anchors wherever necessary for said installation, maintenance and operation, together with the right to install and maintain and operate utility lines and mains and appurtenances thereto, and reserving unto itself, its successors, assigns and licensees, the right to ingress and egress to such areas for any of the purposes heretofore mentioned. No permanent building shall be placed on such easements, but the same may be used for gardens, shrubs, landscaping and other purposes, provided that such use does not interfere with the use of such easements for their intended purposes.
- (2) Declarant further reserves for itself, its successors, assigns and licensees, for lake and shoreline maintenance and control along that portion of the Property contiguous to the shoreline of Village Lake, an easement ten (10) feet wide. This property shall be subject to a flowage easement to an elevation on a Parcel equal to the high-water elevation of adjacent lake.
- (3) Declarant for itself, its successors, assigns and licensees, reserves a twenty-five (25) foot wide easement within all rights-of-way for the purpose of cutting and filling and drainage. Declarant further reserves unto itself, its successors and assigns and licensees, the right to cause or permit drainage of surface water over and/or through said Parcels, and further it reserves an easement on, over and under all road rights-of-way for the purpose of installing, maintaining and operating utilities or drainage.
- (4) The Property shall further be subject to an easement for the maintenance and permanent stabilization control of slopes.
- (5) No owner of the Property shall have any claim or cause of action against Declarant, its successors, assigns or licensees, either in law or in equity, and arising out of exercise of any easement reserved hereunder, excepting in cases of willful or wanton negligence.

7. SIGN REGULATIONS

Declarant desires the Property be subject to the terms of paragraph H. of an Amended Declaration of Restrictions for Pagosa Village Service Commercial and for Village Center made on the 6th day of July, 1979, and recorded on the 23rd day of July, 1979, in the Public Records

of Archuleta County, Colorado, in Book 166 at Pages 435 through 451 inclusive, which are made a part hereof and incorporated herein by reference.

8. PAGOSA PROPERTY OWNERS ASSOCIATION, INC.

A. Every person acquiring legal or equitable title to any of the Property, except limited commercial parcels, becomes a member of the Pagosa Property Owners Association, Inc., a Colorado non-profit corporation herein referred to as "Association", and with such ownership in the Property and membership in the Association, he then becomes subject to the requirements and limitations imposed in these Restrictions and to the regulations and assessments of the Association, with the exception, however, of such person or persons who hold an interest in any such Property merely as security for the performance of an obligation to pay money, e.g., mortgages, deed of trust, or real estate contract purchases. However, if such a person should realize upon his security and become the real owner of the Property, he will then be subject to all the requirements and limitations imposed in these Restrictions on owners and on members of the Association, including those provisions with respect to alienation and payment of an annual charge.

B. The general purpose of the Association is to further and promote the community welfare of property owners at Pagosa and to strengthen and enhance Pagosa property values.

C. The Association shall be responsible for the maintenance, upkeep and repair, and establishment and enforcement of rules and regulations concerning the operation and use, of all recreational facilities, and other properties at Pagosa as it may from time to time own or agree to maintain. The Association may provide police protection for the residents of the community.

In the event that the Association at any time fails to properly maintain such parks and recreational facilities, or fails to provide adequate police protection, the Declarant may in its sole discretion enter upon and make any and all repairs, or may maintain any of the properties under the responsibility of the Association, or the Declarant may adopt measures to provide adequate police protection and may charge the Association for all such repairs or protection; provided, however, that Declarant shall under no circumstances be obligated to take any such action.

D. The Association shall have all the powers that are set out in its Articles of Incorporation and all other powers that belong to it by operation of law, including (but not limited to) the power to assess and collect from every member of the Association a uniform annual charge per multiple-family residential parcel within the Subdivision. The amount of such charge is to be determined by the Board of Directors of the Association for the purposes set forth in the Articles of Incorporation, and the charge in no event shall be less than \$50.00 per each multiple-family unit.

No such charge shall ever be made against, or be payable by the Declarant, the Association itself, or any entity that may be created to acquire title to, and operate, the water or sewer utilities serving the Subdivision, any commercial operations or any waterway, beach, access tract, marina, golf course, tennis courts, swimming pool, clubhouse, clubhouse grounds, campgrounds, or other like recreational facilities within the Subdivision.

All charges are payable annually by the member to the Association on or before the first day of May of each year, for the ensuing year. The Board of Directors of the Association shall fix the amount of the annual charge per unit by the first day of April of each year, and written notice of the charge so fixed shall be sent to each member in the event it is changed from the previous year.

Every person who shall become the legal or equitable owner of the Property by any means is, by the act of acquiring such title, or by the act of contracting to acquire such title, held to have agreed to pay the Association all charges that the Association shall make in accordance with these Restrictions. If such payment is not made when due, it shall bear interest from the due date at the rate of twelve (12) percent per annum. Until paid, such charges together with costs and reasonable attorney's fees required to secure payment thereof shall constitute a perpetual lien on and against the Property charged. The Association may publish the name of a delinquent member and may file notice that it is the owner of a lien to secure payment of the unpaid charge plus costs and reasonable attorney's fees and may foreclose the lien in accordance with the laws of the State of Colorado.

The Association shall upon demand at any time furnish a list of members who have paid such assessments or of such members who are then delinquent in payment of such assessments.

E. The fund accumulated as a result of the charges levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the members of the Association and in particular providing police protection and the maintenance of the waterways, parks and other recreational facilities.

F. The lien of a mortgage or deed of trust placed upon the Property for the purpose of permanent financing and/or constructing a residence or other improvement thereon, shall be superior to any such lien as provided for in these Restrictions.

G. The Board of Directors of the Association shall have the right to suspend voting rights (if any) and the right to the use of the recreational facilities of any member or associate member if any charge owned remains unpaid, or for any continuing violation of the Restrictions, after the existence of the violation has been brought to the attention of the member in writing by the Board of Directors of the Association; or during the period that any utility bill for water or sewer service remains unpaid.

9. ASSOCIATION'S RIGHT TO PERFORM CERTAIN MAINTENANCE

In the event an owner of the Property shall fail to maintain the premises and the improvements situated thereon in a manner satisfactory to the Board of Directors of the Association, the Association shall have the right to enter upon said Property and repair and restore the Property and the exterior of any improvements erected thereon. Such right shall not be exercised unless two-thirds (2/3) of the Board of Directors shall have voted in favor of such action. The cost of such exterior restoration and maintenance shall be added to and become a part of the annual charge to which such Property is subject. The Association shall not be liable for any damage which may result from any maintenance work performed hereunder.

10. LAKE FRONTAGE PROPERTY

A. Certain portions of the Property are contiguous to Village Lake. The water in, and the land under, said lake is and will be owned by Declarant. The normal pool water elevation and the high water elevation of said lake is, and will be, as determined by the spillway elevation of said lake. The title that will be acquired by the grantee of the Declarant's title to any of said contiguous Property (and by the successors and assigns of such grantee) will and shall extend only to the shoreline of the lake to which such Property is contiguous, as said shoreline would be established on the date hereof if the water elevation in said lake were at an elevation one vertical foot above the normal pool water elevation and as the shoreline may hereafter be established by the water, at an elevation one vertical foot above normal pool water elevation, by erosion from said shoreline. No such grantee, nor any of such grantee's successors or assigns, shall have any right with respect to any stream that is a tributary to said lake, or with respect to said lake, the land thereunder, the water therein, or its or their elevations, use or

conditions, and none of said Property shall have any riparian rights or incidents appurtenant; provided further that title shall not pass by reliction of submergence or changing water elevations. The Declarant, its successors and assigns, shall have right at any time to dredge or otherwise remove any accretion or deposit from any of said Property in order that the shoreline of the lake to which the Property is contiguous may be moved toward, or to, but not inland beyond, the location of said shoreline as it would exist as of the date hereof if the water elevation in said lake were at an elevation one vertical foot above the normal pool water elevation and title shall pass with such dredging or other removal as by erosion.

B. The Declarant reserves to itself, and to the Association, and its successors and assigns, such an easement upon, across and through Property adjacent to said lake as is necessary in connection with operating said lake. Without limiting the generality of the immediately preceding sentence, it is declared that neither the Declarant nor any successor or assign of the Declarant shall be liable for damages caused by ice, erosion, washing or other action of the water.

C. The Declarant reserves to itself, and its successors and assigns, the right to raise and lower the elevation of said lake; but neither the Declarant nor any successors or assigns of the Declarant shall have an easement to raise (by increasing the height of any dam or spillway, or otherwise) the high water elevation of any of said lake to an elevation above the normal pool water elevation.

D. No fence, wall or retaining element shall be constructed within twenty-five (25) feet of the high water elevation of said lake.

11. CHARGES FOR WATER AND SEWER SERVICE

A. Every legal or equitable owner of the Property shall pay charges for water and sewer service in accordance with rates approved by the entity having jurisdiction in the matter. At such time as water or sewer service is available to the owner of the Property, he shall pay a water connection fee and/or a sewer connection fee in amounts established by the entity having jurisdiction in the matter. Unless otherwise determined by the entity having jurisdiction in the matter, water service shall be deemed to be available for purposes of this paragraph when water lines are installed, operative and ready for connection within one hundred (100) feet of any property line and sewer service shall be deemed to be available when sewer lines are installed, operative and ready for connection within four hundred (400) feet of any property line.

B. Easements in addition to those reserved throughout these Restrictions shall be granted for the practical construction, operation and maintenance of such water and sewer facilities upon request of the Declarant the entity having jurisdiction in the matter.

12. RIGHTS OF MORTGAGEES

All Restrictions and other provisions herein contained shall be deemed subject and subordinate to all mortgages and deeds of trust now or hereafter executed upon land subject to these Restrictions, and none of said Restrictions shall supersede or in any way reduce the security or affect the validity of any such mortgage or deed of trust; provided, however, that if any portion of said Property is sold under a foreclosure of any mortgage or under the provisions of any deed of trust, any purchaser of such sale and his successors and assigns, shall hold any and all Property so purchased subject to all of the Restrictions and other provisions of this Declaration.

13. REMEDIES

A. Violation or breach of any Restriction herein contained shall, should such violation or breach continue for a period of twenty (20) days after written notice thereof, entitle Declarant and/or the Environmental Control Committee on behalf of the Association to the right to enter upon the Property with the respect to which said violation or breach exists, and summarily to remove at the expense of the owner, lessee or occupant thereof, any structure, thing, or condition that may be or exist thereon contrary to the intent and meaning of the provisions hereof.

B. The Association or any party to whose benefit these Restrictions inure, including the Declarant, its successors and assigns, may proceed at law or in equity to prevent the occurrence, continuation or violation of any of these Restrictions; provided however that it is expressly understood that neither Declarant nor the Association shall be liable for damages of any kind to any party for failing to either abide by, enforce, or carry out any of these Restrictions.

C. No delay or failure on the part of any aggrieved party to invoke an available remedy set forth in 12-B above in respect to a violation of any of these Restrictions shall be held to be a waiver by that party of (or an estoppel of that party to assert) any right available to him upon the recurrence or continuation of said violation or occurrence of a different violation.

14. GRANTEE'S ACCEPTANCE

A. The Grantee of the Property subject to the coverage of this Declaration, by acceptance of a deed conveying title thereto, or the execution of a contract for the purchase thereof, whether from Declarant or a subsequent owner of such Property, shall accept such deed or contract upon and subject to each and all of these Restrictions and the agreements herein contained, and also the jurisdiction, rights and powers of Declarant and of the Association, and by such acceptance shall for himself, his heirs, personal representatives, successors and assigns, covenant, consent and agree to and with Declarant, the Association, and to and with the grantees and subsequent owners of portions of the Property within the Development to keep, observe, comply with and perform said Restrictions and agreements.

B. Each Grantee also agrees, by such acceptance, to assume, as against Declarant, its successors or assigns, all the risks and hazards of ownership or occupancy attendant to such Property, including but not limited to its proximity to waterways, club or recreation facilities.

15. SEVERABILITY

Every one of the Restrictions is hereby declared to be independent of, and severable from, the rest of the Restrictions and of and from every other one of the Restrictions and of and from every combination of the Restrictions. Therefore, if any of the Restrictions shall be held to be invalid or to be unenforceable or to lack the quality of running with the land, that holding shall be without effect upon the validity, enforceability, or "running" quality of any other one of the Restrictions.

16. CAPTIONS

The underlined captions preceding the various paragraphs and subparagraphs of these Restrictions are for convenience of reference only, and none of them shall be used as an aid to the construction of any provisions of the Restrictions. Wherever and whenever applicable, the singular form of any word shall be taken to mean or apply to the plural, and the masculine form shall be taken to mean or apply to the feminine or to the neuter.

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IN WITNESS THEREOF, the Declarant has executed this Declaration on the day and year first above written.

EATON INTERNATIONAL CORPORATION,
a Delaware corporation



BY: David H. Eaton
President

ATTEST:

Fred B. Thielen
Secretary

STATE OF ARIZONA)
COUNTY OF MARICOPA)SS.

This instrument was acknowledged before me this 26th day of July, 1982, by David H. Eaton, President, and Fred B. Thielen, Secretary, of EATON INTERNATIONAL CORPORATION, a Delaware corporation.

M. Carol Becker
Notary Public

My commission expires 1/13/84



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COUNTRY
TITLE