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7

SECOND AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS

OF

EATON PAGOSA ESTATES SUBDIVISION

This Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision executed this 30th day of October, 1997, by Eaton Pagosa Properties, Inc., a Corporation licensed to transact business in the State of Colorado, hereinafter termed the "Declarant."

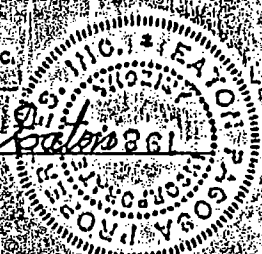
Pursuant to Article 16, Section 2 of the Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision filed on October 31, 1996, in the office of the Clerk and Recorder of Archuleta County, Colorado at Reception Number 1996008108, the Declarant hereby amends Article 6, Section 5, of said Declaration, and as amended, said Article and Section shall read as follows:

"Section 5. Density. The allowable gross residential floor area (exclusive of porch, decks, cabanas or similar structures) shall be not less than 2,400 square feet for any family residence, provided that living space shall not be less than 2,000 square feet, unless otherwise approved by the ARC and the ECC. Multiple story houses shall have a minimum of 1,400 square feet of gross residential floor area on the main floor, and a minimum of 600 square feet of gross residential floor area on the second or upper stories. For the purposes of this paragraph, floor area under a ceiling less than five feet in height above the floor shall not be counted in determining gross residential floor area."

IN WITNESS THEREOF, the Declarant has executed this Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision the day and year first above written.

Eaton Pagosa Properties, Inc.

By: Ralph H. Eaton
Ralph Eaton, President



STATE OF ARIZONA)
COUNTY OF Maricopa)

The foregoing instrument was acknowledged before me this 30th day of October, 1997, by Ralph Eaton, President, Eaton Pagosa Properties, Inc.

WITNESS my hand and seal.

My commission expires: 4-6-2000

Kathleen M. Weir
Notary Public



JERRY VENN
P.O.B. 246
PAGOSA SPRINGS, CO 81147

CONSENT TO SECOND AMENDMENT TO DECLARATION OF PROTECTIVE
COVENANTS OF EATON PAGOSA ESTATES SUBDIVISION

The undersigned, being the owner(s) of a lot(s) in Eaton Pagosa Estates Subdivision, Archuleta County, Colorado, hereby consent to the Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision, to which this consent is attached.

I further acknowledge that, prior to signing this consent, I was given a copy of the said Second Amendment to Declaration of Protective Covenants and that I read and understood the said Second Amendment.

This consent was signed and acknowledged by me before a Notary Public this 4 day of December, 1997.

Wayne A. Haslam
Lot Owner, Eaton Pagosa Estates Subdivision
Wayne A. Haslam

Gloria C. Haslam
Lot Owner, Eaton Pagosa Estates Subdivision
Gloria C. Haslam

ACKNOWLEDGMENT

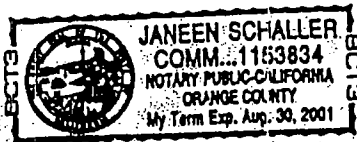
State of California }
County of Orange } ss.

The foregoing instrument was acknowledged before me this 4 day of December, 1997, by Janeen Schaller.

Witness my hand and seal.

My commission expires: 8-30-01

Janeen Schaller
Notary Public



CONSENT TO SECOND AMENDMENT TO DECLARATION OF PROTECTIVE
COVENANTS OF EATON PAGOSA ESTATES SUBDIVISION

The undersigned, being the owner(s) of a lot(s) in Eaton Pagosa Estates Subdivision, Archuleta County, Colorado, hereby consent to the Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision, to which this consent is attached.

I further acknowledge that, prior to signing this consent, I was given a copy of the said Second Amendment to Declaration of Protective Covenants and that I read and understood the said Second Amendment.

This consent was signed and acknowledged by me before a Notary Public this 2nd day of December, 1997.

Paul V. Lussi
Lot Owner, Eaton Pagosa Estates Subdivision
Paul V. Lussi

Theresa Lussi
Lot Owner, Eaton Pagosa Estates Subdivision
Theresa Lussi

ACKNOWLEDGMENT

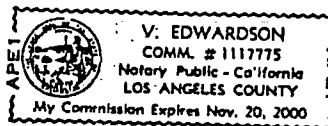
State of California)
County of Los Angeles) ss.

The foregoing instrument was acknowledged before me this 2nd day of December, 1997, by V. Edwardson.

Witness my hand and seal.

My commission expires: 11-20-2000

V. Edd
Notary Public





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CONSENT TO SECOND AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS OF EATON PAGOSA ESTATES SUBDIVISION

The undersigned, being the owner(s) of a lot(s) in Eaton Pagosa Estates Subdivision, Archuleta County, Colorado, hereby consent to the Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision, to which this consent is attached.

I further acknowledge that, prior to signing this consent, I was given a copy of the said Second Amendment to Declaration of Protective Covenants and that I read and understood the said Second Amendment.

This consent was signed and acknowledged by me before a Notary Public this 16 day of December, 1997.

Thomas V. Starritt
Lot Owner, Eaton Pagosa Estates Subdivision
Thomas V. Starritt

Karen C. Starritt
Lot Owner, Eaton Pagosa Estates Subdivision
Karen C. Starritt

ACKNOWLEDGMENT

State of Colorado)
County of Archuleta) ss.

The foregoing instrument was acknowledged before me this 16 day of December, 1997, by Thomas V and Karen C. Starritt

Witness my hand and seal.

My commission expires: 3/3/98

Richard P. [Signature]
Notary Public



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CONSENT TO SECOND AMENDMENT TO DECLARATION OF PROTECTIVE
COVENANTS OF EATON PAGOSA ESTATES SUBDIVISION

The undersigned, being the owner(s) of a lot(s) in Eaton Pagosa Estates
Subdivision, Archuleta County, Colorado, hereby consent to the Second Amendment to
Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision, to which this
consent is attached.

I further acknowledge that, prior to signing this consent, I was given a copy of the
said Second Amendment to Declaration of Protective Covenants and that I read and
understood the said Second Amendment.

This consent was signed and acknowledged by me before a Notary Public this 8th
day of December, 1997.

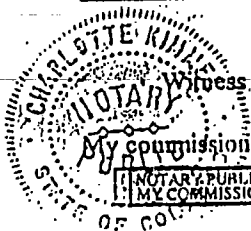
Gerald J. Alger
Lot Owner, Eaton Pagosa Estates Subdivision
Gerald J. Alger

Barbara J. Alger
Lot Owner, Eaton Pagosa Estates Subdivision
Barbara J. Alger

ACKNOWLEDGMENT

State of Colorado }
County of Denver } ss.

The foregoing instrument was acknowledged before me this 8th day of
December, 1997, by _____



Witness my hand and seal.

My commission expires:

Charlotte Kimmel
Notary Public

CONSENT TO SECOND AMENDMENT TO DECLARATION OF PROTECTIVE
COVENANTS OF EATON PAGOSA ESTATES SUBDIVISION

The undersigned, being the owner(s) of a lot(s) in Eaton Pagosa Estates Subdivision, Archuleta County, Colorado, hereby consent to the Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision, to which this consent is attached.

I further acknowledge that, prior to signing this consent, I was given a copy of the said Second Amendment to Declaration of Protective Covenants and that I read and understood the said Second Amendment.

This consent was signed and acknowledged by me before a Notary Public this 29th day of December, 1997.

L. Marvin Brewer
Lot Owner, Eaton Pagosa Estates Subdivision
L. Marvin Brewer

Michael T. Brewer
Lot Owner, Eaton Pagosa Estates Subdivision
Michael T. Brewer

Mark J. Brewer
Lot Owner, Eaton Pagosa Estates Subdivision
Mark J. Brewer

ACKNOWLEDGMENT

State of Colorado)
County of Archuleta) ss.

The foregoing instrument was acknowledged before me this 30th day of December, 1997, by L. Marvin Brewer, Michael T. Brewer and Mark J. Brewer

Witness my hand and seal.

My commission expires: 06-01-99

DIANE F. PACK
NOTARY PUBLIC
STATE OF COLORADO

[Signature]
Notary Public



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**CONSENT TO SECOND AMENDMENT TO DECLARATION OF PROTECTIVE
COVENANTS OF EATON PAGOSA ESTATES SUBDIVISION**

The undersigned, being the owner(s) of a lot(s) in Eaton Pagosa Estates Subdivision, Archuleta County, Colorado, hereby consent to the Second Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision, to which this consent is attached.

I further acknowledge that, prior to signing this consent, I was given a copy of the said Second Amendment to Declaration of Protective Covenants and that I read and understood the said Second Amendment.

This consent was signed and acknowledged by me before a Notary Public this 29 day of December, 1997.

Lot Owner, Eaton Pagosa Estates Subdivision
Nick W. Bissell

Julie T Bissell
Lot Owner, Eaton Pagosa Estates Subdivision
Julie T. Bissell

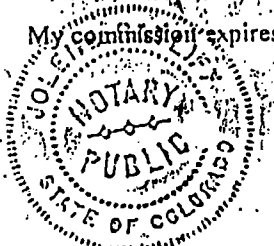
ACKNOWLEDGMENT

State of Colorado)
County of Archuleta) ss.

The foregoing instrument was acknowledged before me this 29 day of December, 1997, by Nick W. Bissell and Julie T. Bissell

Witness my hand and seal.

My commission expires: 12-5-98



John Rathiff
Notary Public



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(2)

FIRST AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS

OF

EATON PAGOSA ESTATES SUBDIVISION

This First Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision executed this ~~5~~¹⁴ day of February, 1997, by Eaton Pagosa Properties, Inc., a Corporation licensed to transact business in the State of Colorado, hereinafter termed the "Declarant."

Pursuant to Article 16, Section 3 of the Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision filed on October 31, 1996 in the office of the Clerk and Recorder of Archuleta County, Colorado at Reception Number 1996008108, the Declarant hereby amends Article 7, Section 6, of said Declaration, and as amended, said Article and Section shall read as follows:

"Section 6. Structures Prohibited. No occupied temporary structure, modular home, manufactured home, mobile home, trailer house, travel trailer, RV vehicle or any outbuildings shall be permitted on any Lot. All buildings or structures erected, placed or permitted upon said premises shall be of new construction and no building or structures shall be moved from other locations onto said premises. Owners of RV vehicles must garage them. This Section 6 shall not be subject to variance. Guest RV parking is limited to a maximum of two weeks. This paragraph is not intended to prohibit the use of pre-assembled or manufactured components such as roof trusses, precut logs, wall systems or similar components used in the construction of a Building. Notwithstanding anything contained in this Section 6 or the Declaration to the contrary, a temporary construction trailer or other such temporary unit or structure used for the purpose of storing construction tools, equipment or materials in connection with the construction of a residence or other permitted structure on a Lot or Lots shall be permitted, provided it is promptly removed upon the completion of such construction."

IN WITNESS THEREOF, the Declarant has executed this First Amendment to Declaration of Protective Covenants of Eaton Pagosa Estates Subdivision the day and year first above written.

Eaton Pagosa Properties, Inc.

By: Ralph H. Eaton

STATE OF ARIZONA }
COUNTY OF }

The foregoing instrument was acknowledged before me this 5th day of
February, 1997, by Ralph H. Eaton

WITNESS my hand and seal.

My commission expires: 4-6-2000

Kathleen M. [Signature]
Notary Public

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DECLARATION OF PROTECTIVE COVENANTS

OF

EATON PAGOSA ESTATES SUBDIVISION

THIS DECLARATION is executed this 28th day of October, 1996, by Eaton Pagosa Properties, Inc. a Corporation licensed to transact business in the State of Colorado, hereafter termed "Declarant."

ARTICLE I

STATEMENT OF PURPOSE OF DECLARATION

Section 1. Ownership of Property. Declarant is the owner of the real property ("Property") situate in Archuleta County, Colorado, described on the attached Exhibit "A". Said property has been subdivided into numbered or lettered parcels identified as lots and greenbelt areas. Declarant is about to sell and convey said lots and before doing so desires to subject them to and impose upon them mutual and beneficial restrictions, covenants, conditions and charges, under a general plan or scheme of improvement for the benefit and complement of all of the lots in Eaton Pagosa Estates Subdivision and the future owners of all said lots.

Section 2. Declaration of Covenants. Declarant hereby makes, declares and establishes the following covenants, restrictions and easements ("Declaration") which shall affect the Property. This Declaration of Protective Covenants shall run with the Property and shall be binding upon all persons and entities having any right, title or interest in and to the Property or Lots, tracts or parts thereof, their heirs, successors and assigns and their tenants, employees, guests and invitees and shall inure to and be for the benefit of each Owner of a Lot within the Property. By its adoption and the imposition of these Declarations, Declarant does not intend to create a new common interest community as defined by the Colorado Common Interest Ownership Act, but rather intends that Eaton Pagosa Estates Subdivision be incorporated into the Pagosa Lakes community, under an existing common scheme for development, except as otherwise specifically provided herein.

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

ARTICLE 2

DEFINITIONS

The following terms and words shall have the following definitions:

Section 1. "Architectural Review Committee" shall mean the standing committee of the Eaton Pagosa Estates Property Owners Association charged with the enforcement of all building, land use and related protective covenants contained herein.

Section 2. "Association" shall mean the Eaton Pagosa Estates Property Owners Association, a Colorado non-profit corporation or any successor thereof, charged with the duties and obligations set forth herein.

Section 3. "Association Documents" shall mean this Declaration of Protective Covenants, the Articles of Incorporation and Bylaws of the Association, any amendments thereto, and any rules, regulations or policies adopted by the Association.

Section 4. "Assessments" shall mean annual, periodic, special or default assessments levied pursuant to this Declaration to provide the funds required to meet the obligations of the Association.

Section 5. "Board of Directors" or "Board" shall mean the Board of Directors of the Association duly elected and acting according to the Articles of Incorporation and Bylaws of the Association.

Section 6. "Building" shall mean a building or structure, or any similar type of improvement situate and located on a lot or parcel of land within the Property.

Section 7. "Building Site" shall mean the area within the required set-backs as set forth herein for Lots.

Section 8. "Common Area" shall mean all real property in which the Association owns any interest for the common use and enjoyment of their members, as designated on the recorded plat. Such interest may include, without limitation, estates in fee, estates for a term of years, leasehold estates, or easements. Each and every Common Area may have a restricted use or enjoyment and may be designated for a specific use for such Common Area.

Section 9. "Environmental Control Committee" shall mean the standing committee of the Pagosa Lakes Property Owners Association charged with the enforcement of all building, land use, and related covenants at any of the subdivisions in the Pagosa Lakes Community over which it has jurisdiction.

Section 10. "Family Residence" shall mean the residence on any Lot designated for occupancy by the owner of the Lot.

Section 11. "Garage" shall mean an accessory building or accessory portion of a residence designed for the storage of one or more motor vehicles and any incidental use associated therewith.

Section 12. "Improvement" shall mean all buildings, structures, parking areas, loading areas, fences, walls, hedges, plantings, poles, driveways, docks, walkways, recreational facilities, signs, decks, enclosures, change in exterior color or shape, excavation, and all other site work including without limitation grading, road construction, utility improvements, removal of trees or plantings, and any new exterior construction or exterior improvement constructed or completed on the Property.

Section 13. "Lot" shall mean a lot as shown on the Plat of Eaton Pagosa Estates Subdivision and any amended or subsequent plats, but shall not include Common Areas.

Section 14. "Maintenance Fund" shall mean the fund created by assessments and fees levied pursuant to this Declaration to provide the Association with funds it requires to carry out its duties hereunder...

Section 15. "Master Association" shall mean the Pagosa Lakes Property Owners Association (PLPOA), a non-profit Colorado corporation.

Section 16. "Member" shall mean any person holding membership in the Association.

Section 17. "Mortgage" shall mean any mortgage, deed of trust or other document pledging a Lot or interest therein as security for the payment of any indebtedness. "First Mortgage" shall mean any mortgage which is not subject to or junior to any lien or encumbrance, except liens for taxes and other liens which are given priority by statute.

Section 18. "Open Space" shall mean all of the Lot except for any Building or structure located thereon and shall include, but is not limited to, lawns, gardens, walkways, sidewalks, parking areas, driveways and outdoor living or recreational space.

Section 19. "Owner" shall mean the record owner, whether one or more persons or entities, of fee simple title to any Lot; provided, however, that prior to the first conveyance of any Lot for value after this Declaration, the Owner shall mean the Declarant unless the grantor has designated its successor in ownership of fee simple title to exercise the rights, duties and obligations of ownership. Notwithstanding the foregoing, where a person or legal entity who, as purchaser, has entered into a contract for deed to a Lot, which contract provides that the purchaser obtains possession and the rights and responsibilities of ownership, but that the deed will be delivered to the purchaser only after the purchaser meets certain conditions, such as payment of the full purchase price, the purchaser shall be deemed to be the owner and the seller under said contract shall cease to be the owner while said agreement is in effect.

Section 20. "Plat" shall mean any plat of Eaton Pagosa Estates Subdivision and all subsequent plats as filed in the records of Archuleta County, Colorado, which are subject to these Protective Covenants, and as the same may be amended, enlarged or revised from time to time and affecting the Property.

Section 21. "Property" shall mean and include all of the Property subject to this Declaration.

ARTICLE 3

USE OF LOTS

Section 1. Residential Use. All Lots shall be used exclusively for residential purposes. No Buildings or Improvements not associated with residential use shall be permitted.

Section 2. Building Site. One single family residence shall be situate within the Building Site of the Lot, which site shall comply with the set-back requirements specified herein. Except for a single family residence there shall be no other buildings, out buildings, or other structures erected on or moved upon a Lot.

Section 3. Approval of Use. No Improvement shall be constructed on any Lot, except only as approved by the Environmental Control Committee, or other entity to whom review responsibilities have been assigned as provided herein.

Section 4. No Commercial Use. No commercial or business enterprise of any nature shall be allowed or permitted on any Lot; provided, however, that the Owner of the Lot may be permitted to rent or lease the residence and to conduct a home occupation, artistic or literary activity on any Lot upon the prior approval by the Board of Directors as to such occupation or activity. Regardless of any lease of a residence hereunder, Owner shall remain directly liable for all obligations imposed by this Declaration.

Section 5. Partition of Lots. No part of a Lot may be partitioned, separated or subdivided from any other part thereof, except that a Lot may be divided if the resulting parts are attached to an adjacent Lot or Lots, if the end result is to reduce the density within the subdivision.

ARTICLE 4

ENVIRONMENTAL CONTROL COMMITTEE

Section 1. Powers. 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 materials, 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 lot shall be subject to and shall require the approval in writing, before any such work is commenced, of the Environmental Control Committee ("ECC"), as the same is from time to time composed.

Section 2. Submission of Plans. Anyone wishing to build on their lot shall submit plans to the ECC in accordance with the guidelines, rules and regulations then in effect. There shall be submitted to the ECC a building application on approved forms together with two (2) complete sets of the plans, elevations, sections, site plan, grading plan, etc., prepared by an architect licensed and registered in Colorado. 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 in an amount to be set by the Master Association (subject to increase without notice) shall accompany the submission of the plans, etc. to defray ECC expenses. No additional fees shall be required for subsequent submissions or resubmissions of plans revised in accordance with ECC requirements. 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.

Section 3. Disapproval. The ECC 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 ECC 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 ECC shall be final.

Section 4. Non-Liability. Neither the ECC 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.

Section 5. Additional Regulations. The ECC shall have the authority to set up regulations as to the materials, height and size requirements for all other types of structures, such as fences, walls, copings, gazebos, patio and decks, etc., so long as they are not inconsistent with these Declarations. The ECC may adopt such rules and regulations as are appropriate to govern its proceedings.

Section 6. Docks and Piers. No docks and/or piers shall be erected, altered, placed, or maintained in Lake Forest except in accordance with the policies, procedures, rules and regulations of the Master Association.

Section 7. Additional Approvals. In addition to the approval requirements of the ECC, each owner is responsible for obtaining all approvals, licenses and permits as may be required by Archuleta County, Colorado, and any entity or district having jurisdiction over the Lot prior to the commencement of construction.

Section 8. Drainage. Each Lot owner shall be responsible to insure that no runoff from their Lot drains into the Lake. Owners of Lots contiguous to Lake Forest shall drain all runoff from their lots into the existing ditch (old irrigation ditch) that parallels the Lake.

ARTICLE 5

ARCHITECTURAL CONTROL COMMITTEE

Section 1. Powers. Notwithstanding the provisions of Article 4 hereof, or any other Article contained herein, once the Architectural Review Committee ("ARC") of the Eaton Pagosa Estates Property Owners Association has been established by the Association and its' members designated, in accordance with the Bylaws of the Association, the ARC shall exercise, all rights, duties, powers and authority granted to the ECC by this Declaration, including but not limited to, those specific rights, duties, powers and authority granted the ECC under Article 4 hereof. Until the ARC has been established as provided above, a Committee to be known as the Temporary Architectural Review Committee ("TARC"), established as provided below in Section 9, of this Article 5 shall exercise all rights, duties, powers and authority granted the ARC by this Declaration, including all specific rights, duties, powers and authority, and limitations of liability set forth in this Article 5. The ECC shall only exercise authority over the Property, and shall only exercise those rights, duties, powers and authority granted to it under this Declaration with respect to the Property in the event the TARC or ARC should cease to function for any reason, but in such event, only until the TARC or ARC resumes functioning as such hereunder.

Section 2. Disapproval. The ARC has the same rights of disapproval as are given to the ECC under Article 4, Section 3 hereof.

Section 3. The building application referred to in Article 4, Section 2 shall be submitted to the ARC or TARC, as the case may be, so long as they are functioning hereunder. A filing fee as specified in said Section 2, and such additional fees as determined by the Association to defray its' expenses shall accompany the application.

Section 4. Non-Liability. Neither the ARC, TARC 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.

Section 5. Additional Regulations. The ARC shall have the authority to set up regulations as to the materials, height and size requirements for all other types of structures

including fences, walls, copings, gazebos, patios and decks, etc., so long as they are not inconsistent with these declarations. The ARC may adopt such rules and regulations as are appropriate to govern its' proceedings.

Section 6. Docks and Piers. The erection, alteration, placement and maintenance of docks and/ or piers in Lake Forest shall be done in accordance with the policies, procedures, rules and regulations of the Master Association.

Section 7. Final Approval by ARC. 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 written approval by the ARC.

Section 8. Approval by ECC. All power and authority of the ARC to grant approvals, exceptions, or variances under any provision of this Declaration shall be exercised by the ECC in the event the TARC or ARC should cease to function for any reason, but in such event, only until the TARC or ARC resumes functioning as such hereunder.

Section 9. TARC. The Temporary Architectural Review Committee ("TARC") referred to in Section 1 of this Article 5, shall be composed of three persons designated by the Declarant. The Declarant shall have the right, at any time, in its sole discretion, to remove or replace any or all members of the Committee. The TARC will function as provided herein only until the ARC is established as provided in the Bylaws of the Association.

ARTICLE 6

DESIGN REQUIREMENTS

Section 1.0 Design Requirements. Any residence, garage, building or improvement situate on any Lot shall comply with the design requirements of this Article.

Section 2.0 Setback. Any building or improvement shall be set back as follows:

2.1 Thirty (30) feet from the front Lot line, twenty (20) feet from the rear Lot line, and twenty (20) feet from the side Lot lines, except that if a side Lot line is on a street the setback shall be thirty (30) feet from that side Lot line.

2.2 Notwithstanding the provisions of Section 2.1, the rear set-back for Lots contiguous to Lake Forest (Lots 28 through 38) and Lot 27 shall be the edge of the twenty feet sewer easement bordering Lake Forest closest to Lakeside Drive as shown on the Plat of Eaton Pagosa Estates Subdivision, or the 7,445 feet elevation line shown on said Plat, whichever is further from the Lake.

2.3 For purposes of this Article 6, the front Lot line is the line facing the interior roadways in said Subdivision as shown on the Plat of Eaton Pagosa Estates Subdivision on Lake Forest.

2.4 Any disputes concerning the front, rear or side Lot lines of any Lot, including the designation of such for setback purposes, shall be determined by the Architectural Review Committee.

2.5 As used in this Section 2 only, the term "improvement" shall not include hedges, plantings, driveways or walkways.

Section 3. Uniform Building Code. All buildings and improvements shall meet all of the requirements, including fire protection standards, of the Uniform Building Code, and any other building code or fire code of Archuleta County, Colorado, then in effect.

Section 4. Engineered Foundations. All lots, as designated on the plat, shall require a foundation designed by a Colorado licensed engineer.

Section 5. Density. The allowable gross residential floor area (exclusive of porch, decks, cabanas or similar structures) shall be not less than 2,000 square feet for any family residence, provided that living space shall not be less than 1600 square feet, unless otherwise approved by the ARC and the ECC. Multiple story houses shall have a minimum of 1,200 square feet of gross residential floor area on the main floor, and a minimum of 500 square feet of gross residential floor area on the second or upper stories. For the purposes of this paragraph, floor area under a ceiling less than five feet in height above the floor shall not be counted in determining gross residential floor area.

Section 6. Height. The maximum height of any Building shall be 35 feet. The height of a Building for the purpose of this Section shall be measured and determined in the manner provided by the Uniform Building Code.

Section 7. Roofs. No flat roofs shall be allowed. All roofs must have color finish approved by the ARC.

Section 8. Exterior Building Material and Style. All buildings shall be built in an exterior style and with colors and materials harmonious to the area and similar in style, color and materials to like kind buildings in existence in the surrounding areas. No exterior walls shall consist of sheet metal, metal material, or any similar material, compositions shingles or unplastered cement or similar type block. All colors of exterior walls and roofs will be natural or earth tones in color to blend with the natural surroundings except that colored trim may be allowed upon approval of the ARC.

Section 9. Service or Utility Areas. All service or utility areas of yards, and including garbage cans and trash storage areas, shall be screened from view of all other property

owners. No above-ground propane tanks shall be allowed while central natural gas is available at the Lot.

Section 10. Garages. Garages are required and must be attached to the residence and shall meet all applicable set-back requirements as set forth herein.

Section 11. Antennae. No exterior radio, television, microwave or other antennae or antennae dish or signal capture or distribution device except the mini-dishes (less two (2) feet in diameter), shall be permitted or installed on any Lot unless it is entirely screened from view on all sides and such screening shall be in keeping with the terrain and environment.

Section 12. Wood Burning Devices. All solid fuel or wood burning stoves and devices, including fireplaces, shall comply with any rules and regulations implemented and in effect by any federal, state or local governmental entity.

Section 13. Fences. All fences, including the location and style of fence, must be approved by the ARC and must be constructed within the applicable setbacks specified in Article 6, except that fences may be built along side lot lines, provided a variance is approved in writing by the ARC. No chain link fences shall be permitted.

ARTICLE 7

CONSTRUCTION AND MAINTENANCE REQUIREMENTS

Section 1. Excavation. No excavation shall be made on any Lot, except in connection with a building or other improvement approved in accordance with this Declaration of Protective Covenants.

Section 2. Mandatory Services. All lots shall connect to water and sewer services to be provided by Pagosa Area Water and Sanitation District. No water wells or Individual Sewage Disposal Systems shall be allowed.

Section 3. Water and Sewage Disposal Systems. All individual water connections and sewage connections shall be constructed, installed and maintained in compliance with all applicable rules and regulations of any governmental or quasi-governmental entity having jurisdiction over the Property, specifically including, but not limited to, the Pagosa Area Water and Sanitation District, the County of Archuleta; the San Juan Basin Health Unit and the State of Colorado.

Section 4. Signs. Except for reasonable and appropriate house number identifications, no sign of any kind shall be displayed to public view on any portion of any Lot, except upon application to and written permission from the ARC.

Section 5. Drainage. No Owner shall do or permit any work, construct any improvements or do any landscaping which shall alter or interfere with the natural drainage for the Property, except to the extent the same is approved by the ARC and as authorized for any surface water discharge easement, except that after construction of any improvements, each Lot Owner shall be responsible for construction of ditches to provide for surface drainage from their Lot away from Lake, and except as otherwise provided in Article 4, Section 8, with respect to Owners of Lots contiguous to Lake Forest.

Section 6. Structures Prohibited. No temporary structure, mobile home, trailerhouse, travel trailer, boat or boat trailer, RV vehicle or any outbuildings shall be permitted on any Lot. The ARC may approve designs for garden structures such as greenhouses and gazebos. Property owners must garage travel trailers, boats or boat trailers and RV vehicles. Guest RV parking is limited to two weeks. All buildings or structures erected, placed or permitted upon said premises shall be of new construction and approved by the County Building Department under their current Uniform Building code. No buildings constructed elsewhere may be moved onto a Lot except with prior written approval of the ARC. The ARC shall maintain a policy regarding minimum quality and construction guidelines designed to prohibit low quality stick-built, modular, pre-manufactured or panelized buildings or structures addressing, among others, such issues as minimum size and spacing for floor joists, interior walls, roof structure and roof pitch.

Section 7. Continuity of Construction. All construction, reconstruction, alterations or improvements shall be prosecuted diligently to completion and shall be completed within twelve months of the commencement thereof, unless an exception is granted by the ARC. No building or improvement shall be occupied until the same has been substantially completed in accordance with approved plans and specifications. For the purposes of this Section 7, a building is substantially completed when the exterior work is completed and a Certificate of Occupancy has been issued by the County.

Section 8. Tree Removal. No tree over three inches in diameter (six inches in the case of gambel oak), measured at four and one-half feet from the highest ground level at the base of the tree, may be cut down or removed from a lot, except upon application to and written permission from the ARC. Notwithstanding the foregoing, trees may be removed from a Lot for home construction, defensible fire spaces, and limited view enhancement, but only upon ARC written approval.

Section 9. Trash. No trash, ashes, garbage or other refuse shall be allowed to accumulate or be placed on any Lot or area within the Property. There shall be no burning or other disposal of refuse out of doors. Each Owner shall provide suitable wildlife resistant receptacles for the temporary storage and collection of such refuse and all such receptacles shall be screened from the public view and from the wind and protected from animal and other disturbances.

Section 10. Abandoned or Inoperable Vehicles. Abandoned or inoperable automobiles or motor vehicles of any kind, shall not be stored or parked on any Lot, road or common areas within the subdivision. "Abandoned or inoperable vehicle" shall be defined as any vehicle which either is incapable of legal operation upon a public roadway or has not been driven under its own propulsion for a period of thirty (30) days or longer; provided, however, this shall not include vehicles parked by Owners on their lots while temporarily away from their residences. A written notice describing the "abandoned or inoperable vehicle" and requesting removal thereof may be personally served upon the Owner or Owner's tenant or posted on the unused vehicle; and if such vehicle has not been removed within seventy-two (72) hours thereafter, either the Association or the Master Association shall have the right to remove the same without liability to it, and the expenses thereof shall be charged against the Owner.

Section 11. Noise. No exterior horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of the improvements on any Lot, shall be placed or used on any Lot.

Section 12. Nuisance. No obnoxious or offensive activity shall be carried on within the Property, nor shall anything be done or permitted which shall constitute a public nuisance. No noise or other nuisance shall be permitted to exist or operate upon the Property so as to be offensive or detrimental to any other part of the Property or its owners or occupants; provided, however, that this Section shall not apply to any noise or other activity approved by the ARC as to the construction of any improvements.

Section 13. Hazardous Activities. No activities shall be allowed or conducted on the Property which are or might be unsafe or hazardous to any person or property. Such hazardous activities, include, but are not limited to fireworks, firearms, explosives, air or pellet guns or any similar type devices.

Section 14. Maintenance and Repair. If Owner fails to maintain his or her Lot, or any improvements thereon, in good repair, the ARC may give owner written notice of the needed maintenance or repair. If said maintenance or repair is not completed by Owner within 45 days of mailing of said notice, the ARC, at its option, may obtain an injunction against the Owner to force completion of the needed work, or contract a third party for the needed work and assess the costs of same against Owner pursuant to Article 11 hereof.

Section 15. Noxious Weed Control. The Association shall at all times keep right-of-ways and pedestrian pathways in good repair and free of noxious weeds. Individual Lot Owners shall be responsible for maintaining their property in a noxious weed-free manner.

Section 16. Fishing. All access to and use of Lake Forest shall be subject to regulations imposed by the Master Association.

ARTICLE 8

VARIANCES

The ARC 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. Any variance so granted shall be in writing, signed by the Chairperson and Secretary of the ARC and the Lot Owner.

ARTICLE 9

ANIMALS

Section 1. Confinement of Animals. All animals shall be kept confined to the Owners property and an area within 30' of the residence or attached by leash or other suitable control device. No animals shall be allowed to run free or become a public nuisance as described in Section 12, Article 7 herein. The Owner of any animal shall at all times be responsible for all actions of such animals and any damage caused by such animal. This Section includes, but is not limited to, dogs and cats. Domestic animal food shall be kept indoors.

Section 2. Rules and Regulations. The Master Association may adopt suitable rules and regulations as to the keeping and maintaining of any animals on any Lot and may in particular circumstances regulate the number and type of animals to be allowed, kept or maintained on any Lot.

Section 3. Livestock. No livestock of any kind may be kept on the Property.

Section 4. Impoundment of Domestic Animals. The Master Association is specifically empowered to impound any animals running at large within the Property. Upon impoundment, the owner of the animal, if known, shall be immediately notified and the animal shall be taken to the nearest facility which accepts impounded animals. It is the duty of the owner of such animal to recover the animal from such facility and if the animal is not recovered by the owner in accordance with the rules and regulations of such facility, the facility may destroy the animal without liability to the owner thereof. Owners are liable for costs incurred by the Master Association for the impoundment of their stray domestic animals in addition to any fines which may be levied for allowing an animal to run at large.

Section 5. Bird Habitat and Nuisance Wildlife. Effort shall be made to preserve dead trees and trees with bare limbed tops as bird habitat sanctuaries. The Master Association shall be authorized to remove or otherwise dispose of any nuisance wildlife found on the property in accordance with applicable state and local laws.

ARTICLE 10

EATON PAGOSA ESTATES PROPERTY OWNERS ASSOCIATION

Section 1. Government of Association. Eaton Pagosa Estates Property Owners Association, a Colorado non-profit corporation, shall be governed by and shall exercise all of the powers, duties, privileges and obligations set forth in the Declaration, the Articles of Incorporation and Bylaws of the Association. Except as otherwise specifically provided in this Declaration, the purpose of the Association shall be to generally provide for the maintenance, repair, and snow removal of all common roadways within the subdivision, to keep all right-of-ways and pedestrian pathways and walking easements in good repair and free of noxious weed, to maintain all common areas, and to maintain the former irrigation ditch along Lake Forest. The Association may affiliate with the Master Association and, except as otherwise set forth herein, in such case all owners shall be subject to any rules and regulations adopted by the Master Association, and all enforcement functions shall be the exclusive province of the Master Association. Notwithstanding anything contained in this Declaration, or in the Articles of Incorporation, Bylaws or rules and regulations of the Association to the contrary, Declarant shall have the right to exercise control over the Association, and consistent therewith, Declarant, or persons designated by it, may appoint and remove officers and members of the Executive Board of the Association. This period of Declarant control shall terminate, unless earlier voluntarily surrendered by Declarant, no later than the date(s) set forth in Colorado Revised Statutes, Section 38-33.3-303 (5)(a). Further, Declarant reserves the right to convert unsold Lots into common areas, to complete improvements indicated on plats and maps filed with this Declaration, to use easements through the common areas for the purpose of making improvements within the subdivision, and to make the subdivision subject to a master association.

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

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

Section 4. Voting Rights. All Owners within Eaton Pagosa Estates Subdivision shall be members of the Association. Each Lot shall be entitled to one (1) vote in the Association. Declarant shall be entitled to one (1) vote per Lot for each lot that has not been sold and conveyed by Declarant. The one (1) vote for each Lot shall be exercised by the Owner and when more than one person or entity holds an interest in a lot, the vote for the Lot shall be

exercised as the Owners may determine among themselves, but a vote for the Lot shall be cast by only one person.

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

Section 6. Grant of Utility Easements. The Declarant hereby authorizes and empowers the Association as its attorney-in-fact to give and grant a utility easement for the installation, construction and maintenance of underground utilities over and across any road easement or tracts designated on any Plat. The Owner of each Lot, by virtue of such ownership, hereby authorizes and empowers the Association, as its attorney-in-fact, to give and grant a utility easement and right of way 10 feet in width adjacent and on either side of any exterior boundary lines of any Lot for the installation, construction and maintenance of underground utilities.

Section 7. Road Maintenance. All roads located within the Property shall be constructed in accordance with road specifications issued by Archuleta County, Colorado. Upon completion of construction of the road, all maintenance, repairs, snow plowing and supervision shall be the duty of and vested in the Association. The Association shall specifically:

7.1 At all times keep in good repair all roads within the Property and maintain the same in suitable condition for use by the members of the Association and emergency vehicles, including fire trucks.

7.2 Snow plow the roads and parking areas (except private driveways) during the winter months as required for access to any Lot or parking in Common Area.

7.3 At all times keep all road rights-of-way and pedestrian pathways in good repair and free of noxious weeds.

7.4 All owners shall be responsible for the construction, in a good and workmanlike manner, and the maintenance of their individual driveways. All connections of driveways to roads within the Property shall be in conformity with sound engineering principles with due regard to safety considerations, and shall provide for adequate drainage.

Section 8. Driveways. All driveways within the Property shall be paved. There shall be no gravel driveways.

ARTICLE 11

ASSESSMENTS

Section 1. Creation of Lien. Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in any deed, is deemed to covenant and agree to pay the Association; (1) All regular assessments or charges; (2) any special assessments or charges; and (3) any default assessments or charges, all of which shall be fixed, established and collected as determined by the Association, provided however that no such charges shall ever be made against, or be payable by, the Declarant. The annual, special and default assessments, together with interest, costs and reasonable attorney fees incurred in collecting same, shall be a charge and continuing lien upon the Lot against which each such assessment is made until paid. Each such assessment, together with interest, costs and reasonable attorney fees, shall be the personal obligation of the Owner of such Lot at the time when the assessment became due.

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

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

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

2.2 Any costs and expenses pertaining to the operation of the Association in the performance of its duties, including the costs and expenses of the ARC.

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

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

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

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

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

The proposed budget for the next fiscal year shall be presented to and approved by an affirmative vote of a majority of the members present at the annual meeting of the membership, provided a quorum is present.

Section 5. Special Assessments. In addition to the regular assessments set forth in Section 4 above, the Board of Directors may levy in any fiscal year one or more special assessments for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement within or upon any common roads or streets, for any other construction, repair or replacement or to make up any shortfall in the current year's budget. Notice of the amount and due dates for such special assessments shall be sent to each Owner at least thirty (30) days prior to the due date. Such special assessment shall be for the use and benefit of all Lots.

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

Section 6. Assessment for Each Lot. All regular and special assessments shall be apportioned and allocated equally among all Lots.

Section 7. Default Assessments. Any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner, shall be a default assessment and shall become a lien against such Owner's Lot and may thereafter be foreclosed or otherwise collected as provided herein. Notice of the amount and due date of such default assessment shall be sent to the Owner subject to such assessment at least thirty (30) days prior to the due date. An Owner who wishes to appeal such assessment may do so in writing to the Board of Directors within ten (10) days of receipt of such notice, giving the reasons for such appeal. The Board shall promptly hear such appeal and render a written decision, which shall be final and binding on the Owner.

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

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

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

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

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

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

Section 9. Successor's Liability for Assessment. In addition to the personal obligation of each Owner of a Lot to pay all assessments and the Association's lien on a Lot for such assessments, all successors to the ownership of a Lot shall be jointly and severally liable with the prior Owner for any and all unpaid assessments, interest, costs, expenses and attorney fees against such Lot. In no event shall Declarant become liable for the payment of any assessment by virtue of its retaking of title to any Lot pursuant to any rights set forth in any contract, mortgage, deed of trust or similar security document, but Declarant, in such case, shall be responsible for the PLPOA dues on any such Lots accruing after the date of such retaking.

ARTICLE 12

MASTER ASSOCIATION

Section 1. Pagosa Lakes Property Owners Association, Inc. Every person who becomes an Owner of a Lot in the subdivision becomes a member of the Pagosa Lakes Property Owners Association, Inc. (PLPOA), a Colorado non-profit corporation, herein sometimes referred to as the "Master Association," provided the Association affiliates with the PLPOA, and with such ownership in the subdivision and membership in the Master Association

becomes subject to the requirements and limitations imposed in these restrictions and except as otherwise specifically provided herein, to the regulations and assessments of the Master Association, with further exception, however, of such person or persons who hold an interest in any such lot merely as security for the performance of an obligation to pay money, e.g., mortgages, deeds of trust, or real estate contract purchases. However, if such a person should realize upon his security and become the real owner of a lot within the subdivision, he will then be subject to all the requirements and limitations imposed in these restrictions on owners of lots within the subdivision and on members of the association, including those provisions with respect to alienation and the payment of an annual charge.

Section 2. Purpose. The general purpose of the Master Association is to further and promote the community welfare of property owners in the subdivision and the Pagosa Lakes community.

Section 3. Duties. The Master 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 within the Pagosa Lakes area as it may from time to time own or agree to maintain. The Master Association may provide fire and police protection for the residents of the subdivision.

Section 4. Powers. The Master 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 monthly charge per single-family residential lot within the subdivision. The amounts of such charge is to be determined by the Board of Directors of the Master Association for the purposes set forth in the Articles of Incorporation, provided that no such charge shall ever be made against, or be payable by, the Declarant or the Master Association itself.

All charges are payable annually by the member to the Master Association on or before the first day of May of each year, for the ensuing year. The Board of Directors of the Master Association shall fix the amount of the annual charge per lot 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 lot in the subdivision 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 Master Association all charges that the Master Association shall make in accordance with these restrictions or its rules and regulations. If such payment is not made when due, it shall bear interest from the due date at the rate of twelve (12%) 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 Master 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 Master Association shall upon demand at any time furnish a list of members who have paid assessment or of such members who are then delinquent in the payment of such assessments.

Section 5. Assessments. The fund accumulated as a result of the charges levied by the Master 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 and fire protection and the maintenance of the waterways, parks and other recreational facilities.

Section 6. Suspension of Privileges. The Board of directors of the Master 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 restrictive covenants for the subdivision or the rules and regulations of the Master Association, after the existence of the violation has been brought to the attention of the member in writing by the Board of Directors of the Master Association.

ARTICLE 13

OWNERSHIP, USE AND ENJOYMENT OF LAKES, PARKS AND RECREATIONAL AMENITIES

Section 1. Use by Members. All parks, recreational facilities and other amenities within this subdivision are private, and neither the Declarant's recording of the plat nor any other act of Declarant with respect to the plat, shall be construed as a dedication to the public, but rather all such parks, recreational facilities and other amenities shall be for the use and enjoyment of members of the Association and lessees and guests of such members of the Association.

Section 2. Ownership. All recreational facilities within the subdivision shall be conveyed to the Eaton Pagosa Estates Property Owners Association, Inc. as common element property for the common use, benefit and enjoyment of its members, and such conveyance shall be accepted by it, provided it is free and clear of all financial encumbrances.

ARTICLE 14

LAKES

Section 1. Lake Frontage Lots. Certain lots in the subdivision are contiguous to Lake Forest. The land under the lake is and will be owned by PLPOA. Said lake is depicted in the recorded subdivision plat and the normal pool water elevation and the high water elevation of said lake is, and will be 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 lots (and by the successors and assigns of such grantee) will and shall extend only to the shoreline of the lake to

which such lot is contiguous, as said shoreline would be established on the date hereof if the water elevation in said lake were the normal pool water elevation and as shoreline may hereafter be established by the water, at the normal pool water elevation, by erosion from said shoreline, subject to an easement ten (10) feet wide for lake and shoreline maintenance and control along that portion of each lot contiguous to the shoreline of said lake as shown on the recorded plat of Eaton Pagosa Estates Subdivision, and further subject to a flowage easement to an elevation on the lot equal to the high-water elevation of the lake. 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 condition, and none of said lots shall have any riparian rights or incidents appurtenant; provided further that title shall not pass by reliction or submergence or changing water elevations.

Section 2. Lake Maintenance. The PLPOA shall have the right at any time to dredge or otherwise remove any accretion or deposit from any of said lots in order that the shoreline of the lake to which the lot is contiguous may be moved forward, 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.

ARTICLE 15

ENFORCEMENT OF COVENANTS

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

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

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

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

3.2 By the Master Association in the absence of Association action to enforce.

3.3 By the Owner of any Lot.

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

ARTICLE 16

DURATION OF COVENANTS

Section 1. Term. This Declaration of Protective Covenants, and any amendments or supplements thereto, shall be perpetual from the date of recording, unless otherwise terminated or amended as hereafter provided.

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

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

ARTICLE 17

PRINCIPLES OF INTERPRETATION

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

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

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

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

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

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

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

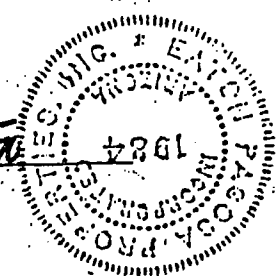
Section 8. Interest. Any sums, amounts or monies due and owing to the Association under the Association documents shall bear interest at 12% per year from the date due until paid, unless otherwise specifically provided herein or in the Association documents.

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

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

Eaton Pagosa Properties, Inc.

By: Ralph H. Eaton



STATE OF ~~COLORADO~~ Arizona }

} ss.

County of ~~Archuleta~~ Maricopa }

The foregoing instrument was acknowledged before me this 28th day of
October, 1996, by Ralph H. Eaton

WITNESS my hand and seal.

My commission Expires: 4-6-2000

June Madrid
Notary Public

