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DECLARATION
FOR
REUNION HOMEOWNERS
ASSOCIATION, INC.

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DECLARATION
FOR
REUNION HOMEOWNERS
ASSOCIATION, INC.

This Declaration (this "Declaration") is made as of the 19th day of August, 2002, by SHEA HOMES LIMITED PARTNERSHIP, a California limited partnership d/b/a Shea Homes ("Declarant"), and is consented to by DIBC BUFFALO HILLS RANCH, LLC, a Colorado limited liability company ("DIBC"), FFP-DIA, LLC, a Colorado limited liability company ("FFP"), and DIBC 96TH AND POTOMAC, LLC, a Colorado limited liability company ("96TH") (DIBC, FFP and 96TH shall hereinafter collectively be referred to as the "Consenting Owners", as is more particularly hereinafter provided).

ARTICLE I
GENERAL

Section 1.1. Reunion. Declarant is the owner, or, pursuant to the "Option Agreement" as hereinafter defined, has an option to purchase from the Consenting Owners, certain parcels of land in the City of Commerce City, Adams County, Colorado, which are defined in this Declaration as "Reunion." The City of Commerce City, Colorado heretofore approved a "PUD Zone Document," as hereinafter defined, for Reunion. Declarant intends to develop those portions of Reunion which hereafter become a part of the "Homeowners Association Area," as hereinafter defined, as a mixed-use community within Reunion containing a mix of single family, both attached and detached, and multiple family dwelling units, and commercial and other land uses, in accordance with the PUD Zone Document.

Section 1.2. Relationship to Commercial Association. Declarant further intends to develop other portions of Reunion for additional retail, office, commercial, industrial and other non-residential purposes in accordance with the PUD Zone Document and shall have the right to annex such portions of Reunion to the "Commercial Association Area" under the "Commercial Declaration," as those terms are hereinafter defined; provided, however, that Declarant shall have, and hereby reserves, the right, at its option, to annex a particular portion of Reunion to be used for retail, office, commercial, industrial and other non-residential purposes to either the Homeowners Association Area hereunder or the Commercial Association Area under the Commercial Declaration, or not to annex such portion of Reunion to either of the same. Portions of Reunion which become a part of the Homeowners Association Area under this Declaration will not also be made a part of the Commercial Association Area under, or be made subject to, the Commercial Declaration and, conversely, portions of Reunion which become a part of the Commercial Association Area under the Commercial Declaration will not also be made a part of the Homeowners Association Area under, or be made subject to, this Declaration.

Section 1.3. Purposes of Declaration. This Declaration is executed (a) in furtherance of a common and general plan for those portions of Reunion which may become part of the Homeowners Association Area; (b) to protect and enhance the quality, value, desirability

and attractiveness of all property which becomes part of the Homeowners Association Area; (c) to provide for a Homeowners Association as a vehicle to hold title to, maintain, care for and manage Homeowners Association Properties, if any, and to perform functions for the benefit of Owners of Privately Owned Sites within the Homeowners Association Area; (d) to define the duties, powers and rights of the Homeowners Association; and (e) to define certain duties, powers and rights of Owners.

Section 1.4. Declaration. Declarant, for itself, its successors and assigns, hereby declares that all property which hereafter may be made subject to this Declaration in the manner hereinafter provided, and each part thereof, shall, from and after the date the same becomes subject to this Declaration, be owned, held, transferred, conveyed, sold, leased, rented, hypothecated, encumbered, used, occupied, maintained, altered and improved subject to the covenants, conditions, restrictions, easements, limitations, reservations, exceptions, equitable servitudes and other provisions set forth in this Declaration, for the duration thereof, all of which are declared to be a part of, pursuant to, and in furtherance of a common and general plan of development, improvement, enhancement and protection of the Homeowners Association Area. The provisions of this Declaration are intended to and shall run with the land and, until their expiration in accordance with Section 13.1 hereof, shall bind, be a charge upon and inure to the benefit of (a) all of the property which becomes part of the Homeowners Association Area and each part or parcel thereof, (b) Declarant and its successors and assigns, (c) the Homeowners Association and its successors and assigns, and (d) all Persons having or acquiring any right, title or interest in any property which becomes part of the Homeowners Association Area or any part or parcel thereof or any Improvement thereon, and their heirs, personal representatives, successors and assigns. As is more particularly hereinafter provided, the Consenting Owners, as the owners of certain portions of Reunion, and DIBC and FFP, as the beneficiary under a deed of trust encumbering a portion of Reunion, consent to and join in this Declaration.

Section 1.5. Exemption under CCIOA. The Homeowners Association Area constitutes a "planned community," as defined in C.R.S. § 38-33.3-103(22), a provision of the Colorado Common Interest Ownership Act found in C.R.S. § 38-33.3-101, et seq. (such Act, as the same heretofore has been, and hereafter may be, amended and/or replaced from time to time, shall hereinafter be referred to as "CCIOA"). As is more particularly provided in Section 8.11, the liability of the Owner of each Privately Owned Site within the Homeowners Association Area for payment of Common Assessments for each "Fiscal Year" as hereinafter defined, shall not exceed the "Maximum Common Assessment," as hereinafter defined. Consequently, the annual average common expense liability of each "unit," as defined in CCIOA, within the Homeowners Association Area which is restricted to residential use, exclusive of optional user fees and any insurance premiums paid by the Homeowners Association, may not exceed four hundred dollars (\$400.00), as such amount shall be adjusted pursuant to C.R.S. § 38-33.3-116(3). Therefore, pursuant to the provisions of C.R.S. § 38-33.3-116(2) (the "CCIOA Exemption"), the Homeowners Association is and shall be subject only to C.R.S. §§ 38-33.3-105, 38-33.3-106, and 38-33.3-107 of CCIOA, and is and shall be exempt under, and excepted from the operation of, the other provisions of CCIOA.

ARTICLE II DEFINITIONS

Unless otherwise expressly provided herein, the following words and phrases when used in this Declaration shall have the meanings hereinafter specified.

Section 2.1. Annexable Area. "Annexable Area" shall mean all of the real property described on Exhibit A attached hereto, all or any portion of which may from time to time be made a part of the Homeowners Association Area and subject to this Declaration pursuant to the provisions of Section 3.2 hereof. The Annexable Area includes all rights and easements, if any, appurtenant to the real property described in Exhibit A attached hereto. The use and enjoyment of any of such rights and easements by any person shall, from and after the date upon which the portion of the Annexable Area to which such rights and easements are appurtenant has been annexed to this Declaration as hereinafter provided, be subject to the terms and provisions of this Declaration. The Annexable Area may be expanded as provided in Section 3.1 of this Declaration and may be contracted as provided in Section 3.4 of this Declaration. Declarant, DIBC and FFP together, and 96th and FFP together, constitute the current owners of the entirety of the Annexable Area. The portion of the Annexable Area currently owned by Declarant shall hereinafter be referred to as the "Declarant Property." The portion of the Annexable Area currently owned by DIBC and FFP together shall hereinafter be referred to as the "DIBC/FFP Property." The portion of the Annexable Area currently owned by 96th and FFP together shall hereinafter be referred to as the "96th/FFP Property."

Section 2.2. Apartment Site. "Apartment Site" shall mean any Privately Owned Site which is designated as an Apartment Site in the Supplemental Declaration covering that Privately Owned Site and which is or, according to such Supplemental Declaration, is intended to be, improved with Dwelling Units which at the time of their construction are intended to be rented to, rather than owned by, the occupants thereof. An Apartment Site may be converted into a Condominium Project Site pursuant to the provisions of Section 9.19.

Section 2.3. Apartment Unit. "Apartment Unit" shall mean a "unit," as defined in CCIOA, located in an apartment building constructed on an Apartment Site which is intended for occupancy by a Common Household Group and which is offered for rent separately from the other units in such building.

Section 2.4. Architectural Review Committee. The "Architectural Review Committee" or "Review Committee" shall mean the architectural review committee established pursuant to Article X of this Declaration.

Section 2.5. Articles of Incorporation. "Articles of Incorporation" shall mean the Articles of Incorporation of Reunion Homeowners Association, Inc., a Colorado nonprofit corporation, which have been or will be filed in the office of the Secretary of State of the State of Colorado, as the same may be amended from time to time. A copy of the initial Articles of Incorporation is attached hereto as Exhibit B.

Section 2.6. Assessment. "Assessment" shall mean a Common Assessment, a Special Assessment or a Reimbursement Assessment, as those terms are hereinafter defined, and any other assessment or fee, however denominated, which may be levied by the Homeowners Association pursuant to the provisions of this Declaration.

Section 2.7. Assessment Units. "Assessment Units" are numerical figures assigned to each Privately Owned Site within the Homeowners Association Area to fix the proportionate share of the total Assessments levied by the Homeowners Association to be borne by the Owner of that Privately Owned Site and to fix the proportionate share of the voting rights in the Homeowners Association of that Owner. The number of Assessment Units assigned to each Privately Owned Site shall be as follows: (a) for each Single Family Residential Site, one Assessment Unit; (b) for each Condominium Unit, one Assessment Unit; (c) for each Apartment Site, one Assessment Unit for each five Permitted Apartment Units on such Site (with a full Assessment Unit assigned for any extra 1, 2, 3 or 4 Permitted Apartment Units on such Site in lieu of assigning any fractional Assessment Units); and (d) for each Commercial Site, each Religious Site and each Miscellaneous Use Site, one Assessment Unit for each complete one-sixth acre of land or fractional portion thereof (excluding streets and similar rights-of-way dedicated or conveyed to the public) included within such Site; provided, however, that if a Commercial Site has been converted to a condominium ownership regime pursuant to Section 9.19, then, notwithstanding the foregoing, the number of Assessment Units assigned to such Commercial Site shall thereafter be equal to the number of Condominium Units contained within the Condominium Project located thereon, with each such Condominium Unit being assigned one Assessment Unit. Thus, by way of example but not of limitation, a Commercial Site containing one-twelfth acre of land would be assigned one Assessment Unit and a Commercial Site containing two and seven-twelfths acre would be assigned sixteen Assessment Units. The number of acres of land area of a Commercial Site, Miscellaneous Use Site or Religious Site shall be as set forth on the Recorded Plat for such Site, or, if the number of acres is not shown on such Plat, shall or may be specified in the Supplemental Declaration annexing such Site into the Homeowners Association Area or in any other Recorded instrument executed by Declarant specifying the number of acres contained within such Site.

Section 2.8. Association. "Association" or "Homeowners Association" shall mean Reunion Homeowners Association, Inc., a Colorado nonprofit corporation, its successors and assigns.

Section 2.9. Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

Section 2.10. Budget. "Budget" shall mean a written, itemized estimate of the expected income of the Association and of the expenses to be incurred by the Association in performing its functions under this Declaration to be prepared and adopted annually by the Board of Directors as provided in Section 8.12.

Section 2.11. Bylaws. "Bylaws" shall mean the Bylaws of the Association which have been or will be adopted by the Board of Directors of the Association, as the same may be amended from time to time. A copy of the initial Bylaws is attached hereto as Exhibit C.

Section 2.12. CHFA. "CHFA" shall mean the Colorado Housing and Finance Authority created pursuant to the Colorado Housing and Finance Authority Act, C.R.S. § 29-4-701 et seq., and any successor thereto.

Section 2.13. Commercial Association. The "Commercial Association" shall mean Reunion Commercial Property Owners Association, Inc., a Colorado nonprofit corporation, created in connection with the Commercial Declaration.

Section 2.14. Commercial Association Area. "Commercial Association Area" shall mean those portions of Reunion which from time to time shall be annexed to the Commercial Association and made subject to the Commercial Declaration.

Section 2.15. Commercial Declaration. "Commercial Declaration" shall mean the Declaration for Reunion Commercial Property Owners Association, Inc., executed or to be executed by Declarant, and Recorded or to be Recorded, which may affect portions of Reunion which are developed for office, retail, church, school and other non-residential purposes.

Section 2.16. Commercial Site. "Commercial Site" shall mean each Privately Owned Site within the Homeowners Association Area which is designated as a Commercial Site in the Supplemental Declaration covering that Site and which is, or according to such Supplemental Declaration, is intended to be, used for commercial, retail, industrial or other non-residential purposes.

Section 2.17. Common Assessment. "Common Assessment" shall mean the Assessments made for the purpose of covering the portion of the annual costs of operating the Association, including expenses incurred in connection with any authorized function of the Association, which are to be paid by each Owner to the Association for purposes provided herein and charged to such Owner and to the Privately Owned Site of such Owner.

Section 2.18. Common Household Group. "Common Household Group" shall mean one or more natural Persons, each related to the other by blood, marriage or legal adoption, or a group of not more than five (5) such Persons not all so related, together with his or their domestic servants, all of whom maintain a common household in a Dwelling Unit on a Residential Site within the Homeowners Association Area.

Section 2.19. Condominium Association. A "Condominium Association" shall mean any "association" or "unit owner's association," as defined in CCIOA, or any other Colorado corporation, or unincorporated association, and its successors and assigns, organized and established or authorized pursuant to, or in connection with, a Condominium Declaration and of which the membership is composed of Owners of Condominium Units within the related Condominium Project created by such Condominium Declaration.

Section 2.20. Condominium Declaration. "Condominium Declaration" shall mean a "declaration" as defined in CCIOA, or other written instrument containing covenants, conditions, restrictions, reservations, easements or equitable servitudes, or any combination

thereof, which may be Recorded on any portion of the Homeowners Association Area to create and establish a Condominium Project thereon, as the same may be amended or supplemented from time to time.

Section 2.21. Condominium Map. A "Condominium Map" shall mean a "map" as defined in CCIOA, or any other written instrument which depicts all or a portion of the Condominium Units in a Condominium Project in three dimensions, which may be Recorded on any portion of the Homeowners Association Area, to create and establish a Condominium Project thereon, as the same may be amended or supplemented from time to time.

Section 2.22. Condominium Project. "Condominium Project" shall mean any project located on any portion of the Homeowners Association Area consisting of two or more Condominium Units, and including, without limitation, effective as of the date of Recordation of the applicable Condominium Declaration and Condominium Map, any Privately Owned Site (such as, without limitation, an Apartment Site or a Commercial Site) which, at the time originally annexed to the Homeowners Association Area, was not a Condominium Project, but which has been converted to a condominium ownership regime by Recording a Condominium Declaration and Condominium Map with respect thereto. A Condominium Project may consist of Commercial Condominium Units or Residential Condominium Units, or a mix of Commercial Condominium Units and Residential Condominium Units. The nature of the particular Condominium Units contained within a Condominium Project shall be as designated in either the Supplemental Declaration or the Condominium Declaration covering the applicable Condominium Project Site.

Section 2.23. Condominium Project Site. "Condominium Project Site" shall mean any Privately Owned Site upon which a Condominium Project, or a portion of a Condominium Project, is, or upon Recordation of the Condominium Declaration and Condominium Map therefor shall be, located.

Section 2.24. Condominium Unit. "Condominium Unit" shall mean any of the following: (a) a "unit" in a "cooperative," as those terms are defined in CCIOA; (b) a "unit" in a "condominium," as those terms are defined in CCIOA, within any Condominium Project; or (c) a "unit" in a "common interest community," as those terms are defined in CCIOA, in which an individual undivided interest in land is coupled with the right exclusively to occupy a space located thereon. Each Condominium Unit shall, in either the Supplemental Declaration or the Condominium Declaration covering the applicable Condominium Project Site, be designated as either a "Commercial Condominium Unit" or a "Residential Condominium Unit."

Section 2.25. Consumer Price Index. "Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor for Denver-Boulder-Greeley, CO, All Items (1982-84=100). In the event that the Consumer Price Index is discontinued, then the Board of Directors shall substitute an index which, in the reasonable opinion of the Board of Directors, is most nearly identical to the Consumer Price Index as defined above, and such substituted index shall thereafter constitute the Consumer Price Index hereunder.

Section 2.26. Declarant. "Declarant" shall mean Shea Homes Limited Partnership d/b/a Shea Homes ("Shea") and its successors and assigns as the terms "successors and assigns" are herein limited. A Person shall be deemed a "successor or assign" of Shea as Declarant only if specifically designated in a written and duly Recorded instrument as a successor or assign of Declarant under this Declaration, and shall be deemed a successor or assign of Declarant only as to the particular rights or interests of Declarant under this Declaration which are specifically designated in the written instrument. Notwithstanding the foregoing, however, a successor to Shea by consolidation or merger, and any Person acquiring all or substantially all of the right, title and interest of Shea in Reunion by foreclosure, judicial sale, bankruptcy proceedings or by other similar involuntary transfer, shall automatically be deemed a successor or assign of Shea as Declarant under this Declaration.

Section 2.27. Declaration. "Declaration" or "Homeowners Declaration" shall mean this instrument as it may be amended from time to time.

Section 2.28. Dwelling Unit. "Dwelling Unit" shall mean a residential building, or space therein (such as a Residential Condominium Unit or Apartment Unit) designed for occupancy by a Common Household Group on a Residential Site, but excluding any accessory building.

Section 2.29. Eligible First Mortgagee. "Eligible First Mortgagee" shall mean a First Mortgagee who has submitted a written request to the Association that the Association notify it concerning any proposed action by the Members, the Association or otherwise with respect to the Homeowners Association Area or this Declaration, which action requires the consent of a specified percentage of Eligible First Mortgagees pursuant to the provisions of this Declaration. Whenever the Restrictions contained in this Declaration require the consent or approval of a specified percentage of Eligible First Mortgagees to a particular action, the consent or approval of any particular Eligible First Mortgagee shall be deemed to have been given if such Eligible First Mortgagee fails to submit to the Association a response to a written proposal for such action from the Association within thirty (30) days after such Eligible First Mortgagee receives written notice of such proposal from the Association, provided such notice was delivered to such Eligible First Mortgagee by certified or registered mail, with a "return receipt" requested.

Section 2.30. FHLMC. "FHLMC" shall mean the Federal Home Loan Mortgage Corporation, and any successor thereto.

Section 2.31. First Mortgage. "First Mortgage" shall mean a Mortgage that has priority of record over all other Recorded liens except those liens made superior by statute (such as general ad valorem tax liens and special assessments) and except as otherwise provided in this Declaration.

Section 2.32. First Mortgagee. "First Mortgagee" shall mean the Mortgagee under a First Mortgage.

Section 2.33. Fiscal Year. "Fiscal Year" shall mean the fiscal year of the Homeowners Association. The Fiscal Year of the Homeowners Association shall begin on July 1

and end on the succeeding June 30, except that the first Fiscal Year shall begin on the date of incorporation of the Homeowners Association. The Fiscal Year may, however, be changed from time to time by the Board of Directors without the approval of the Members and without amending this Declaration or the Bylaws; provided, however, that if the Board of Directors so changes the Fiscal Year to commence on a date other than July 1, then the redetermination of the amount of the Maximum Common Assessment pursuant to Section 2.46 shall nevertheless from time to time continue to be made as of July 1 of each year based on the percentage increase, if any, in the Consumer Price Index during the preceding calendar year. If as a result of any such change in the Fiscal Year, the Maximum Common Assessment changes pursuant to said Section 2.46 during the course of such Fiscal Year, the total Maximum Common Assessment for such changed Fiscal Year shall be determined prorata based on the respective number of months each amount of the Maximum Common Assessment shall be in place during such Fiscal Year. Thus, by way of example, but not of limitation, if commencing January 1, 2008 the Fiscal Year were changed to commence on such January 1 and each January 1 thereafter, and if the Maximum Common Assessment for the period July 1, 2007 through June 30, 2008 were \$480 per Assessment Unit (i.e. \$40 per month) and the Maximum Common Assessment for the period July 1, 2008 through June 30, 2009 were \$504 per Assessment Unit (i.e. \$42 per month), the Maximum Common Assessment for such Fiscal Year commencing January 1, 2008 would be equal to \$492 per Assessment Unit (i.e. \$40 per month from January 1, 2008 through June 30, 2008, plus \$42 per month from July 1, 2008 through December 31, 2008).

Section 2.34. FNMA. "FNMA" shall mean the Federal National Mortgage Association, a government-sponsored private corporation, and any successor thereto.

Section 2.35. GNMA. "GNMA" shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor thereto.

Section 2.36. Government Mortgage Agencies. "Government Mortgage Agencies" shall mean HUD, VA, FHLMC, GNMA, FNMA, CHFA or any similar entity, public, quasi-public or private, now or hereafter authorized, approved or sponsored by any governmental agency to insure, guarantee, make or purchase Mortgage loans or to perform other functions similar to those currently performed by the entities specifically listed in this Section.

Section 2.37. Homeowners Association Area. "Homeowners Association Area" shall mean any real property which hereafter becomes subject to this Declaration in accordance with the provisions hereof.

Section 2.38. Homeowners Association Properties. "Homeowners Association Properties," "Homeowners Association Property" or "Association Properties" shall mean all real and personal property, including Improvements, if any, now or hereafter owned by the Association or with respect to which the Association holds an easement or other contractual right to use or which the Association maintains, holds or uses for the common use and enjoyment of all or certain of the Members as provided herein and for other purposes as may be permitted by this Declaration.

Section 2.39. HUD. "HUD" shall mean the United States Department of Housing and Urban Development, and any such department or agency of the United States government as shall succeed to HUD in insuring notes secured by mortgages and deeds of trust on residential real estate.

Section 2.40. Improvements. "Improvements" shall mean all structures and any appurtenances thereto of every type or kind, including, but not limited to, buildings, outbuildings, swimming pools, patio covers, awnings, painting or other finish material of any exterior surfaces of any visible structure, additions, walkways, bicycle and/or equestrian trails, sprinkler pipes, utility lines, facilities and appurtenances, satellite dishes, antennae, garages, carports, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, fixtures, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior tanks, solar equipment, and exterior air conditioning and water softener fixtures.

Section 2.41. Improvement to Property. "Improvement to Property" shall mean any Improvement, change, alteration or addition to any property within the Homeowners Association Area. "Improvement to Property" is more particularly defined in Section 10.2 of this Declaration.

Section 2.42. Law. "Law" shall mean all laws, statutes, ordinances, resolutions, orders, codes, rules, regulations, judgments, decrees and other requirements (including, without limitation, requirements under permits, licenses, consents and approvals) of any federal, state, county, city, town or other governmental authority having jurisdiction.

Section 2.43. Local Common Area. "Local Common Area" shall mean any portion of the Homeowners Association Area designated as Local Common Area in the Supplemental Declaration covering such portion of the Homeowners Association Area and which is, or according to such Supplemental Declaration, is intended to be, for the primary use and benefit of the Owners of certain Privately Owned Sites within the Homeowners Association Area, but less than all of such Sites. Such Local Common Area may be owned (a) by a Subassociation in which all such Owners shall be entitled to membership, or (b) in undivided interests by such Owners, or (c) separately by individual Owners over which a Subassociation may have an easement for maintenance purposes, or (d) by a cooperative housing corporation as defined in Section 216 of the Internal Revenue Code. Each Local Common Area shall be subject to the provisions of this Declaration but shall not be subject to Assessments nor shall the owner thereof be a Member of the Association as a result of such ownership.

Section 2.44. Maintenance Fund. "Maintenance Fund" shall mean the account or accounts into which the Board shall deposit monies paid to the Association and from which disbursements shall be made in the performance of the functions of the Association pursuant to Article VIII hereof.

Section 2.45. Manager. "Manager" shall mean any one or more Persons employed by the Association as hereinafter provided in this Declaration who is engaged to perform any of the duties, powers or functions of the Association. The term "Manager" shall not include the Homeowners Association itself.

Section 2.46. Maximum Common Assessment. "Maximum Common Assessment" shall mean the maximum permissible amount of Common Assessments and Special Assessments per Assessment Unit for each Fiscal Year determined in compliance with the provisions of the CCIOA Exemption as set forth in C.R.S. § 38-33.3-116(2) and 116(3). Because of increases in the Consumer Price Index occurring during calendar years 1998, 1999, 2000 and 2001, the amount of the Maximum Common Assessment per Assessment Unit for the first Fiscal Year of the Homeowners Association (which first Fiscal Year ends June 30, 2003) is, pursuant to C.R.S. § 38-33.3-116(3), in the amount of \$458.92 per Assessment Unit. As provided in C.R.S. § 38-33.3-116(3), for the Fiscal Year commencing July 1, 2003, and for each subsequent Fiscal Year thereafter, the amount of the Maximum Common Assessment for a particular Fiscal Year shall be determined in accordance with the formula "a + [a x b] = c," where "a" equals the Maximum Common Assessment for the preceding Fiscal Year, "b" equals the percentage increase, if any, in the Consumer Price Index during the calendar year preceding the beginning of such Fiscal Year, and "c" equals the resulting amount of the Maximum Common Assessment for such Fiscal Year. The Maximum Common Assessment shall not be increased for a Fiscal Year if the Consumer Price Index for the calendar year preceding the beginning of such Fiscal Year did not increase and shall not be decreased if the Consumer Price Index for the calendar year preceding the beginning of such Fiscal Year decreased. Thus, by way of example but not of limitation, if, during calendar year 2002, the Consumer Price Index increased by 4.2%, the Maximum Common Assessment for the Fiscal Year commencing July 1, 2003 would be increased from \$458.92 to \$478.19. If, however, during calendar year 2002, the Consumer Price Index decreased by 1.0%, the Maximum Common Assessment for the Fiscal Year commencing July 1, 2003 would not be decreased and would remain at \$458.92. The Maximum Common Assessment shall be determined in accordance with the foregoing whether or not the actual amount of Common Assessments and Special Assessments per Assessment Unit levied by the Association for a particular Fiscal Year is equal to the Maximum Common Assessment for such Fiscal Year.

Section 2.47. Member; Membership. "Member" shall mean the Person, or if more than one, all Persons collectively, who constitute the Owner of a Privately Owned Site hereunder. "Membership" shall mean the rights and obligations associated with being a Member.

Section 2.48 Memorandum of Option Agreement. "Memorandum of Option Agreement" shall mean that certain Memorandum of Agreement and Grant of Power of Attorney dated as of August 30, 2000, Recorded January 9, 2002, at Reception No. C0911174 of the Adams County Records, by and among Declarant and the Consenting Owners, as the same heretofore may have been, and hereafter may be, amended from time to time.

Section 2.49. Miscellaneous Use Site. "Miscellaneous Use Site" shall mean any Privately Owned Site within the Homeowners Association Area designated as a Miscellaneous Use Site in the Supplemental Declaration covering that Site (except any Residential Site, Commercial Site or Religious Site), and which is, or according to such Supplemental Declaration, is intended to be, used for open space or other miscellaneous uses.

Section 2.50. Mortgage. "Mortgage" shall mean an interest in real estate or personal property created by contract or conveyance which secures payment or performance of any

obligation. The term "Mortgage" includes a lien created by a mortgage, deed of trust, trust deed, security deed, contract for deed, land sales contract, lease intended as security, assignment of leases or rents intended as security, pledge of an ownership interest in the Association, and any other consensual lien or title retention contract intended as security for an obligation.

Section 2.51. Mortgagee. "Mortgagee" shall mean any Person named as a mortgagee or beneficiary, or in a similar capacity, under any Mortgage.

Section 2.52. Mortgagor. "Mortgagor" shall mean any Person named as a mortgagor, maker, grantor or trustor, or in a similar capacity, under any Mortgage, or any successor to the interest of any such Person under such Mortgage.

Section 2.53. Notice and Hearing. "Notice and Hearing" shall mean a written notice and a public hearing before the Board of Directors in the manner provided in the Bylaws.

Section 2.54. Notice of Completion. "Notice of Completion" shall mean written notice to the Architectural Review Committee of the completion of any Improvement to Property pursuant to Article X of this Declaration.

Section 2.55. Option Agreement. "Option Agreement" shall have the meaning as defined in the Memorandum of Option Agreement.

Section 2.56. Owner. "Owner" shall mean the Record title holder, including Declarant, whether one or more Persons, of fee simple title to a Privately Owned Site, including sellers under executory contracts of sale and excluding buyers thereunder. The Owner of a Privately Owned Site shall be the Owner for purposes of this Declaration, and not the lessees or tenants thereof or of any Improvements located thereon.

Section 2.57. Period of Declarant Control. "Period of Declarant Control" shall mean the period of time commencing on the date of Recordation of this Declaration and expiring on the earlier of (a) twenty (20) years thereafter, (b) sixty (60) days after conveyance of seventy-five percent (75%) of the Units that May Be Created to Owners other than Declarant, (c) two (2) years after the last conveyance of a Privately Owned Site by Declarant in the ordinary course of business to Owners other than Declarant, or (d) two (2) years after any right to add new Privately Owned Site to this Declaration was last exercised; provided, however, that, if the Period of Declarant Control has not theretofore terminated pursuant to the foregoing provisions, the Period of Declarant Control shall in any case terminate on the date upon which all property in the Annexable Area has become part of the Homeowners Association Area (or a part of the Commercial Association Area pursuant to the Commercial Declaration) and the last Privately Owned Site within the Homeowners Association Area has been sold and conveyed by Declarant to any Owner other than Declarant.

Section 2.58. Period of Special Declarant's Rights. "Period of Special Declarant's Rights" shall mean the period of time commencing on Recordation of this Declaration and expiring on the date upon which all property in the Annexable Area has become part of the Homeowners Association Area (or a part of the Commercial Association Area pursuant to the

Commercial Declaration) and the last Privately Owned Site within the Homeowners Association Area has been sold and conveyed by Declarant to any Owner other than Declarant. Declarant may earlier terminate the Period of Special Declarant's Rights in whole or in part as to any one or more of the rights of the Declarant hereunder which are effective during the Period of Special Declarant Rights, and as to the entirety of the Homeowners Association Area or a portion thereof specified by Declarant, by written notice given by Declarant to the Association.

Section 2.59. Permitted Dwelling Unit. "Permitted Dwelling Unit" shall mean each Dwelling Unit permitted on a Residential Site pursuant to (a) a deed by which Declarant has conveyed a portion of the Homeowners Association Area to another Person; (b) a Condominium Declaration; (c) a final plan approved by Commerce City, Colorado; (d) a final Plat approved by Commerce City, Colorado; or (e) a Supplemental Declaration; provided that the foregoing documents shall be consulted in the order listed and the next succeeding document shall only be consulted if the document listed does not exist or does not specify the number of Dwelling Units permitted on the Residential Site or portion thereof.

Section 2.60. Person. "Person" shall mean a natural person, a corporation, a partnership, limited liability company or any other entity recognized as being capable of owning real property under Colorado law.

Section 2.61. Plat. "Plat" shall mean, collectively: (a) all of the subdivision plats for any portion of the Homeowners Association Area which may be Recorded from time to time, as the same may be amended from time to time; and (b) all Condominium Maps for any portion of the Homeowners Association Area which may be Recorded from time to time, as the same may be amended from time to time.

Section 2.62. Privately Owned Site. "Privately Owned Site" or "Site" shall mean any Condominium Unit (whether Commercial or Residential) or any lot or parcel of land within the Homeowners Association Area which is shown upon any Recorded Plat, or any other parcel of land within the Homeowners Association Area which may be sold or conveyed without violation of the provisions of Colorado law pertaining to the subdivision of land, and which is designated as a Privately Owned Site in the Supplemental Declaration covering such Privately Owned Site. "Privately Owned Site" or "Site" shall include, without limitation, any Residential Site, Commercial Site, Religious Site and Miscellaneous Use Site, but shall not include the Homeowners Association Properties or any Local Common Area. A Condominium Project Site which is annexed to the Homeowners Association Area prior to the conversion thereof to a condominium ownership regime by Recordation of the Condominium Declaration and Condominium Map therefor shall constitute a Privately Owned Site hereunder, but after such conversion of the same to a condominium ownership regime, each Condominium Unit located within the Condominium Project on such Condominium Project Site, and not the Condominium Project Site itself, shall thereafter constitute a Privately Owned Site hereunder.

Section 2.63. PUD Zone Document. "PUD Zone Document" shall mean the Buffalo Hills Ranch - PUD Zone Document Recorded October 27, 2000, under Reception No. C0725646, as the same heretofore may have been, and hereafter may be, amended from time to time.

Section 2.64. Record or Recorded. "Record" or "Recorded" shall mean the filing for record of any documents in the real estate records in the office of the Clerk and Recorder of Adams County, Colorado ("Adams County Records").

Section 2.65. Register of Addresses. "Register of Addresses" shall mean the register of addresses of each Owner, Eligible First Mortgagees and certain other Persons which the Homeowners Association is required to maintain pursuant to Section 5.19.

Section 2.66. Reimbursement Assessment. "Reimbursement Assessment" shall mean a charge against a particular Owner and such Owner's Privately Owned Site for the purpose of reimbursing the Homeowners Association for expenditures and other costs of the Homeowners Association in curing any violation of this Declaration or the Rules and Regulations by the Owner or a Related User of such Owner, pursuant to Section 8.18 hereof, together with late charges and interest as provided for herein.

Section 2.67. Related User. "Related User" shall mean any member of the Common Household Group of an Owner who resides with such Owner on a Residential Site; guests, customers and invitees of an Owner of a Privately Owned Site; employees of an Owner of a Privately Owned Site; and occupants, tenants and contract purchasers of the Privately Owned Site of an Owner who claim by, through, or under an Owner.

Section 2.68. Religious Site. "Religious Site" shall mean any Privately Owned Site within the Homeowners Association Area designated as a Religious Site in the Supplemental Declaration covering that Site and which is, or according to such Supplemental Declaration, is intended to be, used for religious use by religious organizations recognized as tax-exempt religious organizations under the United States Internal Revenue Code.

Section 2.69. Residential Site. "Residential Site" shall mean any Privately Owned Site within the Homeowners Association Area which is designated as a Residential Site in the Supplemental Declaration covering that Site and which is, or according to such Supplemental Declaration, is intended to be, used for Residential Use, including, without limitation, each Single Family Residential Site, each Residential Condominium Unit (but excluding each Commercial Condominium Unit), each Apartment Site and, prior to the time that the Condominium Project thereon is created, each Condominium Project Site which is intended to consist of Residential Condominium Units (but not Commercial Condominium Units).

Section 2.70. Residential Use. "Residential Use" shall mean use for dwelling or recreation purposes but does not include spaces or units primarily used for commercial income from, or service to, the public; provided, however, that the additional uses permitted on a Single Family Residential Site, in a Residential Condominium Unit and in an Apartment Unit on an Apartment Site pursuant to Subsections 9.18(b) and 9.18(c) shall also constitute Residential Use hereunder. Examples of uses which constitute Residential Use include, without limitation, single family dwellings and multiple family dwellings (including, without limitation, both Residential Condominium Units and Apartment Units). Examples of uses which do not constitute Residential Use include, without limitation, use for offices, retail and other commercial purposes, industrial

purposes, hotels, motels, hospitals, churches, schools (both public and private), nursing homes and elderly care extended-stay facilities.

Section 2.71. Restrictions. "Restrictions" shall mean covenants, conditions, restrictions, easements, limitations, reservations, exceptions and equitable servitudes affecting real property.

Section 2.72. Reunion. "Reunion" shall mean the aggregate of the Homeowners Association Area which is subject to this Declaration at any point in time, and the Annexable Area.

Section 2.73. Rules and Regulations. "Rules and Regulations" shall mean rules and regulations adopted by the Board of Directors as provided in Section 5.10 of this Declaration.

Section 2.74. Single Family Residential Site. "Single Family Residential Site" shall mean any Residential Site within the Homeowners Association Area other than any Residential Site which is either an Apartment Site, a Condominium Project Site or a Residential Condominium Unit.

Section 2.75. Special Assessment. "Special Assessment" shall mean a charge against each Owner and such Owner's Privately Owned Site representing a portion of the costs to the Association for the purpose of funding such functions as the Association may determine, including, without limitation, reconstruction, capital acquisitions, major capital repairs, maintenance, correction of Budget deficits, replacements, the construction or installation of Improvements, and other functions as provided in Section 8.17.

Section 2.76. Subassociation. "Subassociation" shall mean any nonprofit, not-for-profit or for-profit Colorado corporation, or Colorado limited liability company, and its successors and assigns, organized and established or authorized pursuant to, or in connection with, one or more Subassociation Declarations, the membership of which is composed of Owners of Privately Owned Sites within the area covered by such one or more Subassociation Declarations.

Section 2.77. Subassociation Declaration. "Subassociation Declaration" shall mean a declaration of covenants, conditions and restrictions affecting a portion of the Homeowners Association Area and which provides for the establishment of a Subassociation in connection therewith. A Subassociation Declaration may, but shall not need to be, included within and as a part of a Supplemental Declaration.

Section 2.78. Supplemental Declaration. "Supplemental Declaration" shall mean a written Recorded instrument including, without limitation, a Condominium Declaration, containing covenants, conditions, restrictions, reservations, easements or equitable servitudes, or any combination thereof, which affects any portion of the Homeowners Association Area in accordance with Section 3.3 of this Declaration.

Section 2.79. Units that May Be Created. "Units that May Be Created" means 18,647 Privately Owned Sites, which shall be the maximum number of Privately Owned Sites that may be subject to this Declaration if all of the Annexable Area becomes part of the Homeowners

Association Area. The aforesaid number of Units that May Be Created is not, however, a representation or guaranty by Declarant as to the actual number of Privately Owned Sites that will ultimately be included in or constructed as part of the Homeowners Association Area.

Section 2.80. VA. "VA" shall mean the Veterans Administration of the United States of America, and such department or agency of the United States government as shall succeed to the VA in its present function of issuing guarantees with respect to notes secured by Mortgages on Residential Sites.

ARTICLE III ANNEXATION TO HOMEOWNERS ASSOCIATION AREA.

Section 3.1. Property Which May Be Annexed. At any time after the date this Declaration is Recorded until the expiration of the Period of Special Declarant's Rights, Declarant may, but shall in no way be required to, from time to time, unilaterally (and, except as otherwise expressly provided in Section 3.2, without the consent of the Association, the Board of Directors, any Owner, any Mortgagee or any other Person), add all or any portion of the Annexable Area to the Homeowners Association Area and make the same subject to this Declaration in accordance with, and subject to, the provisions of Section 3.2. Additionally, upon the consent of the Board of Directors, any real property may be added to the Homeowners Association Area at any time. The Declarant may exercise its rights of annexation or development rights in all or any portion of the Annexable Area over which such rights have not already been exercised, and no assurances are made by Declarant as to the boundaries, timing or order of exercise of any such rights. Further, exercise by Declarant of its rights of annexation or development rights with respect to any portion(s) of the Annexable Area does not require that such rights of annexation or development rights must be exercised in all or any other portion(s) of the remainder of the Annexable Area. Finally, in addition to the foregoing, the Declarant may amend this Declaration at any time during the Period of Special Declarant's Rights, in order to add additional real estate to the Homeowners Association Area which is not a part of the Annexable Area from such locations as the Declarant may elect, in its sole discretion, so long as the total additional real estate so annexed to the Homeowners Association Area pursuant to this sentence, and which is not part of the Annexable Area, does not exceed ten percent (10%) of the total area that is the Annexable Area as set forth on the attached Exhibit A; provided, however, that if, at the time Declarant desires to so amend this Declaration, Declarant either has not yet closed the acquisition from the Consenting Owners of all of the property which Declarant has an option to purchase under and pursuant to the Option Agreement (the "Option Property"), or the Consenting Owners, or any one or two of the Consenting Owners, are the beneficiary or beneficiaries, or the mortgagee or mortgagees, under any deed of trust or mortgage made by Declarant pursuant to the Option Agreement which then encumbers any of the Option Property, then the consent of the Consenting Owners shall be required to be obtained to any such amendment of this Declaration to add any such real estate to the Homeowners Association Area.

Section 3.2. Manner of Annexation. Declarant, and other Persons with Declarant's written consent as hereinafter provided, may, but shall not be obligated to, at any time and from time to time, add real property ("Annexed Property") within the Annexable Area to the

lands which are a part of the Homeowners Association Area subject to this Declaration. Effective upon the Recording of a Supplemental Declaration containing the provisions set forth below in this Section 3.2, the Restrictions contained in this Declaration shall apply to the Annexed Property; and thereafter the rights, privileges, duties and liabilities of the Persons subject to this Declaration shall be the same with respect to the Annexed Property as with respect to other lands covered by this Declaration.

Improvements installed within areas to be added to this Declaration shall be consistent in quality with the overall development plan for the Homeowners Association Area and shall be of such quality and character as will serve the purposes and objectives for which this Declaration has been established, as determined by Declarant in its sole discretion. Any lien arising from ownership or construction upon land added to this Declaration shall appertain only to such land and Improvements located thereon and shall not affect the rights of existing Owners or the priority of Mortgages on Privately Owned Sites, Homeowners Association Properties or Local Common Areas within the Homeowners Association Area theretofore subject to this Declaration.

Each Supplemental Declaration shall contain the following provisions, and any other provisions as Declarant may determine: (a) shall be executed and acknowledged by the owner of the Annexed Property described therein; (b) shall, if the Annexed Property is not then owned by Declarant, contain the executed and acknowledged written consent of Declarant; (c) shall contain an adequate legal description of the Annexed Property; (d) shall contain a reference to this Homeowners Declaration which shall state its date, its date of Recordation and the reception number of the Records of the Clerk and Recorder of Adams County, Colorado, where this Homeowners Declaration is Recorded; (e) shall state the land classification (Residential Site, Commercial Site, Religious Site, Miscellaneous Use Site, Homeowners Association Properties or Local Common Area) of the Annexed Property, and if a Residential Site is included within such Annexed Property, whether the same constitutes a Single Family Residential Site, a Condominium Project Site, a Residential Condominium Unit or an Apartment Site; (f) shall, to the extent known or anticipated at such time, provide that Sites therein shall be subject to the jurisdiction of a Subassociation or shall not be subject to the jurisdiction of a Subassociation; provided, however, that if after a Supplemental Declaration for a Privately Owned Site is Recorded, the Owner of such Privately Owned Site desires to create a Subassociation for such Privately Owned Site, no statement in such Supplemental Declaration that such Privately Owned Site shall not be subject to the jurisdiction of a Subassociation shall preclude such Owner, in accordance with the Restrictions contained in this Declaration, from creating a Subassociation for such Privately Owned Site; and (g) shall contain a statement that the Annexed Property is declared to be part of the Homeowners Association Area under this Homeowners Declaration and that the Annexed Property shall be subject to this Homeowners Declaration; provided, however, that more than one Recorded instrument may together constitute a Supplemental Declaration and such instruments may provide that the Restrictions contained in this Declaration shall apply to such Annexed Property, or a portion thereof, only upon the Recordation of the last of such instruments to be Recorded. Thus, by way of example but not of limitation, the first of such instruments to be Recorded may provide that a particular Privately Owned Site will become subject to the Restrictions contained in this Declaration upon the Recordation of a deed from Declarant or another specified Person to another Person conveying title to such Privately Owned Site, and in such case, the Restrictions contained in this Declaration would not apply to such Privately Owned Site until the Recordation of such

deed. A Supplemental Declaration may provide for phased annexation so that real property may be made subject to the Supplemental Declaration and this Homeowners Declaration at different times. A deed by which Declarant conveys a parcel of property to another Person may constitute a Supplemental Declaration if it meets the foregoing requirements. A Supplemental Declaration may impose on the Annexed Property described therein additional covenants, conditions, restrictions, limitations, reservations, exceptions, equitable servitudes and other provisions than those set forth in this Homeowners Declaration, taking into account the unique and particular aspects of the proposed development of the Annexed Property covered thereby. A Supplemental Declaration may provide for a Subassociation of Owners within the property described in the Supplemental Declaration and for the right of the Subassociation to assess such Owners.

Upon Recordation of a Supplemental Declaration for Annexed Property within the Annexable Area as aforesaid, such Annexed Property shall thereupon, automatically and without any further action by any other party, be a part of the Homeowners Association Area and thereafter be subject to the Restrictions and other provisions set forth in this Declaration, for the duration thereof. Conversely, unless and until a Supplemental Declaration for Annexed Property within the Annexable Area is Recorded, such Annexed Property shall not be subject to this Declaration, none of the Restrictions in this Declaration shall be construed to affect, encumber, apply to or constitute a cloud upon title to such Annexed Property, and the Owner of such Annexed Property shall not, by virtue of such ownership, be entitled to any of the rights and benefits to which Members of the Association are entitled pursuant to this Declaration. In addition, each Supplemental Declaration shall be deemed to include each of the following provisions even if some (or all) of such provisions are not expressly set forth in such Supplemental Declaration: shall state the name of the person who is the Owner of the Privately Owned Site, Homeowners Association Properties or Local Common Area, as the case may be, annexed thereby; shall assign an identifying number to each Privately Owned Site which shall be the lot number for the respective Privately Owned Site as shown on the Plat; the property annexed thereby shall constitute Privately Owned Site(s) unless such Supplemental Declaration or other instrument expressly provides that some or all of such property is Homeowners Association Property or Local Common Area; if such Supplemental Declaration contains one or more Privately Owned Sites, then each such Privately Owned Site shall be obligated to pay Assessments for the initial Fiscal Year in which Assessments shall first become payable for such Privately Owned Site (based on the number of Assessment Units attributable to such Privately Owned Site) pursuant to Section 8.14 at the same rate per Assessment Unit as has been established for such initial Fiscal Year pursuant to Section 8.9, with the annual amount of Assessments for such initial Fiscal Year prorated based on the number of days of such Fiscal Year for which such Assessments shall be payable for such Privately Owned Site, and the proportionate responsibility for payment of Assessments for each Fiscal Year following such initial Fiscal Year shall automatically be reallocated for each Privately Owned Site in the Homeowners Association Area (including each such Privately Owned Site annexed by such Supplemental Declaration), to be a fraction equal to the number of Assessment Units assigned to such Privately Owned Site over the total number of Assessment Units assigned to all Privately Owned Sites then subject to this Declaration in the manner as is more particularly provided in Section 8.9, and each such Privately Owned Site shall have one vote in the Association for each Assessment Unit assigned to such Privately Owned Site; and may include such other provisions as the Declarant may deem appropriate from time to time.

Section 3.3. HUD/VA Approval of Annexations. So long as HUD or the VA is insuring or guaranteeing loans or has agreed to insure or guarantee loans on any portion of the Homeowners Association Area, made with respect to the initial sales by Declarant, its successors or assigns, of Residential Sites, then a condition precedent to such annexation by Declarant, its successors or assigns, shall be that the annexation be in accordance with the PUD Zone Document, which shall theretofore have been approved by HUD or the VA, in the manner set forth in Section 13.14 of this Community Declaration.

Section 3.4. No Annexation Required; Contraction of Annexable Area; Withdrawal of Annexed Property. Notwithstanding any other provision of this Declaration to the contrary, nothing in this Declaration shall be construed to obligate the Annexable Area, or any portion thereof, to be made subject to this Declaration. Declarant expressly reserves the right, in its sole discretion, to determine not to make the Annexable Area, or any portion thereof, subject to this Declaration. The Annexable Area may, in Declarant's sole discretion, from time to time be contracted to delete any portion of the Annexable Area (which has not theretofore been made a part of the Homeowners Association Area), provided that Declarant is the owner of such portion, effective upon the Recordation of a written instrument, executed by Declarant, referring to this Declaration, describing such portion and declaring that such portion shall thereafter be deleted from the Annexable Area under this Declaration. Additionally, Annexed Property within the Homeowners Association Area may be withdrawn from the Homeowners Association Area and from this Declaration for any reason, including correction of a surveyor error or other technical or clerical error. Such withdrawal may be accomplished by the execution, acknowledgment and Recordation of a notice of withdrawal; provided that no vote has then been exercised with respect to the Annexed Property to be withdrawn, and no Assessments to the Association have then commenced with respect to the Annexed Property to be withdrawn. The notice of withdrawal (a) shall be executed and acknowledged by the Owner or Owners of the Annexed Property; (b) shall, if the Annexed Property is not then owned by Declarant, contain the executed and acknowledged written consent of Declarant for so long as Declarant has the power to annex additional property to the Homeowners Association Area; (c) shall contain an adequate legal description of the Annexed Property; (d) shall contain a reference to the Supplemental Declaration for the Annexed Property, which reference shall state the date thereof, the date of Recordation thereof and the book and page of the records in the office of the Clerk and Recorder of Adams County, Colorado, where the Supplemental Declaration was Recorded; and (e) shall contain a statement and declaration that the Annexed Property is withdrawn from the Homeowners Association Area and from the effect of this Declaration and the Supplemental Declaration for the Annexed Property. The withdrawal shall be effective upon filing for Record of the notice of withdrawal. Nothing herein shall be interpreted to prohibit later annexation of any Annexed Property so withdrawn.

ARTICLE IV HOMEOWNERS ASSOCIATION OPERATION

Section 4.1. Homeowners Association. The Association has been or will be formed as a Colorado nonprofit corporation under the Colorado Revised Nonprofit Corporation Act. The Association shall have the duties, power and rights set forth in this Declaration and in its

Articles of Incorporation and Bylaws and, except as otherwise provided herein, such other duties, powers and rights as may be provided under applicable law. As more specifically set forth hereinafter, the Association shall have a Board of Directors to manage its affairs. The Board of Directors shall be elected by Members; provided, however, that the Declarant or Persons designated by the Declarant shall have the sole right to appoint all or certain, of the members of the Board of Directors as provided in Section 4.6 hereinbelow.

Section 4.2. Board of Directors. The affairs of the Association shall be managed by a Board of Directors. The number, term and qualifications of the Board of Directors shall be fixed in the Articles of Incorporation and Bylaws. The Board of Directors may, by resolution, delegate portions of its authority to an executive committee or to other committees, to officers of the Association or to agents and employees of the Association, but such delegation of authority shall not relieve the Board of Directors of the ultimate responsibility for management of the affairs of the Association. Action by or on behalf of the Association may be taken by the Board of Directors or any duly authorized executive committee, officer, agent or employee without a vote of Members, except as otherwise specifically provided in this Declaration.

Section 4.3. Membership in Homeowners Association. Each Owner of a Privately Owned Site within the Homeowners Association Area shall be a Member of the Association. There shall be one such Membership in the Association for each Privately Owned Site within the Homeowners Association Area. The Person or Persons who constitute the Owner of a Privately Owned Site shall automatically be the holder of the Membership appurtenant to such Owner's Privately Owned Site, and the Membership appurtenant thereto shall automatically pass with fee simple title to the Privately Owned Site. Declarant shall hold one Membership in the Association for each Privately Owned Site owned by Declarant. Membership in the Association shall not be assignable separate and apart from fee simple title to a Privately Owned Site, except that an Owner may assign some or all of the Owner's rights as an Owner and as Member of the Association to a tenant or First Mortgagee, and may arrange for a tenant to perform some or all of such Owner's obligations as provided in this Declaration, but no such delegation or assignment shall relieve an Owner from the responsibility for fulfillment of the obligations of an Owner under this Declaration. The rights acquired by any such tenant or First Mortgagee shall be extinguished automatically upon termination of the tenancy or First Mortgage. The assignment of rights by an Owner pursuant to this Section shall not be subject to any present or future statutory time limit for the duration of proxy rights.

Section 4.4. Voting Rights of Members. Each Member shall be entitled to one vote for each Assessment Unit assigned to the Privately Owned Site owned by such Owner, except that no votes allocated to a Privately Owned Site owned by the Association or a Subassociation may be cast. The total number of votes which may be cast in connection with any matter shall be equal to the total number of Assessment Units assigned to Privately Owned Sites then existing within the Homeowners Association Area. Unless otherwise addressed in this Declaration or the Articles of Incorporation, the Bylaws shall provide for the manner, time, place, conduct and voting procedures for Member meetings. During the Period of Declarant Control, the Declarant or Persons appointed by the Declarant shall have the right to appoint officers and members of the Board of Directors of the Homeowners Association, and to remove all officers and members of the

Board of Directors which have been appointed by the Declarant, as more particularly provided in Section 4.6.

Section 4.5. Subdivision of Privately Owned Sites. The Owner of a Privately Owned Site shall have the right to subdivide his Privately Owned Site (including, without limitation, by creating a Condominium Project upon such Privately Owned Site) provided that such Owner: (a) obtains all necessary approvals from Declarant or the Board in connection therewith required by Section 9.19 hereof; (b) obtains all necessary approvals from the Architectural Review Committee as may be required in connection therewith under this Declaration and under the Supplemental Declaration for such Privately Owned Site; and (c) such Owner complies with all applicable Laws of all governmental authorities having jurisdiction. Following any such subdivision of a Privately Owned Site, including the creation of such a Condominium Project upon such Privately Owned Site, the Owner of each Privately Owned Site resulting from such subdivision shall be a Member of the Association.

Section 4.6. Declarant's Right to Appoint During Period of Declarant Control. From and after the date of Recordation of this Declaration until the date which is 60 days after the date of conveyance of 25% of the Units that May Be Created to Owners other than Declarant, the Declarant or Persons designated by the Declarant may appoint and remove all officers and members of the Board of Directors of the Association. From and after the date which is 60 days after the date of conveyance of 25% of the Units That May Be Created to Owners other than Declarant until the date which is 60 days after the date of conveyance of 50% of the Units That May Be Created to Owners other than Declarant, the Owners other than Declarant shall have the right to elect a number of the members of the Board of Directors of the Association equal to the greater of one or 25% (rounded up or down to the nearest whole number) of the total number of the members of the Board of Directors, and the Declarant or Persons designated by Declarant may appoint and remove all other members of the Board of Directors. From and after the date which is 60 days after the date of conveyance of 50% of the Units That May Be Created to Owners other than Declarant until the date of termination of the Period of Declarant Control, the Owners other than Declarant shall have the right to elect a number of the members of the Board of Directors of the Association equal to the greater of one or 33% (rounded up or down to the nearest whole number) of the total number of the members of the Board of Directors, and the Declarant or Persons designated by the Declarant may appoint and remove all other members of the Board of Directors. From and after the date of termination of the Period of Declarant Control, the Owners, including Declarant (if Declarant is then an Owner), shall elect a Board of Directors of the Association of at least three members, at least a majority of whom must be Owners other than Declarant or designated representatives of Owners other than Declarant. The Declarant may voluntarily surrender any or all of the foregoing rights to appoint and remove officers and members of the Board of Directors before termination of the Period of Declarant Control; but, in that event, the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Board of Directors, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

ARTICLE V
DUTIES AND POWERS OF ASSOCIATION

Section 5.1. General Duties and Powers of Association. The Association has been formed to further the common interests of the Members. The Association, acting through the Board of Directors or Persons to whom the Board has delegated such powers, shall have only the duties and powers which are expressly set forth in this Declaration, the Articles of Incorporation or the Bylaws (the "Express Duties and Powers") and any other duties and powers as are set forth in the Colorado Revised Nonprofit Corporation Act, or which are otherwise available under the provisions of applicable law, to the extent, but only to the extent, that such other duties and powers are necessary or desirable for the Association to fully exercise the Express Duties and Powers.

Section 5.2. Duty to Accept Property and Facilities Transferred by Declarant. The Homeowners Association shall accept title to any property, including any improvements thereon, and personal property and equipment related thereto, transferred to the Association by Declarant, together with the responsibility to perform any and all functions associated therewith, provided that such property and functions are not inconsistent with the terms of this Declaration. Property interests transferred to the Association by Declarant may include fee simple title, easements, leasehold interests and contractual rights or licenses to use property. Any property or interest in property transferred to the Association by Declarant, except to the extent otherwise specifically approved by resolution of the Board of Directors: (a) shall be transferred to the Association free and clear of all liens (other than the lien of property taxes and assessments not then due and payable), but shall be subject to the terms of this Declaration, and the Supplemental Declaration applicable thereto; and (b) shall not impose upon the Association any obligation to make monetary payments to Declarant or any affiliate of Declarant, including, but not limited to, any purchase price, rent, charge or fee, nor impose any unreasonable or special burden on the Association other than the duties set forth hereinafter. The Association shall have the power to accept title to any property, including any improvements thereon, and personal property and equipment related thereto, transferred to the Association by Persons other than Declarant, together with the power to perform any and all functions associated therewith, provided that such property and functions are not inconsistent with the terms of this Declaration and if such transfer is to occur prior to the expiration of the Period of Special Declarant's Rights, with the prior written consent of Declarant.

Section 5.3. Duty to Manage and Care for Homeowners Association Property. To the extent owned by the Association, the Association shall manage, operate, care for, maintain and repair all Homeowners Association Properties and keep the same in a safe, attractive and desirable condition for the use and enjoyment of the Members.

Section 5.4. Duty to Pay Taxes and Assessments. The Association shall pay all taxes and assessments, if any, levied upon the Homeowners Association Properties owned by the Association and all other taxes and assessments payable by the Association, except taxes and assessments applicable to the period prior to transfer of such property or facilities by Declarant which shall be prorated as of the time of such transfer and paid by Declarant. The Association shall have the right to contest any such taxes or assessments provided that the Association shall contest the same by appropriate legal proceedings which shall have the effect of preventing the

collection of the tax or assessment and the sale or foreclosure of any lien for such tax or assessment, and provided that the Association shall keep and hold sufficient funds to pay and discharge the taxes and assessments, together with any interest and penalties which may accrue with respect thereto, if the contest of such taxes is unsuccessful.

Section 5.5. Duty to Maintain Insurance. The Association shall obtain and keep in full force and effect at all times insurance coverage in accordance with Article XI of this Declaration.

Section 5.6. Duty as to Budgets. The Association shall prepare and adopt annual Budgets for the Association as elsewhere provided in this Declaration.

Section 5.7. Duty to Levy and Collect Assessments. The Association shall levy and collect Assessments as elsewhere provided in this Declaration.

Section 5.8. Duty to Provide Audit. The Association shall provide for an annual audit of the accounts of the Association. Such audit shall be of a type, and performed by such party, as shall be determined by the Board of Directors in its discretion; provided, however, that if required by any of the Government Mortgage Agencies, such audit shall be an independent audit. Copies of the report of the audit shall be made available to any Member who requests a copy of the same upon payment by such Member of the reasonable cost of copying the same.

Section 5.9. Duties with Respect to Architectural Approvals. The Association shall perform functions to assist the Architectural Review Committee as elsewhere provided in Article X of this Declaration.

Section 5.10. Power to Adopt Rules and Regulations. The Association may adopt, amend, repeal and enforce such Rules and Regulations as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, the use and enjoyment of Homeowners Association Properties, and the use of any other property within the Homeowners Association Area, including Privately Owned Sites. Any such Rules and Regulations shall be reasonable and uniformly applied. Rules and Regulations shall be effective only upon adoption by resolution of the Board of Directors. Written notice of the adoption, amendment or repeal of any Rules or Regulations shall be posted at the Homeowners Association office, and copies of the currently effective Rules and Regulations shall be made available to each Member upon request and payment of the copying cost. Each Member shall comply with such Rules and Regulations and shall see that Related Users of such Member comply with the Rules and Regulations. Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration. In the event of conflict between the Rules and Regulations and the provisions of this Declaration, the provisions of this Declaration shall prevail.

Section 5.11. Power to Enforce Declaration and Rules and Regulations. The Association shall have the power to enforce the provisions of this Declaration, the Articles of Incorporation, the Bylaws and of the Rules and Regulations, and shall take such action as the Board deems necessary or desirable to cause compliance by each Member and the Related Users of

each Member. Without limiting the generality of the foregoing, the Association shall have the power to enforce the provisions of this Declaration, the Articles of Incorporation, the Bylaws and of the Rules and Regulations by any one or more of the following means: (a) by entry upon any property (other than the interior of any Dwelling Unit) within the Homeowners Association Area after Notice and Hearing (unless an "Emergency Situation," as hereinafter defined in Section 13.19, exists), without liability to the Owner or occupants thereof, for the purpose of enforcement of or causing compliance with this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations; (b) by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations, by mandatory injunction or otherwise; (c) by commencing and maintaining actions and suits to recover damages for breach of any of the provisions of this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations; (d) if and to the extent permitted by the provisions of applicable law, by exclusion, after Notice and Hearing, of any Member or Related User from use of any Homeowners Association Properties for a period not to exceed sixty (60) days as a penalty for any breach of this Declaration, the Articles of Incorporation, the Bylaws or any Rules and Regulations by a Member or Related User, unless the breach is a continuing breach, in which case such exclusion shall continue for so long as such breach continues; (e) if and to the extent permitted by the provisions of applicable law, by suspension, after Notice and Hearing, of the voting rights of a Member during and for up to sixty (60) days following any breach by such Member or a Related User of such Member of this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations, unless the breach is a continuing breach, in which case such suspension shall continue for so long as such breach continues; (f) by levying and collecting, after Notice and Hearing (unless the violation consists of a failure to pay any Common Assessment or Special Assessment, in which case Notice and Hearing shall not be required), a Reimbursement Assessment against any Member for breach by a Member or Related User of such Member of this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations; and (g) by levying and collecting, after Notice and Hearing, reasonable and uniformly applied fines and penalties, established in advance herein or in the Rules and Regulations of the Association, from any Member or Related User, for breach by such Member or Related User of this Declaration, the Articles of Incorporation, the Bylaws or of such Rules and Regulations.

Section 5.12. Power to Grant Easements. The Association shall have the power to grant access, utility, drainage, water facility and any other easements in, on, over or under the Homeowners Association Properties for any lawful purpose, including without limitation, the provision of emergency services, utilities (including, without limitation, water, sanitary sewer, storm sewer, gas and other energy services), telephone, cable television, fiber optic and other telecommunication services, and other uses or services to some or all of the Members.

Section 5.13 Power to Convey and Dedicate Property to Government Agencies. The Association, with the approval of Members holding at least two-thirds (2/3rds) of the voting power of the Association, shall have the power to grant, convey, dedicate or transfer any Association Properties or facilities to any public or governmental agency or authority for such purposes and subject to such terms and conditions as the Association shall deem appropriate, subject to the provisions elsewhere contained in this Community Declaration for approval of the

same by HUD/VA and by Declarant with respect to property transferred to the Association by Declarant.

Section 5.14. Power to Employ Managers. The Association shall have the power to retain and pay for the services of a Manager or Managers to undertake any of the management or functions for which the Association has responsibility under this Declaration to the extent deemed advisable from time to time by the Board of Directors, and may delegate any of its duties, powers or functions to the Manager. Any contract or agreement with a Manager shall be terminable by the Association for cause on no more than thirty (30) days prior written notice, and shall be terminable by the Association without cause and without payment of a termination fee on no more than ninety (90) days prior written notice. No such contract or agreement shall be for a term of more than one (1) year but may be subject to renewal for succeeding terms of no more than one year each. Notwithstanding any delegation to a Manager of any duties, powers or functions of the Association, the Association and its Board of Directors shall remain ultimately responsible for the performance and exercise of such duties, powers and functions. Any management agreements entered into prior to the expiration of the Period of Declarant Control shall, to the extent required, be subject to review and approval by HUD or VA, and shall terminate absolutely, in any event, no later than thirty (30) days after the expiration of the Period of Declarant Control. Any agreement or contract with a Manager shall contain such other provisions which are required to be contained therein by any of the Government Mortgage Agencies.

Section 5.15. Power to Engage Employees, Agents and Consultants. The Association shall have the power to hire and discharge employees and agents and to retain and pay for such legal and accounting services as may be necessary or desirable in connection with the performance of any duties or the exercise of any powers of the Association under this Declaration.

Section 5.16. Powers as to Trash Collection. The Association shall have the power to regulate the days and hours during which trash and solid waste may be collected and put out for collection in any portion of the Homeowners Association Area.

Section 5.17. Power to Commence and Maintain Legal Actions. The Homeowners Association shall have the power to commence and maintain legal actions and suits regarding such issues and against such parties as may be deemed appropriate by the Board of Directors; provided, however, that unless any such legal action or suit is an "Excluded Action," as hereinafter defined, the Homeowners Association may not commence or maintain any such legal action or suit unless the commencement and maintenance of such legal action or suit has first been recommended by the Board of Directors and thereafter approved by Members holding at least fifty-one percent (51%) of the voting power in the Homeowners Association at a duly constituted meeting of Members. "Excluded Action" shall mean any legal action or suit: (a) commenced and maintained by the Homeowners Association against any Member, in his capacity as a Member, or any Related Users of a Member, pursuant to Section 5.11 to restrain and enjoin any breach or threatened breach of this Declaration or the Rules and Regulations of the Homeowners Association, to recover damages for any such breach or otherwise to enforce the Homeowners Association's rights under this Declaration, the Articles of Incorporation or Bylaws of the Homeowners Association or the Rules and Regulations of the Homeowners Association, including, without limitation, any legal action or suit to collect unpaid Assessments payable by a Member to

the Homeowners Association or to foreclose the lien of the Homeowners Association in connection therewith; (b) in which the Homeowners Association, or any of its officers or directors, has been named or joined as a defendant; (c) commenced and maintained by the Homeowners Association to protest the amount of the assessed valuation for property tax purposes of any real or personal property owned by the Homeowners Association; or (d) commenced and maintained by the Homeowners Association in which the amount of damages sought by the Homeowners Association (either for itself or on behalf of all or some of the Members) is in a total amount of \$10,000.00 or less for all claims stated. In making its recommendation, the Board of Directors shall exercise its reasonable judgment, considering, without limitation, the likelihood of success, the impact, if any which such action may have upon the market values of Privately Owned Sites or other portions of the Homeowners Association Area, the cost of pursuing the action including attorneys' fees and expert fees, the resources of the Homeowners Association and whether a special assessment or depletion of reserves will be required in connection therewith or as a result thereof. The Board of Directors shall prepare a written analysis of the risks and benefits to the Homeowners, the Members and their Privately Owned Sites of commencing and maintaining any legal action or suit (other than an Excluded Action) which the Board of Directors has decided to so commence and maintain and shall deliver a copy thereof to each of the Members at least 7 days prior to the date scheduled for the meeting of Members at which the Members shall vote whether or not to proceed with such legal action or suit.

Section 5.18. Duty to Keep Records. The Association shall keep current copies of this Declaration, the Articles of Incorporation, the Bylaws, the Rules and Regulations, and the books, records and financial statements of the Association available during normal business hours for inspection, and for copying at a reasonable cost, by Owners and First Mortgagees.

Section 5.19 Duty to Maintain Register of Addresses and Notify of Address Change. The Homeowners Association shall maintain a "Register of Addresses" which contains the address (which shall include the facsimile number, if any, and, if the recipient desires to receive notices from the Homeowners Association by e-mail, the e-mail address) of each Owner, each Eligible First Mortgagee, the Homeowners Association and Declarant. The initial address for each Owner in the Register of Addresses shall be the address for such Owner set forth in the deed or other instrument of Record conveying the Privately Owned Site to such Owner, or, if no such address is set forth, the Privately Owned Site of such Owner. The initial address for the Declarant and the Homeowners Association in the Register of Addresses shall be 9135 South Ridgeline Boulevard, Suite 100, Highlands Ranch, Colorado 80129. The initial address for an Eligible First Mortgagee shall be the address provided by the Eligible First Mortgagee to the Homeowners Association pursuant to Section 2.29. Any Person may change its address in the Register of Addresses by giving notice to the Homeowners Association of a new address in accordance with Section 13.16, and the Homeowners Association shall update the Register of Addresses in accordance with any such notice. The Homeowners Association shall provide the address for each Person as listed in the Register of Addresses to any Person who requests such information and certifies to the Association in writing that they intend to use such information to give notice to Owners under this Declaration. The Homeowners Association shall have no liability to any Person (including any Owner, Declarant, and any Eligible First Mortgagee) for providing the address as listed in the Register of Addresses, regardless of whether such address is correct or whether any director, officer, employee or agent of the Homeowners Association has knowledge, actual or

imputed, that the address in the Register of Addresses is not correct. No information with respect to Declarant's, any Eligible First Mortgagee's or any Owner's address shall be imputed to the Association or any director, officer, employee or agent of the Homeowners Association, and the Association shall be entitled to rely solely on the initial address determined in accordance with this Section 5.19 or the most recent address, if any, furnished to the Homeowners Association by Declarant, any Eligible First Mortgagee, or any Owner by notice given in accordance with Section 13.16. Upon any change in the address of the Homeowners Association, the Homeowners Association shall execute and file for Recording an instrument which refers to this Declaration and sets forth a new address expressly for purposes of giving notice to the Homeowners Association under this Declaration.

Section 5.20. Limitation on General Corporate Powers. The Association shall have all of the ordinary powers and rights of a Colorado corporation formed under the Colorado Revised Nonprofit Corporation Act, to the extent, but only to the extent, that such powers and rights are necessary or desirable for the Association to fully exercise the Express Duties and Powers. The Association shall also have the power to do any and all lawful things which may be authorized, required or permitted to be done under this Declaration, the Articles of Incorporation, Bylaws, or the Colorado Revised Nonprofit Corporation Act and to do and perform any and all acts which may be necessary or desirable for, or incidental to, the exercise of any of the Express Powers and Rights of the Association.

ARTICLE VI HOMEOWNERS ASSOCIATION PROPERTIES

Section 6.1. Members' Rights of Use and Enjoyment Generally. Subject to the provisions of this Article VI, all Members may, and shall have a nonexclusive easement to, use and enjoy the Homeowners Association Properties for the purposes for which they are intended, unless otherwise provided in a Supplemental Declaration governing the Site of any such Member, in a Supplemental Declaration governing a particular Homeowners Association Property or in the Rules and Regulations, or any or all of them.

Section 6.2. Right of Association to Regulate Use. The Association, acting through the Board, shall have the power to regulate use of Homeowners Association Properties by Members to enhance further the overall rights of use and enjoyment of all Members, including imposing limits on the times of use and numbers of guests permitted to use Homeowners Association Properties.

Section 6.3. No Partition of Homeowners Association Properties. No Owner shall have the right to partition or seek partition of the Homeowners Association Properties or any part thereof.

Section 6.4. Liability of Owners for Damage. Each Owner shall be liable to the Association for any damage to Homeowners Association Properties or for any expense or liability incurred by the Association which may be sustained by reason of the negligence or willful misconduct of such Owner or a Related User of the Owner, and for any violation by such Owner

or Related User of this Declaration or any Rule or Regulation adopted by the Association. The Association shall have the power, as elsewhere provided in this Declaration, to levy and collect a Reimbursement Assessment against a Member to cover the costs and expenses incurred by the Association on account of any such damage or any such violation of this Declaration or of the Rules and Regulations, including interest and attorneys' fees, or for any increase in insurance premiums directly attributable to any such damage or violation.

Section 6.5. Damage to Homeowners Association Properties. In the event of damage to or destruction of all or a portion of the Homeowners Association Properties which constitute insurable improvements, if any, due to fire or other casualty or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall, subject, however, to the applicable requirements of Law, be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such damage or destruction are insufficient to repair and reconstruct the damage or destruction, then the Association shall levy a Special Assessment in the aggregate amount of such insufficiency pursuant to Section 8.17 hereof, and shall proceed to make such repairs or reconstruction, unless the Owners and First Mortgagees agree, subject, however, to the applicable requirements of Law, not to repair and reconstruct such damage in accordance with the terms and provisions of Article XIII hereof. No distributions of insurance proceeds shall be made to the Owners, unless made jointly payable to Owners and the First Mortgagees, if any, subject, however, to the applicable requirements of Law. If insurance proceeds available to the Association on account of damage or destruction exceed the cost of repair, reconstruction or replacement, the Association may use the excess for future maintenance, repair, and operation of and improvements to Homeowners Association Properties.

Section 6.6. Association Powers in the Event of Condemnation.

(a) If proceedings are initiated by any government or agency thereof seeking to take the Homeowners Association Properties or any interests therein or part thereof, including any Improvements thereon, the Association shall give prompt notice thereof, including a description of the part of or interest in the Homeowners Association Properties or Improvements thereon sought to be so condemned, to all Owners. The Association shall have full power and authority to defend in said proceedings, and to represent the Owners in any negotiations, settlements and agreements with a condemning authority for acquisition of the Homeowners Association Properties, any part thereof, or any interest therein, and each Owner hereby appoints the Association as the Owner's attorney-in-fact for such purposes. Any award or proceeds of settlement shall be payable to the Association for the use and benefit of the Owners and their Mortgagees as their interests may appear, subject, however, to the applicable requirements of Law. No Owner shall be entitled to participate as a party or otherwise in any condemnation proceedings.

(b) If all of the Homeowners Association Properties are taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance of condemnation, any award or settlement shall be apportioned by the Association on such a fair and equitable basis as the Association determines to be appropriate in the circumstances, or as determined by judicial decree, subject, however, to the applicable requirements of Law. If the allocation of the condemnation award is already established in the negotiations, judicial decree, or otherwise, then in allocating the

condemnation award the Association shall employ such allocation to the extent that it is relevant and applicable, subject, however, to the applicable requirements of Law.

(c) If less than all of the Homeowners Association Properties are taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance of condemnation, the condemnation award shall first be applied by the Association to the rebuilding and replacement of those Improvements on the Homeowners Association Properties which are damaged or taken by the condemning public authority, unless Members holding at least sixty-seven percent (67%) of the voting power of the Association and unless sixty-seven percent (67%) of the First Mortgagees (based upon one vote for each First Mortgage held) agree otherwise. Any surplus of the award or other portion thereof not used for rebuilding and replacement shall be distributed by the Homeowners Association on the same basis as indicated in subparagraph (b) of this Section, subject, however, to the applicable requirements of Law. No provision of this Declaration or any other document relating to the Homeowners Association Properties shall be deemed to give an Owner or any other party priority over the rights of a First Mortgagee, pursuant to a First Mortgage, regarding distribution of insurance proceeds or condemnation awards for losses to or taking of Homeowners Association Properties, subject, however, to the applicable requirements of Law.

Section 6.7. Title to Homeowners Association Properties on Dissolution of Homeowners Association. In the event of dissolution of the Association, the Homeowners Association Properties shall, to the extent reasonably possible, and after obtaining any approvals required by Article XIII of this Declaration, be conveyed or transferred to an appropriate public or governmental agency or agencies or to a nonprofit corporation, association, trust or other organization, to be used for the common benefit of Owners for similar purposes for which the particular Homeowners Association Property was held by the Association. To the extent that the foregoing is not possible, the Homeowners Association Properties shall be sold or disposed of and the proceeds from the sale or disposition shall be distributed to Members in such fair and equitable manner as the Association determines to be appropriate under the circumstances.

ARTICLE VII DECLARANT'S RIGHTS AND RESERVATIONS

Section 7.1. Period of Declarant's Rights and Reservations. Declarant shall have retained and reserved certain rights as hereinafter set forth with respect to the Association and the Homeowners Association Properties from the date hereof, until the expiration of the Period of Special Declarant's Rights. Notwithstanding any other provisions of this Declaration, the rights and reservations hereinafter set forth in this Article VII, and in Article III and in Sections 4.6, 9.10, 9.19, 9.20, 10.1, 12.3, 12.4, 13.2, 13.4, 13.5, 13.19 and 13.32 (collectively, the "Special Declarant Rights"): (a) shall be deemed excepted and reserved in each conveyance of property within the Homeowners Association Area, whether or not specifically stated therein, and in each deed or other instrument by which any property within the Homeowners Association Area is so conveyed; (b) shall be prior and superior to any other provisions of this Declaration, and in the event of any inconsistency between the provisions of this Declaration pertaining to the Special Declarant Rights and any other provisions of this Declaration, the provisions pertaining to the

Special Declarant Rights shall control; and (c) may not, without Declarant's prior written consent, be modified, amended, rescinded, or affected by any amendment of this Declaration during the Period of Special Declarant's Rights. Declarant's consent to any one such amendment shall not be construed as a consent to any other amendment.

Section 7.2. Right to Construct Additional Improvements on Homeowners Association Properties. Declarant shall have and hereby reserves the right, but shall not be obligated to, construct additional Improvements on Homeowners Association Properties at any time and from time to time in accordance with this Declaration for the improvement and enhancement of the Homeowners Association Properties and for the benefit of the Association and the Owners. Declarant shall convey or transfer such Improvements to the Homeowners Association and the Homeowners Association shall be obligated to accept title to, care for and maintain the same as elsewhere provided in this Declaration. If any such Improvements are not completed when transferred to the Homeowners Association, Declarant shall, if and to the extent so required by any of the Government Mortgage Agencies, provide a bond or letter of credit (or other assurance as the Homeowners Association and the Government Mortgage Agencies may reasonably require) to assure that the cost thereof will be paid by Declarant and the Improvements completed free of liens and encumbrances relating to the construction of the Improvements.

Section 7.3. Declarant's Rights to Use Homeowners Association Properties in Promotion and Marketing of Homeowners Association Area. Declarant shall have and hereby reserves the right to use the Homeowners Association Properties and to use services offered by the Homeowners Association in connection with the promotion and marketing of property within the boundaries of Reunion. Without limiting the generality of the foregoing, Declarant may erect and maintain on any part of the Homeowners Association Properties such signs, temporary buildings and other structures as Declarant may reasonably deem necessary or proper in connection with the promotion, development and marketing of real property within Reunion; may use vehicles and equipment on Homeowners Association Properties for promotional purposes; and may permit prospective purchasers of property within the boundaries of Reunion to use Homeowners Association Properties at reasonable times and in reasonable numbers; and may refer to the Homeowners Association and to the Homeowners Association Properties and services offered by the Homeowners Association in connection with the development, promotion and marketing of property within the boundaries of Reunion.

Section 7.4. Declarant's Rights to Complete Development of Reunion. No provision of this Declaration shall be construed to prevent or limit Declarant's rights, and Declarant expressly reserves the right, to complete the development of property within the boundaries of Reunion; to construct or alter Improvements on any property owned by Declarant within Reunion; to maintain model homes, offices for construction, sales or leasing purposes or similar facilities on any property owned by Declarant or owned by the Association within Reunion; and to post signs incidental to development, construction, promotion, marketing, sales or leasing of property within the boundaries of Reunion. No such model home, or construction, sales or leasing office located on a Privately Owned Site owned by Declarant or others authorized by Declarant shall constitute Homeowners Association Property or common property of, or otherwise be owned by, the Association or any other Member of the Association; rather, such property (with Improvements thereon) shall constitute a Privately Owned Site. Additionally, no such model

home, construction, sales or leasing office located on any Homeowners Association Property shall constitute Homeowners Association Property or common property of, or otherwise be owned by, the Association or any other Member of the Association, unless otherwise expressly agreed in writing by Declarant. Declarant may maintain, or permit other Persons to maintain, management offices, signs, model homes, construction offices, trailers and sales offices, in such numbers, of such sizes and at such locations, as Declarant may determine in its reasonable discretion from time to time. Nothing contained in this Declaration shall limit the right of Declarant or require Declarant to obtain approvals to excavate, cut, fill or grade any property owned by Declarant or to construct, alter, demolish or replace any Improvements on any property owned by Declarant, or to use any structure on any property owned by Declarant as a construction, model home or real estate sales or leasing office in connection with the sale of any property within the boundaries of Reunion, nor shall anything herein be deemed to require Declarant to seek or obtain the approval of the Architectural Review Committee or of the Association for any such activity or Improvement to Property by Declarant on any property owned by Declarant or by the Association. Declarant reserves the right, prior to the time that a particular lot or tract within the Annexable Area has been annexed to and made subject to this Declaration and so long as Declarant is the Owner of such lot or tract, to resubdivide or change the boundaries of such lot or tract in accordance with the provisions of applicable law without the same constituting an amendment of this Declaration and without the consent, approval or vote of any other party, including, without limitation, the Members of the Association. Nothing in this Section shall limit or impair the reserved rights of Declarant as may be elsewhere provided in this Declaration.

Section 7.5. Declarant's Approval of Conveyances or Changes in Use of Homeowners Association Properties. During the Period of Special Declarant's Rights, the Association shall not, without first obtaining the prior written consent of Declarant, which consent shall not be unreasonably withheld, convey, change or alter the use of Homeowners Association Properties, mortgage the Homeowners Association Properties, or use Homeowners Association Properties other than solely for the benefit of Members.

Section 7.6. Declarant's Rights to Grant and Create Easements. Declarant shall have and hereby reserves the right to grant or create temporary or permanent easements, for access, utilities, drainage, water and other purposes incident to development and sale of Reunion, located in, on, under, over and across (a) Privately Owned Sites owned by Declarant and (b) Homeowners Association Properties, provided that such easements do not create a permanent, unreasonable interference with the rights of the Owners or of the Association.

Section 7.7. Declarant's Rights to Convey Additional Property to Homeowners Association. Declarant shall have and hereby reserves the right, but shall not be obligated to, convey additional real property and Improvements thereon to the Homeowners Association at any time and from time to time in accordance with the PUD Zone Document and this Declaration.

Section 7.8. Limitations Imposed by Government Mortgage Agencies. The exercise of the rights of Declarant reserved herein shall be subject to such reasonable requirements and limitations as may be imposed by Government Mortgage Agencies or other governmental authorities having jurisdiction including any requirements for consent or approval by such Government Mortgage Agencies or governmental authorities.

ARTICLE VIII
ASSESSMENTS, BUDGETS AND FUNDS

Section 8.1. Maintenance Funds to be Established. The Homeowners Association shall establish and maintain at least the following separate "Maintenance Funds": (a) an Operating Fund; and (b) a Reserve Fund. Each of the Maintenance Funds shall be established as one or more trust savings or trust checking accounts at any financial institution in which deposits are insured by an agency of the federal government.

Section 8.2. Establishment of Other Funds. The Homeowners Association may establish other funds as and when needed and nothing herein shall limit, preclude or impair the authority of the Homeowners Association to establish other funds for specified purposes authorized by this Subassociation Declaration. If the Homeowners Association establishes any additional funds, the Board of Directors of the Homeowners Association shall designate an appropriate title for the fund to distinguish it from the other funds maintained by the Homeowners Association.

Section 8.3. Deposits of Common Assessments to Maintenance Funds. Monies received by the Homeowners Association from Common Assessments shall be deposited in the Maintenance Funds in accordance with the Homeowners Association Budget for the year.

Section 8.4. Other Deposits to Maintenance Funds. The Homeowners Association shall deposit monies received by the Homeowners Association from sources other than Common Assessments in the Maintenance Fund determined by the Board of Directors of the Homeowners Association to be most appropriate.

Section 8.5. Disbursements from Maintenance Funds. All amounts deposited in the Maintenance Funds shall be used solely for the common benefit of all the Members for purposes authorized by this Declaration. Disbursements from particular Maintenance Funds shall be limited to specified purposes as follows: (a) disbursements from the Operating Fund may be made for any purposes as are necessary or proper under this Declaration, except those purposes for which disbursements are to be made from the Reserve Fund; and (b) disbursements from the Reserve Fund shall be made solely for purposes of funding those functions which cannot be expected to recur on an annual or more frequent basis and for the purposes of repairs, replacements, and other restorative work.

Section 8.6. No Commingling of Maintenance Funds. The Association shall not commingle any amounts deposited in any one Maintenance Fund or other fund with amounts deposited in any other Maintenance Fund or other fund.

Section 8.7. Authority for Disbursements. The Board shall have the authority to make or to authorize an agent to make disbursements of any monies in the Maintenance Fund or other funds which may be established pursuant to this Declaration.

Section 8.8. Common Assessments. For each Fiscal Year, as hereinafter defined, the Association shall levy Common Assessments against Owners of the Privately Owned Sites. Each Owner shall be obligated to pay the Common Assessments levied against, and allocated to, such Owner and the Privately Owned Site of such Owner as hereinafter more particularly set forth.

Section 8.9. Apportionment of Common Assessments-Assessment Units. The amount of the Common Assessments per Assessment Unit assigned to each Privately Owned Site within the Homeowners Association Area for the first Fiscal Year of the Association shall be in the annual amount set forth in Section 8.10. The amount of the Common Assessments for any Fiscal Year commencing with the second Fiscal Year of the Association, payable by an Owner for the Privately Owned Site of such Owner, shall be computed by multiplying the total amount to be raised by Common Assessments for that Fiscal Year, as shown in the Budget for that Fiscal Year, by a percentage (rounded to the nearest one-tenth of one percent (0.1%)), derived from a fraction, the numerator of which is the number of Assessment Units assigned to that Privately Owned Site and the denominator of which is the total number of Assessment Units existing in the Homeowners Association Area as of the first day of that Fiscal Year; provided, however, that the amount of the Common Assessments, payable by an Owner for the Privately Owned Site of such Owner, for the initial Fiscal Year in which Common Assessments shall first become payable for such Privately Owned Site (based on the number of Assessment Units attributable to such Privately Owned Site) pursuant to Section 8.14, shall be in an amount determined at the same rate per Assessment Unit as has been established for such initial Fiscal Year pursuant to the provisions of this Section, with the annual amount of Common Assessments for such initial Fiscal Year prorated based on the number of days of such Fiscal Year for which such Common Assessments shall be payable for such Privately Owned Site.

Section 8.10. Initial Common Assessments. Until the effective date of the first Budget adopted by the Board of Directors with a different amount for the Common Assessments, as provided below, the Common Assessments shall be twenty-five dollars (\$25.00) per Assessment Unit assigned to each Privately Owned Site per year. If the first Fiscal Year of the Association commences on a date other than January 1, then the amount of Common Assessments payable for any particular Privately Owned Site for such first Fiscal Year shall be prorated based on the number of days of such first Fiscal Year for which such Common Assessments shall be payable for such Privately Owned Site.

Section 8.11. Limitations on Annual Common Assessments. Notwithstanding any other provision of this Declaration, the amount of Common Assessments and Special Assessments per Assessment Unit for each Privately Owned Site, including, without limitation, any Privately Owned Site which is restricted hereby to Residential Use, for any particular Fiscal Year (exclusive, however, of any amounts payable as a part of Common Assessments or Special Assessments for optional user fees and for insurance premiums paid or payable by the Association) shall in no case exceed the Maximum Common Assessment for such Fiscal Year. The provisions of this Section are intended to satisfy the requirements for availability of the CCIOA Exemption as provided in Section 1.5 of this Declaration and, consequently, the Homeowners Association Area and this Declaration shall be subject only to certain provisions of CCIOA as more particularly provided in C.R.S. § 38-33.3-116(3), and are and shall be exempt under, and excepted from the

operation of, the other provisions of CCIOA. Notwithstanding the foregoing, however, in no case shall the Board of Directors levy against the Owners of Privately Owned Sites, and their Privately Owned Sites, an amount of Common Assessments per Assessment Unit for any Fiscal Year of the Homeowners Association, commencing with the second Fiscal Year of the Homeowners Association, in excess of one hundred twenty percent (120%) of the amount of Common Assessments per Assessment Unit levied against the Owners of Privately Owned Sites for the preceding Fiscal Year of the Homeowners Association without the vote of Members of the Homeowners Association holding at least two-thirds (2/3rds) of the voting power residing in the Owners of Privately Owned Sites (exclusive of the voting power exercisable by Declarant) present in person or by proxy at a duly called meeting of the Members and, during the Period of Special Declarant's Rights, with the consent of Declarant.

Section 8.12. Annual Budgets. The Board of Directors of the Association shall cause to be prepared and shall adopt, at least sixty (60) days prior to the commencement of each Fiscal Year of the Association, the Budget for such Fiscal Year; provided, however, that in no case shall the amount of Common Assessments or Special Assessments per Assessment Unit for each Privately Owned Site for a particular Fiscal Year as shown on the Budget for such Fiscal Year, exceed the amount of the Maximum Common Assessment for such Fiscal Year. The Budget shall show, in reasonable detail, the categories of expenses and shall reflect any expected income of the Association for the coming Fiscal Year and any expected surplus from the prior Fiscal Year. The Budget may include a reasonable amount for contingencies and reasonable amounts deemed necessary or desirable for deposits to create, replenish or add to the Reserve Fund for major capital repairs, replacements and improvements for Homeowners Association Properties, if any. Within thirty (30) days after adoption of any Budget (other than the Budget for the initial Fiscal Year of the Association), the Board of Directors shall mail, by ordinary first-class mail, or otherwise deliver the Budget, to all the Members and shall cause a copy of such Budget to be posted at the principal office of the Association.

Section 8.13. Funding of Reserves. The Board, in budgeting and levying Assessments, shall endeavor to fund the Association's reserves by regularly scheduled payments, included as part of the Common Assessments, rather than by Special Assessments. Unless the Board finds and determines that it is not necessary in a given year, the Common Assessments shall include a component for funding of such reserves.

Section 8.14. Commencement of Common Assessments. Until the Association initially levies a Common Assessment, Declarant shall pay all common expenses of the Association. Common Assessments of the Association shall commence as to each Privately Owned Site within a newly annexed portion of the Homeowners Association Area on the date of Recordation of the Supplemental Declaration for such Privately Owned Site or as may otherwise be provided in such Supplemental Declaration.

Section 8.15. Payment of Assessments. Common Assessments shall be due and payable in advance to the Homeowners Association by the assessed Member in such manner and on such dates as the Board of Directors of the Homeowners Association may designate, in its sole and absolute discretion; provided, however, that in no event shall the Board of Directors of the Homeowners Association require payment of Common Assessments more than once each calendar

month. Notice of the amount of the Common Assessments shall be given to each Member prior to the first day of each Fiscal Year. All payments of Common Assessments shall be due and payable, without further notice or demand, on the due dates declared by the Board.

Section 8.16. Failure to Fix Assessment. The failure by the Board of Directors to levy an Assessment for any period shall not be deemed a waiver or modification with respect to any of the provisions of this Declaration or a release of the liability of any Member to pay Assessments for that or any subsequent period. In the event of such failure, the amount of Common Assessments for the immediately preceding period shall continue in effect until a new amount has been established as provided in this Declaration. No abatement of Common Assessments or any other Assessment shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or Improvements to any Homeowners Association Properties, from any action taken to comply with any law or any determination of the Board of Directors or for any other reason.

Section 8.17. Special Assessments. In addition to Common Assessments, the Board of Directors may, subject to the provisions of this Section, and upon receipt of any necessary approval by the VA or HUD, levy Special Assessments, not otherwise provided for under the Budget for Common Assessments, for the purpose of raising funds to construct or reconstruct, repair or replace capital Improvements upon Homeowners Association Properties, including personal property relating thereto; to add to the Homeowners Association Properties; to provide for necessary facilities and equipment; to offer the services authorized in this Declaration; to correct any deficit or cost overrun; or to repay any loan made to the Association to enable it to perform the duties and functions authorized in the Declaration; provided, however, that in no case shall the sum of the amount of any Special Assessment per Assessment Unit for a Fiscal Year plus the amount of the Common Assessments per Assessment Unit for such Fiscal Year exceed the Maximum Common Assessment for such Fiscal Year. The Board of Directors shall not levy Special Assessments without the vote of Members of the Association holding at least two-thirds (2/3rds) of the voting power residing in the Owners of Privately Owned Sites subject to the Special Assessments (exclusive of the voting power exercisable by Declarant) present in person or by proxy at a duly called meeting of the Members and, during the Period of Special Declarant's Rights, with the consent of Declarant. Special Assessments shall be levied solely on the basis of, and in proportion to, Assessment Units attributable to the Privately Owned Sites of the Members. The Association shall notify Members in writing of the amount of any Special Assessment and of the manner in which, and the dates on which, any such Special Assessment is payable, and the Members shall pay any such Special Assessment in the manner so specified.

Section 8.18. Reimbursement Assessments. The Board of Directors may, subject to the provisions hereof, levy a Reimbursement Assessment against any Member if the willful or negligent failure of the Member or a Related User to comply with this Declaration, the Articles of Incorporation, the Bylaws, the Rules and Regulations or the guidelines or rules of the Architectural Review Committee results in a loss of revenue or an expenditure of funds in connection with the enforcement powers of the Association. Except for a default consisting solely of a failure timely to pay any Assessment, including, without limitation, Special Assessments or Common Assessments, which shall not require Notice and Hearing, a Reimbursement Assessment shall be levied only after Notice and Hearing. The amount of the Reimbursement Assessment shall

be due and payable to the Association upon notice to the Member of the decision of the Board of Directors that the Reimbursement Assessment is owing. The amount of any Reimbursement Assessment payable by a Member shall not be included in the amount of Common Assessments payable by such Owner for the purposes of determining the Maximum Common Assessment payable by such Member pursuant to Section 8.11.

Section 8.19. Late Charges and Interest. If any Assessment or any installment thereof is not paid within thirty (30) days after it is due, the Member obligated to pay the Assessment may be required to pay a reasonable late charge to be determined by the Board of Directors of the Homeowners Association. Any Assessment or installment of an Assessment which is not paid within thirty (30) days after the date of any Notice of Default given under Section 8.21 and prior to the Recordation of Notice of Lien under Section 8.24 hereof shall bear interest from the date such Assessment became due and payable until paid or satisfied at the highest rate then established by statute in Colorado for interest on damages for personal injury or on judgments in other actions, whichever is higher, but in no event less than eight percent (8%) per annum simple interest and not more than twenty-one percent (21%) per annum simple interest.

Section 8.20. Surplus Funds. Any surplus funds of the Association remaining after payment of or provision for common expenses and any prepayment of or provision for reserves, may, at the option of the Board of Directors, be retained by the Association as reasonable reserves and need not be paid to the Members in proportion to their Common Assessment liability or credited to them to reduce their future Common Assessments.

Section 8.21. Notice of Default and Acceleration of Assessments. If any Assessment or any installment thereof is not paid within thirty (30) days after its due date, the Board of Directors may mail a notice of default to the Owner and to each First Mortgagee of the Privately Owned Site of such Owner who has requested a copy of such notices ("Notice of Default"). The Notice of Default shall specify (a) the fact that the Assessment is delinquent; (b) the action required to cure the default; (c) a date not less than thirty (30) days from the date of issuing of the notice by which such default must be cured; and (d) that failure to cure the default on or before the date specified in the Notice of Default may result in the foreclosure of the lien for the Assessment against the Privately Owned Site of the Owner. A default shall not be considered cured unless the past due sums and all sums coming due through the date of payment are paid to the Association. If the delinquent Assessment and any late charges or interest thereon, plus any other sums due as of the date of payment, are not paid in full on or before the date specified in the notice, the Board, at its option, may declare all of the unpaid Assessment to be immediately due and payable without further demand and may enforce the collection of the Assessment and all charges and interest thereon in any manner authorized by law or in this Declaration, subject to the protection afforded to Mortgagees under this Declaration.

Section 8.22. Remedies to Enforce Assessments. Each Assessment levied hereunder shall be a separate, distinct and personal debt and obligation of the Owner against whom it is assessed. In the event of a default in payment of any Assessment, whether Common, Special, Reimbursement or other Assessment, the Board may, in addition to any other remedies provided under this Declaration or by law, enforce such obligation on behalf of the Association by suit or by filing and foreclosure of a lien as hereinafter provided. Each Owner, by acceptance of a deed to a

Privately Owned Site, whether or not it is expressed in such deed, is deemed to covenant and agree to pay to the Association all Common Assessments, Special Assessments, Reimbursement Assessments and any other Assessments, together with interest, late charges, costs and attorneys' fees, and this covenant shall be a charge on the land and a continuing lien upon the Privately Owned Site against which the Assessment is made. The lien created hereby shall exist from the due date of each Assessment until paid, whether or not a Notice of Lien is filed. The personal obligation for delinquent Assessments shall not pass to an Owner's successors in title unless expressly assumed by them.

Section 8.23. Lawsuit to Enforce Assessments. The Board may bring a suit at law to enforce any Assessment obligation. Any judgment rendered in such action shall include any late charge, interest, and other costs of enforcement, including reasonable attorneys' fees in such amount as the court may adjudge, against the defaulting Owner.

Section 8.24. Lien to Enforce Assessments. The Board of Directors of the Association may also, in addition to or in lieu of bringing suit, elect to file a claim of lien against the Privately Owned Site of the defaulting Owner by Recording a notice ("Notice of Lien") setting forth: (a) the amount of the claimed delinquency, (b) the interest and costs of collection which have accrued thereon, (c) the legal description and street address of the Privately Owned Site against which the lien is claimed, and (d) the name of the Record Owner thereof. Such Notice of Lien shall be signed and acknowledged by an officer of the Association or other duly authorized agent of the Association. The lien created by the Notice of Lien shall be prior to any declaration of homestead rights Recorded after the time that the Privately Owned Site becomes part of the Homeowners Association Area. The lien shall continue until the amounts secured thereby and all subsequently accruing amounts are fully paid or otherwise satisfied. When all amounts claimed under the Notice of Lien and all other costs and Assessments which may have accrued subsequent to the filing of the Notice of Lien, including all court costs, recording costs and filing fees, have been fully paid or satisfied, the Association shall execute and Record a notice releasing the lien upon payment by the Owner of a reasonable fee as fixed by the Board of Directors to cover the cost of preparing and Recording the release of the lien. Unless paid or otherwise satisfied, the lien may be foreclosed in the manner for foreclosure of Mortgages in the State of Colorado.

Section 8.25. Certificate of Status of Assessments. The Association shall furnish to an Owner or such Owner's designee (including, without limitation, a prospective purchaser from or Mortgagee of such Owner), or to a Mortgagee or its designee, upon written request, delivered personally or by certified mail, first class, postage prepaid, return receipt, to the Association's registered agent, a written statement setting forth the amount of unpaid Assessments currently levied against such Owner's Privately Owned Site. The statement shall be furnished within fourteen (14) calendar days after receipt of the request and shall be binding on the Association, the Board of Directors and every Owner. If no statement is furnished to the Owner or Mortgagee or their designee, delivered personally or by certified mail, first class, postage prepaid, return receipt requested, to the inquiring party, then the Association shall have no right to assert a lien upon the Privately Owned Site for unpaid Assessments which were due as of the date of the request. The Association, either itself or acting through its Manager, shall have the right to charge a reasonable fee for the issuance of such certificates.

Section 8.26. No Offsets. All Assessments shall be payable in the amounts specified in the levy thereof, and no offset, abatement or reduction thereof shall be permitted for any reason whatsoever, including, without limitation, any claim that the Association or the Board of Directors is not properly exercising its duties and powers under this Declaration, or for inconvenience or discomfort arising from any activity of the Association, including the making of repairs or Improvements to Homeowners Association Properties, or because an Owner claims that a particular function funded by the Assessment does not benefit that Owner directly, or for any other reason.

Section 8.27. Working Capital Fund. The Association or Declarant shall require the first Owner (other than Declarant) of any Privately Owned Site who purchases that Privately Owned Site from Declarant to make a nonrefundable contribution to the Homeowners Association in an amount equal the then-current annual amount of the Common Assessment (regardless of whether or not Common Assessments have commenced for such Privately Owned Site as provided in Section 8.14) payable for such Privately Owned Site, or such lesser amount as the Board of Directors may from time to time determine. Said contribution shall be collected and transferred to the Association at the time of closing of the sale by Declarant of each Privately Owned Site and shall, until used, be maintained in a segregated account with other such working capital funds for the use and benefit of the Association, including, without limitation, to meet unforeseen expenditures or to purchase equipment, property or services; provided, however, in no case may Declarant use such contributions, or any portion thereof, to defray any of Declarant's expenses, reserve contributions, or construction costs or to make up any Budget deficits during the Period of Declarant Control. Such contribution to the working capital fund shall not relieve an Owner from making regular payments of Assessments as the same become due. Upon the transfer of his Privately Owned Site, nothing herein shall preclude a Member from reaching an agreement with his transferee for such transferee to reimburse such Member for the aforesaid contribution to such working capital fund theretofore paid by such Member either to the Homeowners Association or to the Person from whom such Member acquired such Privately Owned Site. Nothing herein shall, however, obligate the Homeowners Association to refund to any such Member any such contribution to such working capital fund theretofore paid to the Homeowners Association for such Member's Privately Owned Site.

ARTICLE IX GENERAL RESTRICTIONS APPLICABLE TO PROPERTY

Section 9.1. Limitations and Restrictions. All of the Homeowners Association Area, including, without limitation, Privately Owned Sites, Homeowners Association Properties, and Local Common Area, shall be held, used and enjoyed subject to the following limitations and restrictions, and subject to the exemptions for Declarant set forth in this Declaration. The strict application of the following limitations and restrictions in any specific case may be modified or waived in whole or in part by the Architectural Review Committee if such strict application would be unreasonable or unduly harsh under the circumstances. Any such modification or waiver must be in writing or be contained in written guidelines or rules promulgated by the Architectural Review Committee.

Section 9.2. Maintenance of Property. No property within the Homeowners Association Area shall be permitted to fall into disrepair, and all property within the Homeowners Association Area, including any Improvements and landscaping thereon, shall be kept and maintained in a clean, safe, healthy, attractive and sightly condition and in good repair. Maintenance, repair and upkeep of each Privately Owned Site shall be the responsibility of the Owner of the Site. Maintenance, repair and upkeep of Homeowners Association Properties shall be the responsibility of the Association. Violation of this provision by an Owner shall permit the Association, after Notice and Hearing, to enter on the Privately Owned Site to cure the violation or cause compliance with this provision and to levy and collect a Reimbursement Assessment for the costs and expenses of the Association in so doing; provided, however, that there shall be no entry into the interior of an Improvement intended for human occupancy without the consent of the Owner thereof unless an Emergency Situation exists.

Section 9.3. No Noxious or Offensive Activity. No noxious or offensive activity shall be carried on upon any property within the Homeowners Association Area, nor shall anything be done or placed thereon, which is or may become a nuisance or which is or may cause an unreasonable embarrassment, disturbance or annoyance to others.

Section 9.4. No Annoying Light, Sounds or Odors. No light shall be emitted from any property within the Homeowners Association Area which is unreasonably bright or causes unreasonable glare, and no sound or odor shall be emitted from any property within the Homeowners Association Area which would reasonably be found by others to be noxious or offensive. Without limiting the generality of the foregoing, no exterior spotlights, searchlights, speakers, horns, whistles, bells or other light or sound devices, other than security devices used exclusively for security purposes, shall be located or used on any property except with the prior written approval of the Architectural Review Committee.

Section 9.5. No Hazardous Activities. No activity shall be conducted on, and no Improvement shall be constructed on, any property within the Homeowners Association Area which is or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any property and no open fires shall be lighted or permitted on any property except in a contained barbecue unit while attended and in use for cooking purposes or within an interior or exterior fireplace designed to prevent the dispersal of burning embers.

Section 9.6. No Unsightliness. All unsightly conditions, structures, facilities, equipment, objects and conditions shall be enclosed within a structure, including snow removal equipment and garden or maintenance equipment, except when actually in use.

Section 9.7. Restrictions on Garbage and Trash. No refuse, garbage, trash, lumber, grass, shrub or tree clippings, plant waste, compost, metal, bulk materials, scrap, refuse or debris of any kind shall be kept, stored or allowed to accumulate on any part of the Homeowners Association Area, except within an enclosed structure or when appropriately screened from view, except that any container containing such materials may be placed outside at proper times for garbage or trash pickup.

Section 9.8. No Temporary Structures. No tent, shack, temporary structure or temporary building shall be placed upon any property within the Homeowners Association Area, except with the prior written consent of the Architectural Review Committee obtained in each instance.

Section 9.9. Restriction on Antennae, Pipes and Utility Lines. Pipes for water, gas, sewer, drainage or other purposes, and wires, fiber optic and other cables, poles, antennae and other facilities for the transmission or reception of audio, visual or other electromagnetic signals or electricity, and utility meters or other utility facilities, to the extent reasonably possible, shall be kept and maintained, underground or within an enclosed structure. No exterior radio antenna, television antenna, or other antenna of any type (including satellite dishes) shall be erected or maintained in the Homeowners Association Area, except that: (a) on Commercial Sites an Owner may erect an antenna if: (i) such antenna is necessary to carry on the business conducted by the Owner on the Site; (ii) the Owner obtains any necessary consents to the erection of such an antenna in accordance with the provisions of the Supplemental Declaration covering that Commercial Site; and (iii) if the erection of such antenna is in compliance with all applicable statutes, ordinances and regulations; (b) the Association or a Subassociation (with the Association's approval) may erect and maintain one or more master antennae on the Homeowners Association Properties for the use of some or all of the Members; and (c) the requirements of this Section shall not apply to those "antenna" (including certain satellite dishes) which are specifically covered by the Telecommunications Act of 1996, and the regulations promulgated pursuant thereto, as amended from time to time. As to "antenna" which are specifically covered by the Telecommunications Act of 1996, and the regulations promulgated pursuant thereto, the Association shall be empowered to adopt rules and regulations governing the types of "antenna" that are permissible hereunder and, to the extent permitted by the Telecommunications Act of 1996, and the regulations promulgated pursuant thereto, as amended, establishing reasonable, non-discriminatory restrictions relating to appearance, safety, location and maintenance of such "antenna."

Section 9.10. Restrictions on Signs and Advertising Devices. No sign, poster, billboard, advertising device or display of any kind shall be erected or maintained anywhere within the Homeowners Association Area so as to be evident to public view, except such signs as may be approved in writing by the Architectural Review Committee and except such signs as Declarant, or other Persons authorized by Declarant, shall be entitled to post or erect pursuant to Sections 7.3 or 7.4. Notwithstanding the foregoing, however, a sign advertising a Privately Owned Site for sale or for lease may be placed on such Privately Owned Site; provided, however, that standards relating to dimensions, color, style and location of such a sign shall be determined from time to time by the Architectural Review Committee and shall comply with the sign code of Commerce City, Colorado and with all other applicable Laws.

Section 9.11. Restrictions on Mining or Drilling. No property within the Homeowners Association Area shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing oil, gas or other hydrocarbons, coal, minerals, rocks, stones, gravel or earth, except drilling, exploring for or removing underground water by Declarant or any Person designated by Declarant for the purpose of providing water service to property within the boundaries of Reunion, and except mining, drilling or exploring for oil, gas or other hydrocarbons

or minerals below a depth of five hundred feet (500') from the surface of the land from surface sites located outside the Homeowners Association Area, all of which drilling, exploring, mining or removing underground water, oil, gas or other hydrocarbons or minerals shall not disturb or subside the surface of the ground in any portion of the Homeowners Association Area (other than any property within the Homeowners Association Area which is owned by Declarant or by such Person so designated by Declarant). Nothing in this Section shall, however, apply to or affect the rights of any Person who acquired an interest in any oil, gas or other hydrocarbons, coal, minerals, rocks, stones, gravel or earth pertaining to any portion of the Homeowners Association Area prior to the date upon which such portion of the Homeowners Association Area was annexed to and made a part of the Homeowners Association Area in accordance with the provisions of this Declaration.

Section 9.12. Maintenance of Drainage. There shall be no interference with or modification to the established drainage pattern over any property within the Homeowners Association Area, except as approved in writing by the Architectural Review Committee. Such approval shall not be granted unless provision is made for adequate alternate drainage in accordance with the recommendations, satisfactory to the Architectural Review Committee, of a certified engineer set forth in an engineer's report obtained by the Person desiring to interfere with or modify such established drainage pattern, at such Person's expense, and submitted by such Person to the Architectural Review Committee with the request by such Person for such approval. The "established drainage pattern" shall mean the drainage pattern which exists at the time the overall grading of any property is completed by the homebuilder or other party performing such overall grading, and shall include any established drainage pattern shown on plans, if any, approved by the Architectural Review Committee. The established drainage pattern may include the drainage pattern from Homeowners Association Properties over any Privately Owned Site, from any Privately Owned Site over the Homeowners Association Properties, or from any Privately Owned Site over another Privately Owned Site.

Section 9.13. Compliance with Insurance Requirements. Except as may be approved in writing by the Board of Directors, nothing shall be done or kept on property within the Homeowners Association Area which may result in a material increase in the rates of insurance or would result in the cancellation of any insurance maintained by the Association.

Section 9.14. Compliance with Laws. Nothing shall be done or kept on any property within the Homeowners Association Area in violation of any law, ordinance, rule or regulation of any governmental authority having jurisdiction.

Section 9.15. Restrictions on Sewage Disposal Systems. No cesspool, septic tank or other sewage disposal system shall be installed within the Homeowners Association Area without the prior written consent of the Architectural Review Committee, except a central sewage disposal system installed and maintained by a water and sanitation district, metropolitan district or other governmental or quasi-governmental sanitation agency providing sewage disposal services to a significant portion of the Homeowners Association Area. Any sewage disposal system installed for property within the Homeowners Association Area shall be subject to applicable laws, rules and regulations of any governmental authority having jurisdiction.

Section 9.16. Restrictions on Water Systems. No individual water supply or water softener system shall be installed or maintained for any property within the Homeowners Association Area unless such system is approved in writing by the Architectural Review Committee and is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water and sanitation district, metropolitan district or other governmental authority having jurisdiction.

Section 9.17. Restoration in the Event of Damage or Destruction. In the event of damage to or destruction of any Improvement on any Privately Owned Site, the Owner thereof shall, subject to the approval of the Architectural Review Committee, either: (a) cause the damaged or destroyed Improvement to be restored or replaced to its original condition or such other condition as may be approved in writing by the Architectural Review Committee; or (b) the Owner shall cause the damaged or destroyed Improvement to be demolished and the Privately Owned Site to be suitably landscaped, so as to present a pleasing and attractive appearance.

Section 9.18. Residential Use. Each Dwelling Unit on a Single Family Residential Site, each Residential Condominium Unit and each Apartment Unit on an Apartment Site shall be used solely for (a) one Common Household Group for Residential Use purposes and such purposes as are customarily incident thereto, and shall not be used at any time for business, commercial or professional activities; provided, however, that (b) an Owner of a Single Family Residential Site may use his Dwelling Unit, the Owner of a Residential Condominium Unit may use his Residential Condominium Unit, and the tenant or occupant of an Apartment Unit may use his Apartment Unit, for professional or other home occupations so long as there is no external evidence thereof and no unreasonable inconvenience to the neighbors is created, and (c) the Owner of a Single Family Residential Site may rent or lease the Dwelling Unit constructed on the Single Family Residential Site, the Owner of a Residential Condominium Unit may lease such Residential Condominium Unit, and the Owner of an Apartment Site may lease each Apartment Unit located on such Apartment Site, for residential living purposes for a term of at least thirty (30) days, pursuant to a written lease or rental agreement. The terms of any such lease or rental agreement shall be subject in all respects to the provisions of this Declaration, the Articles of Incorporation and the Bylaws of the Homeowners Association, and the applicable Supplemental Declaration, and shall provide that failure by the lessee of such Dwelling Unit, Residential Condominium Unit or Apartment Unit, as the case may be, to comply with the terms of any such documents shall constitute a default under the lease or rental agreement.

Section 9.19. No Further Subdivision. No Local Common Area, Privately Owned Site or Improvement thereon in the Homeowners Association Area (other than a Privately Owned Site or Improvement thereon owned by Declarant) may be further subdivided (including, without limitation, by imposing a condominium ownership regime thereon), nor may any easement or other interest therein less than the whole (including any time-share estate) be conveyed by the Owner thereof (including the Association and any Subassociation but excluding Declarant), unless such Owner complies with the requirements of applicable Law and unless such Owner obtains the prior approval thereto of Declarant, at any time during the Period of Special Declarant Rights, or of the Board of Directors, at any time after the expiration of the Period of Special Declarant Rights. In applying for the approval of the Declarant, or the Board of Directors, as the case may be, of any such further subdivision of a Privately Owned Site, such Owner shall submit to the

Declarant, or the Board of Directors, as the case may be, all maps, plats and other documentation required to be submitted by such Owner to the applicable governmental authorities. The Declarant, or the Board of Directors, as the case may be, may approve any such proposed further subdivision unless the Declarant, or the Board of Directors, as the case may be, determines, in its sole discretion, that such subdivision is inconsistent or incompatible with the PUD Zone Document or this Declaration or the applicable Supplemental Declaration (including, without limitation, the provisions of this Declaration or such Supplemental Declaration with respect to assessments, annexation procedures, use restrictions and architectural control) or determines, in its sole discretion, that such subdivision might be detrimental to the interests of the Association or another Owner. Either of the Declarant or the Board of Directors shall have the right, at its option, to assign and delegate its rights and duties under this Section, with respect to all or a specified portion of the Homeowners Association Area, to the Architectural Review Committee, or, with respect to a certain portion of the Homeowners Association Area covered by a Supplemental Declaration, any similar architectural committee that may be established pursuant to such Supplemental Declaration. Nothing in this Section shall be deemed to prevent an Owner from, or require the approval of the Declarant or the Board of Directors for, (a) selling or leasing of an entire Privately Owned Site in accordance with Section 9.18 (to the extent the same is applicable), (b) leasing an Apartment Unit in accordance with Section 9.18 (to the extent the same is applicable) or space within an Improvement located on any Commercial Site, Religious Site or Miscellaneous Use Site, or (c) transferring or selling any Privately Owned Site to more than one Person to be held by them as tenants in common, joint tenants or tenants by the entirety.

Section 9.20. Exemption for Declarant. At such times as Declarant owns any Privately Owned Sites in the Homeowners Association Area annexed within the Period of Special Declarant's Rights, Declarant shall be exempt from the provisions of Sections 9.8, 9.9 and 9.10, and shall be exempt from any other Restrictions in this Declaration to the extent that they impede Declarant's development and marketing activities pursuant to Sections 7.3 and 7.4.

ARTICLE X ARCHITECTURAL APPROVAL

Section 10.1 Approval of Improvements Required. The approval of the Architectural Review Committee shall be required for any "Improvement to Property," as hereinafter defined, on any Single Family Residential Site and, if and to the extent so provided in the Supplemental Declaration covering any Apartment Site, Condominium Project Site, Commercial Site, Religious Site or Miscellaneous Use Site, then for any Improvement to Property on any such Apartment Site, Condominium Project Site, Commercial Site, Religious Site or Miscellaneous Use Site, except for any Improvement to Property made by Declarant, and except as prior approval may be waived or certain Improvements to Property may be exempted in writing or under written guidelines or rules promulgated by the Architectural Review Committee because approval in such case is not reasonably required to carry out the purposes of this Declaration.

Section 10.2. Improvement to Property Defined. "Improvement to Property," requiring approval of the Architectural Review Committee, shall mean and include, without limitation, any of the following made to or on a Single Family Residential Site (and if and to the

extent so provided in the Supplemental Declaration covering any Apartment Site, Condominium Project Site, Commercial Site, Religious Site or Miscellaneous Use Site, on such Apartment Site, Condominium Project Site, Commercial Site, Religious Site or Miscellaneous Use Site): (a) the construction, installation, erection or expansion of any building, structure or other Improvements, including, without limitation, Dwelling Units, utility facilities and signs; (b) the demolition or destruction, by voluntary action, of any building, structure or other Improvements; (c) the grading, excavation, filling or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed; (d) landscaping, planting, clearing or removing of trees, shrubs, grass or perennial plants; (e) any change or removing of trees, shrubs, grass or plants; (f) the construction, installation, erection, placement or expansion of any temporary or other nonpermanent structure, improvement or facility such as, without limitation, any tent, shed, trailer or outdoor storage area or facility; and (g) any change or alteration to any previously approved Improvement to Property, including any change of exterior appearance, finish material, color or texture.

Section 10.3. Membership of Committee. The Architectural Review Committee shall initially consist of three (3) Members, all of whom shall be appointed by Declarant. Declarant shall have the continuing right to appoint the members of the Architectural Review Committee until the expiration of the Period of Special Declarant's Rights. Thereafter, the Association shall have the right to appoint the members of the Architectural Review Committee. Members of the Architectural Review Committee may, but shall not necessarily, be Members of the Association, members of the Board of Directors or architects, engineers or other design professionals. Members of the Architectural Review Committee to be appointed by the Association shall be appointed at a meeting of the Board of Directors. Members of the Architectural Review Committee appointed by Declarant may be removed at any time by Declarant and shall serve until resignation or removal by Declarant. Members of the Architectural Review Committee appointed by the Board of Directors may be removed at any time by the Board, and shall serve for such term as may be designated by the Board or until resignation or removal by the Board. Unless otherwise specified in this Declaration, the vote or written consent of a majority of the members of the Architectural Review Committee shall constitute the act of the Architectural Review Committee. During the period while Declarant has rights to appoint members of the Architectural Review Committee, Declarant shall give written notice to the Association of the appointment or removal of any member of the Architectural Review Committee. After the Period of Special Declarant's Rights, the Association may at any time, and from time to time, change the authorized number of members of the Architectural Review Committee, but the number of members shall always be an odd number and shall not be less than three (3). Declarant may relinquish all or any part of the foregoing rights of Declarant to appoint the Architectural Review Committee by written notice given by Declarant to the Association.

Section 10.4. Address of Committee. The address of the Architectural Review Committee shall be that of the address of the Association as provided in Sections 5.19 and 13.16.

Section 10.5. Required Approval by any Subassociation Architectural Review Committee. In addition to approval of Improvements to Property by the Architectural Review Committee of the Association, approval of Improvements to Property shall also be required by the

architectural committee of any Subassociation if and to the extent set forth in the Subassociation Declaration creating such Subassociation.

Section 10.6. Submission of Plans. Prior to commencement of work to accomplish any proposed Improvement to Property, the Person proposing to make such Improvement to Property ("Applicant") shall submit to the Architectural Review Committee at its offices such descriptions, surveys, plot plans, drainage plans, elevation drawings, construction plans, specifications and samples of materials and colors as the Architectural Review Committee shall reasonably request, showing the nature, kind, shape, height, width, color, materials, and location of the proposed Improvement to Property. The Applicant shall be entitled to receive a receipt for the same from the Architectural Review Committee or its authorized agent. The Architectural Review Committee may require submission of additional plans, specifications or other information prior to approving or disapproving the proposed Improvement to Property. Until receipt by the Architectural Review Committee of all required materials in connection with the proposed Improvement to Property, the Architectural Review Committee may postpone review of any materials submitted for approval by a particular Applicant. Additionally, all obligations of the Architectural Review Committee hereunder to review and approve all such plans, specifications and other materials with respect to a proposed Improvement to Property (but not the Applicant's obligation to obtain the Architectural Review Committee's approval thereof) shall be suspended during the period of time in which the Applicant shall be in default under the provisions of Articles 9 or 10 of this Declaration, and such default shall remain uncured by the Applicant, with respect to such Privately Owned Site.

Section 10.7. Criteria for Approval. The Architectural Review Committee shall approve any proposed Improvement to Property only if it deems in its reasonable discretion that the Improvement to Property in the location indicated will not be detrimental to the appearance of the surrounding areas of Reunion as a whole; that the appearance of the proposed Improvement to Property will be in harmony with the surrounding areas of Reunion; that the Improvement to Property will not detract from the beauty, wholesomeness and attractiveness of the Homeowners Association Area or the enjoyment thereof by Owners; and that the upkeep and maintenance of the proposed Improvement to Property will not become a burden on the Association. The Architectural Review Committee may condition its approval of any proposed Improvement to Property upon the making of such changes therein as the Architectural Review Committee may deem appropriate.

Section 10.8. Committee Guidelines or Rules. The Architectural Review Committee may issue guidelines or rules relating to the procedures, materials to be submitted, design requirements or standards and additional factors which will be taken into consideration in connection with the approval of any proposed Improvement to Property. Such guidelines or rules may specify circumstances under which the strict application of limitations or restrictions under this Declaration will be waived or deemed waived in whole or in part because strict application of such limitations or restrictions would be unreasonable or unduly harsh under the circumstances or for other reasons determined by the Architectural Review Committee. Such guidelines or rules may waive the requirement for approval of certain Improvements to Property or exempt certain Improvements to Property from the requirement for approval, if such approval is not reasonably required to carry out the purposes of this Declaration.

Section 10.9. Architectural Review Fee. The Architectural Review Committee may, in its guidelines or rules, provide for the payment of a fee to accompany each request for approval of any proposed Improvement to Property. The Architectural Review Committee may provide that the amount of such fee shall be uniform for similar types of any proposed Improvement to Property or that the fee shall be determined in any other reasonable manner, such as based on the estimated cost of the proposed Improvement to Property.

Section 10.10. Decision of Committee. The decision of the Architectural Review Committee shall be made within thirty (30) days after the date the Architectural Review Committee receives all materials required by the Architectural Review Committee, unless such time period is extended by mutual agreement. The decision shall be in writing and, if the decision is to disapprove a proposed Improvement to Property, the reasons therefor shall be stated. The decision of the Architectural Review Committee shall be promptly transmitted to the Applicant at the address furnished by the Applicant to the Architectural Review Committee.

Section 10.11. Appeal to Association Board. If the Architectural Review Committee denies, imposes conditions on, or disapproves a proposed Improvement to Property, the Applicant may appeal to the Board of Directors by giving written notice of such appeal to the Association and the Architectural Review Committee within twenty (20) days after notice of such denial or refusal is given to the Applicant. The Board of Directors or a Tribunal appointed pursuant to the Bylaws shall hear the appeal in accordance with the provisions of the Bylaws for Notice and Hearing, and the Board shall decide whether or not the proposed Improvement to Property or the conditions imposed by the Architectural Review Committee shall be approved, disapproved or modified.

Section 10.12. Failure of Committee to Act on Plans. Any request for approval of a proposed Improvement to Property shall be deemed disapproved unless notice of approval or conditional approval or a request for additional information or materials is transmitted to the Applicant by the Architectural Review Committee within thirty (30) days after the date the Architectural Review Committee receives all required materials.

Section 10.13. Obtaining Governmental Approvals. Applicant shall obtain, prior to commencement of construction of any Improvements to Property, all permits, licenses, certificates, consents and any other approvals necessary or required pursuant to any law, ordinance, resolution, order, rule or regulation of any governmental authority having jurisdiction ("Governmental Approvals") in order for Applicant to construct, operate and maintain the Improvements to Property. The Governmental Approvals shall be deemed to include, but not be limited to, building approvals by Commerce City, Colorado.

Section 10.14. Prosecution of Work After Approval. After approval of any proposed Improvement to Property, the proposed Improvement to Property shall be accomplished as promptly and diligently as possible and in complete conformity with the description of the proposed Improvement to Property, any materials submitted to the Architectural Review Committee in connection with the proposed Improvement to Property, any conditions imposed by the Architectural Review Committee and in compliance with the Restrictions contained in this

Declaration. Failure to complete any proposed Improvement to Property within one (1) year after the date work is commenced or to complete the Improvement to Property in accordance with the description and materials furnished to, and the conditions imposed by, the Architectural Review Committee, shall constitute a violation of this Article.

Section 10.15. Notice of Completion. Upon completion of the Improvement to Property, the Applicant shall give written Notice of Completion to the Architectural Review Committee. Until the date of receipt of a Notice of Completion, the Architectural Review Committee shall not be deemed to have notice of completion of such Improvement to Property.

Section 10.16. Inspection of Work. The Architectural Review Committee or its duly authorized representative shall have the right to inspect any Improvement to Property prior to or after completion; provided that the right of inspection shall terminate sixty (60) days after the Architectural Review Committee receives a Notice of Completion from the Applicant.

Section 10.17. Notice of Noncompliance. If, as a result of inspections or otherwise, the Architectural Review Committee finds that any Improvement to Property has been done without obtaining the approval of the Architectural Review Committee, or was not done in substantial compliance with the description and materials furnished to, and any conditions imposed by, the Architectural Review Committee, or was not completed within one (1) year after the date of commencement of work, the Architectural Review Committee shall notify the Applicant in writing of the noncompliance; which notice shall be given, in any event, within sixty (60) days after the Architectural Review Committee receives any Notice of Completion from the Applicant ("Notice of Noncompliance"). The notice shall specify the particulars of the noncompliance and shall require the Applicant to take such action as may be necessary to remedy the noncompliance. In addition, the Architectural Review Committee shall send a copy of such notice to any "Interim Lender," as hereinafter defined, for the Privately Owned Site upon which the Improvement to Property is being constructed, who shall have previously requested in writing to the Architectural Review Committee that the Architectural Review Committee send to it a copy of any such notice of noncompliance. "Interim Lender" shall mean any Mortgagee providing the Owner with funds for the construction of an Improvement to Property.

Section 10.18. Failure of Committee to Act After Completion. If, for any reason other than the Applicant's act or neglect, the Architectural Review Committee fails to notify the Applicant of any noncompliance within sixty (60) days after receipt by the Architectural Review Committee of written Notice of Completion from the Applicant, the Improvement to Property shall be deemed to be in compliance if the Improvement to Property was, in fact, completed as of the date of Notice of Completion.

Section 10.19. Appeal to Association Board of Finding of Noncompliance. If the Architectural Review Committee gives any notice of noncompliance, the Applicant may appeal to the Board of Directors by giving written notice of such appeal to the Board and the Architectural Review Committee within thirty (30) days after receipt by the Applicant of the Notice of Noncompliance. If, after a Notice of Noncompliance, the Applicant fails to commence diligently to remedy such noncompliance, the Architectural Review Committee shall request a finding of noncompliance by the Board of Directors by giving written notice of such request to the

Association and the Applicant within thirty (30) days after delivery to the Applicant of a Notice of Noncompliance. In either event, the Board of Directors or a Tribunal appointed pursuant to the Bylaws shall hear the matter in accordance with the provisions of the Bylaws for Notice and Hearing, and the Board shall decide whether or not there has been such noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same.

Section 10.20. Correction of Noncompliance. If the Board of Directors determines that a noncompliance exists, the Applicant shall remedy or remove the same within a period of not more than forty-five (45) days after the date of receipt by the Applicant of the ruling of the Board of Directors. If the Applicant does not comply with the Board ruling within such period, the Board may, at its option, record a Notice of Noncompliance against the real property on which the noncompliance exists, may, consistent with Section 13.19, enter upon the property and remove the noncompliant Improvement to Property, or may otherwise remedy the noncompliance by taking such actions as the Association determines are necessary or desirable, and the Applicant shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Applicant or Owner to the Association, the Board may levy a Reimbursement Assessment against the Owner of the Site for reimbursement of such costs and expenses. The right of the Association to remedy or remove any noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity, or under this Declaration.

Section 10.21. Correction of Noncompliance by Interim Lender. If, within a period of not more than thirty (30) days after the date of receipt by the Interim Lender of the copy of the Notice of Noncompliance as provided in Section 10.17, the Interim Lender notifies the Association that it has begun, and will continue to diligently pursue, proceedings to obtain title to the Privately Owned Site upon which is being constructed the Improvement to Property pursuant to the remedies provided in the Mortgage held by such Interim Lender or pursuant to any foreclosure, or deed or assignment in lieu of foreclosure, of such Mortgage, then the Association, at its option, may extend the period for remedy or removal of the noncompliance for a period expiring forty-five (45) days after the date the Interim Lender obtains title to the Privately Owned Site. If the Interim Lender does not comply with the Association ruling within such extended period, or if at any time during such extended period the Interim Lender shall fail to diligently pursue proceedings to obtain title to the Privately Owned Site as aforesaid, the Association may, at its option, exercise all of its rights and remedies provided in Section 10.20 hereof.

Section 10.22. No Implied Waiver or Estoppel. No action or failure to act by the Architectural Review Committee or by the Board of Directors, shall constitute a waiver or estoppel with respect to future action by the Architectural Review Committee or the Board of Directors, with respect to any Improvement to Property. Specifically, the approval by the Architectural Review Committee of any Improvement to Property shall not be deemed a waiver of any right or an estoppel to withhold approval or consent for any similar Improvement to Property or any similar proposals, plans, specifications or other materials submitted with respect to any other Improvement to Property.

Section 10.23. Committee Power to Grant Variances. The Architectural Review Committee may authorize variances from compliance with any of the provisions of this Declaration

or any Supplemental Declaration, including restrictions upon height, size, floor area or placement of structures or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations may require. Such variances must be evidenced in writing and shall become effective when signed by at least a majority of the members of the Architectural Review Committee or by its authorized representative. If any such variance is granted, no violation of the provisions of this Declaration or any Supplemental Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted; provided, however, that no variance shall operate to waive any of the provisions of this Declaration or any Supplemental Declaration for any purpose except as to the particular property and particular provision covered by the variance, nor shall the granting of any variance affect the jurisdiction of any architectural control committee of a Subassociation or committee created by a Supplemental Declaration or a Subassociation Declaration, nor shall the granting of a variance affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the property concerned, including, but not limited to, the PUD Zone Document and zoning ordinances and setback lines and other requirements imposed by any governmental authority having jurisdiction.

Section 10.24. Authorized Representative. The powers and duties of the Architectural Review Committee may be delegated to one or more authorized representatives, who shall have the power to review and approve or disapprove proposed Improvements to Property and to grant variances and exemptions. Notwithstanding the foregoing, the authorized representative shall not have the authority to change the policies and guidelines of the Architectural Review Committee. The Architectural Review Committee may, from time to time, by resolution in writing adopted by a majority of the members, designate an authorized representative or representatives (who may, but need not, be members of the Architectural Review Committee). The action of such authorized representative or the written consent or the vote of a majority of the members of the Architectural Review Committee shall constitute the action of the Architectural Review Committee.

Section 10.25. Compensation of Members. During the Period of Special Declarant's Rights, members of the Architectural Review Committee shall not, out of funds of the Association, receive reimbursement of out-of-pocket expenses incurred by them in the performance of their duties hereunder or compensation for the performance of such duties; provided, however, that nothing herein shall preclude the Declarant or another Person (other than the Association) from providing funds for any such reimbursement or compensation. After the expiration of the Period of Special Declarant's Rights, the Board of Directors shall determine whether or not members of the Architectural Review Committee should receive reimbursement of out-of-pocket expenses or compensation.

Section 10.26. Meetings of Committee. The Architectural Review Committee shall meet from time to time as necessary to perform its duties hereunder.

Section 10.27. Records of Actions. The Architectural Review Committee shall report in writing to the Board of Directors all final action of the Architectural Review Committee, and the Board shall keep a permanent record of such reported action.

Section 10.28. Estoppel Certificates. The Board of Directors shall, upon the request of any interested party and after confirming any necessary facts with the Architectural Review Committee, furnish a certificate with respect to the approval or disapproval of any Improvement to Property or regarding whether any Improvement to Property was made in compliance herewith. Any Person without actual notice to the contrary shall be entitled to rely on said certificate with respect to all matters set forth therein.

Section 10.29. No Liability for Committee Action. There shall be no liability imposed on the Architectural Review Committee, any member of the Architectural Review Committee, any authorized Architectural Review Committee representative, the Association, any member of the Board of Directors or Declarant for any loss, damage or injury arising out of or in any way connected with the performance of the duties of the Architectural Review Committee, if such party acted in good faith and without malice. In reviewing any matter, the Architectural Review Committee shall not be responsible for passing on safety, whether structural or otherwise, or conformance with building codes or other governmental laws or regulations nor shall its approval of an Improvement to Property be deemed approval of such matters.

Section 10.30. Construction Period Exception. During the course of actual construction of any permitted structure or Improvement to Property, and provided that construction is proceeding with due diligence, the Architectural Review Committee shall temporarily suspend the provisions contained in this Declaration as to the property upon which the construction is taking place to the extent necessary to permit such construction; provided, however, that, during the course of any such construction, nothing is done which will result in a violation of any of the provisions of this Declaration upon completion of construction, and nothing is done which will constitute a nuisance or unreasonable interference with the use and enjoyment of other property.

ARTICLE XI INSURANCE

Section 11.1. Insurance on Homeowners Association Properties. The Association shall maintain insurance covering all insurable Homeowners Association Properties, if any. The Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, and the cost of said coverage shall be paid by the Association as a common expense. Notwithstanding any of the specific insurance requirements specified in this Article XI, the Homeowners Association may also consider, in determining the types and amount of insurance it needs to obtain, the then-existing requirements of the Government Mortgage Agencies and the requirements of applicable Law.

(a) A policy of property insurance covering all insurable Improvements on Homeowners Association Properties, except for land, foundation, excavation and other matters normally excluded from coverage, in an amount not less than necessary to comply with any co-insurance percentage stipulation in the insurance policy and as may be required by the requirements of applicable Law. Further, said policy shall contain a "Replacement Cost Endorsement" providing that any claim shall be settled on a full replacement cost basis without

deduction for depreciation, and include an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement." The Association may also purchase a "Demolition Endorsement," an "Increased Cost of Construction Endorsement," a "Contingent Liability from Operation of Building Laws Endorsement" or the equivalent, a "Special Condominium Endorsement" and coverage on personal property owned by the Association, including fixtures and building service equipment, furnishings and supplies. Such insurance as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

(i) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and

(ii) such other risks as at the time are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available.

(b) A comprehensive policy of public liability insurance covering all of the Homeowners Association Properties, insuring the Association in an amount not less than three million dollars (\$3,000,000), covering bodily injury, including death, personal injury and property damage liability arising out of a single occurrence. Such coverage shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths in connection with the operation, maintenance or use of the Homeowners Association Properties, legal liability arising out of lawsuits related to employment contracts of the Association, and protection against liability for non-owned and hired automobiles; such coverage may also include, if applicable, comprehensive automobile liability insurance, garagekeeper's liability, liability for property of others, host liquor liability, water damage liability, contractual liability, workman's compensation insurance for employees of the Association, and insurance coverage of such other risks as are customarily required by private institutional mortgage investors with respect to projects similar in construction, location, and use.

(c) A policy providing comprehensive fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and all others who handle or are responsible for handling funds of the Association, in an amount not less than the greater of \$50,000.00, the then current amount of three (3) months aggregate Common Assessments on Privately Owned Sites, plus reserve funds held by the Association at such time, or one hundred and fifty percent (150%) of the Association's estimated then current annual operating expenses and reserves for such year, or such other amount as may be required by the requirements of applicable Law or any of the Government Mortgage Agencies. Such fidelity coverage or bonds shall meet the following requirements:

(i) all such fidelity coverage or bonds shall name the Association as an obligee;

(ii) such fidelity coverage or bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

In the event that the Association has delegated some or all of its responsibility for the handling of funds to a Manager, the Association shall also require the Manager to purchase, at the Manager's own expense, a policy of fidelity insurance or fidelity bonds which fully complies with the provisions of this subparagraph (c).

(d) If the Homeowners Association Properties, or any portion thereof, are located within an area identified by the Federal Emergency Management Agency as having special flood hazards, and flood insurance coverage on the Homeowners Association Properties has been made available under the National Flood Insurance Program, then such a policy of flood insurance on the Homeowners Association Property in an amount at least equal to the lesser of:

(i) the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or

(ii) one hundred percent (100%) of current replacement cost of all buildings and other insurable property located within a designated flood hazard area.

(e) In addition, the Association may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate, to the extent that such coverage is reasonably available, including but not limited to personal liability insurance to protect directors and officers of the Association and the members and authorized representatives of the Architectural Review Committee and, if appropriate, coverage for loss or damage resulting from a boiler or machinery in an amount not less than the lesser of two million dollars (\$2,000,000) or the insurable value of the building or buildings housing the boiler or machinery.

(f) The foregoing insurance requirements may be met by Declarant purchasing the insurance and naming the Association as an additional insured.

Section 11.2. General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association, or its designee, as trustee and attorney-in-fact for all Owners, as the insured, and each Owner shall be an insured person under such policies with respect to liability arising out of any Owner's Membership in the Association. The policy or policies shall contain a standard non-contributory First Mortgagee's clause in favor of each First Mortgagee, and a provision that it cannot be cancelled or materially altered by either the insured or the insurance company until thirty (30) days prior written notice thereof is given to each insured and to each First Mortgagee, insurer or guarantor of a First Mortgage. The Association shall furnish a certified copy or duplicate original of such policy or renewal thereof, with proof of premium payment and a certificate identifying the interest of the Owner in question, to any party in interest, including First Mortgagees, upon request. Any such Owner's policy shall also contain waivers of subrogation. Additionally, all policies shall contain waivers of any defense based on invalidity arising from any act or neglect of an Owner where such Owner is not under the control of the Association. Insurance obtained by the Association, to the extent reasonably feasible, and provided that Declarant reimburses the Association for any additional premium payable as a result, shall name Declarant as an additional insured and shall contain a waiver of subrogation rights against Declarant. Casualty, fire and

extended coverage insurance may be provided under blanket policies covering the Homeowners Association Properties and property of Declarant.

Section 11.3. Deductibles. No policy of insurance of which the Homeowners Association or its designee is the beneficiary shall include a deductible clause in an amount which is greater than the lesser of ten thousand dollars (\$10,000) or one percent (1%) of the face amount of the policy. Any deductible shall be payable by the Person responsible for the repair and maintenance of the damaged or destroyed property which is the subject of an insurance claim. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible may be apportioned among the parties sharing in such joint duty, or may be partly or wholly borne by the Association, at the election of the Board of Directors. Notwithstanding the foregoing, after Notice and Hearing, the Association may determine that a loss, either in the form of a deductible to be paid by the Association or an uninsured loss, resulted from the act or negligence of an Owner. Upon such a determination by the Association, said loss or any portion thereof may be assessed to the Owner in question and the Homeowners Association may collect the amount from said Owner by levying a Reimbursement Assessment.

Section 11.4. Insurance Trustee. The Association may authorize a representative to act for it, including any trustee or representative or successor thereto, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance. Such insurance trustee shall act as attorney-in-fact for the purpose of purchasing and maintaining insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. Said party may also receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Owners and their First Mortgagees as their interests may appear.

Section 11.5. Homeowners Association Insurance as Primary Coverage. If at the time of any loss under any insurance policy in the name of the Association, there is further insurance in the name of any Owner and such Owner's policy covers the same property or loss, or any portion thereof, as that covered by such Association policy, the Association policy shall be primary insurance not contributing with any of such other insurance. An Owner shall be liable to the Association for the amount of any diminution of insurance proceeds to the Association as a result of policies of insurance of such Owner, and the Association may collect the amount from the Owner as a Reimbursement Assessment. Any Owner's policy shall also contain a waiver of subrogation endorsement or provision.

Section 11.6. Acceptable Insurance Companies. Each hazard insurance policy purchased by the Association must be written by a hazard insurance carrier which has a current rating by Best's Insurance Reports of B/VI or better, or a financial rating of Class V, provided it has a general policy holder's rating of at least A, and is authorized by law to do business in the State of Colorado. The Association shall not obtain any policy if (a) the terms of the insurance company's charter, bylaws, or policy provide that contributions or assessments may be made against the mortgagee or mortgagee's designee or (b) the terms of the carrier's charter, bylaws, or policy provide that loss payments are contingent upon action by the carrier's Board of Directors,

policyholders or members, or (c) the policy includes any limiting clauses (other than insurance conditions) which would prevent mortgagees or any Owner from collecting insurance proceeds.

Section 11.7. Other Insurance to be Maintained by Owners. Insurance coverage on the furnishings and other items of personal property belonging to an Owner, public liability insurance coverage upon each Privately Owned Site, and hazard insurance coverage on the Improvements owned by each Owner (unless such coverage is maintained by the Association or a Subassociation having jurisdiction over the Privately Owned Site on which any such Improvement is constructed) shall be the responsibility of the Owner of such Privately Owned Site.

Section 11.8. Annual Review of Insurance Policies and Compliance with Law. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors to ascertain that the coverage provided by such policies adequately covers those risks insured by the Association. All insurance policies carried by the Association and the actions of the Association taken in connection with insurance of the Association and the Members hereunder in connection therewith shall at all times comply with the applicable provisions of Law. If and to the extent that any provisions of Law require insurance coverage, or for the Association to take certain actions in connection with insurance of the Association or the Members in connection therewith, in a manner which is different from the insurance coverage required, or from the actions required to be taken by the Association, pursuant to the provisions of this Article XI, such provisions of Law shall control and the Association shall comply with the applicable requirements of Law.

Section 11.9. Owners' Negligence. Notwithstanding anything to the contrary in this Declaration, in the event that the need for maintenance, repair or reconstruction of any or all of the Homeowners Association Properties is caused by the willful or negligent act or omission of any Owner, or a Related User of such Owner, the cost of such repair, maintenance or reconstruction shall be the personal obligation of such Owner, and any costs, expenses and fees incurred by the Association for such maintenance, repair or reconstruction may be collected as a Reimbursement Assessment. A determination of the negligence or willful act or omission of any Owner or any Related User of such Owner, and the amount of the Owner's liability therefor, shall be determined by the Association following Notice and Hearing.

ARTICLE XII EASEMENTS

Section 12.1. Easement for Encroachments. If any portion of an Improvement encroaches upon any Homeowners Association Property or Local Common Area, or upon any adjoining Privately Owned Site, whether as a result of construction of any Improvements (including, without limitation, as a result of errors in architectural design or construction), or reconstruction, repair, shifting, settlement, or movement of such Improvements, a valid non-exclusive easement on the surface and for subsurface support below such surface and for the maintenance of the same, so long as such Improvement stands, shall and does exist for such encroachment; provided, however, that no such easement shall be deemed to exist for an encroachment of Improvements from a Privately Owned Site upon any other Privately Owned Site,

any Homeowners Association Property or Local Common Area when such encroachment is negligently or willfully created.

Section 12.2. Maintenance Easement. An easement to exercise their respective rights and to perform their respective obligations pursuant to this Declaration, including, without limitation, the Association's obligation to maintain, repair and replace Homeowners Association Properties, is hereby reserved and granted to each of Declarant and the Association, and their respective officers, agents, employees and assigns, upon, across, over, in and under the Homeowners Association Area, together with the right to make such use of the Homeowners Association Area as may be necessary or appropriate in carrying out such rights or obligations; provided, however, that the foregoing easement shall not apply to any portion of a Privately Owned Site upon which is located any building which has been constructed in a manner consistent with the provisions of this Declaration and of the applicable Supplemental Declaration for such Site.

Section 12.3. Utilities. Declarant hereby creates and reserves to itself until the expiration of the Period of Special Declarant's Rights, and, thereafter, to the Association, a blanket non-exclusive easement upon, across, over, in and under the Homeowners Association Area for the installation, operation, replacement, repair and maintenance of utilities and facilities therefor and other appurtenances thereto, including, but not limited to, water, sanitary sewer, storm sewer, gas and other energy services, telephone, electricity and cable television, fiber optic and other telecommunication services; provided, however, that the foregoing easement shall not apply to any portion of a Privately Owned Site (a) upon which is located any building which has been constructed in a manner consistent with the provisions of this Declaration and of the applicable Supplemental Declaration for such Site, (b) if no such building has actually been constructed on such Privately Owned Site, upon which any building may be constructed pursuant to any plans for such building on such Privately Owned Site which shall have been approved by either Declarant or the Architectural Review Committee (to the extent the Architectural Review Committee is empowered to review and approve such plans pursuant to the provisions hereof), or (c) if no such building has actually been constructed on such Privately Owned Site, and if no such plans have theretofore been approved by either Declarant or the Architectural Review Committee, upon which a building may be constructed pursuant to the setback requirements and other applicable requirements of zoning Laws which shall apply to such Privately Owned Site. By virtue of this blanket easement, it shall be expressly permissible to erect and maintain the necessary facilities, equipment and appurtenances on the Homeowners Association Area and to affix, repair, maintain and replace water and sanitary and storm sewer pipes, gas, electric, telephone, fiber optic and television wires, cables, circuits, conduits and meters. If any utility or quasi-utility company furnishing a service covered by the general easement created herein requests a specific easement by separate recordable document, Declarant reserves and is hereby given the right and authority to grant such easement upon, across, over or under any part or all of the Homeowners Association Area (other than any portion thereof upon which is located a building as set forth above) without conflicting with the terms hereof; provided, however, that such right and authority shall be transferred and shall devolve upon the Association upon the expiration of the Period of Special Declarant's Rights. The easement provided for in this Section shall in no way affect, avoid, extinguish or modify any other recorded easement on the Homeowners Association Area.

Section 12.4 Easement to Construct Improvements on Homeowners Association Properties. Declarant hereby expressly creates and reserves for the benefit of itself, its designees, successors and assigns, until the expiration of the Period of Special Declarant's Rights, an easement as follows. If Declarant, at the time any tract, easement or other property constituting a part of Homeowners Association Properties is conveyed by Declarant, or caused to be conveyed by Declarant, to the Association, has not installed Improvements intended by Declarant to be installed therein or thereon, the Declarant, for itself, its designees, successors and assigns, excepts, reserves and shall have a non-exclusive easement in, over and across such tract, easement or other property constituting a part of Homeowners Association Properties as may be necessary for the installation or construction of any such Improvements therein or thereon.

Section 12.5. Easements Deemed Created. All conveyances of Privately Owned Sites hereafter made, whether by the Declarant or otherwise, shall be construed to grant and reserve the easements contained in this Article XII, whether or not specific reference to such easements or to this Article appears in the instrument of such conveyance.

ARTICLE XIII. MISCELLANEOUS

Section 13.1. Term of Declaration. Unless amended as herein provided, each provision contained in this Declaration which is subject to the laws or rules sometimes referred to as the rule against perpetuities or the rule prohibiting unreasonable restraints on alienation shall continue and remain in full force and effect for the period of twenty-one (21) years following the death of the survivor of Jeffrey F. Kappes, John Kilrow and Chester T. Latham and the now living children of said Persons, or until this Declaration is terminated as hereinafter provided, whichever first occurs. Unless amended as herein provided, all other provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration shall be effective until December 31, 2052, and, thereafter, shall be automatically extended for successive periods of ten (10) years each unless terminated by the vote, by written ballot, of Members holding at least seventy-five percent (75%) of the voting power of Members of the Association at duly constituted meetings of the Members. The termination of this Declaration shall be effective upon the Recording of a certificate, executed by the President or a Vice President and the Secretary or an Assistant Secretary of the Association stating that this Declaration has been terminated by the vote of Members as provided herein.

Section 13.2. Amendment of Declaration by Declarant. Declarant hereby reserves and is granted the right and power to make and, where required, to Record technical amendments to this Declaration, the Articles of Incorporation and the Bylaws of the Association at any time prior to the expiration of the Period of Special Declarant's Rights, for the purposes of correcting spelling, grammar, dates, cross references, typographical errors or other similar technical errors, or as may otherwise be required to clarify the meaning of any provision of any or all of such documents.

Section 13.3. Amendment of Declaration by Members. Except as otherwise provided in this Declaration, and subject to provisions elsewhere contained in this Declaration

requiring the consent of Declarant or others, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration may be amended or repealed at any time and from time to time upon approval of the amendment or repeal by Members holding at least sixty-seven percent (67%) of the voting power of Members of the Association present in person or by proxy at a duly constituted meeting of the Members. The approval of any such amendment or repeal shall be evidenced by the certification of the Secretary of the Association to the Board of Directors of the Association that the amendment or repeal received the requisite number of votes. The amendment or repeal shall be effective upon the Recordation of a certificate, executed by the President or a Vice President and the Secretary or an Assistant Secretary of the Association setting forth the amendment or repeal in full and certifying that the amendment or repeal has been approved by the Members as set forth above.

Section 13.4. Government Mortgage Agency Amendments. Notwithstanding anything to the contrary contained in this Declaration, if Declarant shall determine that any amendments to this Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order for existing or future mortgages, deeds of trust or other security instruments to be acceptable to any of the Government Mortgage Agencies, then, subject to the following sentence of this Section, Declarant shall have and hereby specifically reserves the right and power to make and execute any such amendments without obtaining the approval of any Owners or First Mortgagees or any other Mortgagee. Each such amendment of this Declaration or of the Articles of Incorporation or Bylaws shall be made, if at all, by Declarant prior to the expiration of the Period of Special Declarant's Rights, and each such amendment must contain thereon the written approval of the VA or HUD, to the extent required by VA or HUD.

Section 13.5. Required Consent of Declarant to Amendment or Termination. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment, repeal or termination of any provision of this Declaration shall not be effective unless Declarant has given its written consent to such amendment, repeal or termination, which consent may be evidenced by the execution by Declarant of any certificate of amendment, repeal or termination. The foregoing requirement for consent of Declarant to any amendment, repeal or termination shall terminate upon the expiration of the Period of Special Declarant's Rights.

Section 13.6. Amendment of Articles and Bylaws. The Articles of Incorporation and Bylaws for the Association may be amended in accordance with the provisions set forth in such instruments or, in the absence of such provisions, in accordance with the applicable provisions of the Colorado Revised Nonprofit Corporation Act or other applicable Law.

Section 13.7. Special Rights of Mortgagees. Any Mortgagee, upon filing a written request therefor with the Association, stating both the Mortgagees name and address and the legal description or street address of the Privately Owned Site encumbered by such Mortgagee's Mortgage, shall be entitled to (a) receive written notice from the Association of any default by the Owner indebted to such Mortgagee in the performance of the Owner's obligations under this Declaration, the Articles of Incorporation, the Bylaws, the Rules and Regulations or the Architectural Review Committee's guidelines or rules (including, without limitation, any failure to pay Assessments), which default is not cured within sixty (60) days after the Association learns of such default; (b) examine current copies of this Declaration, the Articles of Incorporation, the

Bylaws, the Rules and Regulations, and the books, records and financial statements of the Association during normal business hours; (c) upon request, receive a copy of financial statements of the Association, including any annual audited financial statement, within one hundred twenty (120) days following the end of any Fiscal Year of the Association; (d) receive written notice of any damage to the Homeowners Association Properties if the cost of reconstruction exceeds ten thousand dollars (\$10,000), and of any condemnation or eminent domain proceedings or other proposed acquisition with respect to any portion of the Homeowners Association Properties; (e) receive written notice from the Association of any condemnation or casualty loss which affects the Privately Owned Site encumbered by such Mortgagee's Mortgage or a material portion of the Homeowners Association Properties; (f) receive written notice from the Association of a lapse, cancellation or material modification of any insurance policy maintained by the Association; and (g) receive written notice from the Association at least thirty (30) days written notice prior to the effective date of any proposed action by the Association, the Members or otherwise with respect to the Homeowners Association Area which action, pursuant to the provisions of this Declaration, requires the consent or approval of a specified percentage of Eligible First Mortgagees.

Section 13.8. First Mortgagee Exemption from Rights of First Refusal. Any First Mortgagee who obtains title to any Privately Owned Site within the Homeowners Association Area pursuant to the remedies provided in the First Mortgage held by such First Mortgagee or pursuant to any foreclosure of the First Mortgage or by deed or assignment in lieu of foreclosure shall be exempt from any right of first refusal if any such right of first refusal is ever contained in this Declaration.

Section 13.9. Priority of First Mortgage Over Assessments. Any lien of the Association on a Privately Owned Site for unpaid Assessments pursuant to Section 8.24 shall be subordinate to a First Mortgage encumbering such Privately Owned Site, if such First Mortgage was recorded before the Notice of Lien for such unpaid Assessments was Recorded. Each First Mortgagee who obtains title to the Privately Owned Site encumbered by the First Mortgage, whether pursuant to the remedies provided in the Mortgage, by judicial foreclosure, or by deed or assignment in lieu of foreclosure, shall take title to the Privately Owned Site free and clear of any claims for unpaid Assessments or charges against such Privately Owned Site which accrued prior to the time such First Mortgagee acquires title, other than allocation of any deficiency prorated among all Members of the Association. A First Mortgagee shall be deemed to have acquired title to a Privately Owned Site on the date of receipt of a deed in lieu of foreclosure, or on the date of receipt of a Certificate of Purchase from the Public Trustee, or on the date of sale pursuant to a judicial foreclosure and receipt of the Sheriff's Certificate of Purchase, as the case may be.

Section 13.10. First Mortgagee Right to Pay Taxes and Insurance Premiums. Any one or more First Mortgagees, jointly or singly, shall be entitled to pay any taxes or other charges which are in default and which may become or have become a charge against any of the Homeowners Association Properties, and may pay any overdue premiums on hazard insurance policies for any Homeowners Association Properties, or may secure new coverage if the insurance policy on any Homeowners Association Property lapses, and the First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

Section 13.11. Agreements with Government Mortgage Agencies. The Association may enter into such contracts or agreements on behalf of the Association as may be required in order to satisfy the requirements or guidelines of any Government Mortgage Agency so as to allow for the purchase, guarantee or insurance, as the case may be, by a Government Mortgage Agency of First Mortgages encumbering Privately Owned Sites within the Homeowners Association Area. Each Owner hereby agrees that it will benefit the Association and the Members thereof, as a class of potential mortgage borrowers and potential sellers of Privately Owned Sites within the Homeowners Association Area, if Government Mortgage Agencies approve the Homeowners Association Area or parts thereof as qualifying under their respective policies, rules and regulations as adopted from time to time.

Section 13.12. Association Right to Security Interest Information. Each Owner hereby authorizes any First Mortgagee holding a First Mortgage on such Owner's Privately Owned Site within the Homeowners Association Area to furnish information to the Association concerning the status of such First Mortgage and the loan which it secures.

Section 13.13. Special Approvals. Subject to the provisions of Section 13.2 and Section 13.4, but notwithstanding any other provisions of this Declaration to the contrary, the Association shall not:

(a) unless it has obtained the prior written consent of Members representing at least sixty-seven percent (67%) of the voting power of the Members and the prior written consent of sixty-seven percent (67%) of the Eligible First Mortgagees (based upon one vote for each Eligible First Mortgage owned or held), terminate this Declaration and the planned community created hereby pursuant to Section 13.1 for reasons other than a substantial destruction or condemnation which affects a material portion of the Homeowners Association Area.

(b) Unless it has obtained the prior written consent of Members representing at least sixty-seven percent (67%) of the voting power of the Members and the prior written consent of fifty-one percent (51%) of the Eligible First Mortgagees (based upon one vote for each Eligible First Mortgage owned or held), add or amend any material provisions of this Declaration, the Articles of Incorporation or Bylaws of the Association, which establish, provide for, govern or regulate any of the following, provided that such additions or amendments shall not be considered material if they are for the purpose of correcting technical errors or for clarification only:

- (i) voting rights;
- (ii) Assessments, Assessment liens or subordination of such liens;
- (iii) reserves for maintenance, repair and replacement of those elements of the Homeowners Association Properties which must be maintained, repaired or replaced on a periodic basis;
- (iv) insurance, including but not limited to fidelity bonds;
- (v) an Owner's right to use the Homeowners Association Properties;

- (vi) responsibility for maintenance and repair of any portion of the Homeowners Association Area;
- (vii) expansion or contraction of the Homeowners Association Area or the addition, annexation or withdrawal of property to or from the Homeowners Association Area, except as otherwise expressly provided for elsewhere in this Declaration;
- (viii) boundaries of any Privately Owned Site;
- (ix) interests in the Homeowners Association Properties;
- (x) convertibility of Privately Owned Sites into Homeowners Association Properties, or of Homeowners Association Properties into Privately Owned Sites;
- (xi) leasing of Privately Owned Sites;
- (xii) imposition of any restriction on the right of any Owner to sell or transfer such Owner's Privately Owned Site;
- (xiii) any provisions which are for the express benefit of First Mortgagees, or insurers or guarantors of First Mortgages;
- (xiv) any restoration or repair of the Homeowners Association Area after a partial condemnation or damage due to an insurable hazard, other than substantially in accordance with this Declaration, the Articles of Incorporation and Bylaws of the Association;
- (xv) any action to terminate the legal status of the Homeowners Association Area after substantial destruction or condemnation; or
- (xvi) any decision by the Association to assume self-management of the Association when professional management has previously been required by any First Mortgagee or insurer or guarantor of a First Mortgage.

Section 13.14. HUD/VA Approval. During the Period of Declarant Control, and provided further that the VA or HUD is insuring or guaranteeing or has agreed to insure or guarantee loans in any portion of the Homeowners Association Area with respect to initial sales of Privately Owned Sites by Declarant, or its successors or assigns, the following actions shall require the prior review of the VA or HUD, in accordance with the procedure set forth herein: (a) dedication of any of the Homeowners Association Properties; or, (b) annexation of any additional real property to the Homeowners Association Area, but only to the extent such approval is required by VA or HUD regulations; (c) material amendments of this Declaration, the Articles of Incorporation or Bylaws of the Association; (d) merger or consolidation of the Association with another association; (e) mortgaging of any of the Homeowners Association Properties; (f) dissolution of the Association; and (g) termination of this Declaration pursuant to Section 13.1.

Section 13.15. Evidence of Required Approvals. Whenever the validity of any amendment to or revocation of this Declaration is conditioned upon voting by a stated percentage of Members, the consent of Declarant and approval by First Mortgagees or Government Mortgage Agencies, or any or all of the same, the Recorded document implementing the amendment or revocation shall contain both the consent of Declarant thereon (to the extent required hereby) and a certification by the Secretary of the Association that the approvals of the required percentages of Members, First Mortgagees and Government Mortgage Agencies were obtained. The Secretary shall keep on file in the offices of the Association such proxies, letters, minutes of meetings or other documentation as may be required to evidence compliance with applicable approval requirements, but the consent of Declarant (if so required) and the Secretary's certificate on the Recorded instrument shall be sufficient public notice of compliance.

Section 13.16. Notices. Any notice permitted or required to be given under this Declaration shall (subject, however, to Section 2.29) be in writing and shall be deemed properly given and received on the earlier of: (a) when actually received if delivered personally, by messenger service, by fax or telecopy delivery, by e-mail delivery (but only in the case where the notice recipient has indicated its desire pursuant to Section 5.19 to receive notices from the Homeowners Association by e-mail delivery by registering its e-mail address with the Homeowners Association) or otherwise; (b) on the next business day after deposit for delivery (specifying next day delivery) with any recognized overnight courier service; or (c) three (3) business days after mailing, by registered or certified mail, return receipt requested. All such notices shall be furnished with delivery or postage charges, if any, paid, addressed (which term, for purposes of this Section 13.16, shall include the facsimile number in the case of a notice given by facsimile, or the e-mail address in the case of a notice given by e-mail) as follows: (i) to the Homeowners Association or the Architectural Review Committee at the address set forth for the Homeowners Association herein, or at such other address as may be specified in an instrument of Record which refers to this Declaration and sets forth a new address expressly for the purpose of giving notice under this Declaration; and (ii) to an Owner of a Privately Owned Site, Declarant, or an Eligible First Mortgagee at the address for such Person in the Register of Addresses; provided, however, that if the Association does not provide an address for an Owner, Declarant or an Eligible First Mortgagee to any Person following a request therefor in accordance with Section 5.19, then notice to such Person may be given in any manner in which notice is permitted to be given to a Person under the Law of the State of Colorado in connection with the foreclosure of mortgages, including publication. Each Owner, Declarant and an Eligible First Mortgagee shall give notice to the Association of its mailing or street address (or facsimile number or, in the case where a notice recipient desires to receive notices by e-mail, its e-mail address) and, with each change of its address, shall give notice of such change promptly, in the manner provided for giving notice to the Homeowners Association in this Section 13.16.

Section 13.17. Persons Entitled to Enforce Declaration. The Association, acting by authority of the Board, any Member, the Architectural Review Committee and Declarant shall have the right to enforce any or all of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration against any property within the Homeowners Association Area and the Owner thereof. The right of enforcement shall include the right to bring an action for damages, as well as an action to enjoin any violation of any provisions of this Declaration.

Section 13.18. Violations Constitute a Nuisance. Any violation of any provision, covenant, condition, restriction or equitable servitude contained in this Declaration, whether by act or omission, is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by any Person entitled to enforce the provisions of this Declaration.

Section 13.19. Enforcement by Self Help. Declarant, the Architectural Review Committee or the Association, or any authorized agent of any of them, may enforce, by self help, any of the provisions, covenants, conditions, restrictions or equitable servitudes contained in this Declaration, provided such self help is (except in the event of an "Emergency Situation," as hereinafter defined) preceded by Notice and Hearing as set forth in the Bylaws for the Association. An "Emergency Situation" shall mean a situation in which prompt action is required to be taken in order to prevent or to reduce the effect of any imminent or threatened damage or harm to person or property, to preserve property or to prevent or minimize the effects of any negative impacts on surrounding property from any condition existing on the property upon which the entry is to occur. Any such self help by Declarant, the Architectural Review Committee or the Association may include entering upon the respective property and taking such actions as Declarant, the Architectural Review Committee or the Association, as the case may be, determines are necessary or desirable to cause compliance with this Declaration, all without liability to the Owner of the affected property and without any further notice or opportunity to cure afforded to such Owner, in which case Declarant, the Architectural Review Committee or the Association, as the case may be, shall be entitled to recover from such Owner, in addition to all other amounts to which Declarant, the Architectural Review Committee or the Association, as the case may be, shall be entitled, all costs and expenses incurred by Declarant, the Architectural Review Committee or the Association, as the case may be, in so doing; provided, however, that before Declarant, the Architectural Review Committee or the Association shall be entitled to alter or demolish any Improvement on any portion of the Homeowners Association Area in connection with an enforcement pursuant to the provisions of this Section, it shall first be required to have instituted a judicial proceeding pursuant to Section 5.11 in which it shall have been authorized to do so. The Association shall have the right to levy, or the Architectural Review Committee shall have the right to require the Association to levy, a Reimbursement Assessment against such Owner and his Privately Owned Site for all such costs and expenses incurred by the Association or the Architectural Review Committee, as the case may be. Declarant hereby creates and reserves a non-exclusive easement for the benefit of each of Declarant, the Architectural Review Committee and the Association over and across each Privately Owned Site within the Homeowners Association Area as shall reasonably be necessary for the Declarant, the Architectural Review Committee or the Association, or any authorized agent of any of them, as the case may be, to exercise its rights under this Section.

Section 13.20. Violations of Law. Any violation of any federal, state, municipal or local law, ordinance, rule or regulation, pertaining to the ownership, occupation or use of any property within the Homeowners Association Area, is hereby declared to be a violation of this Declaration and shall be subject to any and all of the enforcement procedures set forth in this Declaration.

Section 13.21. Remedies Cumulative. Each remedy provided under this Declaration is cumulative and not exclusive.

Section 13.22. Costs and Attorneys' Fees. In any action or proceeding under this Declaration, the prevailing party shall be entitled to recover its costs and expenses in connection therewith, including reasonable attorneys' fees and expert witness fees.

Section 13.23. Limitation on Liability. Except as may otherwise be provided by law, the Association, the Board of Directors, the Architectural Review Committee, Declarant, and any Member, or officer, director, agent or employee of any of the same, shall not be liable to any Person for any action or for any failure to act if the action or failure to act was in good faith and without malice.

Section 13.24. No Representations or Warranties. No representations or warranties of any kind, express or implied, shall be deemed to have been given or made by Declarant, any of the Consenting Owners, or its or their officers, directors, agents or employees in connection with any portion of Reunion, or any Improvement thereon, as to its or their physical condition, zoning, compliance with applicable laws, or fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, costs of maintenance, taxes or regulation thereof, unless and except as shall be specifically set forth in a writing signed by Declarant or the respective Consenting Owner, as the case may be, whichever is to be bound by the same. ANY AND ALL WARRANTIES WITH RESPECT TO ANY PORTION OF REUNION, AND ANY IMPROVEMENTS THEREON, EXPRESS OR IMPLIED, WHETHER ARISING UNDER FEDERAL OR STATE LAW, INCLUDING, BUT NOT LIMITED TO, ALL IMPLIED WARRANTIES OR MERCHANTABILITY, HABITABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY SPECIFICALLY DISCLAIMED.

Section 13.25. Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purposes of this Declaration.

Section 13.26. Governing Law. This Declaration shall be construed and governed under the laws of the State of Colorado.

Section 13.27. Severability. Each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity or unenforceability or partial invalidity or partial unenforceability of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

Section 13.28. Number and Gender. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

Section 13.29. Captions for Convenience. The titles, headings and captions used in this Declaration are intended solely for convenience of reference and shall not be considered in construing any of the provisions of this Declaration.

Section 13.30. Inconsistencies Between Instruments. In the event of any inconsistency between this Declaration and any of the Plat, the Articles of Incorporation or Bylaws, this Declaration shall control. If there is a conflict between this Declaration and a Supplemental Declaration or a Subassociation Declaration, the more restrictive provision shall control unless that would result in a direct violation of this Declaration, in which case this Declaration shall control. The fact that a Supplemental Declaration or a Subassociation Declaration contains provisions which are different from or in addition to the provisions of this Declaration shall not, by itself, be deemed to be a conflict and, whenever possible, both documents shall be given full force and effect.

Section 13.31. Mergers or Consolidations. The Association may be merged or consolidated with another association in accordance with, and subject to, the provisions and requirements of applicable Laws. Upon any such merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the Restrictions established by this Declaration governing the Homeowners Association Area, together with the covenants and restrictions established upon any other property, as one plan.

Section 13.32. Dedication of Homeowners Association Properties and Local Common Area. Declarant, in recording this Declaration, may designate or cause to be dedicated, certain areas of land as Homeowners Association Properties intended for the common use and enjoyment of Owners, and such property is not dedicated hereby for use by the general public but is dedicated to the common use and enjoyment of the Owners, as more fully provided in this Declaration; provided, however, that nothing herein shall preclude the Declarant from expressly dedicating or causing to be dedicated any portion of the Homeowners Association Area to a governmental body.

[Remainder of Page Intentionally Left Blank]

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

SHEA HOMES LIMITED PARTNERSHIP, a
California limited partnership d/b/a Shea Homes

By: J. F. SHEA CO., INC., a Nevada corporation,
its general partner

By: *Chester T. Latham*
Name: CHESTER T LATHAM
Title: VICE PRESIDENT

By: *Jeffrey H. Donelson*
Name: JEFFREY H. DONELSON
Title: ASSISTANT SECRETARY

STATE OF COLORADO)
COUNTY OF DOUGLAS) ss.

The foregoing instrument was acknowledged before me this 19th day of August, 2002, by Chester T. Latham as Vice President and Jeffrey H. Donelson as Assistant Secretary of J. F. Shea Co., Inc., a Nevada corporation, as general partner of Shea Homes Limited Partnership, a California limited partnership d/b/a Shea Homes.

Witness my hand and official seal.

My commission expires: _____ My Commission Expires 07-12-04



Carol C. Janusz
Notary Public