RECEPTION#: 192529, 08/07/2006 at 02:02:51 PM, 1 OF 44 PAGES, Total Fees: $221.00 MICHELLE NAUER, OURAY COUNTY, CO. CLERK & RECORDER

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE REDCLIFF TWO CONDOMINIUMS

THIS DECLARATION ("**Declaration**") is made effective as of July 26, 2006 ("**Effective Date**") by RedCliff2, LLC, a Colorado limited liability company ("**Declarant**").

RECITALS

A. Declarant is the owner of that certain real property located in the Town of Ridgway, Ouray County, Colorado, more particularly described as on the attached **Exhibit "A"** ("**Property**").

B. Declarant is developing a mixed use residential and commercial development on the Property ("**Project**").

C. Declarant desires to create a common interest community pursuant to the Colorado Common Interest Ownership Act as set forth in Colorado Revised Statutes § 38-33.3-101 et seq. ("**Act**") on the Property, the name of which is the RedCliff Two Condominiums, a Colorado condominium common interest ownership community ("**Common Interest Community**"). The Common Interest Community consists of certain Residential Units, Commercial Units and Common Elements (as defined below).

D. The RedCliff Two Condominiums Owners Association, Inc., a Colorado non-profit corporation ("**Association**") has been formed as an association to exercise the functions set forth herein and to own, lease, hold, operate, care for and manage certain property for the common benefit of Owners and Occupants of Units within, and of any other person acquiring an interest in, the Common Interest Community.

E. Declarant desires to establish covenants, conditions and restrictions upon the Common Interest Community and certain mutually beneficial restrictions and limitations with respect to the proper use, occupancy, improvement and enjoyment thereof, all for the purposes of enhancing and protecting the value, desirability and attractiveness of the Common Interest Community and enhancing the quality of life within the Common Interest Community.

F. Declarant desires and intends that the Owners, Mortgagees, Occupants and all other Persons hereafter acquiring any interest in the Common Interest Community shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements contained in this Declaration, as it may be amended from time to time.

G. This Declaration shall be recorded in Ouray County, Colorado and shall be indexed in the Grantee's index in the name of RedCliff Two Condominiums and the Association and in the Grantor's Index in the name of RedCliff2, LLC, a Colorado limited liability company.

H. In all instances where these Declarations provide for and reserve rights to modify elements of the Declaration, Map, Units and Common Elements, the exercise of such rights is made expressly subject to any and all applicable terms, conditions, requirements and restrictions contained in the Town of Ridgway Land Use Code, the Ridgway Building Code, the Ridgway Municipal Code and other applicable rules and regulations, if any, (collectively "**Town Laws**") and any applicable site specific approvals granted by the Town with respect to the Property and the Project (collectively "**Town Approvals**"). Nothing herein is intended to relieve a Person from complying with applicable provisions of the Town Laws and the Town Approvals, whether or not this requirement is expressly stated herein. In the event of a conflict between the Governing Documents and the Town Laws and the Town Approvals, the applicable Town Laws and the Town Approvals shall control.

ARTICLE 1
DECLARATION AND SUBMISSION

NOW, THEREFORE, for the purposes set forth above and herein, Declarant for itself and its successors and assigns hereby declares that the Common Interest Community and any other property which becomes subject to this Declaration in the manner hereinafter provided, and each part thereof, shall be owned, held, transferred, conveyed, sold, leased, rented, hypothecated, encumbered, used, occupied, improved, altered, maintained and enjoyed subject to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations, exceptions,

easements. privileges, rights and other provisions hereinafter set forth, for the duration hereof, all of which are declared to be part of, pursuant to, and in furtherance of a common and general plan of development, improvement, enhancement, use, occupancy and enjoyment of the Common Interest Community, and all of which shall run with the Property and be binding upon and inure to the benefit of (i) the Common Interest Community and every part thereof, (ii) Declarant and its successors and assigns, (iii) the Association and its successors and assigns, (iv) every Member of the Association, and (v) all Owners, Occupants and other Persons having or acquiring any right, title or interest in or to the Common Interest Community or any part thereof, or any Improvement thereon, and their respective heirs, personal representatives, successors and assigns. Provided always, that to the extent this Declaration provides that Declarant shall not be bound by or is exempt from the application of certain covenants, conditions and restrictions contained herein, Declarant shall not be considered subject to such covenants, conditions or restrictions. Additionally, Declarant hereby submits the Property to the provisions of the Act.

ARTICLE 2
DEFINITIONS

The following definitions shall apply in this Declaration and the exhibits attached hereto unless the context shall expressly provide otherwise:

2.1 Act. "Act" means the Colorado Common Interest Ownership Act as set forth in C.R.S. 38-33.3-101, et. seq., as the same may be amended from time to time.

2.2 Allocated Interests means, with respect to each Unit, a fraction or percentage of the undivided interests in the Common Elements and in the Common Expenses of the Association allocated to such Unit. The Allocated Interests for the RedCliff Two Condominiums are specifically set forth on attached **Exhibit "B"**.

2.3 Articles of Incorporation means the Articles of Incorporation for the Association, as filed with the Colorado Secretary of State and amended from time-to-time.

2.4 Assessments means all General Assessments, Special Assessments, Reimbursable Assessments and other assessments provided for herein.

2.5 Association means the RedCliff Two Condominiums Owners Association, Inc., a Colorado non-profit corporation, its successors and assigns, of which all Owners of Units shall be Members (as defined below), and which Association shall be charged with the management and maintenance of the Community.

2.6 Board means the Association Board of Directors, designated as the body governing the affairs of the Association and elected by the Members, all pursuant to the Corporation Act, this Declaration and the Articles of Incorporation and Bylaws. A member of the Board of Directors need not be a Member of the Association.

2.7 Building, whether one or several structures, means that portion of the Improvements consisting of the physical building structures and appurtenant components and described as such on the Community Map.

2.8 Budget means a written itemized estimate of the Common Expenses to be incurred by the Association in performing its functions under this Declaration and adopted by the Board pursuant to Section 9.7 of this Declaration.

2.9 Bylaws means the Bylaws of the Association, as adopted by the Association and amended from time-to-time.

2.10 Commercial Unit means a Unit which may be used for commercial purposes, as allowed and provided for herein.

2.11 Common Elements means and refers to all portions of the RedCliff Two Condominiums other than the Units, including the Property. Without limiting the generality of the foregoing, the Common Elements include all structural components of the Buildings, all mechanical systems and equipment in the Buildings which exist for common use of some or all of the Owners, and all other parts of the RedCliff Two Condominiums used in common by some or all of the Owners or necessary or convenient to the RedCliff Two Condominiums' existence,

maintenance or safety.

2.12 Common Expenses means and includes:

2.12.1 Expenses declared common expenses by provisions of this Declaration.

2.12.2 Expenses of administration, operation and management, maintenance, repair or replacement of the Common Elements, including, but not limited to, insurance, security and utilities attributable to the operation of the Common Elements.

2.12.3 All sums lawfully assessed against the Units by the Association for use in connection with the Common Elements.

2.12.4 Other expenses agreed upon as common expenses by all the Owners.

2.13 Community means the condominium community submitted to condominium ownership by this Declaration, and which may be subsequently submitted to condominium ownership under the terms of this Declaration or any subsequent declaration, pursuant to the Condominium Laws and as herein provided, on the Property and including the Improvements, and all rights, easements and appurtenances thereto. This Community shall be named "RedCliff Two Condominiums, a Colorado condominium common interest ownership community." This name may be amended from time-to-time by the Association.

2.14 Community Documents means this Declaration, including the Community Map, the Articles of Incorporation, the Bylaws, and the Rules and Regulations.

2.15 Community Property means the Property and all Improvements and future Improvements and added Property, if any, and all appurtenant rights thereto created by this Declaration.

2.16 Commercial Unit means a Unit which may be used for commercial purposes, as allowed and provided for herein.

2.17 Condominium Laws means both (i) the Colorado Common Interest Ownership Act, as amended, and (ii) the Colorado Nonprofit Corporation Act, as amended.

2.18 Condominium Map means the Condominium Map of RedCliff Two Condominiums recorded on _____, 2006 as Reception No. _____ in the Office of the Clerk and Recorder of Ouray County, Colorado, as the Condominium Map may be amended from time to time. By this reference, the Condominium Map is incorporated in this Declaration. The Condominium Map, and any amendments thereto, shall contain a certificate by a registered land surveyor certifying that the Condominium Map contains (i) all of the information required by Section 38-33.3-209 of the Act, and (ii) that the Condominium Map was prepared subsequent to substantial completion of the improvements shown thereon. In interpreting the Condominium Map, the existing physical boundaries of each Unit as constructed shall be conclusively presumed to be its boundaries.

Declarant hereby reserves the right from time to time, without the consent of any Owner or Mortgagee being required, to amend the Condominium Map (i) to provide consistency between the Condominium Map and the Declaration, (ii) to satisfy any requirements contained in the Act, (iii) to correct any errors in the Condominium Map, (iv) to conform the Condominium Map to the actual location of any improvements constructed, installed or erected on the Real Estate, and/or (v) to establish and designate any General Common Elements as Limited Common Elements. The rights accorded to Declarant in this Section shall expire ten (10) years after the date on which this Declaration is recorded. The Condominium Map includes the engineering survey or surveys of the Property, locating thereon the Improvements, the floor plans and other drawings or diagrammatic plans, including, without limitation, charts or schedules depicting all or part of the Improvements on the Property and such other information as shall be required by the Condominium Laws and as may be included thereon, in the discretion of the Declarant. The Condominium Map will be filed for record in the Office of the Clerk and Recorder Ouray County, State of Colorado. The Condominium Map may be filed for record in parts or sections and may be supplemented or amended as provided herein. The term Condominium Map shall also mean "Map".

2.19 Declarant means RedCliff2, LLC, a Colorado limited liability company, including each Declarants

respective heirs, successors and assigns.

2.20 Declaration means this Declaration of Covenants, Conditions and Restrictions for RedCliff Two Condominiums, a Colorado condominium common interest ownership community, and any and all duly executed amendments, supplements, or additions of this Declaration, recorded in the office of the Clerk and Recorder of Ouray County, State of Colorado and otherwise filed of public record including, without limitation, any maps, plats or documents incorporated by reference herein.

2.21 First Mortgagee means the holder of any recorded Mortgage under which the interest of any Owner is encumbered and which Mortgage is the first and paramount security interest priority who has elected to register with the Association, its name, address and interest in participating in the affairs of the Association and in the event that the First Mortgagee does not register with the Association, then neither the Association, Declarant of any Owner is obligated to provide notices to the First Lender nor is the First Lender authorized or entitled to vote, consent or approve any matters addressed in this Declaration.

2.22 General Assessments means all assessments levied upon all of the Units, including: annual Common Expenses assessments, Limited Common Expenses, insurance assessments, utility assessments, and such other assessments as shall be imposed by the Association, in accordance with the Declaration and/or any other applicable Community Documents.

2.23 General Common Elements means and includes all of the Community, except (a) portions of the Community Property contained entirely within a Unit, and/or (b) portions of the Community, which are designated as Limited Common Elements. This includes, without limitation, the following;

2.23.1 The Property;

2.23.2 The structural components of the Improvements, the main or bearing walls of the Building and the main or bearing sub-flooring and roofs of the Building, including, but not limited to: the foundations, columns, girders, beams, supports, exterior walls, fire walls, perimeter walls, roofs, halls, corridors, lobbies, stairs, stairways, fire escapes, entrances and exits, delivery docks, partition walls, nonperimeter floors, nonperimeter division walls, crawl space, heat ducts, and (except as otherwise indicated) basements, attic spaces, and storage spaces;

2.23.3 The exterior walls, the main or bearing walls within each Building including such bearing walls as are located within a Unit, and the main load bearing sub-flooring and roofs of the Building, windows and exterior doors of an individual air space Unit;

2.23.4 All sidewalks, roads, driveways, yards, gardens, planters, and decks/patios designated as General Common Elements;

2.23.5 Any installations consisting of equipment and materials making up any central utility and communication services (including all pipes, ducts, flues, wires, cable and conduit used in connection with such items, whether located in common areas or within Units), including such services as power, light, gas, hot and cold water, heating, refrigeration, central air conditioning, incinerating, and such central service support structures as are located within or without a Unit; the elevators, tanks, pumps, motors, fans, compressors and ducts;

2.23.6 In general, all apparatus and installations existing or provided for common use; and

2.23.7 All other parts of the Community, Property and Improvements necessary or convenient to the existence, maintenance and safety of the Community, or normally in common use.

2.24 Improvements means all structures and improvements located above, on or below the surface of the Property, including the Building and all sidewalks and utility installations constructed pursuant to this Declaration.

2.25 Limited Common Elements means those portions of the Common Elements as are designated and reserved for the exclusive use by the Owner of a particular Unit or Units, but less than all of the Units, which Limited Common Elements are deemed to be inseparable appurtenances to such Unit or Units. By way of

illustration, but not limitation, any platform, roof, balcony, exterior walls (other then a shared wall), walkways, deck, terrace, porch, patio, internal or external stairway, hallway, parking and/or storage area which is identified on the Condominium Map by legend, symbol or word as a Limited Common Element of a specified Unit or Units to which they are appurtenant, shall, without further reference thereto, be used in connection with such Unit or Units to the exclusion of other Owners of Units, except by invitation. In describing a Unit, no separate reference to Limited Common Elements need be made in any lease, assignment of lease, sublease, deed, Mortgage, or other instrument. A Limited Common Element may be further defined, limited and allocated to serve as a Limited Common Element to each Unit within a Building. Shared walls or party walls shall be deemed to be General Common Elements.

2.26 Limited Common Expenses means those Common Expenses assessed against fewer than all of the Unit in a form and manner as provided for herein.

2.27 Marketing Period means the period of Declarant control over the Association and is further defined herein.

2.28 Member means any person, firm, corporation, partnership, association, trust or other legal entity including Declarant, or any number of combinations thereof ("Persons") who own(s) one or more Units and automatically therefore is a member of the Association.

2.29 Mortgage means any real estate mortgage, deed of trust, or security instrument by which a Unit is encumbered.

2.30 Occupant means any Person who is a tenant in a Unit pursuant to a lease with the Owner thereof, or any Person who is present within the RedCliff Two Condominiums as a family member, guest or invitee of an Owner, an Occupant, or the Association.

2.31 Owner means any person, firm, corporation, partnership, association, or other entity, including Declarant, or any number of combinations thereof who own(s) one or more Units. The term "Owner" shall not refer to any mortgagee, unless such mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

2.32 Regular Assessment means a charge against each Owner and the Owner's Unit for purposes of covering the annual costs of operating and administering the Association and all other Common Expenses. Regular Assessments are based on a Budget adopted by the Board in accordance with this Declaration, and are allocated to the Units in accordance with the Allocated Interests.

2.33 Reimbursement Assessment means a charge against a particular Owner and the Owner's Unit for purpose of reimbursing the Association for costs and expenses incurred by the Association in connection with the enforcement of any provision hereof or the remedying of any violation by the Owner or an Occupant of this Declaration or any amendment hereto, the Articles, Bylaws, or Rules and Regulations, or for purposes set forth in the Declaration, together with late charges and interest as provided for herein. Reimbursement Assessment shall include without limitation any Common Expense caused by the misconduct of an Owner or of such Owner's Occupants.

2.34 Residential Unit means a Unit which may be used for residential purposes, as allowed and provided for herein.

2.35 Rules and Regulations means those certain rules, regulations, policies and guidelines adopted by the Association and amended from time-to-time, governing the use of the Community.

2.36 Special Assessments means all assessments levied upon all of the Units within one or more of the Unit Categories for special purposes such as capital improvements, reserve funding, amenities, etc., including specified Common Expenses or Limited Common Expenses and such other assessments for special purposes as shall be imposed by the Association, in accordance with the Declaration and/or any other of the Community Documents.

2.37 Unit(s) means a Residential Unit and a Commercial Unit each of which is an airspace unit which is bounded by the unfinished interior surfaces of the exterior walls (or the demising walls, where two such Units adjoin each other), floors, ceilings, windows and window frames and doors and door frames of a Building, and which is separately identified on the Condominium Map. The boundaries of the Units shall be further defined by the provisions of Section 38-33.3-202 of the Act. Each Unit includes an appurtenant undivided interest in the Common Elements as set forth on attached **Exhibit "B"**. The term "Unit" does not include any utility facility running through the Unit that serves more than one Unit, or any other Common Element or part hereof located within the Unit.

ARTICLE 3
ESTABLISHMENT OF CONDOMINIUM OWNERSHIP

It is the intention of Declarant to establish and impose a common and general plan for the improvement, development, use and occupancy of the RedCliff Two Condominiums, all in order to enhance the value, desirability, and attractiveness of the RedCliff Two Condominiums and to promote the marketing, development and enjoyment thereof. Accordingly, Declarant hereby declares that the entire RedCliff Two Condominiums shall be owned, held, used occupied, improved, altered, maintained, conveyed, leased, encumbered and enjoyed subject to the following covenants, conditions, restrictions, reservations, easements, rights and other provisions and also subject to any and all applicable Town Laws and relevant provisions of any Town Approvals for the Property and Project.

3.1 Designation of Units. The Community shall initially consist of eight separately designated Units, together with an undivided percentage interest in the General Common Elements being held by all of the Owners of the Units as tenants-in-common according to the percentage interest assigned to each Unit on **Exhibit "B"** and any Limited Common Elements designated and reserved to such Unit, as set forth on the Community Map. Each Unit shall be identified on the Condominium Map by the number shown in **Exhibit "B"** and, in no event shall the Community consist of more than ten Units. The identification number of each Unit is shown on the Condominium Map. Each Owner shall own his or her appurtenant undivided interest in the Common Elements as a tenant-in-common with the other Owners, and shall have the non-exclusive right to use and enjoy the General Common Elements.

3.2 Use of General Common Elements. Subject to the limitations herein contained, any Owner shall have the nonexclusive right to use and enjoy the General Common Elements. With respect to Limited Common Elements, each Owner of a Unit designated by this Declaration or the Condominium Map for the use of such Limited Common Element shall have the non-exclusive right to use and enjoy the same in common with all other Owners of Units so designated, for all purposes for which the Limited Common Element was created, subject to any Rules and Regulations relating thereto.

3.3 Relocation of Unit Boundaries. Except as hereinafter specifically provided with respect to Declarant, no Owner or Owners may relocate the boundaries of any Unit(s) except by amendment to this Declaration in accordance with the applicable requirements hereof. In addition, any relocation of boundaries shall be done in accordance with the procedures set forth in the Act, in particular Sections 212 and 213. All costs incurred in connection with such relocation of boundaries shall be borne by the Owner or Owners of the affected Units, including all costs incurred by the Association in connection therewith. In connection with any such relocation of boundaries, the Owners of the affected Units shall have the right, with the prior written approval of the Board of the Association, to redesignate, as part of a Unit or as a Limited Common Element, any portion of the Common Elements or any walls, floors or other separations between the affected Units, which may be necessary or appropriate to accomplish such combination or division; provided, however, that the exercise of the rights granted herein shall be subject to the prior written consent of any first Mortgagee having an interest in any such affected Units. If Units are combined, the undivided interest in the Common Elements allocated to the combined Unit shall be the sum of the undivided interests of the Units that were combined. Any previously combined Units which are later divided shall be reinstated to the undivided interests in the Common Elements which they had prior to the combination. An amendment to the Declaration and Condominium Map implementing a relocation of Unit boundaries under this Section shall be executed and filed in accordance with the Act. Notwithstanding any other provision of this Section, Declarant expressly reserves the right to relocate Unit boundaries, divide or partition Units and/or to combine Units, and in connection therewith to designate General Common Elements as Limited Common Elements, and no consent will be required from the Owners, the Board, or any other person for Declarant to exercise

such rights, and any amendment to this Declaration or the Condominium Map that is required to implement the same may be executed solely by Declarant. Declarant's reserved rights set forth above shall expire ten (10) years after the date on which this Declaration is recorded.

3.4 Covenants Running with the Property. All provisions of this Declaration shall be deemed to be covenants running with the Property, or as equitable servitudes, as the case may be, and shall inure to the benefit of and be binding upon Declarant, its transferees, successors, and assigns, and to all Persons hereafter acquiring or owning any interest in the Community or any Unit, regardless or how such interest may be acquired.

3.5 Alterations to Units. An Owner of a Unit may alter the interior of a Unit without the consent of the Association or another Unit Owner, provided that the alterations do not affect the structural integrity of the Unit or any other Unit and any such alteration complies with applicable laws, regulations or codes of the Town of Ridgway. The consent of each other Unit Owner and the Association is only required for an alterations that will affect the exterior appearance of the Community or which will enlarge the dimensions of a Unit in a manner that extends the footprint of the Unit or adds some other structural projection associated with a Unit into a Common Element. Such right to repair, alter and remodel shall carry the obligation to replace any finished materials removed with similar or other types or kinds of finishing materials.

3.6 Mechanic's Liens. If any Owner shall cause or permit any material to be furnished to such Owner's Unit or any labor or services to be performed therein, no Owner of any other Unit shall be liable for the payment of any expense incurred or for the value of any work done or material furnished. All such work shall be at the expense of the Owner causing it to be done and such Owner shall be solely responsible to contractors, laborers, materialmen and other Persons furnishing labor, services or materials to such Owner's Unit. Nothing herein contained shall authorize any Owner or any Person dealing through, with or under any Owner to charge the Common Elements or any Unit other than that of such Owner with any mechanic's or materialmen's lien or other lien or encumbrance whatsoever. Notice is hereby given that the right and power to charge any lien or encumbrance of any kind against the Common Elements or against any Owner or any Owner's Unit for work done or materials furnished to any other Owner's Unit is expressly denied. If, because of any act or omission of any Owner, any mechanic's or materialmen's lien or other lien or order for the payment of money shall be filed against any of the Common Elements or against any other Owner's Unit or against any other Owner or the Association (whether or not such lien or order is valid or enforceable as such), the Owner whose or which act or omission forms the basis for such lien or order shall, at such Owner's own cost and expense, cause such lien or order to be canceled or bonded over in an amount and by a surety company reasonably acceptable to the party or parties affected by such lien or order within twenty (20) days after the filing thereof, and further such Owner shall indemnify and save harmless all such parties affected from and against any and all costs, expenses, claims, losses or damages, including reasonable attorneys' fees resulting therefrom.

3.7 Use and Enjoyment of Common Elements. Except as otherwise provided in this Declaration, each Owner shall have the non-exclusive right to use and enjoy the Common Elements in common with all other Owners (a) for all purposes for which such Common Elements were established, and (b) as required for purposes of access and ingress to and egress from (and use, occupancy and enjoyment of) any Unit owned by the Owner or Common Elements available for the Owner's use. This right to use and enjoy the Common Elements shall extend to each Owner, Occupant, and the family members, guests and invitees of each Owner, and shall be appurtenant to each Unit, subject at all times to the provisions of this Declaration, the Articles and Bylaws, and any Rules and Regulations adopted by the Board from time to time. No Owner or Occupant shall place any structure or improvement whatsoever upon the Common Elements, nor shall any Owner or Occupant engage in any activity which will temporarily or permanently impair free and unobstructed access to or use of all parts of the Common Elements (excepting Limited Common Elements) by all Owners and by the Association.

3.8 Association May Regulate Use of Common Elements. The Association, acting through the Board, shall have the right and authority to regulate the use of the Common Elements (including the Limited Common Elements) by the promulgation, enforcement and interpretation from time to time of such Rules and Regulations relating thereto as the Association considers necessary or appropriate for the protection and preservation of the Common Elements and the enhancement of the use and enjoyment thereof by the Owners and Occupants.

3.9 Owner Liability for Owner or Occupant Damage to Common Elements. Each Owner shall be liable to the Association for any damage to Common Elements or for any expense, loss or liability suffered or incurred by the Association in connection with the Common Elements arising from (a) the negligence or willful misconduct of such Owner or of any Occupant, agent, employee, family member, guest or invitee of such Owner, or (b) any violation by such Owner or any Occupant, agent, employee, family member, guest or invitee of such Owner of any law, regulation, or code, including without limitation any environmental law, or of any provisions of this Declaration, or any Rules and Regulations relating to the Common Elements. Each Owner shall indemnify, defend and hold the Association harmless from any loss, damage, expense or liability arising from the circumstances described in subsections (a) or (b) immediately above. The Association shall have the power to levy and collect a Reimbursement Assessment against an Owner to recover the costs, expenses, damage, losses or liabilities incurred by the Association as a consequence of any such negligence, willful misconduct or violations by the Owner or the Owner's Occupant.

3.10 Damage or Destruction to Common Elements. In the event of damage to or destruction of the Common Elements, including improvements thereon, by fire or other casualty, the Association shall repair or replace the same in accordance with the provisions of Section 7.2 below. Repair, reconstruction, or replacement of Common Elements shall be accomplished under such contracting and bidding procedures as the Association shall determine to be appropriate, and shall be performed at such times and in such manner as to interfere as little as reasonably possible with the occupancy, use and enjoyment of undamaged Units by the Owners and Occupants thereof. If insurance proceeds available to the Association on account of damage or destruction exceed the cost of repair, reconstruction, and replacement, the Association may use the same for future maintenance, repair, improvement, and operation of Common Elements or for any other use deemed appropriate by the Board.

ARTICLE 4
INSEPARABILITY OF A UNIT

Each Unit and its appurtenant undivided interest in the General Common Elements, the easements appurtenant thereto, and the exclusive use of the Limited Common Elements designated for such Unit shall together comprise one Unit which shall be inseparable and may be conveyed, assigned, leased, devised or encumbered only as a Unit, except as in Section 3.4 above.

ARTICLE 5
CONDOMINIUM MAP

5.1 Filing of Condominium Map. Prior to any conveyance by Declarant of a Unit, Declarant shall cause to be filed for record in the office of the Clerk and Recorder of Ouray County, Colorado, a Community Map, approved by the Town of Ridgway, which shall contain a sufficient survey description of the air space of each Unit so as to locate the same accurately and properly. The Condominium Map may be filed in whole or in parts or sections, from time to time, as stages of construction of the Units and other Improvements are substantially completed. Each section of the Condominium Map filed subsequent to the first filed Condominium Map shall be termed a Supplemental Condominium Map to the Condominium Map and the numerical sequence of such Supplement shall be shown thereon. The Condominium Map shall depict and show at least the following:

5.1.1 The name and a general schematic map of the entire Community;

5.1.2 The location and dimensions of all Property not subject to development rights, or subject only to the development right to withdraw, and the location and dimensions of all existing Improvements within that Property;

5.1.3 A legally sufficient description of any real estate subject to development rights, labeled to identify the rights applicable to each parcel;

5.1.4 The extent of any existing encroachments across any Community boundary;

5.1.5 To the extent feasible, a legally sufficient description of all easements serving or

burdening any portion of the Community;

5.1.6 A legally sufficient description of any real estate in which the Owners will own only an estate for years, labeled as "leasehold real estate";

5.1.7 The distance between noncontiguous parcels of real estate comprising the Community;

5.1.8 The approximate location and dimensions of the Common Elements, including porches, balconies, and patios, other than the Limited Common Elements described below;

5.1.9 The location and dimensions of the vertical boundaries of each Unit and that Unit's identifying number;

5.1.10 Horizontal Unit boundaries, if any, with reference to all established data, and that Unit's identifying number;

5.1.11 Any portion of the Community in which the Declarant has reserved the right to create additional Units or Common Elements, identified appropriately; and

5.1.12 Any other information as may be included in the discretion of the Declarant.

5.2 Certification of Map. All plats or maps must contain a certification by a registered Property surveyor that the plat or map contains all the information required by Section 38-33.3-209 of the Act.

5.3 Supplemental Maps. Supplemental Community Maps shall be filed prior to the conveyance of any Units shown thereon and any Supplemental Condominium Map shall contain the same requirements as set forth for the original Community Map.

ARTICLE 6
DESCRIPTION OF UNIT

6.1 Legal Description of Unit. Every instrument affecting the title to a Unit shall describe that Unit by its identifying Unit designation followed by the words "RedCliff Two Condominiums, a condominium common interest ownership community" in accordance with the recorded Condominium Declaration and Map, Ouray County, Colorado." Such description shall be legally sufficient for all purposes to sell, convey, transfer, encumber or otherwise affect the Unit and its appurtenant undivided interest in the Common Elements, and to incorporate all of the rights, interests, obligations, restrictions and burdens appurtenant or incident to ownership of a Unit as set forth in this Declaration and on the Condominium Map. Each such description shall be construed to include a non-exclusive easement over the Common Elements for appropriate ingress and egress to and from each Unit, and a non-exclusive right to use and enjoy the Limited Common Elements, and an exclusive or non-exclusive right to use and enjoy any Limited Common Elements designated for the use of that Unit, subject to all applicable provisions of this Declaration.

6.2 Unit Boundaries.

6.2.1 The following are designated as boundaries of each Unit, as defined below and as depicted on the Community Map:

6.2.1.1 Upper Horizontal Boundaries. The horizontal plane of the bottom surface of the lower of (i) the unfinished joists, or (ii) any common Building mechanical, plumbing, fire safety and/or electrical improvements, extended to an intersection with the vertical perimeter boundaries.

6.2.1.2 Lower Horizontal Boundaries. The horizontal plane of the unfinished surface of the concrete, gypcrete or plywood subflooring, extended to an intersection with the vertical perimeter boundaries.

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6.2.1.3 Vertical Perimeter Boundaries. The planes defined by the unfinished interior surface face of studs and framing or face of concrete on all demising and exterior walls, extended to an intersection with the horizontal perimeter boundaries.

6.2.2 Where walls, floors, and ceilings are designated as boundaries of a Unit, (i) all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, and finished flooring and any other materials constituting any part of the finished surfaces thereof are part of the Unit, and (ii) all other portions of the walls, floors, or ceilings are part of the Common Elements.

6.2.3 If any chute, flue, duct, wire, conduit, bearing wall, bearing column or other fixture lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit is a Limited Common Element allocated solely to that Unit, and any portion thereof serving more than one Unit or any portion of the Common Elements is a part of the General Common Elements.

6.2.4 Subject to the provision of Section 6.2.3 above, all spaces, interior partitions, and other fixtures and Improvements within the boundaries of a Unit are a part of the Unit.

6.2.5 Any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, decks, ski lockers, storage rooms, parking spaces and all exterior doors and windows or other fixtures designed to serve a single Unit, but located outside the Unit's boundaries, are Limited Common Elements allocated exclusively to that Unit.

6.2.6 In the event of any conflict between any provisions of this Declaration and depictions contained on the Community Map, with respect to any Unit boundary, the depictions on the Condominium Map shall control.

6.3 Amendment Deemed Included. The reference to the Condominium Map and the Declaration in any instrument shall be deemed to include any recorded supplements or amendments to the Condominium Map or the Declaration, whether or not specific reference is made thereto.

6.4 Conveyance of a Unit. Upon the purchase of any Unit from Declarant, a copy of each instrument of conveyance shall be furnished by Declarant to the Association. Upon any subsequent conveyance of a Unit, a copy of the instrument of conveyance shall be furnished to the Association by the grantee.

ARTICLE 7
TITLE AND OWNERSHIP

7.1 Title. The title to any Unit may be held and owned by one or more person, firm, corporation, partnership, association, trust or other legal entity including Declarant, or any number of combinations thereof. By acceptance by any grantee of his deed or other instrument of conveyance from the Declarant or any prior Owner, each Owner specifically waives his right to institute and/or maintain a partition action or any other action designed to cause a division of the General Common Elements. Each Owner specifically agrees not to institute any action therefor. Furthermore, each Owner agrees that this Section may be pleaded as a bar to the maintenance of such an action. A violation of this provision shall entitle the Association to collect, jointly and severally, from the parties violating the same, the actual attorneys' fees, costs and other damages the Association incurs in connection therewith.

7.2 Transfer of General Common Elements. All Owners and the Association, covenant that they shall neither by act nor omission, seek to abandon, subdivide, encumber, sell or transfer the General Common Elements without the consent of: (i) the Owners representing an aggregate ownership interest of 75% or more of the General Common Elements; (ii) the First Mortgagees representing an aggregate of 75% of the then-outstanding balances of such Mortgages covering or affecting any or all Units; and (iii) during the Marketing Period, the consent of the Declarant. Any such action without the written consent of said Owners, First Mortgagees and, if applicable, the Declarant, shall be null and void. Notwithstanding the foregoing, nothing contained in this Section shall be

construed to limit or prohibit a proportionate adjustment in the percentage ownership in the General Common Elements in connection with the combination, division, or partition of any Unit pursuant to the right of combination, division, or partition of a Unit by the Owner or between Owners thereof for the purpose of sale, use, or improvement of such Unit. Nothing to the foregoing withstanding, the Association shall not abandon, subdivide, encumber, sell or transfer a portion of the General Common Elements which has been properly designated as a Limited Common Element without the consent of the Owner(s) of the Unit(s) to which the Limited Common Element has been assigned.

7.3 Right to Mortgage a Unit. Each Owner shall have the right to mortgage or otherwise encumber his Unit without restriction. No Owner, however, shall attempt to or shall have the right to mortgage or otherwise encumber the Common Elements or any part thereof except the undivided interest therein appurtenant to his Unit. Any Mortgage or other encumbrance of any Unit within the Community shall be subordinate to all of the provisions of this Declaration, and in the event of foreclosure the provisions of this Declaration shall be binding upon any Owner whose title is derived through the foreclosure by private power of sale, judicial foreclosure, or otherwise.

ARTICLE 8
USE AND OCCUPANCY

8.1 Use of the General Common Elements and Limited Common Elements. Each Owner may use the General and Limited Common Elements in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other Owners, and subject to the use and occupancy restrictions set forth here. There shall be no obstruction of General Common Elements, nor shall anything be kept or stored on any part of the General Common Elements without the prior written consent of the Association, except as specifically provided herein. No restriction, impairment, or interference with any right of ingress or egress provided for in this Declaration shall be permitted at any time without the prior written consent of the Owner thereof and the Board. Nothing shall be altered on, constructed in, or removed from the General Common Elements except upon the prior written consent of the Association.

8.2 Use and Occupancy of the Residential Units. Each Owner of a Residential Unit shall be entitled to exclusive ownership and possession of his Residential Unit. The Residential Unit shall be used and occupied for residential or home occupation purposes in strict accordance with all applicable governmental, zoning, land use and other regulations.

8.3 Use and Occupancy of the Commercial Units. Each Owner of a Commercial Unit shall be entitled to exclusive ownership and possession of his Commercial Unit. The Commercial Unit shall be used and occupied for office, commercial or retail purposes in strict accordance with all applicable governmental, zoning, land use and other regulations, which uses include, without limitation, professional offices such as dentist, doctor, lawyer, accountant, and other similar uses.

8.4 Prohibited Uses. Without limiting any other rights or obligations hereunder, the following uses of Units, including appurtenant Limited Common Elements, are specifically prohibited: bars, nightclubs, dance halls, Restaurants, and other similar type businesses which, in the sole opinion of the Board, routinely cause unacceptably loud noises and/or odors to be emitted.

8.5 General Use Restrictions.

8.5.1 Annoying Light, Sound or Odor. All exterior lighting installed or maintained on any Residential Unit shall be placed so that the light source is screened or shielded from any other Residential Unit, and shall require the prior written approval of the Board in each instance. No light shall be emitted from any part of the RedCliff Two Condominiums (including any Unit) which is unreasonably bright or causes unreasonable glare. Without limiting the generality of the foregoing, no spotlights, floodlights or other high-intensity lights shall be permitted within the RedCliff Two Condominiums without the prior written approval of the Board. No sound shall be emitted from any part of the RedCliff Two Condominiums (including any Unit) which is unreasonably loud or annoying, and no odor shall be emitted from any part of the RedCliff Two Condominiums (including any Unit) which is noxious or unreasonably offensive. Again without limiting the generality of the foregoing, no exterior

speakers, horns, whistles, bells (excepting chimes), or other sound devices, other than security devices used exclusively for security purposes, shall be located or used within the RedCliff Two Condominiums except with the prior written approval of the Board. The Board, in its sole discretion, shall have the right and authority to determine the existence of any violation of this Section 3.12 including the reasonableness of any light, sound or odor.

8.5.2 Noxious or Offensive Activities; Nuisances. No noxious or offensive activity shall occur or be allowed at any time within the RedCliff Two Condominiums, nor shall anything be done or placed therein which is or may become a nuisance or cause an unreasonable embarrassment, disturbance, or annoyance to Owners, Occupants, or the Association, or which interferes with the peaceful enjoyment or possession and proper use of RedCliff Two Condominiums, or any part thereof, by Owners or Occupants. The Board, in its sole discretion, shall have the right and authority to determine the existence of any nuisance or unreasonable embarrassment, disturbance or annoyance under this Section. Each Owner and Occupant shall comply with any rules and regulations and the requirements of all health authorities and other governmental authorities having jurisdiction over RedCliff Two Condominiums.

8.5.3 No Hazardous or Unsafe Activities. No activity shall be conducted on, and no improvement shall be constructed on, any property within the RedCliff Two Condominiums which is or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no explosives, gasoline, fireworks, or other volatile and/or incendiary materials or devices or any materials deemed hazardous or toxic substances under applicable environmental laws, rules, or regulations shall ever be used or discharges or stored in an improper manner that poses a danger or threat to the RedCliff Two Condominiums as determined by the Board in its reasonable discretion.

8.5.4 Outside Burning; Fire Hazards. No exterior fires shall be lighted or permitted within the RedCliff Two Condominiums except in a contained barbecue unit while attended and in use for cooking purposes. No Owner or Occupant shall cause or permit any condition upon or within his Unit which creates a fire hazard or is in violation of fire prevention regulations, or which would increase insurance rates for other Owners.

8.5.5 No Firearms. The discharge of firearms, including but not limited to BB guns and pellet guns, upon or within any part of the RedCliff Two Condominiums (including the Units) is expressly prohibited.

8.5.6 Unsightliness; Clothes Drying. Decks, patios, balconies, porches, and General and Limited Common Elements (excepting enclosed storage areas), shall not be used for the storage of personal property of any kind, and nothing shall be placed on or in windows or doors or otherwise on the exterior of Units or Common Elements which create an unsightly appearance. No laundry or wash shall be dried or hung outside anywhere within the RedCliff Two Condominiums.

8.5.7 Garbage and Trash. With the exception of dumpsters or other trash receptacles provided by the Association on Common Elements, no refuse, garbage, trash, grass, shrub, or tree clippings, plant waste, scrap, rubbish, or debris of any kind shall be kept, stored, maintained or allowed to accumulate or remain anywhere within the RedCliff Two Condominiums, except that containers of such materials may be placed next to the street on the designated morning of garbage collection and must be returned to a Unit that same day. No garbage containers, trash cans or receptacles shall be maintained in an unsanitary or unsightly condition, and except when placed for pickup they shall be kept completely within a Unit.

8.5.8 Vehicle Parking, Storage, Operation and Repair. Initially, the Owners of each Residential Unit shall be assigned two parking spaces each. None of the Commercial Units shall be assigned a parking space and its owners and patrons are expected to park on the public road. All motorized vehicles within the RedCliff Two Condominiums that belong to Owners or Occupants of Residential Units shall be parked entirely within the parking spaces and parking areas appurtenant to the Residential Units. Except as otherwise provided herein, no boats, trailers, buses, motor homes, campers (on or off supporting vehicles), motorcycles, snowmobiles, recreational vehicles, trucks, industrial or commercial vehicles (both cabs or trailers), or any other vehicles shall be parked or stored anywhere within RedCliff Two Condominiums and no vehicles of any kind shall be maintained, repaired, repainted, serviced or rebuilt anywhere within the RedCliff Two Condominiums (except within the garage

that is part of a Residential Unit). Parking spaces shall only be used to store vehicles as provided for herein. In no event may a Person store anything other than a vehicle in the parking space, which limitation includes a prohibition against the storage of personal property including, without limitation, any sports equipment, tools, toys, furnishings, and the like, of any nature or kind. This restriction shall not prevent the non-commercial washing and polishing of vehicles, together with activities normally incident thereto. Notwithstanding the foregoing, vehicles may be temporarily parked within the RedCliff Two Condominiums for loading, delivery or emergency purposes, but only for the time required to accomplish such purpose, and as necessary on a daily basis for authorized construction, maintenance, repair or other service activities within the RedCliff Two Condominiums. No such vehicle shall be parked so as to obstruct access to a parking space. In the event that the Board shall determine that a vehicle is in violation of the provisions of this Section, a written notice of violation describing said vehicle shall be personally delivered to the vehicle owner (if such owner can be reasonably ascertained) or shall be conspicuously placed upon the vehicle (if the owner cannot be reasonably ascertained), and if the offending vehicle is not removed within 48 hours thereafter, the Board shall have the right to remove and store the offending vehicle, or cause the vehicle to be removed and stored, at the sole expense of the owner of the vehicle, all without liability on the part of the Board. If the vehicle is not claimed within 60 days after its removal, the Board may dispose of the vehicle in any manner the Board deems best. By their acceptance of a deed to a Unit, each Owner further agrees that they shall not park in the public parking area located in front of the Building. The Town of Ridgway and the Association shall each have the authority to enforce this requirement.

8.5.9 Animals. Except as specifically permitted below or by the Rules and Regulations, no animals, reptiles, primates, fish, fowl or insects of any kind shall be kept, raised, bred, maintained or boarded within or upon any part of the RedCliff Two Condominiums. Notwithstanding the foregoing, each Residential Unit shall be entitled to two dogs or one dog and one cat, and any additional dogs and cats that may be specifically approved by the Board in its sole discretion from time to time, on a case by case basis, so long as such pets are not kept for any commercial purpose, are not kept in unreasonable numbers, do not cause an unreasonable amount of noise or odor, or do not otherwise become a nuisance or threat to other Owners or Occupants. Permitted dogs and cats shall be properly immunized and otherwise maintained and cared for as required by applicable laws, and shall not be allowed outside a Residential Unit except when leashed and accompanied by the pet's owner or the owner's representative. The Owner of a Unit where a permitted dog or cat is kept, as well as the legal owner of the pet (if not such Owner), shall be jointly and severally liable for any and all damage and destruction caused by the pet, and for any clean-up within the RedCliff Two Condominiums necessitated by such pet. The Board shall be responsible for enforcing the restrictions set forth in this Section, and shall have, and is hereby given, the right and authority to determine in its sole discretion that permitted dogs and cats are being kept for commercial purposes, or are being kept in unreasonable numbers, or are causing an unreasonable amount of noise or odor, or are otherwise a nuisance to other Owners or Occupants, or that an Owner or Occupant is otherwise in violation of this Section, and to take such action or actions as it deems reasonably necessary to remedy the violation (including without limitation the levying of fines and/or Reimbursement Assessments). Without limiting the generality of the foregoing, the Board may require the owner or custodian of a dog that barks or howls excessively, or of a pet that exhibits threatening behavior or that has other offensive habits, or that otherwise violates the restrictions set forth in this Section, to confine such animal indoors, or to remove the animal permanently from the RedCliff Two Condominiums, and may adopt Rules and Regulations governing pets.

8.5.10 Antennae, Satellite Dishes, Etc. No radio, television or other antennae of any kind or nature, and no device for the transmission or reception of audio, video, microwave or other signals, including without limitation satellite dishes or receivers, shall be erected, attached, placed or permitted to remain on any Common Elements within the RedCliff Two Condominiums except with the prior written approval of the Board as to design and location.

8.5.11 Association Landscaping. Any landscaping within the RedCliff Two Condominiums shall be the responsibility of the Association, and no Owner or Occupant shall perform any landscaping activities within the RedCliff Two Condominiums (including without limitation the planting, grooming or removal of grass, trees, bushes or other vegetation, if any are actually installed, or the planting or tending of gardens) without the express prior written approval of the Board.

8.5.12 Signs and Advertising. No sign, poster, billboard or advertising device of any kind

shall be allowed or displayed anywhere within the RedCliff Two Condominiums without the prior written approval of the Board, except that each Commercial Unit shall be entitled to erect a sign relating to the business taking place within that Commercial Unit, which sign must comply with the applicable requirements of the Town of Ridgway. No sign shall be offensive or objectionable in the reasonable discretion of the Board.

8.5.13 No Restrictions on Sale of a Unit. The right of Owners to sell, transfer or otherwise convey their Unit or Units shall not be subject to any right of first refusal or similar restriction and such Unit or Units may be sold free of any such restrictions.

8.5.14 No Restrictions on Mortgaging of a Unit. There are no restrictions on the right of Owners to mortgage or otherwise encumber a Unit. There is no requirement for the use of a specific lending institution or particular type of lender.

8.5.15 No Time-Shares. A Unit may not be conveyed pursuant to time-sharing arrangement described in Sections 38-33-110 to 113, Colorado Revised Statutes without the written consent of Declarant, for so long as Declarant owns an interest in the Community, and, thereafter, without the consent of the Association.

8.5.16 Right of Entry. During reasonable hours and upon reasonable notice to the Owner or Occupant of a Unit, any member of the Board, and any authorized representative thereof, shall have the right to enter upon and inspect any Unit, except for any Residential Unit that is in fact occupied (which shall require the permission of the occupant except in the case of emergency, when no notice or permission shall be required), for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, or for the purpose of exercising any rights or performing any responsibilities (maintenance, repair, etc.) provided for in this Declaration, and such individuals shall not be deemed guilty of trespass by reason of such entry.

8.5.17 Health, Safety and Welfare, Rules and Regulations. In the event any uses, occupancies, activities, and facilities within the RedCliff Two Condominiums are deemed by the Board to be an unreasonable annoyance or nuisance, or to adversely affect the health, safety or welfare of Owners or Occupants, the Board may adopt reasonable Rules and Regulations of general application in order to appropriately restrict and regulate such uses, occupancies, activities or facilities within the RedCliff Two Condominiums. Such Rules and Regulations shall be consistent with the purposes and provisions of this Declaration.

8.5.18 Variances. The Board may, in its sole discretion and in extenuating circumstances, grant variances from any of the restrictions set forth in this Article 3, if the Board determines, in its discretion, (a) either (i) that a particular restriction creates a substantial hardship or burden on an Owner or Occupant, which hardship or burden was not caused by said Owner or Occupant, or (ii) that a change of circumstances since the recordation of this Declaration has rendered such restriction obsolete, and (b) that the activity permitted under the variance, in the judgment of the Board, will not have any material adverse effect on the Owners and Occupants of the RedCliff Two Condominiums, and is consistent with the high quality of living intended to be promoted hereby throughout the RedCliff Two Condominiums. When an Owner applies for a variance, the Board must give at least 10 days advance written notice of the variance hearing, and of the nature of the variance requested, postage prepaid, by certified mail, return receipt requested, to all Owners of Units in RedCliff Two Condominiums, at the current addresses for such Owners reflected in the Association files. The applying Owner must provide the Board with an accurate list of the Owners to be so notified. If the foregoing notice requirements are complied with, it is not necessary that the Owners actually receive the notice that is mailed to them. No variance shall conflict with ordinances or regulations of the Town of Ridgway. If a variance from Town laws or regulations is also required in connection with a matter for which a variance is desired hereunder, it shall be the Owner's responsibility to obtain such Town variance before submitting a variance application to the Board.

8.5.19 Rules and Regulations. Rules and regulations may be adopted by the Association concerning and governing both the use of the General Common Elements and the Limited Common Elements and the appearance of the Improvements. Copies of the Rules and Regulations shall be posted or furnished to Unit Owners prior to the time they become effective. The Association shall be responsible for taking all acts and making any Rules and Regulations as will ensure the maintenance of the Common Elements to high standards of safety, cleanliness and pleasing appearance.

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ARTICLE 9
EASEMENTS

9.1 There is hereby created, granted and reserved to the Association, its agents, employees and assigns a perpetual, non-exclusive blanket easement over, across, upon and under the Common Elements for construction, installation, operation, maintenance, repair, removal and replacement of utilities and utility lines, pipes, wires, circuits, conduits, meters, facilities and systems for the benefit of the RedCliff Two Condominiums or any part thereof, including but not limited to water, sewer, gas, telephone, electricity, cable TV and other master TV and communication systems, if any, together with an easement for access, ingress and egress to accomplish such purposes, and together with the right to grant any such easement rights to utility companies. The Association or other person or entity exercising such utility easement rights shall be obligated to restore, reseed, replant and/or relandscape the surface of any disturbed area to as close to its original condition as possible, as promptly as possible following completion of any utility work, and shall be further obligated to exercise such easement rights at such times and in such manner as to interfere as little as reasonably possible with the occupancy, use and enjoyment of the Units by the Owners and Occupants thereof.

9.2 Declarant Easement Over Common Elements. There is hereby created, granted and reserved to Declarant and its successors and assigns a non-exclusive easement over, across, upon and under all Common Elements (including without limitation all easements benefiting the Association), including a right of access, ingress and egress thereto, and a right to use such Common Elements and each and every part thereof for all purposes reasonably related to (a) Declarant's development, improvement, maintenance, management, marketing and sale of the RedCliff Two Condominiums and all portions thereof, and/or (b) Declarant's exercise and implementation of the rights reserved to Declarant under this Declaration, and/or (c) the discharge by Declarant of any of its obligations under this Declaration or any other Declarant obligations relating to the RedCliff Two Condominiums. Declarant's rights with respect to this easement shall terminate ten (10) years after the date of recording of this Declaration.

9.3 Association Administrative Easement Over Common Elements. There is hereby created, granted and reserved to the Association, its agents, employees and assigns, a perpetual, non-exclusive easement over, across, upon and under the Common Elements and a right to use the Common Elements for purposes of enabling the Association to perform its various responsibilities and to exercise its various rights under this Declaration.

9.4 Association Easement in Units for Maintenance, Repair and Emergencies There is hereby created, granted and reserved to the Association, its agents, employees and assigns, a perpetual, non-exclusive easement and right to enter upon all Units as necessary for the performance of the Association's rights and responsibilities under this Declaration and for the making of emergency repairs or reconstruction to the Buildings, the Units, and/or the Common Elements. For routine maintenance and non-emergency repairs, entry to a Unit shall be made only on a regular business day during regular business hours, after giving at least one day's notice in writing to the Owner. In case of emergency, where there is an imminent threat of damage or injury to person or property, entry shall be made at any time without notice or permission. The Board is hereby granted the authority to use such reasonable force as may be necessary under the circumstances to gain entry into a Unit in case of an emergency, if no other reasonable means of entry is available. The Association shall be responsible for the cost and expense of repairing all damages to property occurring as a result of such forcible entry, which costs shall be considered Common Expenses, unless the emergency and/or damage results from the willful act or negligence of an Owner or Occupant, in which event such Owner shall be solely responsible for the costs of repairing/restoring such damage. These costs can be levied, assessed and collected by the Board as a Reimbursement Assessment pursuant to the provisions of this Declaration.

9.5 Encroachment Easements Each Owner has an easement upon an adjoining Unit or Common Element for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, reconstruction, repair, settlement or shifting or movement of the Building, or any other similar cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachments occur due to the willful misconduct of an Owner. In the event a structure is partially or totally destroyed, and then repaired or rebuilt in substantially the same manner as originally constructed, the Owners agree that minor encroachments upon an abutting Unit or Common Element shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist. Such encroachments and

easements shall not be considered or determined to be encumbrances either on the Common Elements or on the Units for purposes of marketability of title or other purposes. In interpreting any and all provisions of this Declaration or of deeds, mortgages, deeds of trust or other security instruments relating to Units, the actual location of a Unit shall be conclusively deemed to be the property intended to be conveyed, reserved or encumbered, notwithstanding any minor deviations, either horizontally, vertically or laterally, from the location of such Unit as indicated on the Condominium Map.

9.6 Blanket Emergency Services Easement. There is hereby created, granted and reserved for the use and benefit of all police, sheriff, fire protection, ambulance and other similar emergency agencies or persons now or hereafter serving the RedCliff Two Condominiums and its Owners and Occupants, a perpetual, non-exclusive blanket Emergency Services Easement over, upon, along and across all properties and areas within the RedCliff Two Condominiums, for use in the lawful performance of their duties.

9.7 Easements Deemed Created. All conveyances of Units hereafter made shall be deemed and construed to grant and reserve all of the easements referred to in this Article 4 and elsewhere in this Declaration, even though no specific reference to such easements appears in the conveyancing instruments.

9.8 Recorded Easements and Licenses. In addition to the easements described in this Article 4 and elsewhere in this Declaration, any and all recorded easements and licenses appurtenant to or included in RedCliff Two Condominiums as may also be set forth on attached **Exhibit "A"** are incorporated into this Declaration.

ARTICLE 10
LIMITED LIABILITY

Neither the Association nor its past, present or future officers or directors, nor any other employee, agent or committee member of the Association shall be liable to any Owner or Occupant or to any other person for actions taken or omissions made except for wanton and willful acts or omissions. Without limiting the generality of the foregoing, the Association and the Board shall not be liable to any Owner or Occupant or other person for any action or for any failure to act with respect to any matter if the action taken or failure to act was in good faith and without malice. Acts taken upon the advice of legal counsel, certified public accountants, registered or licensed engineers, architects or surveyors shall conclusively be deemed to be in good faith and without malice. To the extent insurance carried by the Association for such purposes shall not be adequate, the Owners severally agree to indemnify and to defend the Association and the Board against claims, damages or other liabilities resulting from such good faith action or failure to act.

ARTICLE 11
ASSESSMENTS AND TAXATION

11.1 Separate Assessments and Taxation - Notice to Assessor. The Declarant shall give written notice to the Assessor of Ouray County, Colorado, of the creation of condominium ownership of this Community, as provided by the Act, so that each Unit, together with its undivided interest in the General Common Elements and its interest in the Limited Common Elements appurtenant thereto, shall be deemed a separate parcel and subject to separate assessment and taxation.

11.2 Assessments and Taxation. Each Unit shall be separately assessed for all taxes and assessments of the State of Colorado, Ouray County or any other political subdivision or district having authority to tax. For the purpose of such assessment, the valuation of the Common Elements shall be apportioned among the Units in proportion to the percentage undivided interest in the Common Elements appurtenant to such Units.

ARTICLE 12
CONDOMINIUM OWNERS ASSOCIATION

12.1 The Association. The administration of the Community shall be governed by this Declaration, and the Articles of Incorporation and Bylaws. The Declaration shall control over the Articles of Incorporation and Bylaws, and the Articles of Incorporation shall control over the Bylaws.

12.2 Membership. Each Owner of a Unit shall automatically become a Member of the Association and shall remain a Member of the Association for the period of the Owner's Unit ownership. Each Owner shall be entitled to one membership for each Unit owned. Each membership shall be appurtenant to the Unit and shall be transferred automatically by conveyance of the Unit. Any corporation, partnership, association, trust or other legal entity acquiring an ownership interest in a Unit shall automatically become a Member of the Association. No person or entity other than an Owner may be a Member of the Association, but the rights of membership may be assigned to a mortgagee as and for the security for a loan secured by a lien on a Unit.

12.3 Voting Rights. Members shall be entitled to one vote for every Unit such Member owns on all matters. There are a total of eight votes, one for each Unit, each weighted the same as set forth in **Exhibit "B"** attached hereto. A Member owning multiply Units shall be entitled to cast the total number of votes associated with its ownership in each such Unit and shall not be limited to only one voting right.

12.3.1 If a Unit is owned by more than one Person, those Persons shall agree among themselves how the vote for that Unit's membership is to be cast. Individual co-Members may not cast fractional votes. A vote by a co-Member for the entire Unit's membership interest shall be deemed to be pursuant to a valid proxy (See Section 12.5), unless another co-Member of the same Unit objects at the time the vote is cast, in which case such membership's vote shall not be counted. In no event shall more than one vote be cast with respect to any Unit.

12.3.2 Except as may be otherwise provided in this Declaration, all matters that come before the vote of the Association, whether said matters are required to be voted on by the Members of the Association or are submitted to the vote of the Members of the Association, shall be determined by the majority vote of the Members.

12.3.3 Notwithstanding any provisions set forth in this Declaration, the Articles of Incorporation or the Bylaws for the Association, the Association shall not be empowered nor entitled to modify, amend, terminate, or extend this Declaration or any provision thereof without the consent of 75% of the votes entitled to be cast by the Members and, during the Marketing Period, the consent of the Declarant.

12.4 Transfer. Except as otherwise expressly stated herein, any of the rights, interests and obligations of the Association set forth herein or reserved herein may not be transferred to or assigned to any other person or entity. No such transfer or assignment shall relieve the Association of any of the obligations set forth herein. Any such transfer or assignment shall not revoke or change any of the rights or obligations of any Owners as set forth herein.

12.5 Vote by Proxy. Votes allocated to a Unit may be cast pursuant to a proxy duly executed by a Unit Owner. If a Unit is owned by more than one person, each Owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. Upon a Member's designation of a proxy, the secretary of the Association shall maintain the list of the Persons entitled to vote on behalf of each Member and, until the Association is notified to the contrary, any action taken by a person purporting to act on behalf of a Member shall be binding upon the Member. An Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates eleven months after its date, unless it provides otherwise.

ARTICLE 13
PURPOSES AND POWERS OF ASSOCIATION

13.1 Nonprofit Purpose. The Association shall not operate for pecuniary gain or profit, shall not issue capital stock, and no part of the net earnings of the Association shall inure to the benefit of any Member or individual (except that reasonable compensation may be paid for services rendered by an Owner, Board member, officer or an affiliate thereof).

13.2 Association Powers. The Association shall be granted all powers necessary to govern, manage, maintain, repair, administer, and regulate the Community and to perform all of the duties required of it, as provided herein or as otherwise provided for by the Condominium Act.

13.2.1 Notwithstanding the above, the Association shall not be empowered nor entitled to do any

of the following without the consent of (i) the First Mortgagees representing an aggregate of 75% of the membership interests subject to security interests; and (ii) during the Marketing Period, the consent of the Declarant:

(a) by act or omission, seek to abandon or terminate the condominium regime;

(b) except as otherwise provided herein, partition or subdivide any Unit;

(c) by act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Elements, except that, the Association shall not abandon, subdivide, encumber, sell or transfer a portion of the General Common Elements which has been properly designated as a Limited Common Element without the consent of the Owner(s) of the Unit(s) to which the Limited Common Element has been assigned.

(d) use hazard insurance proceeds for a loss to the Improvements for other than the repair, replacement, or reconstruction of such Improvements; or

(e) change the pro rata interest or obligation of any Unit, and of the Owners thereof, for the purposes of: (i) levying Assessments or charges hereunder or for the purpose of allocating a distribution of hazard insurance proceeds or condemnation awards hereunder; or (ii) determining the pro rata share of ownership of each Unit in the Common Elements.

13.2.2 In furtherance of the Association purposes and subject to restrictions contained in the Declaration, the Association (by action of its directors, unless otherwise noted in the Articles of Incorporation or in the Declaration) shall have full power, without further authorization, to:

(a) Adopt and amend Bylaws and Rules and Regulations;

(b) Adopt and amend budgets for revenues, expenditures, and reserves and collect Assessments for Common Expenses or Limited Common Expenses from Owners;

(c) Hire and terminate managing agents and other employees, agents, and independent contractors;

(d) Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Owners on matters affecting the Community;

(e) Make contracts and incur liabilities;

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

(g) Cause additional Improvements to be made as a part of the Common Elements;

(h) Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, subject to the provisions of Sections 7.2 and 20.3 and Article 25;

(i) Grant or obtain easements, leases, licenses, permits and concessions through or over the Common Elements or adjacent property and designate Common Elements as Limited Common Elements;

(j) Impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements other than the Limited Common Elements described in Section 38-33.3-315 of the Act, including the right and authority to create a separate class for the owners of the Units, which classifications relate to the shared use of Common Elements by a class. The Board is able to assess different Common Expenses, as "Limited Common Expenses", upon Classes of Units as provided for herein.

(k) Impose charges for late payment of Assessments, recover reasonable attorney fees and other legal costs for collection of Assessments and other actions to enforce the power of the Association, regardless of whether or not suit was initiated, and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association;

(l) Impose reasonable charges for the preparation and recordation of amendments to the Declaration or statements of unpaid Assessments;

(m) Provide for the indemnification of its officers and Board and maintain director's and officer's liability insurance;

(n) Assign its right to future income, including the right to receive Assessments, but only to the extent this Declaration expressly so provides;

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

(p) Exercise all other powers that may be exercised in the State of Colorado by legal entities of the same type as the Association and in furtherance of the rights and powers conferred to an association under the Act; and

(q) Exercise any other powers necessary and proper for the governance and operation of the Association.

13.3 Association as Attorney-in-Fact. The title to any Unit is hereby declared and expressly made subject to the terms and conditions hereto, and acceptance by any grantee of a deed or other instrument of conveyance from the Declarant or any prior Owner shall constitute the appointment of the Association as the Owner's attorney-in-fact for the purposes expressly set forth in this Declaration. The Association, as attorney-in-fact, shall have full and complete authorization, right and power to (i) make, execute and deliver any contract, deed or other document with respect to the interest of the Owner of a Unit for the purposes expressly set forth in this Declaration; and (ii) unless expressly limited by the Condominium Laws, execute, deliver and file of record with the office of the Clerk and Recorder of Ouray County, Colorado, such instruments, deeds, Community Maps and Declaration amendments and supplements as are necessary or desirable for the purposes expressly set forth in this Declaration. This Declaration does hereby specifically make the irrevocable appointment of the Association as attorney-in-fact for all Owners to deal with the Community Property upon its destruction, obsolescence, repair or reconstruction or condemnation, and title to each Unit is declared and expressly made subject to the terms and conditions hereof and acceptance by the grantee of a deed from the Declarant or from any Owner shall irrevocably constitute and appoint the Association their true and lawful attorney in their name, place and stead for the purpose of dealing with the Community Property upon its destruction, obsolescence, repair or reconstruction. In the event the Community Property is sold by the Association, as attorney-in-fact, pursuant to Articles 20-21, the Association shall record a notice in the Office of the Clerk and Recorder of Ouray County, Colorado, setting forth the circumstances of such sale, and this Declaration shall wholly terminate and expire upon the recording of such notice.

13.4 Owner Compliance. Each Owner shall comply strictly with the provisions of this Declaration, any supplement or amendment hereto, the Articles of Incorporation, Bylaws, and Rules and Regulations, and all decisions and resolutions of the Association adopted in accordance with this Declaration and the Articles of Incorporation and Bylaws. Failure to comply with any of the same shall be grounds for an action to recover any amounts due, pursuant to Article 18 below, for damages or injunctive relief or both, together with reasonable attorneys' fees and costs, incurred in connection therewith, brought by the Association on behalf of the Owners, or, in a proper case, by any aggrieved Owner.

13.5 Maintenance of Common Elements. The Association shall have the duty of maintaining and repairing all of the General Common Elements within the Community. The cost of all such maintenance shall be a Common Expenses of all of the Owners. The Association shall not be required to obtain the prior approval of the Owners to cause such maintenance or repairs to be accomplished. The Association may determine, impose, assess

and collect Common Expenses to some but not all of the Unit Owners as allocated to an individual Unit as a Limited Common Expense.

13.6 Other Duties of the Association. In addition to all other rights, duties, privileges and liabilities of the Association, as provided by this Declaration and its Articles of Incorporation and amendments, the Association shall provide to the Owners the following duties and services, all of which shall be paid as a part of the Assessments:

13.6.1 Maintenance, repair and restoration of the Common Elements, except only as otherwise provided.

13.6.2 Administration and management of the Common Elements.

13.6.3 Heating, lighting, water and other utility services for all common areas.

13.6.4 Obtaining and maintaining of all required insurance as hereafter provided.

13.6.5 The performance of any and all requirements and obligations imposed by the Town of Ridgway as part of the granting of permits and approvals for the Project, including, without limitation, the obligation to repair and maintain all stormwater drainage infrastructure onsite and offsite as required by the Town.

13.6.6 The enforcement of all of the provisions of this Declaration and the Association's Rules and Regulations and the collection of all obligations and Assessments owed to the Association by the Owners.

13.6.6 Acting as attorney-in-fact for the Owners in accordance with this Declaration.

13.6.7 Performing all other acts required by the Community Documents and/or applicable Federal, State, County, or municipal laws.

13.6.8 In addition to the foregoing, the Association shall have the right to hire one or more persons including a management agent, to perform such services. No contract or agreement for the employment of a management agent or professional manager for the Community shall be for a term in excess of one year and any such agreement shall provide that the same may be terminated with or without cause and without payment of any termination fee on 90 days prior written notice. Any such contract or agreement may be renewed for additional one-year periods without violation of this subsection.

ARTICLE 14
MAINTENANCE RESPONSIBILITY FOR UNIT

14.1 **Owner Maintenance Responsibilities**. Each Owner shall be responsible for maintaining, repairing and improving as necessary all interior elements and features of the Owner's Unit including interior non-supporting walls, improvements, fixtures, equipment, appliances and appurtenances. In addition, each Owner shall be responsible for any damage to other Units or Common Elements resulting from the Owner's failure to perform or negligent performance of the Owner's maintenance and repair responsibilities as set forth herein. Each Owner shall perform the Owner's maintenance and repair responsibilities in such manner as shall not unreasonably disturb or interfere with other Owners or Occupants. If an Owner fails to perform any such maintenance or repair obligations within 10 days following receipt of a written notice from the Board requesting the same, the Board shall have the right to enter upon the Unit of the Owner to perform such obligations on the Owner's behalf and to levy and collect a Reimbursement Assessment upon the Owner and the Owner's Unit for the costs and expenses incurred by the Association in connection therewith. Each Unit is subject to an easement for the benefit of the Association and its Board, agents, employees and contractors, for purposes of accomplishing the maintenance and repair rights described herein.

14.1.1 An Owner shall not be responsible for repair occasioned by damage, unless such damage is due to the act or negligence of Owner, or the Owner's guests, invitees, or tenants.

14.1.2 An Owner shall reimburse the Association for any expenditure incurred for replacing and repairing of any Common Element and related facility, damaged through fault of Owner, or the Owner's guests, invitees, or tenants, and the Association shall be entitled to assess such Owner for such amounts which shall be payable, collectible and enforceable as a Reimbursable Assessment.

14.1.3 No Owner shall alter any Common Element without the prior written consent of the Association; provided, however, that an Owner of a Limited Common Element may modify the same provided all Owners with an interest therein agree and such modification does not interfere with the rights of other Owners.

14.2 Maintenance Responsibility of the Limited Common Elements. The Owner of a Unit shall maintain, replace, improve and keep in good repair each Limited Common Element assigned to that particular Unit. Should the Owner fail to properly maintain such Limited Common Elements, then the Association may maintain, replace, improve and keep in good repair such Limited Common Elements and shall assess the Unit the costs and expenses for such undertakings as Limited Common Expenses.

14.3 Standard of Care. The Association and the individual Owners shall each use a reasonable standard of care in performing their respective maintenance, repair and upkeep responsibilities so that the entire RedCliff Two Condominiums will reflect a pride of ownership. All repairs and replacements within the RedCliff Two Condominiums shall be substantially similar to the original construction and craftsmanship and shall be of first-class quality.

14.4 Emergency Maintenance and Repair. In the event of an emergency or the sudden occurrence of unanticipated conditions which threaten the health, safety or physical well-being of Persons or property within the RedCliff Two Condominiums, the Board shall have the authority (without any notice being required) to take whatever remedial action and to undertake such maintenance, repairs and improvements as may be necessary anywhere in the RedCliff Two Condominiums to protect persons and property.

14.5 Compliance with Laws. No Owner or Occupant shall do any act or cause or permit anything to be done or kept in or upon its Unit, or any Common Elements, which would be in violation of any federal, state, city or other law, ordinance, regulation or code of any governmental body having jurisdiction, or of any rule or regulation promulgated by the Association, or of any provision of this Declaration, or which would result in the increase of, or cancellation of, insurance maintained by the Association.

14.6 Utility Lines. The Owner shall not be deemed to own any utilities or communication systems running through or upon his Unit, which serve one or more other Units except as tenants in common with the other Owners. No utilities shall be altered, changed, relocated or distributed without the prior written consent of the Association.

14.7 No Impairment of Structural Soundness. An Owner shall neither perform nor permit any act or work that will impair the structural soundness or integrity of the Unit or impair an easement or utility.

ARTICLE 15
ADMINISTRATION AND MANAGEMENT

15.1 Board of Directors. The Association, by and through the Board elected in accordance with the Articles of Incorporation and the Bylaws, shall have the duties of the general management, operation, and maintenance of the Community and the enforcement of the provisions of this Declaration and of the Articles of Incorporation and the Bylaws and Rules and Regulations adopted thereunder. There are no requirements for a member of the Board to be a Member of the Association and/or to own or maintain an ownership interest in a Unit.

15.1.1 Officers and members of the Board shall exercise such duties of care as stated by the Condominium Laws and shall be liable thereunder for breach of such duty.

15.1.2 The Board may not act on behalf of the Association to amend the Declaration, to terminate the Community, or to elect members of the Board or determine the qualifications, powers and duties, or terms of

office of Board members, but the Board may fill vacancies in its membership for the unexpired portion of any term.

15.1.3 The Board may delegate any of its duties, powers and functions to any person or firm which will act as the managing agent at an agreed compensation.

15.2 Managing Agent. The managing agent, if any, shall perform the management, operation and maintenance functions delegated to it by the Board.

15.3 Budget. Within 30 days after adoption of any proposed budget for the Association, the Board shall mail by ordinary first-class mail or otherwise deliver a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen nor more than 60 days after mailing or other delivery of the summary. Unless at that meeting a majority of all Owners reject the budget, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is rejected, the periodic budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

15.4 Marketing Period. During the Marketing Period, the Declarant, or persons designated by it, may appoint and remove the officers and members of the Board. The Marketing Period shall terminate no later than the first to occur of either: (i) 60 days after conveyance of 66% of the Units that may be conveyed to Owners other than the Declarant; (ii) two years after the last conveyance of a Unit by the Declarant in the ordinary course of business; or (iii) two years after any right to add new Units was last exercised. The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board before termination of the Marketing Period, but, in that event, the Declarant may require, for the duration of the Marketing Period, that specified actions of the Association or Board be approved by the Declarant before they become effective.

15.5 Election of the Board during Marketing Period. Not later than 60 days after conveyance of 25% of the Units that may be conveyed to Owners other than the Declarant, at least one member and not less than 25% of the members of the Board must be elected by Owners other than the Declarant. Not later than 60 days after the conveyance of 50% of the Units that may be created to Owners other than the Declarant, not less than thirty-three and 33% of the members of the Board must be elected by Owners other than the Declarant.

15.6 Election of the Board after Marketing Period. Except as otherwise provided herein or by law, no later than the termination of the Marketing Period, the Owners shall elect a Board of at least three members, at least a majority of whom must be Owners other than the Declarant or designated representatives of Owners other than the Declarant. The Board shall elect the officers of the Association. The Board members and officers shall take office upon termination of the Marketing Period.

15.7 Removal of Board Member. The Owners, by a two-thirds vote of all membership interests represented or present and entitled to vote at any meeting of the Owners at which a quorum is present, may remove any member of the Board with or without cause, other than a member appointed by Declarant.

15.8 Delivery of Community Documents. Declarant shall timely perform such acts, including delivering documents, reports, and the like, as shall be required by the Condominium Laws in effect from time-to-time.

ARTICLE 16
ASSESSMENT FOR COMMON EXPENSES AND LIMITED COMMON EXPENSES

16.1 Assessment Obligation. Declarant, for each Unit, shall be deemed to covenant and agree, and each Unit Owner, by acceptance of a deed therefor (including a public trustee's or sheriff's deed), whether or not it shall be so expressed in any such deed or other instrument of conveyance, shall be deemed to covenant and agree, to pay to the Association: (1) Regular Assessments or charges, (2) Special Assessments, and (3) Reimbursement Assessments, such assessments to be established and collected as hereinafter provided (collectively the "Assessments"). The Assessments, together with interest, late charges, costs, and reasonable attorneys' fees, shall be a continuing lien and security interest upon the Unit against which each such Assessment is charged. The obligation for such payments by each Unit Owner to the Association is an independent covenant, with all amounts due from time to time payable in full without notice (except as otherwise expressly provided in this Declaration) or demand, and without set-off or deduction of any kind or nature.

Each Unit Owner is liable for Assessments made against such Owner's Unit during his period of ownership of the Unit. Each Assessment, together with interest, late charges, costs and reasonable attorneys' fees, shall also be the joint, several and personal obligation of each person who was an Owner of such Unit at the time when the Assessment became due. Upon the transfer of title to a Unit, the transferor and the transferee shall be jointly, severally and personally liable for all unpaid Assessments and other charges due to the Association prior to the date of transfer, and the transferee shall be personally liable for all such Assessments and charges becoming due thereafter.

16.2 Statutory Lien. The Association has a statutory lien pursuant to §38-33.3-316 of the Act on the Unit of an Owner for all Assessments levied against such Unit or fines imposed against such Unit's Owner from the time the Assessment or fine becomes due (the "Assessment Lien"). Fees, charges, late charges, attorneys' fees, fines and interest charged by the Association pursuant to the Act or this Declaration are enforceable as Assessments. The amount of the lien shall include all such items from the time such items become due. If an Assessment is payable in installments, the Association has an Assessment Lien for each installment from the time it becomes due, including the due date set by the Board's acceleration of installment obligations. An Assessment Lien is extinguished unless proceedings to enforce the lien are instituted within 6 years after the full amount of Assessments becomes due.

16.3 Lien Superior to Homestead and Other Exemptions. An Assessment Lien shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Colorado or any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against said Assessment Lien.

16.4 Priority of Lien. An Assessment Lien is prior to all other liens and encumbrances on a Unit except as follows:

16.4.1 Liens and encumbrances recorded before the recordation of this Declaration;

16.4.2 A security interest on the Unit which has priority over all other security interests on the Unit and which was recorded before the date on which the Assessment sought to be enforced became delinquent. An Assessment Lien is prior to the security interest described in the preceding sentence to the extent of an amount equal to the Regular Assessments (based on a Budget adopted by the Association pursuant to Section 9.7 below) which would have become due, in the absence of any acceleration, during the 6 months immediately preceding institution by the Association or any party holding a lien senior to any part of the Association lien created under this Article 9 of an action or a nonjudicial foreclosure either to enforce or to extinguish the lien;

16.4.3 Liens for real estate taxes and other governmental assessments or charges against the Unit; and

16.4.4 As may otherwise be set forth in the Act. The priority of mechanics' and materialmen's liens is not affected by the Act.

This Article does not prohibit an action or suit to recover sums for which this Article 9 creates a lien or prohibit the Association from taking a deed in lieu of foreclosure. Sale or transfer of any Unit shall not affect the lien for an Assessment.

16.5 Perfection of Lien. The recording of this Declaration constitutes record notice and perfection of the statutory lien. No further recordation of any claim of lien for Assessments is required; however, a claim may be recorded at the Association's option, in which event costs and attorneys' fees incurred in connection with the preparation and filing of such claim shall be assessed against the Unit as a Reimbursement Assessment.

16.6 Regular Assessments. A Regular Assessment shall be made annually against each Unit, based upon an annual Budget prepared by the Board, for purposes of paying (i) the annual costs of operating and administering the Association and all other Common Expenses, (ii) reasonable reserves for contingencies, replacements, and other proper purposes, and (iii) such other matters as may be reasonably determined by the Board to be the subject of a Regular Assessment;

Regular Assessments shall be allocated in accordance with the Allocated Interests of each Unit in the

RedCliff Two Condominiums, except that Residential Unit Common Expenses shall be assessed exclusively against the Residential Units in proportion to the relative Allocated Interests thereof (subject to subparagraph (iv) below), any Common Expense or portion thereof benefiting fewer than all of the Residential Units may be assessed exclusively against the Units benefited; and (v) any Common Expense associated with the maintenance, repair, improvement or replacement of a Limited Common Element shall be assessed only against the Unit(s) for which the Limited Common Element is designated.

Regular Assessments shall be levied on a calendar year basis, except that the initial Regular Assessment period shall commence on when the first Unit obtains a certificate of occupancy. Regular Assessments shall be paid in installments on a monthly, quarterly, semi-annual or annual basis, as the Board may determine from time to time, and shall be due either on the first day of each calendar month or on the first day of each calendar year quarter (January 1, April 1, July 1 and October 1), or on the first day of a semi-annual or annual period (e.g. January 1, July 1) as appropriate. Unless and until changed to a monthly or semi-annual or annual system by the Board, Regular Assessments shall be due and payable on the first day of each calendar quarter. Any Owner acquiring a Unit between installment due dates shall pay a pro rata share of the immediately preceding installment.

The Board shall fix the amount of the Regular Assessment, using the Budget procedure described below, at least 30 days before the end of each calendar year. Written notice of the Regular Assessment shall be sent to each Owner. Failure of the Board timely to fix and levy the Regular Assessments for any year or to send a notice thereof to any Owner shall not relieve or release any Owner from liability for payment of Regular Assessments or any installments thereof for that or subsequent years as soon as the Board levies the Regular Assessment and provides notice thereof.

The Board shall also mail to each Owner at least 10 days prior to the due date thereof a written notice of the amount of the next quarterly (or monthly or semi annual or annual, as the case may be) installment of Regular Assessment that is due from such Owner, and the date on which such installment is due pursuant to subparagraph (d) above. Failure of the Board to send timely notice to any Owner of an installment of Regular Assessment due shall not relieve or release any Owner from liability for payment of that installment as soon as the Board in fact provides such notice.

In accordance with §38-33.3-314 of the Act, any surplus funds remaining after payment of or provision for Association expenses and any prepayment of or provision for reserves shall be carried forward as a credit against the next year's budget.

16.7 Association Budget. Commencing in 2005, and during the last three (3) months of each calendar year thereafter, the Board shall prepare or cause to be prepared an operating budget (the "**Budget**") for the next calendar year. The Budget shall provide the allocation of any surplus funds remaining from any previous Budget period. Within thirty (30) days after adoption of any proposed Budget for the Association, the Board shall mail, by ordinary first-class mail, or otherwise deliver, a summary of the Budget to all the Unit Owners and shall set a date for a meeting of the Unit Owners to consider ratification of the Budget not less than 14 nor more than 60 days after the mailing or other delivery of the summary. Such meeting may, but need not be, concurrent with the annual meeting of the Members as provided in the Bylaws. Unless at that meeting the Unit Owner reject the Budget, the Budget shall be ratified, whether or not a quorum of Owners is present. In the event that the proposed Budget is rejected, the Budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent Budget proposed by the Board.

16.8 Special Assessments. In addition to the Regular Assessments and Reimbursement Assessments authorized in this Article 9, the Board may levy, in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, maintenance, or replacement of capital improvements (including related fixtures and personal property) to or upon or serving the RedCliff Two Condominiums, or for excess reconstruction costs or other extraordinary expenses, or for funding any operating deficit of the Association. Except in the event of an emergency, where no membership vote shall be required, the Board shall not levy a Special Assessment without the approval of the Unit Owners in the RedCliff Two Condominiums as provided below.

Written notice of any meeting called for the purpose of levying a Special Assessment shall be sent to all Owners no less than 30 or more than 50 days before the meeting. At the meeting, the presence of Owners in person or by proxy

that are entitled to cast 50 percent of the votes in the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called pursuant to the same notice requirements, and the required quorum at this second meeting shall be only 30 percent of the votes in the Association. No such second meeting shall be held more than 60 days following the date of the first meeting.

Provided a quorum of Owners entitled to vote is present in person or by proxy in accordance with the quorum requirements set forth in the preceding paragraph, then the affirmative vote of Owners holding a majority of the allocated votes so present shall constitute approval of the proposed Special Assessment.

For purposes of this Section, the term "emergency" shall mean any circumstances or set of circumstances which pose an imminent threat of loss, damage or injury, actual or threatened, to persons or property. Special Assessments shall be allocated in the same manner as Regular Assessments, that is, in accordance with the Allocated Interests of each Unit in the RedCliff Two Condominiums, provided that Special Assessments that benefit fewer than all of the Residential Units shall be allocated exclusively to the Units benefited. Special Assessments shall be due and payable to the Association on the due date fixed by the Board in the notice given to the Owners of such Special Assessment, which due date shall be no earlier than 30 days after the giving of such notice.

16.9 Reimbursement Assessments. In addition to the Regular and Special Assessments authorized hereunder, the Board may levy against any Owner or Owners, at any time and from time to time, a Reimbursement Assessment for purposes of reimbursing the Association for all costs and expenses incurred by it in enforcing any provision of or in remedying any violation of this Declaration, the Articles and Bylaws, or any Rules and Regulations, by such Owner or Owners, their Occupant(s), or their agents, employees or contractors. Reimbursement Assessments may also be made by the Board for any other purposes for which this Declaration provides for the levying of a Reimbursement Assessment. Finally, and in addition to the foregoing, a Reimbursement Assessment may also be levied in the form of a reasonable fine against an Owner for a violation of this Declaration, the Articles, Bylaws, or the Rules and Regulations, but only after the Owner(s) to be so fined have been provided with Notice and Hearing. Reimbursement Assessments shall be due and payable to the Association on the due date fixed by the Board in the notice given to the Owner(s) of such Reimbursement Assessment, which date shall be no earlier than 30 days after the giving of such notice.

16.10 Effect of Nonpayment of Assessments; Remedies of the Association Any Assessment or portion or installment thereof which is not paid when due (or for which a bad check is issued) shall be deemed delinquent and shall bear interest from and after the due date at the rate of interest set by the Board from time to time, which shall not be less than 12 percent nor more than 21 percent per year, and the Board may also assess a late charge thereon and/or may assess a bad check charge in the amount of 10 percent of the bad check or $50.00, whichever is greater. The Board may also elect to accelerate the installment obligations of any Regular Assessment for which an installment is delinquent. The delinquent Owner shall also be liable for all costs, including attorneys' fees, which may be incurred by the Association in collecting a delinquent Assessment, which collection costs shall be added to the delinquent Assessment. The Board may but shall not be required to record a Notice of Delinquent Assessment or charge against any Unit as to which an Assessment or charge is delinquent. The Notice shall be executed by an officer of the Board, and shall set forth the amount of the unpaid Assessment or charge, the name of the delinquent Owner and a description of the Unit. The Assessment Lien may be foreclosed by the Association in the same manner as a mortgage on real property. The Association shall be entitled to purchase the Unit at foreclosure. The Association may also bring an action at law against the Owner personally obligated to pay the delinquent Assessment and/or foreclose the lien against said Owner's Unit in the discretion of the Association. No Owner may exempt himself or otherwise avoid liability for the Assessments provided for herein by waiver of the use or enjoyment of any Common Elements or by abandonment of the Unit against which the Assessments are made. In any action by the Association to collect Assessments or to foreclose a lien for unpaid Assessments, the court may appoint a receiver to collect all sums alleged to be due from the Unit Owner prior to or during the pending of the action. The court may order the receiver to pay any sums held by the receiver to the Association during the pending of the action to the extent of the Association's Regular Assessments.

16.11 Statement of Unpaid Assessments. The Association shall furnish to an Owner or such Owner's designee or to a holder of a security interest or its designee upon written request, delivered personally or by facsimile transmittal or by certified mail, first class postage prepaid, return receipt requested, to the Association, a written statement setting forth the amount of unpaid Assessments currently levied against such Owner's Unit, whether delinquent or not. The statement shall be furnished within 14 days after receipt of the request and is binding on the Association, the Board, and every Owner. If no statement is furnished either delivered personally or by facsimile transmission 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 Unit for unpaid Assessments which were due as of the date of the request.

16.12 Assessments for Tort Liability. In the event of any tort liability against the Association which is not covered completely by insurance, each Owner shall contribute for the payment of such liability as a Special Assessment. The Association may, however, require a larger contribution from fewer than all Owners under any legal or equitable principles regarding liability for negligent or willful acts or omissions.

16.13 Excess Assessments. In the year in which there is an excess of Assessments received over amounts actually used for the purposes described herein, and in the Bylaws, such excess may be applied against and reduce the subsequent year's Assessments or be refunded to the Unit Owners, as the Board determines.

16.14 Interest. Any past-due Assessment or installment thereof shall bear interest at the rate established by the Board not exceeding 21% or the maximum interest rate allowed by Colorado law, whichever is less.

16.15 No Waiver or Abandonment. No Owner may be exempt from liability for payment of the Common Expenses or Limited Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of the Unit against which the Assessments are made.

ARTICLE 17
APPORTIONMENT OF CERTAIN EXPENSES

17.1 Limited Common Elements. Each Owner shall be responsible for the day-to-day cleaning and upkeep of the Limited Common Elements reserved for the use of such Owner and any other Owners. Any and all cost associated with maintenance, repair, replacement and day-to-day care, cleaning and upkeep of said Limited Common Elements shall be paid and discharged by the Owner or Owners entitled to the exclusive use of said Limited Common Elements. The expense of maintaining, repairing, replacing or reconstructing a Limited Common Element shall be undertaken by the Owner of the Unit or Units to which such Limited Common Element is assigned.

17.2 Benefit of Class of Owners. The costs of any Common Expenses to the Community, not determined to be a Limited Common Expense pursuant to this Article, (including, without limitation, gas, electric, trash, water and sewer and other utility expenses), unless and to the extent that these are separately metered or provided, shall be apportioned to all Units, in accordance with the Units' percentage ownership interests in and to the General Common Elements, as set forth on **Exhibit "B"**. The foregoing notwithstanding, the costs of any Common Expenses, or portions thereof, which the Board reasonably determines to benefit only one or more Units, shall be borne by the Unit or Units involved, in accordance with the allocations determined by the Board, in its sole discretion.

17.3 Misconduct. If any Common Expenses or Limited Common Expenses are caused by the misconduct of any Owner, the Board may assess that expense exclusively against such Owner's Unit.

17.4 Special Allocation of Expenses of Repair and Maintenance. The Association shall have the right to allocate a disproportionate share of the expenses of repair and maintenance of the Common Elements to any Unit, which has been occupied or used (including uses of a Unit on a rental basis for the majority of the dates in any Assessment period) to the extent that the Board reasonably determines that such occupancy and/or usage has resulted in excessive wear and tear.

ARTICLE 18
COLLECTION OF COMMON EXPENSES AND LIMITED COMMON EXPENSES

18.1 Assessment Lien. Declarant, for each Unit, shall be deemed to covenant and agree, and each Owner, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree, to pay to the Association such Assessments as shall be imposed by the Association, in accordance with this Declaration and/or any other applicable Community Documents. In accordance with Section 22.2 below, the grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid Assessments against a Unit, without prejudice to the grantee's right to recover from the grantor any amounts

paid by the grantee therefor. No Owner may become exempt from liability for payment of the Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the Assessments are made. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Association or the Board is not properly exercising its duties and powers under this Declaration. The personal obligation to pay any past due sums due the Association shall not pass to a successor in title unless expressly assumed by them, though the rights to lien the Unit shall continue, regardless of ownership. The Assessments, including fees, charges, late charges, attorney fees, fines and interest charged by the Association, shall be a charge on each Unit and shall be a continuing lien upon the Unit against which each such Assessment or charge is made. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment become due.

18.2. Priority of Assessment Lien. A lien under this section is prior to all other liens and encumbrances on a Unit except: (1) liens and encumbrances recorded before the recordation of the Declaration; (2) a first lien Security Interest on the Unit (except as allowed by the Act with regard to the limited lien priority allowed to the Association); and (3) liens for real estate taxes and other governmental assessments or charges against the Unit. A lien under this section shall also be superior to the first Mortgage on the Unit recorded before the date on which the Assessment sought to be enforced became delinquent, to the maximum extent allowed by the Act. This section does not prohibit either (i) an action to recover sums for which this section creates a lien or (ii) the Association from taking a deed in lieu of foreclosure. Sale or transfer of any Unit shall not affect the Association's lien, except that sale or transfer of any Unit pursuant to foreclosure of any first Mortgage, or any proceeding in lieu thereof (including deed in lieu of foreclosure) or cancellation or forfeiture shall only extinguish the Association's lien, as provided in the Act. No such sale, transfer, foreclosure, or any proceeding in lieu thereof (including deed in lieu of foreclosure) nor cancellation or forfeiture shall relieve any Unit from its continuing liability for any Assessments thereafter becoming due, nor from the lien thereof.

18.3. Purpose of Assessments. The Assessments levied by the Association through its Board shall be used for the purposes of promoting the health, safety, and welfare of the residents in the Community for any other purpose reasonably related to the operation, maintenance and control of the Community, and for any other purpose allowable under the Act.

18.4. Effect of Nonpayment of Assessments. Any Assessment, charge or fee provided for in this Declaration, or any monthly or other installment thereof, which is not fully paid within fifteen days after the due date thereof shall bear interest at the rate as determined by the Board and additionally, the Association may assess a late charge thereon. Further, the Association may bring an action at law or in equity, or both, against any Owner personally obligated to pay such overdue Assessments, charges or fees, or monthly or other installments thereof, and may also proceed to foreclose its lien against such Owner's Unit. An action at law or in equity by the Association against an Owner to recover a money judgment for unpaid Assessments, charges or fees, or monthly or other installments thereof, may be commenced and pursued by the Association without foreclosing, or in any way waiving, the Association's lien therefor.

18.5. Working Fund. The Association or Declarant may require the first Owner of each Unit (other than Declarant) to make a non-refundable payment to the Association in an amount equal to one-fourth of the annual Assessment against that Unit in effect at the closing thereof, which sum shall be held, without interest, by the Association as a working fund. Said working fund shall be collected and transferred to the Association at the time of closing of the sale by Declarant of each Unit, as aforesaid, and shall be maintained for the use and benefit of the Association. Such payment shall not relieve an Owner from making regular payments of Assessments as the same become due.

ARTICLE 19
INSURANCE

19.1 Insurance Required. Commencing not later than the time of the first conveyance of a Unit to a person other than a Declarant, the Association shall obtain and maintain at all times, to the extent obtainable, policies of insurance required under 38-33.3-313 C.R.S., in such forms as the Board may deem appropriate from time to time. In addition to the insurance required under 38-33.3-313 C.R.S., the Board may obtain insurance against such other risks as it shall deem appropriate with respect to the following:

19.1.1 Property insurance on the Common Elements for broad form covered causes of loss; except that the total amount of insurance must be not less than the full insurable replacement cost of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of Property, excavations, foundations, and other items normally excluded from property policies; and

19.1.2 Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Elements, insuring the Board, the Association, the Managing Agent, and their respective employees, agents, and all persons acting as agents. The Declarant shall be included as an additional insured in such Declarant's capacity as an Owner and Board member. The Owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Elements. The insurance shall cover claims of one or more insured parties against other insured parties.

19.1.3 The Association may carry any other insurance it considers appropriate, including insurance on Units it is not obligated to insure, to protect the Association or the Owners.

19.2 Scope of Insurance. In the case of a Building that contains Units having horizontal boundaries described in the Declaration, the insurance maintained under Subsection 19.1.1 of this section must include the Units but not the finished interior surfaces of the walls, floors, and ceilings of the Units. The insurance need not include Improvements and betterments installed by Owners, but if they are covered, any increased charge shall be assessed by the Association to those Owners. The Association may obtain insurance for the Units and Limited Common Elements and assess the charges for such insurance to the Owners of Units so benefited. The Association and/or an Owner may obtain insurance on a Building as separate policies, provided it meets the other requirements of Article 19.

19.3 Cancellation of Insurance. If the insurance described in Sections 19.1 and 19.2 is not reasonably available, or if any policy of such insurance is canceled or not renewed without a replacement policy therefore having been obtained, the Association promptly shall cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Owners.

19.4 Specific Provisions. Insurance policies carried pursuant to Sections 19.1 and 19.2 must provide that:

19.4.1 Each Owner is an insured person under the policy with respect to liability arising out of such undivided interest in the Common Elements or membership in the Association;

19.4.2 The insurer waives its right to subrogation under the policy against any Owner or member of his household;

19.4.3 No act or omission by any Owner, unless acting within the scope of such Owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy; and

19.4.4 If, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

19.5 Adjustment of Claims. Any loss covered by the property insurance policy described in Subsection 19.1.1 and Section 19.2 must be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any holder of a security interest. The insurance trustee or the Association, Owners and lienholders as their interests may appear. Subject to the provisions of Section 19.8, the proceeds must be disbursed first for the repair or restoration of the damage property, and the Association, Owners, and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored or the Community is terminated.

19.5.1 The Association may adopt and establish written nondiscriminatory policies and

procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. To the extent the Association settles claims for damages to real property, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration all deductibles paid by the Association. In the event that more than one Unit is damaged by a loss, the Association in its reasonable discretion may assess each Owner a pro-rata share of any deductible paid by the Association.

19.6 Owner's Responsibility for Insurance. An insurance policy issued to the Association does not obviate the need for Owners to obtain insurance for their own benefit. Each Owner is responsible and obligated to obtain and maintain insurance for his or her Unit.

19.7 Certificate of Insurance. An insurer that has issued an insurance policy for the insurance described in Sections 19.1 and 19.2 of this section shall issue certificates or memoranda of insurance to the Association and, upon request, to any Owner or holder of a security interest. Unless otherwise provided by statute, the insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or non-renewable has been mailed to the Association, and each Owner and holder of a security interest to whom a certificate or memorandum of insurance has been issued at their respective last-known addresses.

19.8 Damage Repair. Any portion of the Community for which insurance is required under this section which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

19.8.1 The Community is terminated pursuant to the provisions of this Declaration and the Act;

19.8.2 Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;

19.8.3 75% of the Owners agree that it will not be rebuilt and vote not to rebuild; or

19.8.4 Prior to the conveyance of any Unit to a person other than the Declarant, the holder of a deed of trust or Mortgage on the damaged portion of the Community rightfully demands all or a substantial part of the insurance proceeds.

19.9 Common Expenses in Excess of Insurance. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Community is not repaired or replaced, the insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Community, and, except to the extent that other persons will be distributees, the insurance proceeds attributable to Units and Limited Common Elements that are not rebuilt must be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated, or to lienholders, as their interests may appear, and the remainder of the proceeds must be distributed to all the Owners and lienholders in proportion to such Units' allocated interests in the General Common Elements.

19.10 Fidelity Insurance. If any Owner or employee of the Association controls or disburses funds of the Community, the Association must obtain and maintain, to the extent reasonably available, fidelity insurance. Coverage shall not be less in aggregate than two months' current Assessments plus reserves, as calculated from the current budget of the Association.

19.10.1 Any person employed as an independent contractor by the Association for the purposes of managing the Community must obtain and maintain fidelity insurance in an amount not less than the amount specified in this Section 19.10, unless the Association names such person as an insured employee in a contract of fidelity insurance, pursuant to this Section 19.10.

19.10.2 The Association may carry fidelity insurance in amounts greater than required in this Section 19.10 and may require any independent contractor employed for the purposes of managing the Community to carry more fidelity insurance coverage than required in this Section 19.10.

19.11 Insurance Premiums are Common Expenses. Premiums for insurance that the Association acquires and other expenses connected with acquiring such insurance are Common Expenses or Limited Common Expense.

ARTICLE 20
OBSOLESCENCE

20.1 Renewal and Reconstruction. The Owners representing an aggregate percentage ownership interest of 75% or more (according to the percentage interest in General Common Elements), and holders of duly recorded first Mortgages representing an aggregate of 75% of the outstanding aggregate principal balance of said Mortgages, may agree that the Community is obsolete and adopt a plan for the renewal and reconstruction.

20.1.1 If a plan for the renewal or reconstruction is adopted, notice of such plan shall be recorded, and the expense of renewal and reconstruction shall be payable by all of the Owners as Common Expenses or Limited Common Expenses; provided, however, that an Owner, who is not a party to such a plan for renewal or reconstruction, may give written notice to the Association within fifteen days after the date of adoption of such plan that his Unit shall be purchased by the Association for the fair market value thereof. The Association shall then have 30 days within which to cancel such plan. If such plan is not canceled, the Unit of the requesting Owner shall be purchased according to the following procedures.

(a) If such Owner and the Association can agree on the fair market value thereof, then such sale shall be consummated within 30 days after such agreement.

(b) If the parties are unable to agree, the date when either party notifies the other that he or it is unable to agree with the other shall be the "Commencement Date" from which all periods of time mentioned hereafter shall be measured. Within ten days following the Commencement Date, each party shall nominate an appraiser in writing (and give notice of such nomination to the other party). If either party fails to make such a nomination, the appraiser nominated shall, within five days after default by the other party, appoint and associate with him another appraiser. If the two designated or selected appraisers are unable to agree on the fair market value of the Unit, they shall appoint another appraiser to be umpire between them, if they can agree on such person. If they are unable to agree upon such umpire, each appraiser previously appointed shall nominate two appraisers, and from the names of the four appraisers so nominated one shall be drawn by Unit by any judge of any court of record in Ouray County, Colorado, and the name so drawn shall be such umpire. The nominations from whom the umpire is to be drawn by Unit shall be submitted within ten days of the failure of the two appraisers to agree, which, in any events shall not be later than 20 days following the appointment of the second appraiser. The decision of the appraisers as to the fair market value, or in the case of their disagreement, then such decision of the umpire, shall be final and binding and a judgment based upon the decision rendered may be entered in any court having jurisdiction thereof. The expenses and fees of such appraisers shall be borne equally by the Association and the Owner.

(c) The sale shall be consummated within fifteen days thereafter, and the Association, as attorney-in-fact, shall disburse such proceeds to the Association, Owner(s), and lienholders, as their interests may appear.

20.2 Sale of Property. If the Owners representing an aggregate percentage ownership interest of 75% or more (according to the percentage interest in General Common Elements) may agree that the Community is obsolete and that the same should be sold, the Association shall forthwith record a notice executed by the Association's president and secretary or assistant secretary setting forth such fact, and upon the recording of such notice the Community shall be sold by the Association, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in this Declaration. The sales proceeds shall be collected and apportioned between the Owners on the basis of each Owner's appurtenant interest in and to the Common Elements as specified in **Exhibit "B"** and such apportioned proceeds shall be paid into separate accounts, each account representing one Unit. Each such account shall be in the name of the Association, and shall be further identified by the Unit designation and the name of the Owner. The Association, as attorney-in-fact, shall use and disburse the total amount of each separate account, without contribution from one account to another, to the Association, Owner(s) and lienholders, as their interests may appear.

20.3 Conveyance of General Common Elements. The Owners representing an aggregate ownership interest of 75% or more (according to the percentage interest in General Common Elements) may agree to convey or

encumber all or part of the General Common Elements. Such agreement to convey or encumber all or part of the General Common Elements must be evidenced by the execution of an agreement, or ratifications thereof, in the same manner as a deed, by the requisite number of Owners and, as appropriate, recordation of amendments to the Declaration and/or Community Map. The agreement must specify a date after which the agreement will be void unless recorded before that date. The agreement and all ratifications thereof must be recorded in the Office of the Clerk and Recorder of the County of Ouray and is effective only upon recordation.

20.3.1 Unless in compliance with this section, any purported conveyance, encumbrance, or other voluntary transfer of Common Elements is void.

20.3.2 A conveyance or encumbrance of General Common Elements pursuant to this section shall not deprive any Unit of its rights of ingress and egress and support of the Unit.

20.3.3 A conveyance or encumbrance of General Common Elements pursuant to this section does not affect the priority or validity of preexisting encumbrances.

ARTICLE 21
CONDEMNATION

21.1 Total Condemnation. If a Unit is acquired by eminent domain or part of a Unit is acquired by eminent domain leaving the Owner with a remnant which may not practically or lawfully be used for any purpose permitted by this Declaration, the condemnation award must include compensation to the Owner for that Unit and its allocated interests whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides, that Unit's allocated interests are automatically reallocated to the remaining Units in proportion to the respective allocated interests of those Units before the taking. Any remnant of a Unit remaining after part of a Unit is taken under this Section 21.1 is thereafter a General Common Element.

21.2 Partial Condemnation. Except as provided in Section 21.1 above, if part of a Unit is acquired by eminent domain, the award must compensate the Owner for the reduction in value of the Unit and its interest in the Common Elements whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides:

21.2.1 That Unit's allocated interests are reduced in proportion to the reduction in the size of the Unit; and

21.2.2 The portion of allocated interests divested from the partially acquired Unit is automatically reallocated to that Unit and to the remaining Units in proportion to the respective interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced allocated interests.

21.3 Condemnation of Common Elements. If part of the General Common Elements is acquired by eminent domain, that portion of any award attributable to the Common Elements taken must be paid to the Association. Any portion of the award attributable to the acquisition of a Limited Common Element must be equally divided among the Owners of the Units to which that Limited Common Element was allocated at the time of acquisition. For the purposes of acquisition of a part of the General Common Elements, service of process on the Association shall constitute sufficient notice to all Owners, and service of process on each individual Owner shall not be necessary.

21.4 Recordation of Decree. The court decree shall be recorded in the Office of the Clerk and Recorder of the County of Ouray.

21.5 Confirmation of Reallocations. The reallocations of allocated interests pursuant to this section shall be confirmed by an amendment to the Declaration prepared, executed, and recorded by the Association.

ARTICLE 22
STATEMENT OF ACCOUNT

22.1 Statement of Assessments. The Association shall furnish to a Owner or such Owner's designee or to a holder of a security interest or its designee upon written request by the Owner, delivered personally or by certified mail, first-class postage prepaid, return receipt requested, to the Association's registered agent, a statement setting forth the amount of unpaid Assessments currently levied against such Owner's Unit. The statement shall be furnished within ten business days after receipt of the request by the Association and is binding on the Association, the Board, and every Owner. If no statement is furnished to the Owner or holder of a security interest 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 priority lien upon the Unit for unpaid Assessments which were due as of the date of the request.

22.2 Grantee and Grantor Both Responsible. The grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid Assessments (including fees, charges, late charges, attorney fees, fines and interest) against the latter for the Assessments provided herein up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore, subject only to the limitations set forth in Section 22.1 above. The term "grantee" as used in this section shall not apply to the holder of any first Mortgage upon a Unit, or to any person or entity acquiring title to a Unit, by either sheriff's or public trustee's deed through foreclosure, or who acquires title by a deed given in lieu of foreclosure of a Mortgage, deed of trust, or other security instrument encumbering such Unit.

ARTICLE 23
TERMINATION OF MECHANIC'S LIEN RIGHTS AND INDEMNIFICATION

23.1 Mechanic's Liens. Subsequent to the completion of the Improvements described on the Community Map, no labor performed or materials furnished and incorporated into a Unit with the consent or at the request of the Owner or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Unit of another Owner not expressly consenting to or requesting the same, or against the Common Elements, except as to the undivided interest of the Owner for whom such labor or materials shall have been furnished.

23.2 Indemnification. Each Owner shall indemnify and hold harmless each of the other Owners from and against any and all liability, loss or damage, including reasonable attorney's fees, that the other Owners incur as a result of the claims of any lien against the indemnifying Owner's Unit or any part thereof for labor performed, or for materials furnished in work on such Owner's Unit.

ARTICLE 24
MORTGAGING A UNIT - PRIORITY

24.1 Encumbrances. Any Owner shall have the right from time-to-time to Mortgage or encumber his interest in a Unit by a Mortgage or deed of trust. A first Mortgage shall be one which has first and paramount priority under applicable law. The Owner of a condominium may create junior Mortgages on the following conditions.

24.1.1 That any such junior Mortgage shall always be subordinate to all of the terms, conditions, covenants, restrictions, uses, limitations, obligations, liens for Common Expenses or Limited Common Expenses and other obligations created by this Declaration, the Articles of Incorporation and Bylaws.

24.1.2 That the holder of any junior Mortgage shall release, for the purpose of restoration of any Improvements upon the Community, all of this right, title and interest in and to the proceeds under insurance policies upon said Community wherein the Association is named insured. Such release shall be furnished upon written request by the Association.

ARTICLE 25
PROPERTY FOR COMMON USE

The Association may acquire real and personal property for the use and benefit of all of the Owners and may dispose of the same by sale or otherwise, and any such property shall be deemed General Common Elements.

ARTICLE 26
SPECIAL DECLARANT RIGHTS, DEVELOPMENT RIGHTS AND ADDITIONAL RESERVED RIGHTS

Declarant hereby reserves the following "Special Declarant Rights," "Development Rights" and "Additional Reserved Rights" for up to 10 years following the recordation of this Declaration.

26.1 SPECIAL DECLARANT RIGHTS.

26.1.1 Completion of Improvements. The right to complete Improvements indicated on plats and maps filed with the Declaration.

26.1.2 Exercise of Reserved Rights. The right to exercise (i) any Special Declarant Rights reserved in this Article 26.1, (ii) any Additional Reserved Rights pursuant to Article 26.2, (iii) any Development Rights reserved in Article 26.3, or (iv) any other rights reserved or existing under the provisions of this Declaration or the Act.

26.1.3 Sales Management and Marketing. The right to maintain sales offices, management offices, and models in Units and the right to maintain signs advertising the Community. The sales offices, management offices and models may be designated as a Unit on the Condominium Map and may be sold by the Declarant.

26.1.4 Construction Facilities. The right of the Declarant and its employees, representatives, agents, and contractors to maintain on the Community construction facilities, equipment, and construction materials, staging yards, and other facilities reasonably required during the construction and sale period for the Units. In addition, Declarant may store and maintain construction facilities, equipment, and construction materials, staging yards, and other facilities used in connection with construction of development on adjacent property which Declarant has reserved the right to construct other units which can be annexed into the Community, provided that the facilities and related construction materials are stored only on Units or associated limited common elements then owned by Declarant. Declarant may use common elements to gain access to and from the Declarant's construction staging and storage areas within the Community and the construction occurring on adjacent property.

26.1.5 Construction Easements. The right to use easements through the Common Elements for the purpose of making Improvements within the Community or within real estate which may be added to the Community, and the right to use, and to permit others to use, easements through the Common Elements as may be reasonably necessary for the purpose of discharging the Declarant's obligations under the Act and this Declaration.

26.1.6 Consolidation on Merger. The right to merge or consolidate the Community with a similar common interest community.

26.1.7 Control of Association and Board of Directors. The right to appoint or remove any officer of the Association or any Board member during the Marketing Period.

26.1.8 Amendment of Declaration. The right to amend the Declaration in connection with the exercise of any Development Rights, Special Declarant Rights or Additional Reserved Rights.

26.1.9 Amendment of Community Map. The right to amend the Condominium Map in connection with the exercise of any Development Rights, Special Declarant Rights or Additional Reserved Rights.

26.2 DEVELOPMENT RIGHTS.

26.2.1 The right to relocate boundaries between adjoining Units, enlarge Units, enlarge the Common Elements or otherwise reduce or diminish the size of Units (reduce or diminish the size of areas of the Common Elements), subdivide Units owned by Declarant, provided that, the Declarant shall not reduce or diminish the size of a portion of the General Common Elements which has been properly designated as a Limited Common

Element without the consent of the Owner(s) of the Unit(s) to which the Limited Common Element has been assigned.

26.2.2 Create Additional Units. The right to create or construct additional Units, Common Elements and Limited Common Elements, to subdivide Units and to convert Units into Common Elements or to convert Common Elements into Units.

26.2.3 Annex Additional Real Property or Units. The right to add Units and to subject additional Property located in the Town of Ridgway to the provisions of this Declaration upon the substantial completion of improvements thereon;

26.2.4 The right to withdraw any Property from the provisions of this Declaration;

26.2.5 The right to create master associations and/or subassociations (for an individual Building) and to subject all or portions of the Property to such master association or subassociation;

26.2.6. The right to exercise any and all Development Rights reserved herein or otherwise allowed in the Act;

26.2.7 The right to amend the Declaration in connection with the exercise of any development right; and

26.2.8 The right to amend the Condominium Map in connection with the exercise of any development right.

26.3 **ADDITIONAL RESERVED RIGHTS.**

26.3.1 Dedications. The right to establish or obtain, from time to time, by dedication, grant or otherwise, utility and other easements or encroachment permits for purposes including but not limited to streets, paths, walkways, skyways, drainage, recreation areas, parking areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions for the benefit of and to serve the Owners within the Community.

26.3.2 Assignment of Rights. The right to assign in whole or in part, to the Association, or to its successors in title to any portion of the Property, and of the rights reserved in the Declaration upon execution and delivery of such assignment in writing;

26.3.3 The right to impose additional restrictive covenants and protective covenants upon the Property provided they are not inconsistent with, nor do they lower, the standards of the original covenants;

26.3.4 Use Agreements. The right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulations of recreational facilities and/or Common Elements, which may or may not be a part of the Community.

26.3.5 Other Rights. The right to exercise any Additional Reserved Right created by any other provision of this Declaration.

26.4 Rights Transferable. Any Rights created or reserved under this Article or the Condominium Laws for the benefit of Declarant may be transferred to any person by an instrument describing the rights transferred and recorded in every county in which any portion of the Community is located. Such instrument shall be executed by the transferor Declarant and the transferee. The rights transferred may then be exercised in compliance with the requirements of C.R.S. §38-33.3-210 and C.R.S. §38-33.3-209(6) without the consent of the Association, any Owner of a Unit or any holders of First Lien Security Interests.

26.5 No Further Authorizations Needed. The consent of Owners or holders of Security Interests shall not be required for the Declarant or its assignees to exercise any reserved rights, and Declarant or its assignees may

proceed without limitation at their option, subject to existing Property use, zoning laws and any planned unit development requirements of the Town of Ridgway. Reserved rights of the Declarant or its assignees may be exercised with respect to different parcels of the Community at different times. Additionally, Declarant or its assignees may exercise any reserved rights on all or any portion of the Community in whatever order is determined. Declarant or its assignees shall not be obligated to exercise any reserved rights or to expand the Community beyond the number of Units initially submitted.

26.6 Amendment of the Declaration or Community Map. If Declarant or its assignees elect to exercise any reserved rights, that party shall comply with the Act.

26.7 Interpretation. Recording of amendments to the Declaration and the Condominium Map or plat pursuant to reserved rights in the Declaration shall automatically effectuate the terms and provisions of that amendment. Further, such amendment shall automatically vest in each existing Owner the reallocated Allocated Interests appurtenant to his Unit. Further, upon the recording of an amendment to the Declaration, the definitions used in this Declaration shall automatically be extended to encompass and to refer to the Community as expanded and to any Additional Improvements, and the same shall be added to and become a part of the Community for all purposes. All conveyances of Units after such amendment is recorded shall be effective to transfer rights in all Common Elements, whether or mot reference is made to any Amendment of the Declaration or Community Map.

26.8 Termination of Reserved Rights. The rights reserved to Declarant for itself and it successors and assigns shall expire as set forth above or in the Act, unless (a) reinstated or extended by the Association, subject to whatever terms, conditions and limitation the Board may impose on the subsequent exercise of the expansion rights by Declarant, (b) extended as allowed by law, or (c) terminated by written instrument executed by the Declarant, recorded in the records of the Clerk and Recorder of Ouray County, Colorado.

26.9 Additions by Others. Additions of Units to the Community may be made by persons other than the Declarant or its successors and assigns or Owners, upon approval of the Association pursuant to a vote of a majority of a quorum of its Members. Such approval shall be evidenced by a certified copy of such resolution of approval and a supplement or amendment to this Declaration, both recorded in the records of the Ouray County Clerk and Recorder.

ARTICLE 27
REVOCATION OR AMENDMENT OF DECLARATION

27.1 Revocation. This Declaration shall not be revoked unless all of the Owners and all of the holders of any recorded first Mortgage covering or affecting any or all of the Units consent to such revocation by an instrument(s) duly recorded in the real property records of Ouray County, Colorado; except only as otherwise provided herein pertaining to the appointment of the Association as attorney-in-fact in the event of damage, destruction, obsolescence or condemnation of the Community.

27.2 Amendment. This Declaration and the Map may be amended pursuant to Section 38-33.3-217 of the Act. Under the Act, the Declaration may be amended by Declarant in certain defined circumstances, including without limitation (a) when the Declarant is exercising reserved rights under Article 5 hereof, (b) for purposes of correcting clerical, typographical or technical errors, or (c) to comply with the requirements, standards, or guidelines of recognized secondary mortgage markets, the Department of Housing and Urban Development, the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Federal National Mortgage Association. The Act also provides that the Declaration may be amended by the Association in certain defined circumstances. Otherwise, and subject always to (i) any provisions of this Declaration requiring the consent of Declarant, and (ii) the provisions of Section 3.44(b) above allowing Owners to amend this Declaration (with the consent of the Association) in certain circumstances (Unit line adjustments), this Declaration (including the Plat) may be amended only by the vote or agreement of Owners to which more than fifty-one percent (51%) of the votes in the Association are allocated. No amendment shall be effective to change, limit, impair, reduce or eliminate any right of Declarant as provided in this Declaration unless such amendment is approved in writing by Declarant.

In the event that written notice is sent to an Owner at the current address of the Owner on file with the

Association and the notice includes a copy of the proposed amendment, a statement that the Owner has thirty days to approve or disapprove the proposed amendment in writing, with reasonable and clear directions on the manner and method on which to vote and where to return the ballot and the Owner fails to respond by the expiration of the stated thirty day period, the Association shall count the non-responding Owner of the Unit as an affirmative vote. All ballots shall be returned to the President of the Association.

Furthermore, Section 38-33.3-217(4) of the Act provides that except to the extent expressly permitted or required by other provisions of the Act (*e.g.*, permitted Declarant or Association amendments), no amendment may (i) create or increase special Declarant rights, (ii) increase the number of Units, or (iii) change the boundaries of any Unit or the Allocated Interests of a Unit in the absence of a vote or agreement of Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated, including sixty-seven percent (67%) of the votes allocated to Units not owned by Declarant.

Further, Section 38-33.3-217(4.5) of the Act provides that except to the extent expressly permitted or required by other provisions of the Act, no amendment may change the uses to which any Unit is restricted in the absence of a vote or agreement of Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated.

No consent of any mortgage or trust deed holder shall be required to accomplish any such amendments.

An amendment to this Declaration shall be in the form of a "First (or Second, etc.) Amendment to the Declaration and Plat of RedCliff Two Condominiums". With the exception of Declarant amendments, amendments to this Declaration shall be duly executed by the President and Secretary of the Association and Recorded in the Office of the Clerk and Recorder of Ouray County. All amendments to this Declaration shall be indexed in the Grantee's index in the names of the Common Interest Community and the Association, and in the Grantor's index in the name of each Person executing the amendment.

No action to challenge the validity of an amendment adopted by the Association pursuant to this section may be brought more than one year after the amendment is recorded.

Amendments to the Declaration required by this section to be recorded by the Association shall be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

All expenses associated with preparing and recording an amendment to the Declaration shall be the sole responsibility of: (a) In the case of an amendment pursuant to reallocation of Limited Common Elements, relocation of boundaries between adjoining Units, and subdivision of Units, the Owners desiring the amendment; (b) In the case of an amendment pursuant to rights reserved by the Declarant hereunder, by the Declarant; and (c) In all other cases, the Association.

ARTICLE 28
MISCELLANEOUS

28.1 Registration by Owner of Mailing Address; Notice.

28.1.1 Each Owner shall register his mailing address with the Association, and except for monthly statements and other routine notices, all other notices or demands intended to be served upon an Owner shall be sent by regular United States Mail, postage prepaid, addressed in the name of the Owner at such registered mailing address. All notices, demands or other notices intended to be served upon the Board or the Association shall be sent by regular United States Mail, postage prepaid, to the address of the Association as designated in the Articles of Incorporation and Bylaws.

28.1.2 Each Owner, and each first mortgagee if it so elects, shall register its mailing address from time to time with the Association. Except as otherwise specifically provided in this Declaration, any notice permitted or required to be given hereunder shall be in writing and may be delivered either personally, or by facsimile transmission, or by mail. Notices delivered personally or sent by facsimile transmission shall be deemed given on the date so delivered or sent. If delivery is made by mail, it shall be deemed to have been delivered two (2) business days after a copy of the same has been posted in the first-class U.S. Mail, certified and return receipt requested, with

adequate postage affixed, addressed to the receiving party at the address last registered by such party with the Association, or in the case of an Owner that has not provided such an address, to the Unit of that Owner. Notices to the Association shall be sent to such address as it may from time to time designate in writing to each Owner.

28.2 Rules and Regulations. The Association may make reasonable Rules and Regulations governing the use of Units and of the Common Elements, which Rules and Regulations shall be consistent with the rights and duties established in this Declaration. Such Member shall be binding upon all Owners, invitees and guests, and the Association may take such administrative or judicial action as may be necessary to enforce compliance with such Member and to obtain damages and reasonable attorney's fees for noncompliance to the extent permitted by law.

28.3 Additional Rights of First Mortgagees. In addition to any other rights provided in this Declaration, any First Mortgagee who shall make a request in writing to the Association, shall have the following additional rights:

28.3.1 To be furnished a copy of the annual financial statement of the Association, such statement to be furnished at the time the same is furnished to the Owners.

28.3.2 To be given written notice by the Association of any meeting of the Association called for the purpose of considering any amendment, revocation or change to the Declaration or Articles of Incorporation. Such notice shall state the nature of any such change being proposed.

28.3.3 Upon reasonable notice to examine the books and records of the Association during normal business hours.

28.4 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof. Where any provision of this Declaration is alleged to be or declared by a court of competent jurisdiction to be unconscionable, Declarant shall have the right by amendment to this Declaration to replace such provision with a new provision, as similar thereto as practicable but which in Declarant's reasonable opinion would be considered not to be unconscionable.

28.5 Applicability of the Act. The provisions of this Declaration shall be in addition and supplemental to the Act as herein defined.

28.6 Number and Gender. Unless the context otherwise requires, the singular shall include the plural, and the plural shall include the singular, and the use of any gender shall include all genders.

28.7 Governing Law; Jurisdiction. The laws of the State of Colorado shall govern the interpretation, validity, performance, and enforcement of this Declaration. Any legal action brought in connection with this Declaration shall be commenced in the District Court for Ouray County, Colorado, and by acceptance of a deed to a Unit each Unit Owner voluntarily submits to the jurisdiction of such court.

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

28.9 Costs and Attorneys' Fees. In any action or proceeding involving the interpretation or enforcement of any provision of this Declaration, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs incurred in connection therewith.

28.10 Binding Agreement. It is understood and agreed that this Declaration shall be binding upon the heirs, executors, administrators and assigns of the parties hereto.

28.11 Compliance with Provisions. Every Owner and Occupant of a Unit in the RedCliff Two Condominiums shall fully and faithfully observe, abide by, comply with and perform all of the covenants, conditions and restrictions set forth in this Declaration, the Articles, Bylaws and Rules and Regulations, and all approvals granted by the Board, as the same or any of them may be amended from time to time. In addition to any other rights

or remedies that may be provided to any Person under the terms and provisions of this Declaration, the Association through its Board, and every Owner (except an Owner that is delinquent in the payment of Assessments hereunder), shall have the right, acting alone or together with others having such right, to enforce, by any proceeding at law or in equity, any or all of the covenants, conditions, restrictions, assessments, charges, liens, servitudes, easements and other provisions now or hereafter imposed by this Declaration, the Articles, Bylaws, Rules and Regulations, and approvals granted by the Board.

Such enforcement rights shall include without limitation the right to bring an injunctive action for any form of injunctive relief available under Colorado law (including specific performance), or an action for damages, or both. Injunctive relief may include, without limitation, orders to stop work, orders to remove improvements constructed in violation hereof, orders to compel performance, and any other orders appropriate under the circumstances.

The Board shall have the further right (a) to levy and collect, after Notice and Hearing, reasonable fines for the violation of any of the foregoing matters, (b) to levy and collect a Reimbursement Assessment against any Owner, (c) to enter upon any Unit within the RedCliff Two Condominiums, after giving the Owner or Occupant at least 5 days written notice of the nature of the violation (unless an emergency exists, in which case without notice), without liability to the Owner or Occupant thereof, to enforce or cause compliance with such matters, at the cost and expense of the Owner or Occupant in violation, and/or (d) to cut off any or all Association services or benefits to the subject Owner or Occupant and his Unit until the violation is cured.

In any action brought under this Section, the prevailing party shall be entitled to an award of its reasonable attorneys' fees and costs incurred in connection therewith. Failure by any party entitled to do so to exercise in a particular instance any of the rights available to it under this Section shall in no event be deemed a waiver of the right to do so in any other instance.

Provided always, that no Owner shall have the right to bring an enforcement action against another Owner or Occupant for a breach by that Owner or Occupant of any of such matters, or against the Association for a breach by the Association of any of such matters or for a failure by the Association to enforce compliance with such matters by others, until the aggrieved Owner has given the offending Owner or Occupant and the Association at least 30 days prior written notice of the aggrieved Owner's complaint and the opportunity to resolve the problem during that 30 day period.

And further provided, that notwithstanding any law to the contrary, no action shall be commenced or maintained to enforce the terms of any building restriction contained in the provisions of this Declaration, the Bylaws, the Articles of Incorporation, or the Rules and Regulations, or to compel the removal of any building or improvement because of the violation of the terms of any such building restriction, unless the action is commenced within one year from the date from which the person commencing the action knew or in the exercise of reasonable diligence should have known of the violation for which the action is sought to be brought or maintained.

28.12 Compliance with Federal Fair Housing Act. In order to comply with the requirements of the Federal Fair Housing Act (as hereto and hereafter amended);

28.12.1 The Board may, to the extent permitted or required by law, make reasonable accommodations to the extent such accommodations are necessary under the aforesaid Federal Fair Housing Act or otherwise appropriate to afford a Person With a Disability equal opportunity to use and enjoy a Unit, the Limited Common Elements appurtenant thereto, and/or the common Elements, which accommodations may include waivers and modifications (of such Rules and Regulations) that are applicable only to a particular Person With a Disability or to a particular category of Persons With a Disability. Unless required by law, (i) the Board need not follow procedural requirements in making such waivers and modifications, and (ii) such waivers and modifications need not be approved by, or be subjected to disapproval by, the Members of the Association.

28.12.2 No rule or regulation of the Community shall be interpreted or enforced in such a way as to make unavailable or deny a Unity to any person, or to discriminate against any person in the provision of services or facilities in connection with the sale or rental of a Unit to such person, because of the familial status of such person, as the term "familial status" is defined under the aforesaid Federal Fair Housing Act.

28.13 Reference to Ownership Interests. Whenever in this Declaration or in the Articles of Incorporation or Bylaws of the Association reference is made to a specific percentage interest of Owners, such reference shall be deemed to mean the total aggregate appurtenant interest in and to the General Common Elements as reflected in **Exhibit "B"** attached hereto and, unless the context otherwise requires, shall not be deemed to mean a percentage of Owners by number of individual persons, partnerships, corporations or other entities.

28.14 Reservations by Declarant. Notwithstanding time limitations contained in Article 26, Declarant reserves to itself for as long a period as this Declaration shall remain in effect, not to exceed 30 years, and hereby grants to the Association the right to establish from time to time, by dedication or otherwise (so long as same serves all the Owners within the Community and does not unduly interfere with the rights of any Owner), utility and other easements, for purposes including but not limited to paths, walkways, drainage or recreation areas, parking or Property areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions consistent with the condominium ownership of the Community to the best interest of all the Owners and the Association.

28.15 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate therein purposes of creating a uniform plan for the development of the Units and of promoting and effectuating the fundamental concepts as set forth in the recitals of this Declaration. This Declaration shall be construed and governed under the laws of the State of Colorado.

28.16 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any paragraph, section or article hereof.

28.17 Association as Attorney-in-Fact - Power of Attorney. This Declaration does hereby make the irrevocable appointment of the Association as attorney-in-fact for all Owners to deal with the Community Property upon its destruction, obsolescence, repair or reconstruction or condemnation, and title to each Unit is declared and expressly made subject to the terms and conditions hereof and acceptance by the grantee of a deed from the Declarant or from any Owner shall irrevocably constitute and appoint the Association their true and lawful attorney in their name, place and stead for the purpose of dealing with the Community Property upon its destruction, obsolescence, repair or reconstruction. In the event the Community Property is sold by the Association, as attorney-in-fact, pursuant to Articles 20-21, the Association shall record a notice in the office of the Clerk and Recorder of Ouray County, Colorado, setting forth the circumstances of such sale, and this Declaration shall wholly terminate and expire upon the recording of such notice.

28.18 No Dedication to Public Use. Nothing contained in this Declaration shall be deemed to be or to constitute a dedication of all or any part of the RedCliff Two Condominiums to the public or to any public use.

28.19 Conflict With Condominium Map. In the event of any conflict or inconsistency between the provisions of this Declaration and the Condominium Map, the provisions of said Condominium Map shall govern and control and this Declaration shall automatically be amended, but only to the extent necessary to conform the conflicting provisions hereof with the provisions of said Condominium Map.

28.20 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. This provision does not limit the remedies that may be available under this Declaration or at law or in equity. Failure of the Association or of any other Person to bring enforcement action to correct any violation of this Declaration shall not constitute a waiver of or estop the Association or other Person from bringing a future or subsequent enforcement action to correct such violation or any other similar violation.

28.21 Disclaimer Regarding Safety. DECLARANT AND THE ASSOCIATION HEREBY DISCLAIM ANY OBLIGATION REGARDING THE SECURITY OF ANY PERSONS OR PROPERTY WITHIN THE REDCLIFF TWO CONDOMINIUMS. ANY OWNER OR OCCUPANT OF PROPERTY WITHIN THE REDCLIFF TWO CONDOMINIUMS ACKNOWLEDGES THAT DECLARANT AND THE ASSOCIATION ARE

ONLY OBLIGATED TO DO THOSE ACTS SPECIFICALLY ENUMERATED HEREIN, OR IN THE ARTICLES OF INCORPORATION AND BYLAWS, OR IN THE ACT, AND ARE NOT OBLIGATED TO DO ANY OTHER ACTS WITH RESPECT TO THE SAFETY OR PROTECTION OF PERSONS OR PROPERTY WITHIN REDCLIFF TWO CONDOMINIUMS.

IN WITNESS WHEREOF, the Declarant has executed this Declaration effective as of the Effective Date.

RedCliff2, LLC,
a Colorado limited liability company

By: _____ Date: 7/26/06
Roger Schaefer, Manager

STATE OF COLORADO)
)SS
COUNTY OF Ouray)

This document was acknowledged before me this 26 day of July, 2006 by Roger Schaefer as the Manager of RedCliff2, LLC, a Colorado limited liability company.

Witness my hand and official seal.

Wanda Hunger
Notary Public

My commission expires: 5/19/2008

NOTARY PUBLIC
WANDA
HUNGER
STATE OF COLORADO

LENDERS CONSENT

Alpine Bank FKA First National Bank, holder of a note and beneficiary under a deed of trust dated 1-20-06 and recorded on 1-30-06 at Reception No. 190448 in the Records of Ouray County, Colorado, does hereby consent to the recordation of the within Declaration and the Map referenced by this Declaration.

By: SVP Date: 7-26-06

Name: Dennis Alexander
Title: SVP

STATE OF Colorado)
)SS
COUNTY OF Ouray)

The above and foregoing Lender's Consent has been acknowledged by me this 26 day of July, 2006 by Dennis Alexander, as the SVP of Alpine Bank Ridgway.

Witness my hand and official seal.

Notary Public

My commission expires: 2/26/07

LAUREL A. SCHAFER NOTARY PUBLIC STATE OF COLORADO

EXHIBIT "A"

Declaration of Grants, Covenants, Conditions and Restrictions
(Description of Property)

Unit 23 and Unit 24, Block 35, Town of Ridgway, County of Ouray, State of Colorado, together with any and all rights and interests in easements, covenants and agreements benefiting the property and subject to any and all agreements, covenants and agreements burdening the property.

EXHIBIT "B"

Declaration of Grants, Covenants, Conditions and Restrictions
(ALLOCATED INTERESTS)

Designated Units	Designated Usage	Unit Square Footage	Allocated Interest/Allocated Expenses	Allocated Voting Rights
Unit A	Commercial	600	12.50%	1
Unit B	Commercial	480	12.50%	1
Unit C	Commercial	630	12.50%	1
Unit D	Commercial	621	12.50%	1
Unit E	Residential	1731	12.50%	1
Unit F	Residential	1310	12.50%	1
Unit G	Residential	1420	12.50%	1
Unit H	Residential	2057	12.50%	1
Total		8849	**100%**	**8**