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DECLARATION
OF
COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
BLUE RIVER RUN

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Management Serv., Inc.

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR BLUE RIVER RUN (the "Declaration") is made as of December 19, 1997, by Estates at Blue River, LLC, a Colorado limited liability company ("Declarant").

RECITALS

A. Declarant is the owner of that certain real property located in the Town of Silverthorne in Summit County, Colorado, more particularly described on the attached Exhibit A-1 (the "Property").

B. Declarant is the owner of additional real property located in the Town of Silverthorne in Summit County, Colorado, more particularly described on the attached Exhibit A-2 (the "Expansion Property").

C. Declarant desires to: (i) provide for the preservation and enhancement of the value and desirability of the Property; (ii) to create a planned community under the authority of and in compliance with the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101, et seq. (the "Act"); and (iii) in furtherance of all the foregoing, subject the Property, to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, (including the creation of an agency to which should be delegated and assigned the powers of administering and enforcing said covenants and restrictions and collecting and disbursing the said assessments and charges) each and all of which is and are for the benefit of the Property and each Owner thereof and their heirs, personal representatives, successors and assigns.

ARTICLE I
DECLARATION AND SUBMISSION

Declarant hereby declares that the Property shall be held, sold and conveyed subject to the following covenants, restrictions and easements which are for the purpose of protecting the value and desirability of the Property, and which shall run with the land and be binding on all parties and heirs, successors, and assigns of parties having any right, title, or interest in all or any part of the Property. Additionally, Declarant hereby submits the Property to the provisions of the Act.

ARTICLE II
DEFINITIONS

Section 2.1. Definitions. The following words when used in this Declaration, unless inconsistent with the context of this Declaration, shall have the following meanings:

A. "Annexation Agreement" means the Agreement relating to the Annexation, Subdivision and Zoning of the Estates at Blue River Development Project dated January 11, 1995 by and between Declarant and the Town of Silverthorne, and any and all amendments thereto.

B. "Articles" mean the Articles of Incorporation for Blue River Run Homeowners Association on file with the Colorado Secretary of State, and any amendments which may be made to those Articles from time to time.

C. "Annual Assessment" means the Assessment levied annually.

D. "Assessments" means the Annual, Special and Default Assessments levied pursuant to Article XI below. Assessments are further defined as a Common Expense Liability as defined under the Act.

E. "Association" means Blue River Run Homeowners Association, a Colorado nonprofit corporation, and its successors and assigns.

F. "Association Documents" means this Declaration, the Articles, the Bylaws, and any procedures, rules, regulations or policies adopted under such documents by the Association.

G. "Association Rules" means the rules and regulations adopted by the Association as provided in Section 5.1.

H. "Bylaws" means the Bylaws adopted by the Association, as amended from time to time.

I. "Common Area" means all the real property and improvements thereon, if any, in which the Association owns or has an interest for the common use and enjoyment of all of the Owners on a non-exclusive basis. Such interest may include, without limitation, estates in fee, for terms of years, or easements. Common Area is further defined as a Common Element as defined under the Act. The Common Area initially owned by the Association upon execution of this Declaration by Declarant consists of private open space Tracts A, B, C and D as shown on the Plat together with all improvements thereon including without limitation the landscaped areas, the site fence, entry monuments and signage, and the existing pond. Notwithstanding the foregoing, the bike path which is located within Tract E (the "Dedicated Bike Path") shall be constructed by Declarant in accordance with those standards prescribed by the Annexation Agreement, and thereafter maintained by the Association until the Town of Silverthorne assumes such maintenance responsibility or connects the Dedicated Bike Path to the Blue River Bike Trail, whichever occurs first. Upon submission of the Expansion Property, or portions thereof to this Declaration, by any Supplemental Declaration, the Common Area shall be further defined to include the Expansion Property together with all improvements thereon, including without limitation the Private Roads, parking areas, landscaped areas (including master water meters relating to the irrigation thereof), and water and sewer lines and appurtenances serving Townhome Lots which are located in the Common Area and not located in the Public Road or any other publicly dedicated road; excluding however, the Lots within the Expansion Property and any other area which may be dedicated to the public pursuant to any Supplemental Plat.

J. "Common Expenses" means: (i) all expenses expressly declared to be Common Expenses by this Declaration or the Bylaws of the Association; (ii) all other expenses of administering, servicing, conserving, managing, maintaining, repairing or replacing the Common Area; (iii) insurance premiums for the insurance carried under Article X; and (iv) all expenses lawfully determined to be Common Expenses by the Executive Board of the Association.

K. "Declarant" means Estates at Blue River, LLC, a Colorado limited liability company and its successors and assigns.

L. "Declaration" means and refers to this Declaration of Covenants, Conditions, Restrictions and Easements for Blue River Run.

M. "Default Assessment" means the Assessments levied by the Association pursuant to Article XI, Section 11.7. below.

N. "Design Guidelines" means the guidelines and rules published and amended and supplemented from time to time by the Design Review Board.

O. "Design Review Board" means and refers to the Design Review Board defined in and created pursuant to Article XVI below.

P. "Executive Board" means the governing body of the Association.

Q. "Expansion Property" means the real property located in Summit County, Colorado, more particularly described on the attached Exhibit A-2 which Declarant may subject to this Declaration by one or more duly recorded Supplemental Declarations and, if necessary, Supplemental Plats.

R. "First Mortgage" means any Mortgage which is not subordinate to any lien or encumbrance except liens for taxes, liens for Assessments or other liens which are given priority by statute.

S. "First Mortgagee" means any person named as a mortgagee or beneficiary in any First Mortgage, or any successor to the interest of any such person under such First Mortgage.

T. "Lot" means a plot of land subject to this Declaration and designated as a "Lot" as depicted on the Plat or any Supplemental Plat. Lot is further defined as a Unit as defined under the Act.

U. "Manager" shall mean a person or entity engaged by the Association to perform certain duties, powers, or functions of the Association, as the Executive Board may authorize from time to time.

V. "Member" shall mean every person or entity who holds membership in the Association.

W. "Mortgage" shall mean any mortgage, deed of trust, or other document pledging any Lot or interest therein as security for payment of a debt or obligation.

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X. "Mortgagee" means any person named as a mortgagee or beneficiary in any Mortgage, or any successor to the interest of any such person under such Mortgage.

Y. "Owner" means the owner of record, whether one or more persons or entities, of fee simple title to any Lot, and "Owner" also includes the purchaser under a contract for deed covering a Lot, but excludes those having such interest in a Lot merely as security for the performance of an obligation, including a Mortgagee, unless and until such person has acquired fee simple title to the Lot pursuant to foreclosure or other proceedings.

Z. "Person" means a natural person, a corporation, a partnership, a trustee or any other legal entity.

AA. "Plat" means the subdivision plat or plats of Blue River Run depicting the Property subject to this Declaration and recorded in the records of the Clerk and Recorder of Summit County, Colorado at Book _____, Page _____, Reception No. _____, and all supplements and amendments thereto.

BB. "Private Roads" means and refers to those roads within the Expansion Property Common Area for the use and benefit of the Townhome Lots and which access the Townhome Lots from the Public Road.

CC. "Property" means and refers to that certain real property described on Exhibit A attached to this Declaration.

DD. "Public Road" means and refers to those roads which are shown as "Blue River Circle" and "Legend Lake Circle" on the Plat and which are dedicated for public use.

EE. "Roads" means all Roads within the Property as shown on the Plat including the Public road and the Private Roads.

FF. "Sharing Ratio" means the allocation of Assessments to which an Owner's Lot is subject as set forth in Exhibit B attached hereto and made a part hereof. The formula for Sharing Ratios is an equal allocation among all of the Lots except as may be otherwise provided herein.

GG. "Single Family Detached Custom Home Lots" shall mean and refer to Lots 1 through 30, inclusive, Block 1, Blue River Run as depicted on the Plat. Where the context indicates or requires, the meaning herein shall include any residence, building, structure or other improvements situated on the Single Family Detached Custom Home Lots.

HH. "Special Assessment" means an assessment levied pursuant to Article XI, Section 11.6, below on an irregular basis.

II. "Successor Declarant" means any party or entity to whom Declarant assigns any or all of its rights, obligations, or interest as Declarant, as evidenced by an assignment or deed of record executed by both Declarant and the transferee or assignee and recorded in the office of the Clerk and Recorder of Summit County, Colorado, designating such party as a Successor Declarant. Upon such recording, Declarant's rights and obligations under this Declaration shall cease and terminate to the extent provided in such document.

JJ. "Supplemental Declaration" means an instrument which subjects any part of the Expansion Property to this Declaration, as more fully provided in Article XV below.

KK. "Supplemental Plat" means a subdivision plat of Blue River Run which may depict a part of the Expansion Property becoming subject to this Declaration, through a Supplemental Declaration, as more fully provided in Article XV below.

LL. "Townhome Lots" shall mean and refer to those Lots that shall be created on the Expansion Property as may be depicted by any Supplemental Plat. Where the context indicates or requires, the meaning herein shall include any residence, building, structure or other improvements situated on the Townhome Lots.

MM. "Tract E" shall mean and refer to Tract E, Blue River Run, Town of Silverthorne, Summit County, Colorado which is a public open space tract dedicated to the Town of Silverthorne.

NN. "Blue River Run" shall mean the planned community created by this Declaration, consisting of the Property, the Lots, and any other improvements constructed on the Property and as shown on the Plat.

Each capitalized term not otherwise defined in this Declaration or in the Plat shall have the same meanings specified or used in the Act.

ARTICLE III NAME, DIVISION INTO LOTS

Section 3.1. Name. The name of the project is Blue River Run. The project is a Planned Community pursuant to the Act.

Section 3.2. Association. The name of the association is Blue River Run Homeowners Association. Declarant has caused to be incorporated under the laws of the State of Colorado the Association as a non-profit corporation with the purpose of exercising the functions as herein set forth.

Section 3.3. Number of Lots. The total number of Lots to be developed on the Property is thirty (30). Declarant reserves the right for itself and any successor Declarant to: (i) expand the Blue River Run planned community to include up to eighty-one (81) additional Lots as presently permitted by the PUD or such greater number as may be permitted by amendment to the PUD but which in no event will exceed one hundred eight (108) additional Lots; and (ii) to expand the Common Area on the Expansion Property, as more fully provided in Article XV below.

Section 3.4. Identification of Lots. The identification number of each Lot is shown on the Plat.

Section 3.5. Description of Lots.

A. Each Lot shall be inseparable and may be developed exclusively for residential purposes in accordance with the restrictions applicable to a particular Lot contained in

the Plat and in the Planned Unit Development for Blue River Run approved by the Town of Silverthorne, and any amendments thereto (the "PUD").

B. Title to a Lot may be held individually or in any form of concurrent ownership recognized in Colorado. In case of any such concurrent ownership, each co-owner shall be jointly and severally liable for performance and observance of all the duties and responsibilities of an Owner with respect to the Lot in which he owns an interest. For all purposes herein, there shall be deemed to be only one Owner for each Lot. The parties, if more than one, having the ownership of a Lot shall agree between themselves how to share the rights and obligations of such ownership, but all such parties shall be jointly and severally liable for performance and observance of all the duties and obligations of an Owner hereunder with respect to the Lot in which they own an interest.

C. Any contract of sale, deed, lease, Mortgage, will or other instrument affecting a Lot may describe it as Lot(s)_____, Block _____, Blue River Run, Town of Silverthorne, County of Summit, State of Colorado, according to the Plat thereof recorded at Book _____, Page _____, Reception No. _____, and the Declaration recorded at Book _____, Page _____, Reception No. _____ in the records of the Clerk and Recorder of Summit County, Colorado (with the appropriate information inserted in place of the blanks set forth above).

D. Each Lot shall be considered a separate parcel of real property and shall be separately assessed and taxed.

E. No Owner of a Lot shall be entitled to bring any action for partition or division of the Common Area.

F. Subject to Section 17.6. and as provided below, each Lot shall be used and occupied solely for dwelling or lodging purposes. All of the above stated uses and occupancies shall be only as permitted by and subject to the appropriate and applicable governmental zoning and use ordinances, rules and regulations from time to time in effect. Notwithstanding the foregoing, Declarant, for itself and its successors, assigns and/or designees (which assigns may be more than one, including, without limitation, developers of certain portions of the Property), hereby retains a right to maintain on any Lot or Lots, sales offices, management offices or model residences at any time or from time to time so long as Declarant, or its successors or assigns continues to own an interest in a Lot. The use by Declarant, or its successors, assigns or designees, of any Lot as a model residence, office or other use shall not affect the Lot's designation on the Plat as a separate Lot.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS; ASSOCIATION OPERATIONS

Section 4.1. The Association. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 4.2. Transfer of Membership. An Owner shall not transfer, pledge, encumber or alienate his membership in the Association in any way, except upon the sale or encumbrance of his Lot and then only to the purchaser or Mortgagee of his Lot.

Section 4.3. Membership. The Association shall have one (1) class of membership consisting of all Owners, including the Declarant so long as Declarant continues to own an interest in a Lot. Except as otherwise provided for in this Declaration, each Member shall be entitled to vote in Association matters pursuant to this Declaration on the basis of one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised by one (1) person or alternative persons (who may be a tenant of the Owners) appointed by proxy in accordance with the Bylaws. In the absence of a proxy, the vote allocated to the Lot shall be suspended in the event more than one (1) person or entity seeks to exercise the right to vote on any one matter. Any Owner of a Lot which is leased may assign his voting right to the tenant, provided that a copy of a proxy appointing the tenant is furnished to the Secretary of the Association prior to any meeting in which the tenant exercises the voting right. In no event shall more than one (1) vote be cast with respect to any one (1) Lot.

Section 4.4. Declarant Control. Notwithstanding anything to the contrary provided for herein or in the Bylaws, Declarant shall be entitled to appoint and remove the members of the Association's Executive Board and officers of the Association to the fullest extent currently permitted under the Act. The specific restrictions and procedures governing the exercise of Declarant's right to so appoint and remove Directors and officers shall be set out in the Bylaws of the Association. Declarant may voluntarily relinquish such power evidenced by a notice executed by Declarant and recorded in the office of the Clerk and Recorder for Summit County, Colorado but, in such event, Declarant may at its option require that specified actions of the Association or the Executive Board as described in the recorded notice, during the period Declarant would otherwise be entitled to appoint and remove Directors and officers, be approved by Declarant before they become effective.

Section 4.5. Compliance with Association Documents. Each Owner shall abide by and benefit from each provision, covenant, condition, restriction and easement contained in the Association Documents. The obligations, burdens and benefits of membership in the Association shall be covenants running with each Owner's Lot for the benefit of all other Lots.

Section 4.6. Books and Records. The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to Owners and to Mortgagees, current copies of the Association Documents and the books, records, and financial statements of the Association prepared pursuant to the Bylaws. The Association may charge a reasonable fee for copying such materials.

Section 4.7. Manager. The Association may employ or contract for the services of a Manager to whom the Executive Board may delegate certain powers, functions, or duties of the Association, as provided in the Bylaws of the Association. The Manager shall not have the authority to make expenditures except upon prior approval and direction by the Executive Board. The Executive Board shall not be liable for any omission or improper exercise by a Manager of any duty, power or function so delegated by written instrument executed by or on behalf of the Executive Board.

Section 4.8. Implied Rights and Obligations. The Association may exercise any right or privilege expressly granted to the Association in the Association Documents, and every other right or privilege reasonably implied from the existence of any right or privilege given to the Association under Association Documents or reasonably necessary to effect such right or privilege. The

Association shall perform all of the duties and obligations expressly imposed upon it by the Association Documents, and every other duty or obligation implied by the express provisions of the Association Documents or necessary to reasonably satisfy any such duty or obligation.

Section 4.9. Association Meetings. Meetings of the Association shall be held at least once each year. Special meetings of the Association may be called by the President, by a majority of the Executive Board or by Owners having ten percent (10%) of the votes in the Association. Not less than ten (10) nor more than fifty (50) days in advance of any meeting, the Secretary or other officer specified in the Bylaws of the Association shall cause notice to be hand delivered or sent prepaid by United States mail to the mailing address designated in writing by the Owner. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to this Declaration or the Bylaws, any budget changes and any proposal to remove an officer or member of the Executive Board.

Section 4.10. Association Standard of Care. The duty of care which the Association owes to the Owners is that of a landowner to a licensee, notwithstanding the interest which the Owners hold in the Common Area through their membership in the Association.

Section 4.11. Security. The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to make the Property safer than it otherwise might be. NEITHER THE ASSOCIATION, DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTY. NEITHER THE ASSOCIATION, THE DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE FOR FAILURE TO PROVIDE ADEQUATE SECURITY OR FOR THE INEFFECTIVENESS OF ANY SECURITY MEASURE UNDERTAKEN. ALL OWNERS AND OCCUPANTS OF ANY LOT, AND ALL TENANTS, GUESTS AND INVITEES OF ANY OWNER, ACKNOWLEDGE THAT THE ASSOCIATION, AND ITS EXECUTIVE BOARD, DECLARANT AND ANY SUCCESSOR DECLARANT, DO NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM, OR OTHER SECURITY SYSTEM DESIGNATED BY OR INSTALLED ACCORDING TO THE DESIGN GUIDELINES ESTABLISHED BY THE DECLARANT MAY NOT BE COMPROMISED OR CIRCUMVENTED; NOR THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL PREVENT LOSS BY FIRE, SMOKE, BURGLARY, THEFT, HOLD-UP, OR OTHERWISE; NOR THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. ALL OWNERS AND OCCUPANTS OF ANY LOT AND ALL TENANTS, GUESTS AND INVITEES OF ANY OWNER ASSUME ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO LOTS, TO RESIDENTIAL DWELLINGS AND TO THE CONTENTS OF RESIDENTIAL DWELLINGS AND FURTHER ACKNOWLEDGE THAT THE ASSOCIATION, ITS EXECUTIVE BOARD, COMMITTEES, DECLARANT OR ANY SUCCESSOR DECLARANT HAVE MADE NO REPRESENTATIONS OR WARRANTIES, NOR HAS ANY OWNER, OCCUPANT, OR ANY TENANT, GUEST OR INVITEE OF ANY OWNER RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY FIRE AND/OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTY.

ARTICLE V POWERS OF THE EXECUTIVE BOARD OF THE ASSOCIATION

Section 5.1. Association Rules. From time to time and subject to the provisions of the Association Documents, the Executive Board may adopt, amend, repeal, suspend and publish rules and regulations, to be known as the "Association Rules", governing, among other things and without limitation:

(i) The use of the Common Area, including any recreational facilities which may be constructed on such property, the personal conduct of the Members and their guests, and the establishment of penalties, including, without limitation, the imposition of fines, for the infraction of such Association Rules;

(ii) The use of the Private Roads; and

(iii) The rights of a Member, including but not limited to the voting rights of a Member during any period in which such Member is in default on payment of any Assessment levied by the Association, as provided in Article XI. Such rights may also be suspended after notice and hearing for a period not to exceed ninety (90) days for an infraction of published Association Rules, unless such infraction is ongoing, in which case the rights may be suspended during the period of the infraction and for up to ninety (90) days thereafter.

A copy of the Association Rules in effect will be distributed to each Member and any change in the Association Rules will be distributed to each Member within a reasonable time following the effective date of the change.

Section 5.2. Implied Rights. The Executive Board may exercise for the Association all powers, duties and authority vested in or delegated to the Association, and not reserved to the Members or Declarant by other provisions of this Declaration or the Articles or Bylaws of the Association or as provided by law.

ARTICLE VI PROPERTY RIGHTS

Section 6.1. Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, subject to:

(i) This Declaration and any other applicable covenants;

(ii) Any restrictions or limitations contained in any deed conveying such property to the Association;

(iii) The right of the Executive Board to adopt rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(iv) The right of the Executive Board to suspend the right of an Owner to use facilities within the Common Area (i) for any period during which any charge or Assessment

against such Owner's Lot remains delinquent, and (ii) for a period not to exceed ninety (90) days for a single violation or for a longer period in the case of any continuing violation of the Declaration, any applicable Supplemental Declaration, the Bylaws or rules of the Association;

(v) The right of the Executive Board to impose reasonable membership requirements and charge reasonable membership, admission, use or other fees for the use of any facility situated upon the Common Area;

(vi) The right of the Executive Board to permit the use of any facilities situated on the Common Area by persons other than Owners, their families, lessees and guests;

(vii) The right and obligations of the Declarant and the Association, acting through its Executive Board, to restrict, regulate or limit Owners' and occupants' use of the Common Area for environmental preservation purposes; and

(viii) Any governmental or quasi-governmental rules, regulations or statutes.

Any Owner may extend his or her right to use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Executive Board. An Owner who leases his or her residential dwelling shall be deemed to assign all such rights to the lessee of such dwelling.

Section 6.2. Expansion. From time to time, Declarant may, but shall not be obligated to, expand the Common Area by written instrument recorded with the Clerk and Recorder of Summit County, Colorado, all as more fully set forth in Article XV below.

Section 6.3 Maintenance. The Association shall maintain and keep the Common Area in good repair, and the cost of such maintenance shall be funded as provided in Article XI. This maintenance shall include, but shall not be limited to, upkeep, repair and replacement of the Private Roads, water and sewer lines and appurtenances serving the Townhome Lots which are located in the Common Area and not located within the Public Road or any other publicly dedicated road, landscaping, ponds, entry features, mailboxes, walls, gates, signage, irrigation systems (including master meters relating thereto), sidewalks, driveways, perimeter fencing and improvements, if any (which shall include without limitation snow removal services), located in the Common Area. In the event the Association does not maintain or repair the Common Area, Declarant shall have the right, but not the obligation, to do so at the expense of the Association. Notwithstanding the foregoing, the Association has no responsibility for maintenance of the Public Road which is part of the public road right of way and maintained by the Town of Silverthorne or any water or sewer systems located within such publicly dedicated areas.

The majority of storm water runoff within the Common Area is directed through vegetated swales into localized detention ponds. The vegetated swales are intended to capture coarse grain solids that are carried by storm water runoff and to act as a pre-filter to the detention ponds. The detention ponds are designed with restricted outlets that are intended to allow most of the suspended solids to settle out. The Association will maintain the detention ponds on a regular basis to remove settled sediments and to retain adequate storage volume in order to maintain appropriate storm water management and water quality control.

Section 6.4. No Dedication to the Public. Nothing in this Declaration or the other Association Documents will be construed as a dedication to public use, or a grant to any public municipal or quasi-municipal authority or utility, or an assumption of responsibility for the maintenance of any Common Area by such authority or utility, absent an express written agreement to that effect.

ARTICLE VII MECHANIC'S LIENS

Section 7.1. No Liability. If any Owner shall cause any material to be furnished to his Lot or any labor to be performed therein or thereon, no Owner of any other Lot shall under any circumstances 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 or materials to his or her Lot. Nothing herein contained shall authorize any Owner or any person dealing through, with or under any Owner to charge the Common Area or any other Lot other than the Lot of such Owner with any mechanic's lien or other lien or encumbrance whatever. On the contrary (and notice is hereby given) the right and power to charge any lien or encumbrance of any kind against the Common Area or against any Owner or any Owner's Lot for work done or materials furnished to any other Owner's Lot for work done or materials furnished to any other Owner's Lot is hereby expressly denied.

Section 7.2. Indemnification. If, because of any act or omission of any Owner, any mechanic's or other lien or order for the payment of money shall be filed against the Common Area or against any other Owner's Lot or an Owner or the Association (whether or not such lien or order is valid or enforceable as such), the Owner whose act or omission forms the basis for such lien or order shall at his own cost and expense cause the same to be cancelled and discharged of record or bonded by a surety company reasonably acceptable to the Association, or to such other Owner or Owners, within twenty (20) days after the date of filing thereof, and further shall indemnify and save all the other Owners and the Association harmless from and against any and all costs, expenses, claims, losses or damages including, without limitation, reasonable attorneys' fees resulting therefrom.

Section 7.3. Association Action. Labor performed or materials furnished for the Common Area, if duly authorized by the Association in accordance with this Declaration or the Bylaws, shall be deemed to be performed or furnished with the express consent of each Owner and shall be the basis for the filing of a lien pursuant to law against the Common Area. Any such lien shall be limited to the Common Area and no lien may be effected against an individual Lot or Lots.

ARTICLE VIII PROPERTY RIGHTS OF OWNERS AND RESERVATIONS BY DECLARANT

Section 8.1. Owners' Easement of Enjoyment. Every Owner has a right and easement of enjoyment in and to the Common Area, which shall be appurtenant to and shall pass with the title to every Lot. Certain third persons will also have access to the Common Area as set forth in the Association Rules. Every Owner shall have a right of access to and from his Lot. No Owner shall hinder nor permit his guest to hinder reasonable access by any other Owner and his guest to the Lots.

Section 8.2. Recorded Easements. The Property shall be subject to all easements, licenses, covenants and restrictions as shown on any recorded plat affecting the Property and to any other easements of record or of use as of the date of recordation of this Declaration. All easements and licenses to which the Property is presently subject are set forth in Exhibit C. In addition, the Property is subject to those easements set forth in this Article VIII and elsewhere in this Declaration.

Section 8.3. Declarant's Rights Incident to Construction. Declarant, for itself and its successors and assigns, hereby reserves an easement for construction, utilities, drainage, ingress and egress over, in, upon, under and across the Common Area, together with the right to store materials on the Common Area, to build and maintain temporary walls, and to make such other use of the Common Area as may be reasonably necessary or incident to any construction of improvements on the Property; provided, however, that no such rights shall be exercised by Declarant in a way which unreasonably interferes with the occupancy, use, enjoyment, or access to Blue River Run by the Owners.

Section 8.4. Utility Easements. There are hereby reserved unto Declarant, so long as the Declarant owns any of the Property, the Association, and the designees of each (which may include, without limitation, Summit County, the Town of Silverthorne, Colorado and any utility company) easements upon, across, over and under all of the Common Area, to the extent reasonably necessary for the purpose of installing, replacing, repairing and maintaining cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, drainage systems, irrigation systems, street lights, signage and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas and electricity. The exercise of an easement shall not unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

Declarant specifically reserves the right to convey to the local water supplier, sewer authority, electric company, natural gas supplier and cable television or communications systems supplier and any other utility supplier an easement across the Property for ingress, egress, installation, reading, replacing, repairing and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the dwelling on the Lot, nor shall any utilities be installed or relocated on the Property, except as approved by the Executive Board or Declarant.

Should any entity furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, the Executive Board or Declarant shall have the right to grant such specific, descriptive easement over the Common Area without conflicting with the terms hereof. The easements provided for in this Article shall in no way adversely affect any other recorded easement on the Property.

Section 8.5. Support Easement. Each Lot is subject to a blanket easement for support and a blanket easement for the maintenance of the structures or improvements presently situated, or to be built in the future, on the Lots.

Section 8.6. Private Roads Easement. Upon submission of the Expansion Property or portions thereof to this Declaration by the filing of a Supplemental Declaration and Supplemental

Plat as herein provided for, there are hereby granted and conveyed perpetual non-exclusive easements to the Owners of Townhome Lots for ingress, egress and access purposes over and across the Private Roads. No Owner shall hinder nor permit his guest or invitee to hinder reasonable access by any other Owner, its guests, and invitees over and across the Private Roads.

Section 8.7. General Maintenance Easement. An easement is hereby reserved to Declarant, and granted to the Association, and any member of the Executive Board or the Manager, and their respective officers, agents, employees and assigns, upon, across, over, in, and under the Property and a right to make such use of the Property as may be necessary or appropriate to make emergency repairs or to perform the duties and functions which the Association is obligated or permitted to perform pursuant to the Association Documents.

Section 8.8. Association as Attorney-in-Fact. Each Owner, by his acceptance of a deed or other conveyance vesting in him an interest in a Lot, does irrevocably constitute and appoint the Association and/or Declarant with full power of substitution in the Owner's name, place and stead to deal with Owner's interest in order to effectuate the rights reserved by Declarant or granted to the Association, as applicable, with full power, right and authorization to execute and deliver any instrument affecting the interest of the Owner and to take any other action which the Association or Declarant may consider necessary or advisable to give effect to the provisions of this Section and this Declaration generally. If requested to do so by the Association or Declarant, each Owner shall execute and deliver a written, acknowledged instrument confirming such appointment. No Owner shall have any rights against the Association or Declarant or any of their officers or Directors with respect thereto except in the case of fraud or gross negligence.

Section 8.9. Declaration of Use. Any Owner may delegate his right of enjoyment to the Common Area to the members of his family, his tenants, guests, licensees and invitees, but only in accordance with and subject to the limitations of the Association Documents.

Section 8.10 Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance and other similar emergency agencies or persons to enter upon the Property in the proper performance of their duties.

Section 8.11. Easements for Pond Maintenance and Flood Water. Declarant reserves for itself and its successors, assigns and designees the nonexclusive right and easement, but not the obligation, to enter upon the ponds, streams and wetlands located within the Common Area to (a) install, keep, maintain and replace pumps in order to provide water for the irrigation of any of the Common Area; (b) construct, maintain and repair any bulkhead, wall, dam or other structure retaining water; and (c) remove trash and other debris therefrom and fulfill their maintenance responsibilities as provided in this Section. This right and easement shall be transferred to the Association at such time as Declarant may elect, in its sole discretion, to transfer such rights by a written instrument. Declarant, the Association, and their designees shall have an access easement over and across any of the Property abutting or containing any portion of any streams or wetlands to the extent reasonably necessary to exercise their rights under this Section.

There is further reserved herein for the benefit of Declarant, the Association, and their designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Lots (but not the dwellings thereon) adjacent to ponds and streams within the Property, in order to (a) temporarily flood and back water upon and maintain water over such

portions of the Property: (b) fill, drain, dredge, deepen, clean, fertilize, dye and generally maintain the ponds, streams and wetlands within the Common Area; (c) maintain and landscape the slopes, banks and surrounding areas pertaining to such ponds, streams and wetlands; and (d) enter upon and across such portions of the Property for the purpose of exercising its rights under this Section. All persons entitled to exercise these easements shall use reasonable care in, and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural disasters.

Section 8.12. Blanket Easement. Declarant hereby reserves to itself, its successors and assigns, and grants to the Association, a blanket easement upon, across, over and under the Property, with the exception of building envelopes, for the installation, replacement, repair and maintenance of drainage, ditch, utility and other service lines and systems, including but not limited to, water, sewer, gas, telephone, television, cable or communication and electric lines and systems and drainage structures and, further, for the purpose of cuts and fills and/or retaining walls adjacent to the Roads as are necessary or desirable for the proper construction, use and maintenance of the Roads. Declarant, its successors and assigns, further reserves the right, but not the obligation, and grants to the Association the right, but not the obligation, to record a document specifying the boundaries of such easements at any time after such utility lines, roadway cuts and fills and/or retaining walls, pedestrian trails or other improvements described above have been constructed.

Section 8.13. Easements for Encroachments. To the extent that any improvement constructed within the Common Area encroaches on any Lot, either currently existing or as a result of any addition or improvement pursuant to this Declaration, a valid easement for such encroachments and for the maintenance of same, so long as they exist, shall and does exist. In the event any such improvement is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachments of parts of such rebuilt improvements shall be permitted and that a valid easement for said encroachment and the maintenance thereof shall exist so long as the improvements shall stand.

Section 8.14. Reservation for Expansion. Declarant hereby reserves for itself and the Association and/or for the Owners in all future phases of Blue River Run an easement and right of way over, upon and across the Property for construction, utilities, drainage and ingress and egress from the Expansion Property, and for the use of the Common Area as may be reasonably necessary or incident to the construction of improvements on the Lots or other improvements on the Property or the Expansion Property; provided, however, that no such rights shall be exercised by Declarant in a way which would unreasonably interfere with the occupancy, use, enjoyment or access to Blue River Run by the Owners. The location of these easements and rights of way may be made certain by Declarant or the Association by instruments recorded in the office of the Clerk and Recorder, Summit County, Colorado.

Section 8.15. Declarant's Right of Assignment. Declarant reserves the right to assign any or all of its rights, obligations or interest as Declarant by recording an assignment or deed of record executed by both Declarant and the transferee or assignee in the office of the Clerk and Recorder of Summit County, Colorado, designating such party as a Successor Declarant. Upon such recording, Declarant's rights and obligations under this Declaration shall cease and terminate to the extent provided in such document.

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**ARTICLE IX
MAINTENANCE AND LANDSCAPING**

Section 9.1. Maintenance and Landscaping of Single Family Detached Custom Home Lots.

Subject to Article XVI, each Single Family Detached Custom Home Lot Owner shall be solely responsible for all landscaping, maintenance and repair of his Single Family Detached Custom Home Lot and of the exterior and interior of his residence, including all fixtures and improvements and all utility lines and equipment located therein or in, on or upon his Single Family Detached Custom Home Lot and is required to maintain the Single Family Detached Custom Home Lot and any improvements located thereon in a condition of good order and repair. No Single Family Detached Custom Home Lot Owner shall unreasonably damage the value of other Lots such as by shoddy upkeep of such Owner's Single Family Detached Custom Home Lot or any structures located on the Lot.

The Single Family Detached Custom Home Owners will be required to plant and maintain vegetated lawn areas which are intended to capture coarse grain solids carried by storm water runoff and shall act as a natural filter strip prior to discharge of storm water runoff from said Single Family Detached Custom Home Lots into adjoining lakes, creeks, wetlands or other waterways.

Additionally, the Owners of Single Family Detached Custom Home Lots 3 through 11, inclusive, shall install and maintain in perpetuity "leveler ditches" or "contour swales" in the back yards cut along a topographic contour, situate downslope of the respective homes and upslope of the adjacent lake. The swale will be vegetated and constructed at a depth of one (1) foot or more and is intended to effectively intercept all sheet flow from said Lots prior to reaching the adjacent lake and to allow sediment and solids to settle out.

Section 9.2. Maintenance and Landscaping of Townhome Lots.

Upon submission of the Expansion Property or portions thereof to this Declaration by the filing of a Supplemental Declaration and Supplemental Plat as herein provided for:

A. Subject to Article XVI, the Association shall provide exterior maintenance upon the structures of each Townhome Lot which is subject to assessment hereunder including paint, repair, replacement and care of roofs, exterior building surfaces, walks, driveways, parking areas and/or other exterior improvements, with the nature and extent of such maintenance to be as may be established from time to time by the Executive Board; provided, however, that such exterior maintenance shall not include windows or other glass surfaces.

B. Subject to Article XVI, in addition to the maintenance of the structures located on the Townhome Lots, as described in preceding paragraph 9.2.A, the Association shall be responsible for the maintenance and repair of the landscaping of those portions of each Townhome Lot which are outside the foundations of the dwelling residence constructed on each Townhome Lot. The maintenance responsibility of each Townhome Lot may be changed by the Executive Board upon a negotiated agreement signed between the Townhome Lot Owner and the Association.

C. The costs of such exterior maintenance and landscape maintenance as provided in this Section 9.2, shall be common expenses of the Association provided however that the Single Family Detached Custom Home Lot Owners shall not be subject to assessment in connection therewith.

D. The Association shall maintain and keep the Private Roads in good repair, and the cost of such maintenance shall be funded as provided in Article XI, Section 11.5. This maintenance shall include, but shall not be limited to, upkeep, repair and replacement of the Private Roads (which shall include without limitation snow removal services); provided, however: (i) the Association has no maintenance responsibility for any Owner's private driveway and (ii) the Single Family Detached Custom Home Lot Owners shall not be subject to assessment in connection therewith.

E. In connection with its maintenance and landscaping of the Townhome Lots, the Association will consider the use of fertilizers which will diminish the effect, if any, of pollution on surrounding waterways by runoff from landscaped areas within the Project.

Section 9.3. Design Review and Approvals

A. Prior to commencement of construction or planting of any vegetation, each Owner shall submit to the Design Review Board a detailed landscaping plan which includes the proposed planting of vegetation on the Lot and conforms to the Design Guidelines. The precise area and type of landscaping on each Lot shall be shown to and approved by the Design Review Board and no deviations from the landscaping plan shall take place without the express approval of the Design Review Board. Each Owner must complete the final grade and installation of all materials as shown in its landscape plan within ninety (90) days of receiving the certificate of occupancy for the dwelling unit on the Lot, unless seasonal weather does not permit. The Design Review Board shall have the power to affirmatively require a landscape plan to be carried out on a Lot which meets a reasonable standard for the project, is consistent with Design Guidelines and is comparable to and compatible with the other Lots in the project.

B. No Owner shall construct any structure or improvement or make or suffer any structural or design change (including a color scheme change), either permanent or temporary and of any type or nature whatsoever to the exterior of his residence or construct any addition or improvement on his Lot without first obtaining the prior written consent thereto from the Design Review Board pursuant to Article XVI hereto. For purposes of this Declaration, "structure or improvement" means any residence, building, fence, wall or other structure, road, driveway, parking area, swimming pool or recreational device, or any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

Section 9.4. Common Area. The Association shall maintain the Common Area as set forth in Section 6.3 above. Maintenance of the Common Area shall be performed at such time and in such a manner as the Association shall determine.

Section 9.4. Maintenance Contract. The Association or Executive Board may employ or contract for the services of a third party to perform certain delegated powers, functions or duties of the Association to maintain the Common Area and/or the Townhome Lots. The employed individual or maintenance company shall have the authority to make expenditures upon prior approval and direction of the Executive Board. The Executive Board shall not be liable for any

omission or improper exercise by the employed third party of any duty, power or function so delegated by written instrument executed by or on behalf of the Executive Board.

Section 9.5. Owner's Failure to Maintain or Repair. In the event that a Lot and the improvements thereupon are not properly maintained and repaired by an Owner, or in the event that the improvements on the Lot are damaged or destroyed by an event of casualty and the Owner does not take reasonable measures to diligently pursue the repair and reconstruction of the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction, then the Association, after notice to the Owner and with the approval of the Executive Board, shall have the right to enter upon the Lot to perform such work as is reasonably required to restore the Lot and the buildings and other improvements thereon to a condition of good order and repair. All costs incurred by the Association in connection with the restoration shall be reimbursed to the Association by the Owner of the Lot, upon demand. All unreimbursed costs shall be a lien upon the Lot until reimbursement is made. The lien may be enforced in the same manner as a lien for an unpaid Assessment levied in accordance with Article XI of this Declaration.

ARTICLE X INSURANCE AND FIDELITY BONDS

Section 10.1. General Insurance Provisions. The Association shall maintain, to the extent reasonably available:

A. Upon submission of the Expansion Property or portions thereof to this Declaration by the filing of a Supplemental Declaration and Supplemental Plat as herein provided for, property insurance on the Townhome Lots for broad form covered causes of loss; except that the total amount of insurance must not be less than the full insurable replacement costs of the insured property less reasonable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, paved areas, landscaping and other items normally excluded from property policies. Each Townhome Lot Owner shall notify the Association in writing of any additions, alterations or improvements to his Townhome Lot which increase the replacement value of his Townhome Lot and the Association shall use reasonable effort to obtain insurance on any such additions, alterations or improvements of such Townhome Lot Owner requested to do so and such Townhome Lot Owner shall make arrangements satisfactory to the Association to reimburse it for any additional premiums attributable thereto. In the event of the failure of a Townhome Lot Owner to so notify the Association or in the event additional coverage cannot be obtained by the Association after reasonable effort and a request of the Townhome Lot Owner to obtain such additional coverage, or in the event that satisfactory arrangement is not made for the payment of additional premiums by the Townhome Lot Owner, the Townhome Lot Owner shall be responsible for any deficiency in any resulting insurance loss recovery and the Association shall not be obligated to apply any insurance proceeds to restore the affected Townhome Lot to a condition better than the condition existing prior to the making of such additions, alterations or improvements. Any additional premiums attributable to a Townhome Lot for which the insurance is increased as herein provided may be the subject of a lien for nonpayment as provided in Article XI of this Declaration in the event the Association pays such premium for a Townhome Lot Owner.

B. Property insurance on the Common Area for broad form covered causes of loss; except that the total amount of insurance must be not less than the full insurable

replacement costs of the insured property less reasonable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, paved areas, landscaping and other items normally excluded from property policies; and

C. Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area by the Association, in an amount, if any, deemed sufficient in the judgment of the Executive Board, insuring the Executive Board, the Association, the Manager, and their respective employees, agents and all persons acting as agents. Declarant shall be included as an additional insured in Declarant's capacity as an Owner and Executive Board member. The Town of Silverthorne shall be included as an additional insured for so long as the Association has the responsibility for maintenance of the Dedicated Bike Path. 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 Area. The insurance shall cover claims of one or more insured parties against other insured parties.

D. The Association may carry such other and further insurance that the Executive Board considers appropriate or insurance covering the acts or omissions of officers, Directors, employees or agents of the Association, or other insurance that the Association is not obligated to carry to protect the Association or the Owners.

Section 10.2. Cancellation. If the insurance described in Section 10.1. 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.

Section 10.3. Policy Provisions. Insurance policies carried pursuant to Section 10.1. must, to the extent available, provide that:

(i) Each Owner is an insured person under the policy with respect to liability arising out of such Owner's membership in the Association;

(ii) The insurer waives its rights to subrogation under the policy against any Owner or member of his household;

(iii) 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

(iv) 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.

Section 10.4. Insurance Proceeds. The insurance proceeds for any loss covered by the property insurance policy described in Section 10.1. 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 shall hold any insurance proceeds in trust for the Owners and Mortgagees as their interests may appear. Subject to the provisions of Section 10.7. below, the proceeds must be disbursed first for the repair or restoration of the damaged

property, and the Association, Owners and Mortgagees are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored or the regime created by this Declaration is terminated.

Section 10.5. Association Policies. 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 or any equitable portion of the deductibles paid by the Association.

Section 10.6. Insurer Obligation. To the extent the following is available, an insurer that has issued an insurance policy for the insurance described in Section 10.1, shall issue certificates or memoranda of insurance to the Association and, upon request, to any Owner or Mortgagee. To the extent reasonably available, unless otherwise provided by statute, the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association and to each Owner and Mortgagee to whom a certificate or memorandum of insurance has been issued at their respective last-known addresses.

Section 10.7 Repair and Replacement.

A. Any portion of the Common Area for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- (i) The regime created by this Declaration is terminated;
- (ii) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;
- (iii) Eighty percent (80%) of the Owners vote not to rebuild; or
- (iv) Prior to the conveyance of any Lot to a person other than Declarant, the Mortgagee holding a deed of trust or mortgage on the damaged portion of the Common Area rightfully demands all or a substantial part of the insurance proceeds.

except in case of disaster
B. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If the entire Common Area is not repaired or replaced, the insurance proceeds attributable to the damaged Common Area must be used to restore the damaged area to a condition compatible with the remainder of Blue River Run, and except to the extent that other persons will be distributees, the insurance proceeds must be distributed to all the Owners or Mortgagees, as their interests may appear in proportion to the Common Expense liabilities of all the Lots.

Section 10.8. Common Expenses. Premiums for insurance that the Association acquires and other expenses connected with acquiring such insurance are Common Expenses except that the Owners of the Townhome Lots shall solely be responsible for the cost of the property

insurance described in Section 10.1.A and the Single Family Detached Custom Home Lot Owners shall not be subject to assessment in connection therewith.

Section 10.9. Fidelity Insurance. If required by the Act, fidelity bonds shall be maintained by the Association to protect against dishonest acts on the part of its Directors, officers, trustees and employees and on the part of all others who handle or are responsible for handling the funds belonging to or administered by the Association. Any such fidelity coverage shall name the Association as an obligee and such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions.

Section 10.10. Worker's Compensation Insurance. The Executive Board shall obtain worker's compensation or similar insurance with respect to its employees, if applicable, in the amounts and forms as may now or hereafter be required by law.

Section 10.11. Other Insurance. The Association shall also maintain insurance to the extent reasonably available and in such amounts as the Executive Board may deem appropriate on behalf of Directors against any liability asserted against a Director or incurred by him in his capacity of or arising out of his status as a Director. The Executive Board may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate with respect to the Association's responsibilities and duties.

Section 10.12. Insurance Obtained by Single Family Detached Custom Lot Owners. Each Single Family Detached Custom Lot Owner shall obtain and at all times maintain physical damage and liability insurance for such Owner's benefit, at such Owner's expense, covering the full replacement value of the Owner's Single Family Detached Custom Lot and residence. Each Lot Owner shall obtain and at all times maintain personal property and personal liability insurance in a limit of not less than Five Hundred Thousand Dollars (\$500,000.00) in respect to bodily injury or death to any number of persons arising out of one accident or disaster, or for damage to property, and if higher limits shall at any time be customary to protect against tort liability such higher limits shall be carried. In addition, an Owner may obtain such other and additional insurance coverage on the Lot and residence as such Owner in the Owner's sole discretion shall conclude to be desirable; provided, however, that none of such insurance coverage obtained by the Owner shall operate to decrease the amount which the Executive Board, on behalf of all Owners, may realize under any policy maintained by the Executive Board or otherwise affect any insurance coverage obtained by the Association or cause the diminution or termination of that insurance coverage. Any insurance obtained by an Owner shall include a provision waiving the particular insurance company's right of subrogation against the Association and other Owners, including Declarant, should Declarant be the Owner of any Lot. No Owner shall obtain separate insurance policies on the Common Area.

All Owners are required to maintain on file copies of all such current policies with the Association to evidence their obligations hereunder and to facilitate recovery of all appropriate awards or proceeds by the Association.

ARTICLE XI ASSESSMENTS

Section 11.1. Obligation. Each Owner, including Declarant, by accepting a deed for a Lot, is deemed to covenant to pay to the Association (i) the Annual Assessments imposed by the Executive Board as necessary to meet the Common Expenses of maintenance, operation and management of the Common Area and to perform the functions of the Association; (ii) as to the Townhome Lot Owners, those expenses relating to maintaining and insuring the Townhome Lots and the Private Roads; (iii) Special Assessments for capital improvements and other purposes as stated in this Declaration, if permitted under the Act; and (iv) Default Assessments which may be assessed against a Lot for the Owner's failure to perform an obligation under the Association Documents or because the Association has incurred an expense on behalf of the Owner under the Association Documents.

Section 11.2. Purpose of Assessments. The Assessments shall be used exclusively to promote the health, safety and welfare of the Owners and occupants of Blue River Run, for the improvement and maintenance of the Common Area and other areas of Association responsibility referred to herein, as more fully set forth in this Article below.

Section 11.3. Budget. Within thirty (30) days after the adoption of any proposed budget for the Association, the Executive 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 (14) nor more than sixty (60) days after mailing or other delivery of the summary. Unless at that meeting sixty percent (60%) of all Owners, whether or not present at the meeting, 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 Executive Board. The Executive Board shall adopt a budget and submit the budget to a vote of the Owners as provided herein no less frequently than annually. The Executive Board shall levy and assess the Annual Assessments in accordance with the annual budget.

Section 11.4. Annual Assessments. Annual Assessments for Common Expenses made shall be based upon the estimated cash requirements as the Executive Board shall from time to time determine to be paid by all of the Owners, subject to Section 11.3. above. Estimated Common Expenses shall include, but shall not be limited to, the cost of routine maintenance and operation of the Common Area; expenses of management; taxes and special governmental assessments pertaining to the Common Area and insurance premiums for insurance coverage as deemed desirable or necessary by the Association; landscaping, care of grounds within the Common Area; trash collection and removal; repair and maintenance of detention ponds within the Common Area and vegetated swales which direct storm water runoff to said ponds; routine repairs and renovations within the Common Area; repair, maintenance and replacement of the Townhome Lots and the Private Roads; wages; common water and utility charges for the Common Area; legal and accounting fees; management fees; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any default remaining from a previous assessment period; and the creation of a reasonable contingency or other reserve or surplus fund for general, routine maintenance, repairs and replacement of improvements within the Common Area (including the Private Roads) on a periodic basis, as needed.

Plaintiff's Exhibit
Exhibit 1

Annual Assessments shall be payable on a prorated basis each year in advance and shall be due on the first day of each month, calendar quarter or year, as determined by the Executive Board. The omission or failure of the Association to fix the Annual Assessments for any assessment period shall not be deemed a waiver, modification or release of the Owners from their obligation to pay the same. The Association shall have the right, but not the obligation, to make prorated refunds of any Annual Assessments in excess of the actual expenses incurred in any fiscal year. In the alternative, the Executive Board may elect to allocate any such excess Assessments to an Association working capital fund or to an Association reserve fund.

Section 11.5. Apportionment of Annual Assessments. Each Owner shall be responsible for that Owner's share of the Common Expenses, which shall be divided among the Lots on the basis of the Sharing Ratios in effect on the date of assessment, subject to the following provisions. The formula used in establishing sharing Ratios is an equal allocation among all of the Lots, except that all expenses (including, but not limited to, costs of maintenance, repair and replacement) relating to the Townhome Lots and the Private Roads shall be borne by only the Owners of the Townhome Lots.

Section 11.6. Special Assessments. In addition to the Annual Assessments authorized by this Article, the Association may levy in any fiscal year one or more Special Assessments, if permitted under the Act, payable over such a period as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of improvements within the Common Area or for any other expense incurred or to be incurred as provided in this Declaration. This Section 11.6. shall not be construed as an independent source of authority for the Association to incur expense, but shall be construed to prescribe the manner of assessing expenses authorized by other sections of this Declaration, and in acting under this Section, the Association shall make specific references to this Section. Any amounts assessed pursuant to this Section shall be assessed to Owners in the same proportion as provided for Annual Assessments in Article XI, Section 11.5., subject to the requirements that any extraordinary maintenance, repair or restoration work on fewer than all of the Lots shall be borne by the Owners of those affected Lots only; and any extraordinary insurance costs incurred as a result of the value of a particular Owner's residence or the actions of a particular Owner (or his agents, servants, guests, tenants or invitees) shall be borne by that Owner. Notice in writing in the amount of such Special Assessments and the time for payment of the Special Assessments shall be given promptly to the Owners, and no payment shall be due less than thirty (30) days after such notice shall have been given.

Section 11.7. Default Assessments. All monetary fines assessed against an Owner pursuant to the Association Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Association Documents, shall be a Default Assessment and shall become a lien against such Owner's Lot which may be foreclosed or otherwise collected as provided in this Declaration. Notice of the amount and due date of such Default Assessment shall be sent to the Owner subject to such Assessment at least thirty (30) days prior to the due date.

Section 11.8. Effect of Nonpayment; Assessment Lien. Any Assessment installment, whether pertaining to any Annual, Special or Default Assessment, which is not paid within thirty (30) days after its due date shall be delinquent. If an Assessment installment becomes delinquent, the Association, in its sole discretion, may take any or all of the following actions:

(i) Assess a late charge for each delinquency in such amount as the Association deems appropriate;

(ii) Assess an interest charge from the date of delinquency at the yearly rate of two (2) points above the prime rate charged by the Association's bank, or such other rate as the Executive Board may establish, not to exceed twenty-one percent (21%) per annum;

(iii) Suspend the voting rights of the Owner during any period of delinquency;

(iv) Accelerate all remaining Assessment installments so that unpaid Assessments for the remainder of the fiscal year shall be due and payable at once;

(v) Bring an action at law against any Owner personally obligated to pay the delinquent Assessments; and

(vi) Proceed with foreclosure as set forth in more detail below.

Assessments chargeable to any Lot shall constitute a lien on such Lot. The Association may institute foreclosure proceedings against the defaulting Owner's Lot in the manner for foreclosing a mortgage on real property under the laws of the State of Colorado. In the event of any such foreclosure, the Owner shall be liable for the amount of unpaid Assessments, any penalties and interest thereon, the cost and expenses of such proceedings, the cost and expenses for filing the notice of the claim and lien, and all reasonable attorneys' fees incurred in connection with the enforcement of the lien.

The Association shall have the power to bid on a Lot at foreclosure sale and to acquire and hold, lease, mortgage and convey the same. The Association may bid for the Lot at the foreclosure sale and acquire, hold, lease mortgage and convey the Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no Assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual Assessment, its equal pro rata share of the Assessment that would have been charged such Lot had it not been acquired by the Association. The Association may sue for unpaid Common Expenses and costs without foreclosing or waiving the lien securing the same.

The lien of the Assessments will be superior to and prior to any homestead exemption provided now or in the future by the law of the State of Colorado, at to all other liens and encumbrances except as otherwise provided in the Act.

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Section 11.9. Personal Obligation. The amount of any Assessment chargeable against any Lot shall be a personal and individual debt of the Owner of same. No Owner may exempt himself from liability for the Assessment by abandonment of his Lot or by waiver of the use or enjoyment of all or any part of the Common Area. Suit to recover a money judgment for unpaid Assessments, any penalties and interest thereon, the cost and expenses of such proceedings, and all reasonable attorneys' fees in connection therewith shall be maintainable without foreclosing or waiving the Assessment lien provided in this Declaration.

Section 11.10. Successor's Liability for Assessments. The provisions of the Act shall govern and control (a) the obligations of successors to the fee simple title of a Lot on which

Assessments are delinquent and (b) the subordination by the lien of the Assessments provided for in this Declaration. Notwithstanding the foregoing or any contrary provision herein, the lien of the Assessments shall represent a prior and senior lien and shall enjoy priority over any First Mortgage recorded subsequent to the recording of the Declaration to the extent as set forth in the Act.

Section 11.11. Payment by Mortgagee. Any Mortgagee holding a lien on a Lot may pay any unpaid Assessment payable with respect to such Lot, together with any and all costs and expenses incurred with respect to the lien, and upon such payment that Mortgagee shall have a lien on the Lot for the amounts paid with the same priority as the lien of the Mortgage.

Section 11.12. Statement of Status of Assessment Payment. Upon payment of a reasonable fee set from time to time by the Executive Board and upon fourteen (14) days' written request to the Manager or the Association's registered agent, any Owner, Mortgagee, prospective Mortgagee, or prospective purchaser of a Lot shall be furnished with a written statement setting forth the amount of the unpaid Assessments, if any, with respect to such Lot. Unless such statement shall be issued by personal delivery or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party (in which event the date of posting shall be deemed the date of delivery) within fourteen (14) days, the Association shall have no right to assert a lien upon the Lot over the inquiring party's interest for unpaid Assessments which were due as of the date of the request.

Section 11.13. Capitalization of the Association. Upon acquisition of record title to a Lot from Declarant or any seller after Declarant, each Owner shall contribute to the working capital and reserves of the Association an amount equal to twenty-five percent (25%) of the Annual Assessment determined by the Executive Board for that Lot for the year in which the Owner acquired title. Such payments shall not be considered advance payments of Annual Assessments. ^{Delete} The unused portion of the working capital deposit shall be returned to each Owner ^{Delete} without interest, upon the sale of his Lot, provided that the new purchaser of the Lot has deposited ^{both} the required working capital deposit with the Association. ^{Delete} The Executive Board shall be entitled to ^{benefit} make use of the working capital reserves in its discretion following a ten (10) day written notice of ^{contribution} its intention to so use the reserves and the purposes therefor is mailed to all of the Owners. ^{Delete} ^{Assn =} ^{will not} ^{contribute}

ARTICLE XII ASSOCIATION AS ATTORNEY-IN-FACT

Each Owner hereby irrevocably appoints the Association as the Owner's true and lawful attorney-in-fact for the purposes of dealing with any improvements covered by insurance written in the name of the Association pursuant to Article X upon their damage or destruction as provided in Article XIII, or a complete or partial taking as provided in Article XIV below. Acceptance by a grantee of a deed or other instrument of conveyance from Declarant or any other Owner conveying any portion of the Property shall constitute appointment of the Association as the grantee's attorney-in-fact, and the Association shall have full authorization, right and power to make, execute and deliver any contract, assignment, deed, waiver or other instrument with respect to the interest of any Owner which may be necessary to exercise the powers granted to the Association as attorney-in-fact.

ARTICLE XIII DAMAGE OR DESTRUCTION

Section 13.1. Role of the Executive Board. Except as provided in Section 13.6., in the event of damage to or destruction of all or part of any Common Area improvement, the Townhome Lots or other property covered by insurance written in the name of the Association under Article X, the Executive Board shall arrange for and supervise the prompt repair and restoration of the damaged Property (the Property insured by the Association pursuant to Article X is sometimes referred to as the "Association-Insured Property").

Section 13.2. Estimate of Damages or Destruction. As soon as practicable after an event causing damage to or destruction of any part of the Association-Insured Property, the Executive Board shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction. "Repair and reconstruction" as used in Article XIII shall mean restoring the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction. Such costs may also include professional fees and premiums for such bonds as the Executive Board or the insurance trustee, if any, determines to be necessary.

Section 13.3. Repair and Reconstruction. As soon as practical after the damage occurs and any required estimates have been obtained, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Association-Insured Property. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction of any damage to the Association-Insured Property, and no consent or other action by any Owner shall be necessary. Any repair and reconstruction of damaged or destroyed Roads shall, at a minimum, meet all standards approved by Summit County for the Blue River Run project. Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

Section 13.4. Funds for Repair and Reconstruction. The proceeds received by the Association from any hazard insurance carried by the Association shall be used for the purpose of repair, replacement and reconstruction of the Association-Insured Property.

If the proceeds of the Association's insurance are insufficient to pay the estimated or actual cost of such repair, replacement or reconstruction, or if upon completion of such work the insurance proceeds for the payment of such work are insufficient, the Association may, pursuant to Article XI, Section 11.6. but subject to applicable law, levy, assess and collect in advance from the Owners, (or with respect to work relating to the Townhome Lots, from only the Townhome Lot Owners) without the necessity of a special vote of the Owners, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair, replacement or reconstruction.

Section 13.5. Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for above, constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and

reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as Special Assessments, then in accordance with the then applicable Sharing Ratio, first to the Mortgagees and then to the Owners, as their interests appear or, in the reasonable discretion of the Executive Board, the balance may be paid to any maintenance or working capital reserves maintained by the Executive Board.

Section 13.6. Decision Not to Rebuild Common Area. If Owners representing at least eighty percent (80%) of the total allocated votes in the Association (other than Declarant) and fifty-one percent (51%) of the Mortgagees holding First Mortgages (based on 1.0 vote for each Mortgage which encumbers a Lot) and all directly adversely affected Owners agree in writing not to repair and reconstruct improvements within the Common Area and if no alternative improvements are authorized, then and in that event the damaged property shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition. In the event such a written agreement not to repair or reconstruct is made regarding any Road, such decision must additionally receive the written consent of the Board of County Commissioners, Summit County, Colorado, if required. Any remaining insurance proceeds shall be distributed in accordance with the Act.

ARTICLE XIV CONDEMNATION

Section 14.1. Rights of Owners. Whenever all or any part of the Common Area shall be taken by any authority having power of condemnation or eminent domain or whenever all or any part of the Common Area is conveyed in lieu of a taking under threat of condemnation by the Executive Board acting as attorney-in-fact for all Owners under instructions from any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking or conveying. The Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 14.2. Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as trustee for those Owners for whom use of the Common Area was conveyed and, unless otherwise required under the Act, the award shall be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty (60) days after such taking Declarant and Owners who represent at least sixty-seven percent (67%) of the votes of all of the Owners shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available for such restoration or replacement in accordance with plans approved by the Executive Board and the Design Review Board. If such improvements are to be repaired or restored, the provisions in Article XIII above regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be distributed in accordance with the then applicable Sharing Ratio among the Owners, first to the Mortgagees and then to the Owners, as their interests appear.

Section 14.3. Complete Condemnation. If all of the Property is taken, condemned, sold or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Common Area shall be distributed as provided in Article XIII, Section 13.5. above.

ARTICLE XV EXPANSION AND WITHDRAWAL

Blue River Run
15.1 Reservation of Expansion and Withdrawal Rights. Declarant reserves the right for itself and any Successor Declarant to subject all or any part of the Expansion Property to the provisions of this Declaration and thereby expand the Property to: (i) include up to 81 additional Lots which is presently permitted by the PUD or such greater number which may be permitted by amendment to the PUD but which in no event will exceed 108 additional Lots and (ii) to expand the Common area without consent or approval of the Owners. Declarant reserves the right for itself and any Successor Declarant at any time and from time to time to withdraw from Blue River Run and from the provisions of this Declaration any real property subject to this Declaration or subjected to this Declaration by a duly recorded Supplemental Declaration and, if necessary, Supplemental Plat prior to the time of a sale of a Lot within that phase of the Property as described in this Declaration or in said Supplemental Declaration and, if necessary, Supplemental Plat.

A. Supplemental Declarations and Supplemental Plats. Such expansion may be accomplished by the filing for record by Declarant in the office of the Clerk and Recorder for Summit County, Colorado, of one or more Supplemental Declarations and, if the real property being subject to this Declaration by such Supplemental Declaration has not been previously platted in a plat recorded in the Office of the Clerk and Recorder for Summit County, Colorado, of a Supplemental Plat depicting such Expansion Property recorded concurrently with the applicable Supplemental Declaration. The Supplemental Declaration shall set forth the Lots and other real property, if any, to be included in the expansion, together with any covenants, conditions, restrictions and easements particular to such property. The expansion may be accomplished in stages by successive supplements or in one supplemental expansion. Declarant may exercise such rights for expansion on all or any portion of the Expansion Property in whatever order of development Declarant in its sole discretion determines. Declarant shall not be obligated to expand Blue River Run beyond the number of Lots initially submitted to this Declaration.

B. Expansion of Definitions. In the event of such expansion, the definitions used in this Declaration shall be expanded automatically to encompass and refer to the Property subject to this Declaration as so expanded. For example, "Lot" shall mean the Lots as shown on the Plat plus any additional Lots added by a Supplemental Declaration or Declarations and, if necessary, Supplemental Plat or Plats, and reference to this Declaration shall mean this Declaration as supplemented. All conveyances of lots shall be effective to transfer rights in the Property as expanded.

C. Declaration Operative on New Lots.

(i) The new Lots shall be subject to all of the terms and conditions of this Declaration and of any Supplemental Declaration, upon placing the Supplemental Declaration and, if necessary the Supplemental Plat(s) depicting the Expansion Property of public record in the real estate records of Summit County, Colorado.

(ii) It is contemplated that additional Lots on the Expansion Property will be committed to this Declaration, but Declarant and any Successor Declarant shall have no affirmative obligation to construct any improvements on said additional Lots. In the event that a portion of the Expansion Property is submitted to the provisions of this Declaration, Declarant shall retain the right to, but shall not be obligated to, submit any additional portion of the Expansion Property to the provisions of this Declaration. The rights of Declarant and any Successor Declarant, as described herein, shall apply to all Lots which are added to this Declaration in accordance with these provisions relating to enlargement thereof.

(iii) No rights of any character of any owner of Lots in the Expansion Property shall attach until a Supplemental Declaration and, if necessary, a Supplemental Plat is filed of record annexing the Lots constructed in such area to Blue River Run. Upon the recording of such Supplemental Declaration and, if necessary, Supplemental Plat, the Lots constructed in the area shall be deemed to be governed in all respects by the provisions of this Declaration.

D. Effect of Expansion.

(i) Upon the inclusion of additional Lots under this Declaration by the filing of Supplemental Declaration(s) and, if necessary, Supplemental Plat(s) thereof, the Sharing Ratio applicable to a Lot shall automatically be reduced to a fraction, the numerator of which shall be one (1) and the denominator of which shall be equal to the aggregate number of Lots then subject to this Declaration. Such reduction in the Sharing Ratio appurtenant to a Lot shall be reflected and set forth in the Supplemental Declaration.

(ii) Notwithstanding any inclusion of additional Lots under this Declaration, each Owner (regardless of whether such Owner is the owner of a Lot constructed in the Expansion Property) shall remain fully liable with respect to his obligation for the payment of the Common Expenses of the Association, including the expenses for such new Common Area, costs and fees, if any. The recording of a Supplemental Declaration or Supplemental Plat shall not alter the amount of the Common Expenses assessed to a Lot prior to such recording.

Section 15.2 Termination of Expansion and Development Rights. The rights reserved to the Declarant for itself, its successor and assigns to combine Lots and for the expansion and development of the Expansion Property ("Expansion and Development Rights") shall expire twenty (20) years from the date of recording this Declaration, unless terminated earlier pursuant to the terms and provisions of the Act, or unless the Expansion and Development Rights are (i) extended as allowed by law or (ii) reinstated or extended by the Association, subject to whatever terms, conditions, and limitations the Executive Board may impose on the subsequent exercise of the Expansion and Development Rights by Declarant.

ARTICLE XVI DESIGN GUIDELINES AND REVIEW BOARD

Section 16.1. Design Review Board and Guidelines. There is hereby established a Design Review Board (the "Design Review Board"), which will be responsible for the establishment and administration of Design Guidelines to facilitate the purpose and intent of this Declaration.

Section 16.2. Purpose and General Authority. The Design Review Board will review, study and either approve or reject proposed improvements on the Property, all in compliance with this Declaration and as further set forth in the Design Guidelines and such rules and regulations as the Design Review Board may establish from time to time to govern its proceedings. No improvement will be erected, placed, reconstructed, replaced, repaired or otherwise altered, nor will any construction, repair or reconstruction be commenced until plans for the improvements shall have been approved by the Design Review Board; provided, however, the improvements that are completely within a dwelling structure may be undertaken without such approval.

Section 16.3. Board Discretion. The Design Review Board will exercise its best judgment to see that all improvements conform and harmonize with any existing structures as to external design, quality and type of construction, seals, materials, color, location on the building site, height, grade and finished ground elevation, landscaping, and the schemes and aesthetic considerations set forth in the Design Guidelines and other Association Documents. The Design Review Board, in its sole discretion, may excuse compliance with such requirements as are not necessary or appropriate in specific situations and may permit compliance with different or alternative requirements. The approval by the Design Review Board of improvements on the Property shall carry no precedential weight when reviewing subsequent requests for approvals, and the Design Review Board shall not be required to approve requests for the same or similar improvements.

Section 16.4. Design Guidelines. The Design Guidelines may include, among other things, at the sole discretion of the Design Review Board, the restrictions and limitations set forth below:

(i) Procedures and necessary fees for making application to the Design Review Board for design review approval, including the documents to be submitted and the time limits in which the Design Review Board must act to approve or disapprove any submission.

(ii) Time limitations for the completion, within specified periods after approval, of the improvements for which approval is required under the Design Guidelines.

(iii) Designation of the building site on a Lot and establishing the maximum developable area of the Lot.

(iv) Minimum and maximum square foot areas of living space that may be developed on any Lot.

(v) Landscaping regulations, with limitations and restrictions prohibiting the removal or requiring the replacement of existing trees, the type and use of plants, and other practices benefiting the protection of the environment, conservation of water, aesthetics and architectural harmony of Blue River Run.

(vi) General instructions for the construction, reconstruction, refinishing or alteration of any improvement, including any plan to excavate, fill or make any other temporary or permanent change in the natural or existing surface contour or drainage or any installation or utility lines or conduits on the Property, addressing matters such as loading areas, waste storage, trash removal, equipment and materials storage, grading, transformers and meters.

The Design Review Board may amend, repeal and augment the Design Guidelines from time to time, in the Design Review Board's sole discretion. The Design Guidelines will be binding on all Owners and other persons governed by this Declaration. Notwithstanding the foregoing, the Design Review Board is empowered in its discretion to grant variances from the requirements of the Design Guidelines under unique or unusual circumstances.

Section 16.5. Design Review Board Membership. The Design Review Board will be composed of not less than three (3) persons nor more than five (5) persons, who may generally be professional design consultants. The Design Review Board need not include any Member of the Association. All of the members of the Design Review Board will be appointed, removed and replaced by Declarant, in its sole discretion, until all the Lots comprising the Property are sold unless required otherwise by the Act, or such earlier time as Declarant may elect to voluntarily waive this right by notice to the Association, and at that time the Executive Board will succeed to Declarant's right to appoint, remove or replace the members of the Design Review Board.

Section 16.6. Organization and Operation of Design Review Board.

A. The term of office of each member of the Design Review Board, subject to Section 16.4., will be one (1) year, commencing January 1 of each year, and continuing until his successor shall have been appointed. Should a Design Review Board member die, retire or become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed as provided below.

B. So long as Declarant appoints the Design Review Board, Declarant will appoint the chairman. At such time as the Design Review Board is appointed by the Executive Board, the chairman will be elected annually from among the members of the Design Review Board by a majority vote of such members. In the absence of a chairman, the party responsible for appointing or electing the chairman may appoint or elect a successor, or if the absence is temporary, an interim chairman.

C. The Design Review Board chairman will take charge of and conduct all meetings and will provide reasonable notice to each member of the Design Review Board prior to any meeting. The notice will set forth the time and place of the meeting, and notice may be waived by any member.

D. The affirmative vote of majority of the members of the Design Review Board will govern its actions and be the act of the Design Review Board.

E. The Design Review Board may avail itself of other technical and professional advice and consultants as it deems appropriate, and the Design Review Board may delegate its plan review responsibilities, except final review and approval, to one or more of its members or to consultants retained by the Design Review Board. Upon that delegation, the approval or disapproval of plans and specifications by such member or consultant will be equivalent to approval or disapproval by the entire Design Review Board.

Section 16.7. Expenses. Except as provided in this Section below, all expenses of the Design Review Board will be paid by the Association and will constitute a Common Expense. The Design Review Board will have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the Design Review Board from time to time,

and such fees will be collected by the Design Review Board and remitted to the Association to help defray the expenses of the Design Review Board's operation. Further, the Design Review Board may retain the services of a third party consultant to assist the Design Review Board in reviewing a particular application. In such event, the Design Review Board may charge the applicant for the professional fees incurred in retaining such consultant.

Section 16.8. Other Requirements. Compliance with the Association's design review process is not a substitute for compliance with Town of Silverthorne, Summit County building, zoning and subdivision regulations, and each Owner is responsible for obtaining all approvals, licenses and permits as may be required prior to commencing construction.

Further, the establishment of the Design Review Board and procedures for architectural review will not be construed as changing any rights or restrictions upon Owners to maintain and repair their Lots and improvements as otherwise required under the Association Documents.

Section 16.9. Limitation of Liability. The Design Review Board will use reasonable judgment in accepting or disapproving all plans and specifications submitted to it. Neither the Design Review Board nor any individual Design Review Board member will be liable to any person for any official act of the Design Review Board in connection with submitted plans and specifications, except to the extent the Design Review Board or any individual Design Review Board member acted with malice or wrongful intent. Approval by the Design Review Board does not necessarily assure approval by the appropriate governmental authority or commission for the Town of Silverthorne, County of Summit. Notwithstanding that the Design Review Board has approved plans and specifications, neither the Design Review Board nor any of its members will be responsible or liable to any Owner, developer or contractor with respect to any loss, liability, claim or expense which may arise by reason of such approval of the construction of the improvements. Neither the Executive Board, the Design Review Board, nor any agent thereof, nor Declarant, nor any of its partners, employees, agents or consultants will be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the Association Documents, nor for any structural or other defects in any work done according to such plans and specifications. In all events the Design Review Board will be defended and indemnified by the Association in any such suit or proceeding which may arise by reason of the Design Review Board's decisions. The Association, however, will not be obligated to indemnify each member of the Design Review Board to the extent that any such member of the Design Review Board is adjudged to be liable for malice or wrongful intent in the performance of his duty as a member of the Design Review Board, unless and then only to the extent that the court in which such action or suit may be brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

Section 16.10. Enforcement.

A. Any member or authorized consultant of the Design Review Board, or any authorized officer, Director, employee or agent of the Association may enter upon any Lot at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect improvements constructed or under construction on the Lot to determine whether the improvements have been or are being built in compliance with the Association Documents and the plans and specifications approved by the Design Review Board.

B. Before any improvements on a Lot may be occupied, the Owner of the Lot will be required to obtain a temporary certificate of compliance issued by the Design review Board indicating substantial completion of the improvements in accordance with the plans and specifications approved by the Design Review Board, and imposing such conditions for issuance of a final certificate of compliance issued by the Design Review Board as the Design Review Board may determine appropriate in its reasonable discretion. Without limiting the generality of the preceding sentence, the Design Review Board may require that the Owner deposit with the Board such sums as may be necessary to complete the construction and landscaping on the Lot by a specified date. If the construction and landscaping is not completed as scheduled, the Design Review Board may apply the deposit to cover the cost of completing the work and enforce such other remedies as are available to the Association for the failure of the Owner to comply with these covenants, including without limitation the remedies set forth in this Section.

C. Upon completion of construction, the Design Review Board will issue an acknowledged certificate of compliance setting forth generally whether, to the best of the Design Review Board's knowledge, the improvements on a particular Lot are in compliance with the terms and conditions of the Design Guidelines.

D. Every violation of these covenants is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed for such violation by law or equity against a Member will be applicable. Without limiting the generality of the foregoing, these covenants may be enforced as provided below:

(i) The Design Review Board may adopt a schedule of fines for failure to abide by the Design Review Board rules and the Design Guidelines, including fines for failure to obtain any required approval from the Design Review Board.

(ii) The Association, upon request of the Design Review Board and after reasonable notice to the offender and, if different, to the Owner, may enter upon any Lot at any reasonable time after notice to the Owner, without being deemed guilty of trespass, and remove any improvement constructed, reconstructed, refinished, altered or maintained in violation of these covenants. The Owner of the improvement will immediately reimburse the Association for all expenses incurred in connection with such removal. If the Owner fails to reimburse the Association within thirty (30) days after the Association gives the Owner notice of the expenses, the sum owed to the Association will bear interest at the default rate from the date of the advance by the Association through the date of reimbursement in full, and all such sums and interest will be a Default Assessment enforceable as provided in Article XI.

(iii) All improvements commenced on the Property will be prosecuted diligently to completion and will be completed within one (1) year after commencement, unless an exception is granted in writing by the Design Review Board. If an improvement is commenced and construction is then abandoned for more than ninety (90) days, or if construction is not completed within the required one (1) year period, then after notice and opportunity for hearing as provided in the Bylaws, the Association may impose a fine per day of such reasonable amount as the Association may set, to be charged against the Owner of the Lot until construction is resumed, or the improvement is completed, as applicable, unless the Owner can prove to the satisfaction of the Executive Board that such abandonment is for circumstances beyond the Owner's control. Such charges will be a Default Assessment and lien as provided in Article XI.

Section 16.11. Binding Effect. The actions of the Design Review Board in the exercise of its discretion by its approval or disapproval of plans and other information submitted to it or with respect to any other matter before it, will be conclusive and binding on all interested parties.

ARTICLE XVII PROPERTY USE RESTRICTIONS

Section 17.1. General Restriction. Subject to Declarant's rights under Section 17.3., the Property will not be used for any purpose other than as set forth in these covenants, as permitted by any applicable ordinances of the Town of Silverthorne, County of Summit and the laws of the State of Colorado and the United States, and as set forth in the Association Documents or other specific recorded covenants affecting all or any part of the Property.

A. Use of Lots. Subject to Section 17.6, which permits certain business uses of a Lot, and Section 3.5.F., which permits model residences and offices under certain circumstances, each Lot may be used only for residential purposes in accordance with the restrictions applicable to a particular Lot contained in the Plat and in the ODP. No business or commercial building may be erected on any Lot and, except as noted above, no business or commercial enterprise or other non-residential use may be conducted on any part of a Lot.

(i) In connection with the maintenance and landscaping of the Single Family Detached Custom Home Lots, the owners thereof will consider the use of fertilizers which will diminish the effect, if any, of pollution on surrounding waterways by runoff from landscaped areas from their respective properties.

B. Excavation. No excavation will be made except in connection with improvements approved as provided in these covenants. For purposes of this Section, "excavation" means any disturbance of the surface of the land which results in a removal of earth, rock, trees or other substance a depth of more than eighteen (18) inches below the natural surface of the land.

C. Water and Sanitation. Each structure designed for occupancy will connect with water and sanitation facilities as are made available from time to time by any approved utility supplier.

D. Wells. No well from which water, oil or gas is produced will be dug, nor will storage tanks, reservoirs or any installation of power, telephone or other utility lines (wire, pipe or conduit) be made or operated anywhere on the Property except in connection with water wells and works operated by public agencies or duly certified public utility companies; provided, however, that the foregoing will not prevent the drilling of or installation of water wells by Declarant or its assigns.

E. Antennae. Except as may be permitted by the Association Rules, no exterior radio, television, microwave or other antennae or antennae dish or signal capture and distribution device will be permitted without the prior written consent of the Design Review Board, and appropriate screening.

F. Signs. No signs of any kind will be displayed to the public view on or from any portion of the Property except: (i) signs of Declarant or its affiliates, assigns or designees

established during the period of Declarant Control of the Executive Board (including, without limitation, certain informational and directional signs); (ii) signs required by law or "For Rent" or "For Sale" signs provided that no more than one sign is erected and such sign does not exceed a total face area of six (6) square feet unless otherwise approved in advance by the Design Review Board; (iii) signs of the type usually used by contractors or lenders during the time of construction provided those signs do not exceed a total face area of six (6) square feet; (iv) residential identification signs constructed of materials compatible with the architecture of the area and subject to prior approval of the Design Review Board prior to erection thereof; and (v) signs approved by the Design Review Board.

G. Animals and Pets. No animals, livestock or poultry of any kind will be kept, raised or bred on any portion of the Property, except dogs, cats or other household pets, the kind and number of which may be regulated, permitted or prohibited from time to time by the Association Rules. Dogs shall be kept inside a residence or garage; on a leash not to exceed ten (10) feet in length, under the direct control of the dog's owner or such owner's authorized representative. No dog runs, kennels or fenced-in areas for confinement of animals shall be permitted. To minimize chances of attracting nuisance wildlife on the Property, dogs and other pets shall not be fed outside. The Association shall prevent any contractor on the Property from bringing any dogs to the construction site, even if such dogs are kept inside vehicles. All dogs on the Property must be licensed by Summit County and wear numbered identification tags. The Association, along with Summit County, shall have the authority to enforce animal regulations.

H. Containment. Household pets, such as dogs and cats, may not be permitted to run at large at any time. Those pets which, in the sole discretion of the Executive Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Lots or wildlife shall be removed upon request of the Executive Board. If the pet owner fails to honor such request, the Executive Board may remove the pet.

I. Drainage. No Owner will do or permit any work, place any landscaping or install any other improvements of suffer the existence of any condition whatsoever which will alter or interfere with the drainage pattern for the Property, except to the extent such alteration and drainage pattern is approved in writing by the Design Review Board or of the Executive Board, and except for rights reserved to Declarant to alter or change drainage patterns.

J. Construction Regulations of the Design Guidelines. All Owners and contractors will comply with the portions of the Design Guidelines regulating construction activities. Such regulations may affect, without limitation, the following: trash and debris removal; sanitary facilities; parking areas; outside storage; restoration of damaged property; conduct and behavior of builders, subcontractors and Owners' representatives on the Property at any time; the conservation of landscape materials; and fire protection.

K. Blasting. If any blasting is to occur, the Design Review Board and Declarant will be informed far enough in advance to allow them to make such investigation as they deem necessary to confirm that appropriate protective measures have been taken prior to the blasting. No blasting shall occur without such prior written approval. Notwithstanding the foregoing, no approval of any blasting by Declarant or the Design Review Board will in any way release the person conducting the blasting from all liability in connection with the blasting, nor will such approval in any way be deemed to make Declarant or the Design Review Board liable for

any damage which may occur from blasting, and the person doing the blasting will defend and hold harmless and hereby indemnifies Declarant and the Design Review Board from any such expense or liability. Declarant or the Design Review Board may impose any reasonable conditions and restrictions, including time and date restrictions, on all blasting.

L. Temporary Structures. No temporary structures will be permitted except as may be determined to be necessary during construction and as specifically authorized by the Design Review Board.

M. No Conversion. No Owner shall construct or convert any carport, garage, attic or other unfinished space, other than a basement, to a finished space for use as an apartment or other integral part of the living area on any residence without approval of the Design Review Board, the Association and the Summit County Building Department.

N. No Outside Clotheslines. No laundry or wash will be dried or hung outside on the Property.

O. Motorized Vehicles. No trucks, trail bikes, recreational vehicles, motor homes, motor coaches, snowmobiles, campers, trailers, boats or boat trailers or similar vehicles other than passenger automobiles or pickup or utility trucks with a capacity of one-half (1/2) ton or less or any other motorized vehicles will be parked, stored or in any manner kept or placed on any portion of the Property except in an enclosed garage. This restriction, however, will not be deemed to prohibit commercial and construction vehicles and construction mobile offices, in the ordinary course of business, from making deliveries or otherwise providing services to the Property or for Declarant or the other Owners.

P. Parking and Auto Repair. No automobiles or other vehicles will be parked on the Roads or upon any portion of the Property except within garages, carports or designated parking areas except as provided in the Association Rules. No Owner will park, or permit any of said Owner's guests, tenants or invitees to park on the Private Roads in a manner which would interfere with any Townhome Lot Owner's direct access to its enclosed parking garage. No work on automobiles or other vehicle repair will be performed in any visible or exposed portion of Blue River Run except in emergencies.

Q. Abandoned, Inoperable or Oversized Vehicles. No abandoned or inoperable vehicles of any kind will be stored or parked on any portion of the Property, other than within enclosed garages, except as provided below. "Abandoned or inoperable vehicle" is defined as any vehicle which has not been driven under its own propulsion for a period of three weeks or longer; provided, however, this will not include vehicles parked by Owners while on vacation or residing away from Blue River Run. A written notice describing the "abandoned or inoperable vehicle" and requesting its removal may be personally served upon the Owner or posted on the unused vehicle. If such vehicle has not been removed within seventy-two (72) hours after notice has been given, the Association will have the right to remove the vehicle without liability, and the expense of removal will be a Default Assessment charged against the Owner as provided in Section XI. All unsightly or oversized vehicles, snow removal equipment, garden maintenance equipment and all other unsightly equipment and machinery may be required by Declarant or the Executive Board to be stored at a designated location or locations. "Oversized" vehicles, for purposes of this Section, will be vehicles which are too high to clear the entrance to a residential garage.

Parking

R. Outside Burning. There will be no exterior fires, except barbecues, outside fireplaces, braziers and incinerator fires contained within facilities or receptacles and in areas designated and approved by the Design Review Board. No Owner will permit any condition upon its portion of the Property which creates a fire hazard or is in violation of fire prevention regulations.

S. Noise. No exterior horns, whistles, bells or other sound devices except security devices used exclusively to protect the security of the Property or improvements, will be placed or used on any portion of the Property.

T. Lighting. All exterior lighting of the improvements and grounds on the Property, or interior lighting visible outside of any building, will be subject to regulation by the Design Review Board.

U. Obstructions. There will be no obstruction of the Roads or any walkways or bike paths or interference with the free use of the Roads, walkways and paths except as may be reasonably required in connection with repairs. The Owners, their families, tenants, guests and invitees are granted nonexclusive easements to use the Roads, walkways and paths within the Property. That use will be subject to the Association rules adopted by the Executive Board from time to time.

V. Camping and Picnicking. No camping or picnicking will be allowed within the Property except in those areas designated for those purposes. The Executive Board, in its discretion, may ban or permit public assemblies and rallies within the Property.

W. House Numbers. Each dwelling unit will have a house number with a design and location established by the Design Review Board.

X. Nuisance. No obnoxious or offensive activity will be carried on within the Property, nor will anything be done or permitted which will constitute a public nuisance. No noise or other nuisance will be permitted to exist or operate upon the Property so as to be offensive or detrimental to any other part of the Property or its occupants.

Y. Trash Disposal. Neither the Association nor any Owner shall maintain any dumpsite or common trash collection area on the Property. Residential trash and garbage shall be kept within a residence or attached garage until the morning of trash collection. The Association will contract with a trash collection company for weekly removal of trash from all Lots within the Property and the cost thereof shall be a Common Expense. Each Lot Owner shall be required to collect trash in individual 95 gallon "Roll-a-Waste" containers and must place the containers at the edge of the main driveway (Single Family Detached Custom Home Lots) or at the edge of main drive areas (Townhome Lots) by 7:00 a.m. for pick-up and trash removal on the service day designated by the Association. The trash collection company will not be responsible to pick up trash from any other location as designated herein.

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Z. Fences. In order to preserve the natural quality and aesthetic appearance within the Property, no fences, hedges or walls shall be erected or maintained upon the Lots except such as may be approved by the Design Review Board. No fences shall be permitted which block or impede established drainage ways or impact significant views. In reviewing any

proposed construction of fences, the Design Review Board shall apply the covenants and restrictions set forth in this Declaration or any Supplemental Declaration, any additional Design Guidelines promulgated by the Design Review Board for the project as a whole or any particular map, or phase of the project, and the reasonable discretion of the Design Review Board.

Section 17.2. General Practices Prohibited. The following practices are prohibited at Blue River Run:

- (i) Allowing construction suppliers and contractors to clean their equipment other than at a location designated for that purpose by the Design Review Board;
- (ii) Removing any rock, plant material, top soil or similar items from any property of others;
- (iii) Carrying firearms on the Property;
- (iv) Use of surface water for construction;
- (v) Careless disposition of cigarettes and other flammable materials;
- (vi) Capturing, trapping or killing of wildlife within the Property, except in circumstances posing an imminent threat to the safety of persons using the Property; or
- (vii) Any activity which materially disturbs, threatens or destroys the vegetation, wildlife, wetlands or air quality within the Property or which uses excessive amounts of water or which results in unreasonable levels of sound or light pollution.
- (viii) Contamination of any pond, detention pond, wetlands or waterway within the Property by discharging, disposing, dumping, pumping, emitting or emptying any substances which may be defined as "hazardous substances," pollutants or contaminants, "toxic substances," "hazardous chemicals," or "toxic chemicals" under applicable environmental laws.
- (ix) Use of soil sterilants;
- (x) Use or application of any pesticide or herbicide without the prior written approval of the Association. Only natural pesticides and herbicides will be approved on a limited basis.
- (xi) Use or application of any weed and feed fertilizer without the prior written approval of the Association. Weed and feed fertilizer will only be approved on a limited basis.
- (xii) Use of any fertilizer which exceeds the rate of one pound of nitrogen per 1000 square feet per application. Applications should not exceed manufacturer recommendations.

Section 17.3. Use of Property During Construction. It will be expressly permissible and proper for any Owner acting with the prior written consent of the Design Review Board and for Declarant, and their respective employees, agents, independent contractors, successors and

assigns involved in the construction of improvements on, or the providing of utility service to, the Property, to perform such activities and to maintain upon portions of the Common Area as they deem necessary such facilities as may be reasonably required, convenient, necessary or incidental to such construction and development of the Property. This permission specifically includes, without limiting the generality of the foregoing, maintaining storage areas, construction yards, model residences, sales offices, management offices and equipment and signs. However, no activity by any Owner will be performed and no facility will be maintained on any portion of the Property in such a way as to unreasonably interfere with or disturb any Owner of a Lot, or to unreasonably interfere with the use, enjoyment or access of such Owner or his tenants or guests of and to his Lot. If any Owner's use under this provision is deemed objectionable by the Design Review Board, then the Design Review Board, in its sole discretion, may withdraw this permission.

Section 17.4. Partition or Combination of Lots. No part of a Lot may be partitioned or separated from any other part thereof. No Lots may be combined, but the Owner of two or more contiguous Lots may build one single family dwelling unit on the contiguous Lots, upon complying with all applicable requirements of the town of Silverthorne, and with all applicable Design Guidelines, including without limitation procedures for adjusting building sites otherwise drawn for the Lots to accommodate a larger dwelling unit, minimum and maximum limitations of living area that may be constructed on any given number of contiguous Lots, and measures necessary to preserve any easements reserved with respect to the contiguous Lots.

The fact that two or more contiguous Lots may be owned by one person and developed with one single family dwelling unit will not affect the number of votes or the amount of Assessments allocated to the Lots. If the Owner is required by the town of Silverthorne or any other governmental authority or by a Mortgagee to replat the Lots in order to construct improvements on Lots, the number of votes and the allocation of Assessments to the Lots after replatting will equal the sum of the votes and Assessments allocated to the Lots before replatting. Each Lot will be conveyed, transferred, gifted, devised, bequeathed, encumbered or otherwise disposed of, as the case may be, with all appurtenant rights and interests created by law or by this Declaration, including the Owner's membership in the Association and the right to use the Common Area, and with the appropriate allocation of voting rights and liability for Assessments established for the Lot as provided in this Declaration.

Section 17.5. Leasing. The Owner of a Lot will have the right to lease his Lot, subject to the following conditions:

- (i) All leases will be in writing.
- (ii) The lease shall be specifically subject to the Association Documents, and any failure of a tenant to comply with the Association Documents will be a default under the lease, enforceable by the Association.
- (iii) The Owner shall be liable for any violation of the Association Documents committed by the Owner's tenant, without prejudice to the Owner's right to collect any sums by the Owner on behalf of the tenant.

Section 17.6. Businesses. No Owner shall conduct any business, trade, garage sale, moving sale, rummage sale or similar activity on any Lot, except that an Owner or occupant residing on a Lot may conduct business activities within the residence so long as: (a) the

existence of operation of the business activity is undetectable to the senses of sight, sound or smell from outside the residence; (b) the business activity conforms to all zoning requirements for the Property; (c) the business activity may be carried out within the confines of the residence and is free from regular visitation of the residence by clients, customers, suppliers or other business invitees or door-to-door solicitation of residents of the Property; and (d) the business activity is consistent with the residential character of the Property.

This subsection shall not apply to any activity conducted by the Declarant or a builder approved by the Declarant with respect to the development and sale of the Property, or the Declarant's use of any Lot.

Section 17.7. Compliance with Laws. Subject to the rights of reasonable contest, each Owner will promptly comply with the provisions of all applicable laws, regulations, ordinances and other governmental or quasi-governmental regulations with respect to all or any portion of the Property.

Further, no Owner will dispose or allow any person under the Owner's control or direction to release, discharge or emit from the Property or dispose of any material on the Property that is designated as hazardous or toxic under any federal, state or local law, ordinance or regulation.

Section 17.8. Enforcement. Notwithstanding anything in the foregoing to the contrary, the Executive Board may prohibit any activity, business or otherwise, which, in the sole direction of the Executive Board, constitutes a nuisance, or a hazardous or offensive use, or threatens the security, safety or quiet enjoyment of other residents of the Property. The Association may take such action as it deems advisable to enforce these covenants as provided in this Declaration. In addition, the Association will have a right of entry on any part of the Property for the purposes of enforcing these Articles, and any costs incurred by the Association in connection with such enforcement which remain unpaid thirty (30) days after the Association has given notice of the cost to the Owner and otherwise complied with Act will be subject to interest at the default rate from the date of the advance by the Association through the date of payment in full by the Owner, and will be treated as a Default Assessment enforceable as provided in Article XI.

Section 17.9. Use of the Words "Blue River Run" or Logo. No Person shall use the words "Blue River Run" or any derivative thereof, or any other name given to the Property by the Declarant, or the logo of the development in any printed or promotional material without Declarant's prior written consent. However, Owners may use the term "Blue River Run" in printed matter where such term is used solely to specify that particular property is located within Blue River Run and the Association shall each be entitled to use the word "Blue River Run" in its name.

ARTICLE XVIII MORTGAGEE'S RIGHTS

The following provisions are for the benefit of holders, insurers or guarantors of First Mortgages on Lots. To the extent applicable, necessary or proper, the provisions of this Article XVIII apply to this Declaration and also to the Articles and Bylaws of the Association.

Section 18.1. Approval Requirements. Unless at least fifty-one percent (51%) of the Mortgagees holding First Mortgages against any portion of the Property (based on one (1) vote for

each Mortgage owned), and at least sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, the Association shall not be entitled to:

(i) By act or omission seek to abandon, partition, subdivide, sell or transfer all or part of the Common Area (provided, however, that the granting of easements or rights of way for public utilities or for other purposes consistent with the intended use of such Common Area shall not be deemed a transfer within the meaning of this clause);

(ii) Subject to Declarant's Expansion and Withdrawal Rights, change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner;

(iii) Fail to maintain insurance required to be maintained under this Declaration;

(iv) Use hazard insurance proceeds for losses to improvements in the Common Area for other than the repair, replacement or reconstruction of such property.

Section 18.2. Title Taken by Mortgagee. Any Mortgagee holding a First Mortgage of record against a Lot who obtains title to the Lot pursuant to remedies exercised in enforcing the Mortgage, including foreclosure of the Mortgage or acceptance of a deed in lieu of foreclosure, will be liable for all Assessments assessed against such Lot, whether such Assessments were assessed prior to or after Mortgagee has taken title to such Lot.

Section 18.3. Distribution of Insurance or Condemnation Proceeds. In the event of a distribution by the Association of insurance proceeds or condemnation awards allocable among the Lots for losses to, or taking of, all or part of the Common Area, neither the Owner nor any other person shall take priority in receiving the distribution over the right of any Mortgagee who is a beneficiary of a First Mortgage against the Lot.

Section 18.4. Right to Pay Taxes and Charges. Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy for such Common Area.

ARTICLE XIX DURATION OF COVENANTS AND AMENDMENT

Section 19.1. Term. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity, subject to the termination provisions of the Act.

Section 19.2. Amendment. This Declaration, or any provision of it, may be amended at any time by Owners holding not less than sixty-seven percent (67%) of the votes possible to be cast under this Declaration at a meeting of the Owners called for that purpose, except as limited by Article XVIII. Any amendment must be executed by the President of the Association and recorded, and approval of such amendment may be shown by attaching a certificate of the Secretary of the Association to the recorded instrument certifying the approval of a sufficient number of Owners of the amendment. No amendment to the Declaration which affects the rights of Declarant reserved hereunder shall be valid without the written consent of Declarant.

Notwithstanding the foregoing, Declarant, acting alone, reserves to itself the right and power to modify and amend this Declaration and/or the Plat to the fullest extent permitted under the Act.

Section 19.3. Revocation. This Declaration shall not be revoked, except as provided in Article XIV regarding total condemnation, without the consent of all of the Owners evidenced by a written instrument duly recorded.

ARTICLE XX LIMIT ON TIMESHARING

No Owner of any Lot shall offer or sell any interest in such Lot under a "timesharing" or "interval ownership" plan, or any similar plan without the specific prior written approval of the Association and Declarant.

ARTICLE XXI GENERAL PROVISIONS

*See p. 12
more
carefully*

Article 21.1. Restriction on Declarant's Powers. Notwithstanding anything to the contrary herein, no rights or powers reserved to Declarant hereunder shall exceed the time limitations or permissible extent of such rights or powers as restricted under the Act. Any provision in this Declaration in conflict with the requirements of the Act shall not be deemed to invalidate such provision as a whole but shall be adjusted as is necessary to comply with the Act.

Article 21.2. Enforcement. Except as otherwise provided in this Declaration, the Executive Board, Declarant, or any Owner (provided the Executive Board fails to take action after reasonable notice is given to the Executive Board by such Owner) shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Executive Board of the Association, Declarant, or by any Owner to enforce any covenant or restriction contained in this Declaration shall in no event be deemed a waiver of the right to do so thereafter. The prevailing party in any legal action arising under this Declaration shall be entitled to reimbursement of all costs of such action including, without limitation, reasonable attorneys' fees.

Article 21.3. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

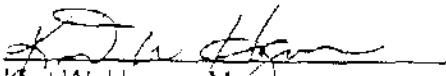
Article 21.4. Conflicts Between Documents. In case of conflict between this Declaration and the Articles and the Bylaws of the Association, this Declaration shall control. In case of conflict between the Articles and the Bylaws, the Articles shall control.

Executed by Declarant as of the day and year first above written:

DECLARANT:

ESTATES AT BLUE RIVER, LLC,
a Colorado limited liability company

BY: CBI DEVELOPMENT CO., LLC,
a Colorado limited liability company, Co-Manager

By: 
Kurt W. Hogue, Manager

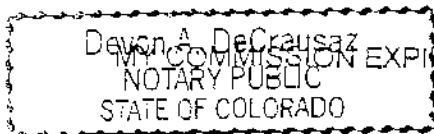
BY: BRAINARD DEVELOPMENT COMPANY, ^{CORPORATION}
a Colorado corporation, Co-Manager

By: 
Carl Brainard, President

STATE OF COLORADO)
)ss.
CITY AND COUNTY OF DENVER)


The foregoing instrument was acknowledged before me this 19 day of December, 1997,
by Kurt W. Hogue as Manager for CBI Development Co., LLC, a Colorado limited liability
company, Co-Manager of Estates at Blue River, LLC, a Colorado limited liability company.

WITNESS MY HAND AND OFFICIAL SEAL.



My Commission Expires 10/06/98

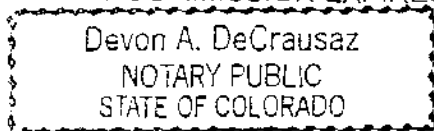
STATE OF COLORADO)
)ss.
CITY AND COUNTY OF DENVER)


Notary Public

The foregoing instrument was acknowledged before me this 19 day of December, 1997,
by Carl Brainard, President of Brainard Development Company, a Colorado corporation, Co-
Manager of Estates at Blue River, LLC, a Colorado limited liability company.

WITNESS MY HAND AND OFFICIAL SEAL.

MY COMMISSION EXPIRES: 10-06-98



My Commission Expires 10/06/98


Notary Public

EXHIBIT A-1
TO THE
DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
BLUE RIVER RUN

LEGAL DESCRIPTION OF THE PROPERTY

Lots One (1) through Thirty (30) inclusive, Block One (1) and Tracts A, B, C and D,
Blue River Run, Town of Silverthorne, Summit County, Colorado

EXHIBIT A-2
TO THE
DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
BLUE RIVER RUN

LEGAL DESCRIPTION OF THE EXPANSION PROPERTY

Blocks Two (2) through Six (6) inclusive, Blue River Run, Town of Silverthorne,
Summit County, Colorado

EXHIBIT B
TO THE
DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
BLUE RIVER RUN

SHARING RATIOS AND FORMULA

At the time of recording this Declaration, there are currently thirty (30) Single Family Detached Custom Home Lots within the Blue River Run project. The allocation of Assessments to which each Single Family Detached Custom Home Lot is subject is currently one/thirtieth- (1/30) of such Assessments. There are currently no Assessments applicable only to Townhome Lots. The Sharing Ratio and Formula is subject to adjustment as set forth in Article XV of this Declaration.

EXHIBIT C
TO THE
DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
BLUE RIVER RUN

EASEMENTS AND LICENSES OF RECORD

1. TERMS, CONDITIONS AND PROVISIONS OF LICENSE AGREEMENT BETWEEN SUMMIT EAGLES NEST AND SHIRLEY COMPANY RECORDED MARCH 29, 1993 UNDER RECEPTION NO. 440386.
2. TERMS, CONDITIONS AND PROVISIONS OF LEASE RECORDED MARCH 22, 1991 UNDER RECEPTION NO. 401264 AND RE-RECORDED APRIL 17, 1991 UNDER RECEPTION NO. 402277.