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**DECLARATION OF PROTECTIVE COVENANTS
OF
LAKESIDE AT SKYLAND**

THIS DECLARATION OF PROTECTIVE COVENANTS is executed the 14th Day of July, 1998, by S & G Holdings, LLC, a Colorado limited liability company ("Declarant").

ARTICLE 1

STATEMENT OF PURPOSE OF DECLARATION

Section 1. Ownership of Property. Declarant is the owner of the real property situate in Gunnison County, Colorado, set forth on the Plat of Lakeside at Skyland, which was filed 485471-7-28-98, 1998, in the records of the Clerk and Recorder of Gunnison County, bearing Reception No. 485471.

Section 2. Declaration. Declarant hereby creates a Planned Community on the Property under the Colorado Common Interest Ownership Act. The name of the Planned Community is the Lakeside at Skyland, and the Planned Community is located in Gunnison County, State of Colorado. Declarant hereby makes, declares and establishes the following covenants, conditions, restrictions and easements which shall affect the Property. This Declaration of Protective Covenants shall run with the Property and shall be binding upon all persons and entities having any right, title or interest in and to the Property or any Lots, tracts or parts thereof, their heirs, successors and assigns and their tenants, employees, guests and invitees and shall inure to and be for the benefit of each Owner of a Lot within the Property.

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

Section 4. Dedication. Declarant dedicates the road easements on the Plat for the benefit of Lot Owners within Lakeside at Skyland. Any roads will be operated, administered, and maintained by the Association. Declarant also dedicates all utility easements as set forth on the Plat for the use of installation, maintenance, repair, and operation of utilities.

ARTICLE 2

DEFINITIONS

The following terms and words shall have the following definitions

Section 1. "Allocated Interest" shall mean the allocated interest under CCIOA of each Lot (Unit) created in the Property and for each buildable Lot on the Property (Lots 1-7) shall be one vote in the Association and a one/seventh (1/7) share of the Common Expense liability of the Association. The share of Common Expense liability is a fraction with a numerator of one and a denominator consisting of the total number of buildable Lots within the Property. Lot 8 is not a buildable Lot and accordingly has no Allocated Interest.

Section 2. "Assessments" shall mean annual, periodic, special or default assessments levied pursuant to this Declaration to provide the funds required to meet the obligations of the Association.

Section 3. "Association" shall mean Lakeside at Skyland Association, Inc., the homeowners' association that Declarant has incorporated as a nonprofit Colorado corporation to administer and enforce this Declaration, or any successor corporation or entity charged with the duties and obligations set forth herein.

Section 4. "Association Documents" shall mean this Declaration of Protective Covenants, the Articles of Incorporation and Bylaws of the Association, any amendments thereto and any future design guidelines, rules and regulations, or policies adopted by the Association.

Section 5. "Board of Directors," "Executive Board," or "Board" are synonymous terms and shall mean the Board of Directors (Executive Board) of the Association duly elected or appointed and acting according to the Articles of Incorporation and Bylaws of the Association.

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

Section 7. "CCIOA" shall mean the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101 et seq.

Section 8. "Common Area" shall mean the road and utility easements (but not title to the underlying property), and any real estate within Lakeside at Skyland other than a Lot, including any easements and interests on or appurtenant to the Property, owned or leased by the Association. Such real estate may include, without limitation, estates in fee, estates for a term of years, leasehold estates, or easements.



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Section 9. "Common Expense" shall mean expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

Section 10. "Declaration" shall mean this Declaration of Protective Covenants, as it may from time to time be amended or supplemented.

Section 11. "Lot" shall mean a physical portion of the Property designated for separate ownership or occupancy, the boundaries of which are set forth on the Plat, and which boundaries are incorporated into this Declaration by reference. A Lot is a "Unit" under CCIOA.

Section 12. "Maintenance Fund" shall mean the fund created by assessments and fees levied pursuant to this Declaration to provide the Association with funds it requires to carry out its duties hereunder.

Section 13. "Member" shall mean a member of the Association.

Section 14. "Mortgage" shall mean any mortgage, deed of trust, or other document pledging a Lot or interest therein as security for the payment of indebtedness.

Section 15. "Occupant" shall mean a lessee or licensee of an Owner, or any other person or entity other than an Owner, in lawful possession of a Lot with the permission of the Owner.

Section 16. "Owner" shall mean any person or entity that is the owner of title to any Lot within the Property, whether recorded or not, excluding any entity or person who holds such interest as security for the payment of an obligation, but including contract sellers and any mortgagee or other security holder in actual possession of a Unit.

Section 17. "Plat" shall mean the Plat of Lakeside at Skyland, which was filed 7-23-98, 1998, in the records of the Clerk and Recorder of Gunnison County, bearing Reception No. 485470, and any revisions or amendments thereto.

Section 18. "Property" shall be that real property situate in Gunnison County, Colorado, set forth on the Plat.

Section 19. "Skyland Covenants" shall mean the declaration and covenants of Skyland, Initial Filing, recorded in Book 574 at page 141 of the Gunnison County records, and any amendments thereto.

Section 20. "Skyland Design Guidelines" shall mean those Design Guidelines adopted pursuant to the Skyland Covenants.



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Section 2. Water and Sewage Disposal Systems. All Buildings designed for human occupancy shall be connected to the sewage disposal system operated by the East River Regional Sanitation District and the water system operated by Skyland Metropolitan District.

Section 3. Temporary Structures. No temporary structure shall be permitted on any Lot, except only as may be necessary during the period of construction of a home or other building.

Section 4. Trash. No trash, ashes, garbage, or other refuse shall be allowed to accumulate or be placed on any Lot or area within the Property

Section 5. Nuisance. No activity that is obnoxious or offensive as determined by a reasonable and objective standard shall be carried on within the Property; nor shall anything be done or permitted which shall constitute a public nuisance. No noise or other nuisance shall be permitted upon the Property which is offensive or detrimental as determined by a reasonable and objective standard to any other part of the Property or its Owners or Occupants, provided, however, that this Section shall not apply to any reasonable, usual noise or other activity involving construction of any Improvements.

ARTICLE 6

LAKESIDE AT SKYLAND ASSOCIATION, INC.

Section 1. Government of Association. Declarant has created a nonprofit corporation to operate as a homeowners' association for and govern Lakeside at Skyland. This homeowners' association is called Lakeside at Skyland Association, Inc., a Colorado non-profit corporation. The Association shall be governed by and shall exercise all of the duties, privileges and obligations set forth in this Declaration and the Association's Articles of Incorporation and Bylaws. The Association shall be managed by the Executive Board, or Board of Directors. The number of Directors of the Executive Board and the terms of the Directors shall be set forth in the Association's Articles of Incorporation or Bylaws. The Directors shall be elected by majority vote of the Members, except for those Directors initially appointed by the Declarant.

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

Section 3. Termination of Membership. The right of membership in the Association and the status as a Member shall terminate upon the termination of ownership of Lot or land which is subject to this Declaration. Upon conveyance, sale or assignment



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of the Owner's interest, the selling Owner shall be relieved of liability for assessments levied from and after the date of such sale or conveyance; provided, however, that no such sale or conveyance of any ownership shall relieve an Owner of personal liability arising prior to the date of such sale or conveyance.

Section 4. Voting Rights. All Owners shall be Members of the Association. The Owner of each Lot shall be entitled to one vote in the Association. The one vote for each Lot shall be exercised by the Owner and, when more than one person or entity holds an interest in a Lot, the vote for the Lot shall be exercised as the Owners may determine among themselves, but the vote for the Lot shall be cast by only one person.

Section 5. Compliance with Association Documents. Each Owner shall abide by and have the benefit of the provisions, covenants, conditions, and restrictions contained in the Association Documents, as they apply to the Owner's Lot or property and use of Association property and easements.

Section 6. Rules and Regulations. The Association may from time to time adopt, amend, and repeal reasonable rules and regulations not inconsistent with this Declaration governing:

6.1 The use of any private road easement on the Property.

6.2 The use of Association property, if any.

Section 7. Grant of Utility and Access Easements. The Declarant hereby authorizes and empowers the Association as its attorney-in-fact to give and grant a utility easement for the installation, construction and maintenance of underground utilities over and across any road easement on the Plat. The owner of each Lot, by virtue of such ownership, hereby authorizes and empowers the Association, as its attorney-in-fact, to give and grant a utility easement and right of way at any location necessary for the installation, construction and maintenance of underground utilities if the road easement does not provide a sufficient and practicable underground utilities location to the Lot line of any Lot. Any such additional easement shall be reasonably located and shall be designed to avoid conflicts or burdens with the Lot owner. Declarant dedicates the use of the road right of way as set forth on the Plat for use for utilities to serve the Lot Owners.

Section 8. Road Maintenance and Dust Control. All roads within the Property shall be constructed in accordance with any road or driveway permits issued by Gunnison County, Colorado. Upon completion of construction of the roads, all maintenance, repairs, and snow plowing and supervision shall be the duty of and vested in the Association. The Association is authorized to:

8.1 Be responsible for maintenance, repair, dust suppression, and snowplowing of the road easement on the Property.



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- 8.2 Develop in cooperation with the Gunnison County Weed Control Specialist and carry out the terms of an Earthmoving Site Revegetation and Noxious Weed Control Plan covering those disturbed areas of road construction.

Section 9. Notice. The Association shall provide written notice of assessments and other matters requiring Member voting or action. The Association shall maintain a list of the current mailing address of all Owners of Lots within the Property. Owners are responsible for providing current mailing addresses to the Association. Notice shall be sufficient if (1) accomplished by personal delivery; (2) left at the Owner's residence with a member of the Owner's family who is over the age of 18; or (3) sent by U.S. Mail or overnight delivery to the Owner's mailing address on file with the Association. In the above cases, Notice shall be deemed given (1) at the date of delivery; (2) the date notice is left; or (3) the date of delivery if by overnight delivery or, if by U.S. Mail, three days after the notice is deposited with the Postal Service. Any notice required in the Articles of Incorporation or By-Laws shall be provided in the same manner as stated above. In genuine emergencies, notice need not be written and can be given by other reasonable methods suited to the nature of the emergency, such as telephone or facsimile.

ARTICLE 7

ASSESSMENTS

Section 1. Creation of Lien. Each Owner of any Lot by acceptance of a Deed therefor, whether or not it shall be so expressed in any Deed, is deemed to covenant and agree to pay to the Association all regular, special and default assessments or charges, all of which shall be fixed, established and collected as determined by the Association. The annual, special and default assessments, together with interest, costs and reasonable attorney's fees, shall be a charge and continuing lien upon the Lot or land against which each such assessment is made until paid. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall be the personal obligation of the Owner of such Lot at the time when the assessment became due.

All such assessments shall be adopted and assessed in the manner set forth in this Article 7.

Section 2. Purpose of Assessments. The assessments levied by the Association may be used for the following:

- 2.1 The improvement, maintenance, repair of and snow removal from any road within or serving the Property.
- 2.2 Landscaping and maintenance of common electrical fixtures.
- 2.3 The maintenance, repair, or other improvement required to be made by any Owner to any improvement on any Lot which the Owner fails to do.

- 2.4 The operation of the Association in the performance of its duties.
- 2.5 Any other purpose approved by a majority vote of the members of the Association or by a two-thirds vote of the Board.

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

- 3.1 Regular Assessments. Assessments for the business and operation of the Association pertaining to all Members of the Association and to be apportioned and allocated equally among all Lots.
- 3.2 Special Assessments. Special assessments for the purpose of construction, improvement, repair, replacement, enlargement or other special purposes pertaining to a specific or special matter. Special assessments shall be apportioned and allocated equally among all Lots, unless such special assessment benefits substantially fewer than all Lots, in which event such special assessment shall be levied against only the Lots so benefitted. The Board shall have reasonable discretion in apportioning responsibility to pay special assessments.
- 3.3 Road Assessments. Assessments for the purpose of construction, improvement, repair, replacement, dust suppression and/or snow removal from roads serving the Property. All regular assessments shall be apportioned and allocated equally among all Lots.

Section 4. Regular Assessments. Prior to the beginning of each fiscal year of the Association, the Board of Directors shall prepare and adopt a budget and determine, levy, and assess the Association's regular and road assessments for the following year.

Section 5. Special Assessments. In addition to the regular assessments set forth in Section 4 of this Article, the Board of Directors may levy in any fiscal year one or more special assessments. Notice of the amount and due dates for such special assessments shall be sent to each Owner at least thirty days prior to the due date.

Section 6. Assessment for Each Lot. All regular assessments shall be apportioned and allocated equally among all Lots. All special assessment shall be apportioned and allocated equally among all Lots unless such special assessment benefits substantially fewer than all Lots, in which event such special assessment shall be levied against only the Lots so benefitted. All road assessments shall be apportioned equally among all Lots.

Section 7. Default Assessments. Any expense of the Association which is the Obligation of an Owner or which is incurred by the Association on behalf of or because of an Owner, shall be a default assessment and shall become a lien against such Owner's

Lot and may thereafter be foreclosed or otherwise collected as provided herein. Notice of the amount and due date of such default assessment shall be sent to the Owner subject to such assessment at least thirty days prior to the due date.

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

- 8.1 Assess a late charge of at least 10% of the amount due and owing per delinquency.
- 8.2 Assess an interest rate charge from the date of delinquency at 18% per year, or such other rate not contrary to law as shall be established by the Board of Directors.
- 8.3 Suspend the voting rights of the owner during any period of delinquency.
- 8.4 Bring an action against any Owner personally obligated to pay the delinquent assessment.
- 8.5 File a Statement of Lien with respect to the Lot and foreclose such lien in the manner hereafter set forth. The Association may file a Statement of Lien by recording with the Clerk and Record of Gunnison County, Colorado, a written statement with respect to the Lot, setting forth the name of the Owner, the legal description of the Lot, the name of the Association and the amount of the delinquent assessments then owing, which Statement shall be signed and acknowledged by the President, Vice President, Secretary, attorney, manager, or other representative of the Association and which shall be sent by Certified mail, postage prepaid, to the Owner of the Lot at such addresses the Association may have in its records as to the owner. Ten days following the mailing of such Notice, the Association may proceed to record and foreclose the Statement of Lien in the same manner as provided for foreclosure of mortgages under the statutes of the State of Colorado. Such Statement of Lien shall secure all assessments accruing or assessed subsequent to the date of recording of such Statement of Lien until the same has been satisfied and released, together with the Association's attorneys' fees and costs incurred in the preparation and recording of such Statement of Lien and any release thereof. In any action for the payment or foreclosure of such assessment, the Association shall be entitled to recover as part of the action, the interest, costs, and reasonable attorneys' fees with respect to the action. The filing of a recorded Statement of Lien is a remedy to be considered cumulative with all others and does not affect the validity of any automatic lien for unpaid assessments as provided by CCIOA.

Section 9. Priority of Lien. A lien under this Article is prior to all other liens and encumbrances on a Lot except:

- 9.1 liens and encumbrances recorded before the recordation of this Declaration;
- 9.2 a security interest on the Lot which has priority over all other security interests on the Lot and which was recorded before the date on which the assessment sought to be enforced became delinquent; and
- 9.3 liens for real estate taxes and other governmental assessments or charges against the Lot.

Section 10. Six Month Priority. A lien under this Article is also prior to the security interests described in section 9 of this Article to the extent of an amount equal to the Common Expense assessments based on a periodic budget adopted by the Association which would have become due, in the absence of any acceleration, during the six months immediately preceding institution by either the Association or any party holding a lien senior to any part of the Association lien created under this Article of an action or a nonjudicial foreclosure either to enforce or to extinguish the lien.

Section 11. Successor's Liability for Assessment. In addition to the personal obligation of each Owner of a Lot to pay all assessments and the Association's lien on a Lot for such assessments, all successors to the ownership of Lot shall be jointly and severally liable with the prior Owner for any and all unpaid assessments, interest, costs, expenses, penalties, and attorneys' fees against such Lot.

ARTICLE 2

ENFORCEMENT OF COVENANTS

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

Section 2. Failure to Comply. The failure to comply herewith shall be grounds for an action to recover damages, for injunctive relief and/or for specific performance. Reasonable notice and an opportunity for a hearing shall be provided by the Association to any delinquent Owner prior to commencing any legal proceedings, except for unpaid assessments or where the safety of persons or property is threatened.

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

- 3.1 By the Association.
- 3.2 By the Owner of any Lot.
- 3.3 By any Member of the Association.

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

ARTICLE 9

DURATION OF COVENANTS

Section 1. Term. The term of this Declaration of Protective Covenants, and any amendments or supplements thereto, shall be from the date of recording in the records of Gunnison County, Colorado, until January 1, 2030. Thereafter, this Declaration of Protective Covenants shall be automatically extended for five successive periods of ten years each, unless otherwise terminated or amended as hereafter provided.

Section 2. Amendment. This Declaration of Protective Covenants, or any provision thereof, may only be terminated, extended, modified or amended as to the Property subject to the Protective Covenants, or any portion thereof, upon the written consent by the Owners of 87% or more of the Lots in the Property. Any such amendment shall be by an instrument or instruments duly executed, acknowledged and recorded in the records of Gunnison County, Colorado, and upon such recording shall be for the benefit of and be binding on All Owners of Lots within the Property.

Section 3. Amendment by Declarant. Notwithstanding the provisions of Section 2 above, Declarant reserves the right and power to modify or amend this Declaration and/or the Plat for any ministerial, technical, or corrective purposes by executing and recording such amendment in the records of Gunnison County, Colorado. This right to modify or amend this Declaration or the Plat shall be effective until two-thirds of all Lots within the Property have been conveyed by a recorded instrument of conveyance to a person or persons other than Declarant.

Section 4. Mortgage Holder Approval Not Required. The Declaration and/or Plat may be amended as set forth above in Sections 2 and 3, and such amendment shall be effective against the holders of Mortgages encumbering Lots in the Property notwithstanding the fact that such holders of Mortgages have not approved such amendment.

ARTICLE 10

PRINCIPLES OF INTERPRETATION

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

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

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

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

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

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

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

Section 8. Interest. Any sums, amounts or monies due and owing to the Association under the Association documents shall bear interest at 18% per year from the date due until paid.

Section 9. Partition of Lots. No part of a Lot may be partitioned, separated, or subdivided from any other part thereof.

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



S & G Holdings, LLC
a Colorado limited liability company

By: Gary F. Garland
Gary F. Garland, Member

STATE OF COLORADO)
) ss.
County of Gunnison)

This Declaration of Protective Covenants was acknowledged before me this 14th Day of July, 1998, by Gary F. Garland, as Member of S & G Holdings, LLC, a Colorado limited liability company.

Witness my hand and official seal
My Commission expires: 4/4/99

[SEAL]



Gloria R. Beisecker
Notary Public