

316791

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

STEPHANIE L. FANOS
ATTORNEY AT LAW
P.O. BOX 3727
398 WEST COLORADO AVENUE
TELLURIDE, COLORADO 81435

SPACE ABOVE THIS LINE RESERVED FOR USE BY RECORDER

**CONDOMINIUM DECLARATION
FOR
THE TERRACES AT MEADOWS RUN
A CONDOMINIUM COMMUNITY**

THIS DECLARATION, is made on the date hereinafter set forth, by 651 A & B, LLC, a Colorado limited liability company, with an address of 137 West Colorado Avenue, P. O. Box 3629, Telluride, Colorado 81435 (hereinafter, "Declarant").

RECITALS

(a) Declarant is the owner of certain real estate in San Miguel County, State of Colorado, which is more particularly described as set forth in Exhibit "A", attached hereto and by reference made a part hereof, and;

(b) Declarant desires to create a Condominium Common Interest Community on the real estate described in Exhibit "A", the name of which is "THE TERRACES AT MEADOWS RUN," wherein portions of the real estate described in Exhibit "A" will be designated for separate ownership and the remainder will be designated for common ownership by all Unit Owners; and

(c) Declarant has caused to be incorporated under the laws of the State of Colorado, "The Terraces Home Owners Association, Inc.," a Colorado nonprofit corporation, for the purpose of exercising the functions as herein set forth.

NOW, THEREFORE, the Declaration is stated as follows:

**ARTICLE 1
SUBMISSION/DEFINED TERMS**

SECTION 1.01 SUBMISSION OF REAL ESTATE. The Declarant hereby submits the real estate described in Exhibit "A", and such additional real estate as may be subsequently added, pursuant to the expansion rights reserved in this Declaration, together with all easements, rights, and appurtenances thereto and the buildings and improvements erected or to be erected thereon pursuant to the provisions of the Colorado Common Interest Ownership Act, C.R.S. §§ 38-33.3-101, *et seq.*, as it may be amended from time to time (the "Act") and to the terms and conditions of this Declaration. In the event the Act is

repealed, the Act on the effective date of this Declaration shall remain applicable. Further, Declarant hereby declares that all of the Real Estate described in Exhibit "A", and as added by expansion, shall be held or sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of the Real Estate, and which shall run with, the Real Estate and be binding on all parties having any right, title or interest in the Real Estate or any part thereof, their heirs, legal representatives, successors, and assigns and shall inure to the benefit of each Unit Owner thereof.

SECTION 1.02 DEFINED TERMS. Each capitalized term in this Declaration or in the Map shall have the meaning specified or used in the Act, unless otherwise defined in this Declaration.

- (a) Act. "Act" shall mean the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101 *et seq.*, as it may be amended from time to time.
- (b) Articles of Incorporation. "Articles of Incorporation" or "Articles" shall mean the Articles of Incorporation of The Terraces Home Owners Association, Inc.
- (c) Association. "Association" shall mean the Colorado nonprofit corporation known as The Terraces Home Owners Association, Inc. organized pursuant to C.R.S. § 38-33.3-301, which shall govern the affairs of the Common Interest Community, herein.
- (d) Bylaws. "Bylaws" shall mean the Bylaws of The Terraces Home Owners Association, Inc.
- (e) Common Elements. "Common Elements" means the Real Estate within this Common Interest Community and all improvements constructed thereon, except the Units.
- (f) Common Expenses. "Common Expenses" shall mean expenditures made for liabilities incurred or to be incurred by or on behalf of the Association, together with any allocations to reserves.
- (g) Common Expense Assessments. "Common Expense Assessments" shall include, in supplementation to the definition of Common Expense Assessments included in the Act, late charges, attorneys' fees, fines and interest charged by the Association.
- (h) Common Interest Community Map, Condominium Map or Map. "Map" shall mean the Condominium Common Interest Community map or plat, for The Terraces at Meadows Run, including any supplements and amendments thereto, recorded in the official records of the Clerk and Recorder, County of San Miguel, State of Colorado, with a registered surveyor certifying layout of the buildings, the horizontal and vertical boundaries of each Unit, together with Unit numbers identifying the Units, the Common Elements, Limited Common Elements, and such other information as may be included thereon, in the discretion of the Declarant and pursuant to the terms of C.R.S. § 38-33.3-2.09 and any requirements of the County of San Miguel.
- (i) Declarant. "Declarant" is 651 A & B, LLC, a Colorado limited liability company.
- (j) Declaration. "Declaration" mean this Declaration of The Terraces at Meadows Run, and shall include the Map or plat for The Terraces at Meadows Run, a Condominium Common Interest

Community, and all amendments and supplements thereto, recorded in the property records of the Clerk and Recorder of San Miguel County, Colorado.

- (k) Eligible Holder. "Eligible Holder" shall mean a holder, insurer or guarantor of a first lien Security Interest who has delivered a written request to the Association containing its name, address, the legal description and the address of the Unit upon which it holds a Security Interest.
- (l) Executive Board. "Executive Board" shall mean the Executive Board of The Terraces Home Owners Association, Inc., designated, pursuant to this Declaration, the Articles, and the Bylaws, to act on behalf of the Association.
- (m) Improvements. "Improvements" means structures and landscaping installed within or upon a Unit.
- (n) Limited Common Elements. "Limited Common Elements" means those portions of the Common Elements, designated by Declarant for the exclusive use of one or more but fewer than all of the Units.
- (o) Person With a Disability. "Person With a Disability" means and includes any person with a "handicap," as defined under the Federal Fair Housing Act and the regulations adopted by the federal government in connection therewith, as such statute and regulations may be amended from time to time.
- (p) Real Estate. "Real Estate" shall mean the real estate described in Exhibit "A", and such additional real estate as may be subsequently added pursuant to expansion rights reserved in this Declaration.
- (q) Rules and Regulations. "Rules and Regulations" shall mean any instruments, however denominated, which are adopted by the Association for the regulation and management of the The Terraces at Meadows Run, including any amendments to those instruments. In each case of adoption, copies of such Rules and Regulations shall be provided to all Unit Owners.
- (r) Unit. "Unit" shall mean and refer to a physical portion of the Common Interest Community, designated for separate ownership, shown as a Unit on the recorded Map for the Common Interest Community, identified in Exhibit "B" and the boundaries of which are defined in Article 4 of this Declaration, together with an undivided percentage interest in the Common Elements appurtenant thereto, and all other rights and burdens created by this Declaration.
- (s) Unit Owner or Owner. "Unit Owner" or "Owner" shall mean the person or persons, entity or entities, who own of record, according to the real property records of San Miguel County, Colorado, fee simple title to a Unit. "Owner" shall not include any mortgagee as herein defined or any person having an interest in a Unit solely as security for an obligation. "Owner" shall include Declarant to the extent it is the owner of fee simple title to a Unit or Units.

ARTICLE 2
NAMES/DESCRIPTION OF REAL ESTATE

SECTION 2.01 NAME AND TYPE.

- (a) Common Interest Community. The type of Common Interest Community is a Condominium Community. The name of the Common Interest Community is "The Terraces at Meadows Run," a Condominium Community.
- (b) Association. The name of the Association is "The Terraces Home Owners Association, Inc."

SECTION 2.02 REAL ESTATE. The Common Interest Community is located on the Real Estate more particularly described in Exhibit "A", hereto. All easements and licenses to which the Common Interest Community is presently subject are recited in Exhibit "A". In addition, the Common Interest Community may be subject to other easements or licenses granted pursuant to this Declaration, the Condominium Map, or granted by authority reserved in any recorded document or established in the Act.

SECTION 2.03 COMMON INTEREST COMMUNITY MAP. Declarant shall concurrently with the execution and recording of this Declaration, file the Common Interest Community Map.

SECTION 2.04 UTILITY EASEMENTS. Easements for utilities over and across the Common Elements shall be those shown upon the Map of the Common Interest Community, and such other easements as may be established pursuant to the provisions of this Declaration, or granted by authority reserved in any recorded document.

SECTION 2.05 EASEMENTS FOR THE EXECUTIVE BOARD. Each Unit shall be subject to an easement in favor of the Executive Board (including its agents, employees and contractors) and to each Unit Owner to allow for their performance of obligations in this Declaration. On exercising this easement right, the party exercising the right shall be responsible for any resulting damages, and a lien therefore is authorized and established against that party's property, pursuant to this Declaration.

SECTION 2.06 EMERGENCY EASEMENTS. A nonexclusive easement for ingress and egress is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons, now or hereafter servicing the Common Interest Community, to enter upon any part of the Common Interest Community in the performance of their duties.

SECTION 2.07 CONSTRUCTION EASEMENT. Each Unit shall be subject to an easement in favor of the Declarant for the purpose of constructing and installing improvements, including structural improvements and utilities within the Unit, associated Limited Common Elements and Common Elements for the benefit of an adjoining Unit or Units. The easement herein granted shall allow the Declarant and/or its contractor to have access to any Unit upon reasonable notice and for a reasonable period of time, not to exceed two (2) weeks, for the purpose of constructing and installing improvements, including structural improvements and utilities in the ceilings, walls and floors of any Unit for the benefit of any other adjoining Unit or Units. All work may be performed by the Declarant and/or Declarant's contractor without the consent or approval of a Unit Owner or holder of a security interest therein. The exercise of this construction easement by the Declarant or the Declarant's contractor shall not constitute a violation of the Owner's right to quiet enjoyment of his or her Unit. Declarant is obligated to repair and restore the Unit

to its original condition following the construction or installation of improvements and to hold the Unit Owner harmless from any and all expense, cost, or damage associated with the construction or installation of improvements for the benefit of adjoining Unit or Units.

**ARTICLE 3
THE ASSOCIATION**

SECTION 3.01 GENERAL PURPOSES AND POWERS. The Association, through its Executive Board, shall perform functions and manage the Common Interest Community as provided in this Declaration so as to further the interests of the residents, occupants, tenants and guests of the Common Interest Community and members of the Association. Any purchaser of a Unit shall be deemed to have assented to, ratified and approved such designation and management. The Association shall have all power necessary or desirable to effectuate such purposes.

SECTION 3.02 AUTHORITY. The business affairs of the Common Interest Community shall be managed by the Association. The Association shall be governed by its Bylaws, as amended from time to time. The Executive Board, may, by written resolution delegate authority to a manager or managing agent for the Association, provided no such delegation shall relieve the Board of final responsibility.

SECTION 3.03 SPECIFIC POWERS. The Association shall have the powers, authority and duties as follows and as necessary and proper to manage the business and affairs of the Common Interest Community. The Association shall have all of the powers, authority and duties permitted or set forth in Section 38-33.3-302 of the Act. The Association shall have the power to:

- (a) Adopt and amend Bylaws, Rules and Regulations, subject to the provisions of the Declaration;
- (b) Hire and terminate managing agents and other employees, agents, and independent contractors;
- (c) Adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses for owners;
- (d) Institute, defend, or intervene in litigation or administrative proceedings in its own name, on behalf of itself or two (2) or more Unit Owners, on matters affecting the Common Interest Community;
- (e) Make contracts and incur liabilities;
- (f) Regulate the use, maintenance, repair, replacement and modification of Common Elements;
- (g) Cause additional Improvements to be made as a part of the Common Elements;
- (h) Acquire, hold, encumber, and convey in its own name any rights, title, or interest to real or personal property. Notwithstanding anything herein to the contrary, portions of the Common Elements may be conveyed or subjected to a security interest of the Association

only if persons entitled to cast at least eighty percent (80%) of the votes allocated to Units not owned by Declarant, agree to that action except that, all owners of Units to which any Limited Common Element is allocated must agree, in order to convey that Limited Common Element or subject it to a security interest;

- (i) Grant easements, releases, licenses, and concessions through or over the Common Elements;
- (j) Impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements other than Limited Common Elements;
- (k) Impose charges for late payment of assessments, recover reasonable attorney's fees and other legal costs, for collection of assessments, and other actions to enforce the power of the Association, regardless of whether or not suit was initiated, and, after notice, and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association;
- (l) Impose reasonable charges for preparation and recordation of supplements or amendments to the Declaration or statements of unpaid assessments;
- (m) Provide for the indemnification of its officers and Executive Board and maintain directors' and officers' liability insurance;
- (n) Assign its right to future income, including the right to receive Common Expense Assessments, but only if at least seventy-five percent (75%) of the votes in the Association, including seventy-five percent (75%) of the votes allocate to Units not owned by Declarant, agree to that action;
- (o) Exercise all of the powers that may be exercised in the State of Colorado by nonprofit corporations; and
- (p) Exercise any other power necessary and proper for the governance and operation of the Association.

SECTION 3.04 MEMBERSHIP. Every person who is a record Unit Owner of a fee interest in any Unit which is subject to this Declaration shall be a member ("Member") of the Association, including contract sellers. Membership shall be appurtenant to and may not be separated from ownership of any Unit. Ownership of such Unit shall be the sole qualification for such membership.

SECTION 3.05 EXECUTIVE BOARD. The affairs of the Common Interest Community and the Association shall be governed by an Executive Board which, until the termination of the period of Declarant Control, shall consist of three persons, and following such date shall consist of three persons, the majority of whom, excepting the Directors appointed by the Declarant, shall be Unit Owners.

SECTION 3.06 ASSOCIATION AGREEMENTS. Any agreement for professional management of the Common Interest Community may not exceed one year. Any such agreement must provide for termination by either party without cause and without payment of a termination fee or penalty upon thirty (30) days' written notice; provided, however, the Association shall not be bound either directly or

indirectly to contracts or leases (including management contracts) entered into during the Declarant Control Period unless the Association is provided with a right of termination of any such contract or lease without cause, which is exercisable without penalty at any time after the Period of Declarant Control upon not more than thirty (30) days' notice to the other party thereto.

SECTION 3.07 DECLARANT CONTROL.

(a) Pursuant to Section 303(5) of the Act, Declarant shall have the reserved power to appoint and remove officers and members of the Executive Board. This power of Declarant (the "Period of Declarant Control") terminates no later than:

- (i) Sixty (60) days after conveyance of seventy-five percent (75%) of all Units in the ordinary course of business to Unit Owners other than the Declarant; or
- (ii) Two (2) years after the last conveyance of a Unit by the Declarant in the ordinary course of business to a Unit Owner other than Declarant; or
- (iii) Two (2) years after the right to add new Units was last exercised.

(b) During the Period of Declarant Control, the Declarant's Control shall be subject to the following limitations:

- (i) Not later than sixty (60) days after conveyance of twenty-five (25%) of the Units that may be created to Unit Owners, other than Declarant, not less than twenty-five percent (25%) of the members of the Executive Board must be elected by Unit Owners other than the Declarant.
- (ii) Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that may be created to Unit Owners other than Declarant, not less than thirty-three and one-third percent (33⅓%) of the members of the Executive Board must be elected by Unit Owners other than the Declarant.

(c) The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of the Period of Declarant Control, but, in that event, the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

SECTION 3.08 INDEMNIFICATION. To the fullest extent permitted by law, each officer and director of the Association shall be and are hereby indemnified by each of the Unit Owners, in proportion to their Allocated Interest as set forth in Exhibit "B" hereto, and the Association against all expenses and liabilities including attorneys' fees, reasonably incurred by or imposed upon them in any proceeding to which they may be a party, or in which they may become involved, by reason of being or having been an officer or director of the Association, or any settlements thereof, whether or not they are an officer or director of the Association at the time such expenses are incurred; except in such cases wherein such officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties;

provided that in the event of a settlement the indemnification shall apply only when the Executive Board approves such settlement and reimbursement as being for the best interests of the Association.

ARTICLE 4
UNITS, COMMON ELEMENTS AND
LIMITED COMMON ELEMENTS

SECTION 4.01 NUMBER OF UNITS.

- (a) The initial number of Units in The Terraces at Meadows Run is eight (8).
- (b) The Declarant reserves the right to create and add up to the maximum number of Units allowed by any governmental or quasi-governmental entity having jurisdiction, pursuant to any development plan for the Real Estate.

SECTION 4.02 IDENTIFICATION OF UNITS/UNIT DESCRIPTIONS. The identification number of each Unit is shown on the Map. Every contract for sale, deed, lease, security interest, will or other legal instrument shall legally describe a Unit by its identifying Unit number followed by the words:

"Unit ____, The Terraces at Meadows Run, a Condominium Common Interest Community, Lot 651B, Town of Mountain Village, according to the Map, recorded in Plat Book __, Page __, and Declaration, recorded in Book __, Page __, all in the records of the San Miguel County Clerk and Recorder, State of Colorado."

Every such description shall be good and sufficient for all purposes to sell, convey, transfer, lease, encumber, or otherwise affect, not only the Unit, but also the undivided interest in the Common Elements appurtenant to said Unit, and all other appurtenant properties and property rights, including Limited Common Elements, and incorporate all of the rights, limitations, and burdens incident to Ownership of a Unit as described in this Declaration and on the Map. Each such description shall be construed to include a nonexclusive easement for ingress and egress to and from an Owner's Unit and the use of all of the Common Elements as well as all of the Limited Common Elements appurtenant to said Unit.

Reference to the Declaration and Map in any instrument shall be deemed to include any supplement(s) or amendment(s) to the Declaration or Map, without specific references thereto.

SECTION 4.03 UNIT BOUNDARIES.

- (a) The following are designated as boundaries of each Unit, as defined below and as approximately depicted on the Map:
 - (i) Upper Boundaries. The horizontal plane of the unfinished lower surface of the ceilings, extended to an intersection with the vertical perimeter boundaries. Space above ceilings, to which access is needed for repair and maintenance of the Unit and Common Elements above the Unit are Limited Common Elements to the Unit.

- (ii) Lower Boundaries. The horizontal plane of the undecorated or unfinished upper surfaces of the floors, extended to an intersection with the vertical perimeter boundaries.
- (iii) Vertical Perimeter Boundaries. The planes defined by the center or middle plane of the studs and framing or walls (if not built with studs and framing) of all perimeter walls between adjoining Units, the unfinished exterior surfaces of poured concrete or other exterior walls, the outside unfinished surfaces of corridor walls, the exterior unfinished surface of corridor doors to Common Elements, the interior surface of closed exterior windows and doors, areas depicted on the Map as a deck or patio areas of a Unit, and the vertical planes indicated by lines in common corridors as shown on the Map.

(b) Inclusions. Each Unit includes the spaces and improvements lying within the boundaries described above, including decks or patio areas to Units, as depicted on the Map. Each Unit also includes the spaces and improvements containing utility meters, water heating facilities, all electrical switches, wiring, pipes, ducts, conduits, smoke detector or security systems and communications, television, telephone and electrical receptacles and boxes serving that Unit exclusively, the surface of these items being the boundaries of that Unit, whether or not the spaces are contiguous. Each Unit Owner may be required to purchase, install and maintain, at the Unit Owner's expense, such separate utility meters as the Association may require.

(c) Exclusions. Except when specifically included by other provisions of this Declaration or by the Map, the following are excluded from each Unit: the spaces and improvements lying outside the boundaries described above, air conditioners and heating systems, thresholds, exterior lighting and all chutes, pipes, flues, ducts, wires, conduits, skylights and other facilities running through or within any interior wall or partition for the purpose of furnishing utility and other service to other Units and the Common Elements.

(d) Noncontiguous Portions. Certain Units may include special portions or pieces of equipment, such as air conditioning compressors, utility meters, meter boxes, utility connection structures, air or gas pump and storage facilities and storage portions, which are situated in buildings or structures that are detached from the Unit. Such special equipment or storage portions are a part of the Unit, notwithstanding their non-contiguity with the principal portions.

SECTION 4.04 MAINTENANCE OF UNITS. Unit Owners are responsible for the maintenance, repair and replacement of the properties and improvements located within their Unit boundaries, except as provided in this Declaration.

SECTION 4.05 COMMON ELEMENTS. The Real Estate labeled as Common Elements in the Map are the Common Elements. Portions of the Common Elements may be designated as Units or Limited Common Elements, and portions of Units may become Common Elements or Limited Common Elements, pursuant to rights reserved elsewhere in this Declaration. Subsequent to the expiration of those reserved development rights, the Common Elements may be changed, modified or improved from time to time as the Executive Board determines. Common Elements which contain apparatus or equipment to operate all or any part of the Community (i.e. mechanical, electrical equipment rooms, janitorial or other storage

rooms) shall not be available for use by the Owners or their guests, without the written approval or authorization of the Association or its managing agent.

SECTION 4.06 LIMITED COMMON ELEMENTS.

(a) Portions of the Common Elements may be designated as Limited Common Elements, and portions of Units may become Common Elements or Limited Common Elements.

(b) The Declarant reserves, through ten (10) years after the recording of this Declaration or such maximum period of time allowed by law, whichever period of time is greater, and to the Association, after the expiration of Declarant's reserved rights (as the same may be extended) the right to allocate areas as Common Elements, and further, to allocate areas which constitute a part of the Common Elements as Limited Common Elements for the exclusive use of the owners of Units to which those specified areas shall become appurtenant. The Declarant or Association may allocate or assign Common Elements or Limited Common Element areas:

- (i) By making such an allocation in a recorded instrument, or
- (ii) In the deed to the Unit to which such Limited Common Element shall be appurtenant, or
- (iii) By recording an appropriate amendment or supplement to this Declaration,
- (iv) By recording a supplement to the Map.

SECTION 4.07 UNIT OWNERS' EASEMENTS OF ENJOYMENT. Every Unit Owner shall have a right and easement of enjoyment in and to any Common Elements and such easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

(a) The right of the Association to promulgate and publish rules and regulations which each Unit Owner and their guests shall strictly comply with.

(b) The right of the Association to suspend the voting rights and rights to use the Common Element by an Unit Owner for any period during which any assessment against his Unit remains unpaid; and for a period not to exceed sixty days (60) for any infraction of its published rules and regulations.

(c) The right, power and authority of the Association to grant any easement, right-of-way, license, lease, dedication, transfer or conveyance or grant of any similar interest affecting the Common Elements, to the extent permitted by the Act.

(d) The right of the Association to close or limit the use of the Common Elements, Limited Common Elements while maintaining, repairing and making replacements in the Common Elements, Limited Common Elements and Units.

(e) The Development and Special Declarant Rights of the Declarant reserved in this Declaration.

SECTION 4.08 **DELEGATION OF USE.** Any Unit Owner may delegate his right of enjoyment to the Common Elements and facilities to the members of his family, his tenants, guests, or contract purchasers who reside at his or her Unit.

**ARTICLE 5
MAINTENANCE, REPAIR AND REPLACEMENT**

SECTION 5.01 **COMMON ELEMENTS.** The Association shall be responsible for the maintenance, repair and replacement of any Common Elements. The Executive board of the Association shall determine the specifications, scope, extent, nature and parameters of the Association's maintenance responsibilities. The Association shall be responsible for: the maintenance, repair and replacement of the exterior of the buildings in which the Units are located; the improvement, maintenance, repair and replacement of the Common Elements, including snow removal, landscape care and trash removal; the improvement, upkeep and maintenance, repair and reconstruction of landscaped areas in dedicated public right of ways or public easements; or for the payment of expenses which may be incurred by virtue of agreement with or requirement of any local governmental or quasi-governmental authority, San Miguel County or other government authorities; and for such other maintenance and repair as set forth in this Declaration. In furtherance of the maintenance responsibility of the Association, the Association may adopt maintenance guidelines, rules, regulations or policies and procedures.

SECTION 5.02 **LIMITED COMMON ELEMENTS.** In the event a Common Expense is associated with the maintenance, repair or replacement of a Limited Common Element, those Common Expenses may be assessed equally or in such reasonable proportion against the Units to which the Limited Common Element is assigned.

SECTION 5.03 **UNITS.** Unit Owners shall be responsible for the maintenance, repair and replacement of their Unit and the properties, improvements and fixtures located within the boundaries of their Unit. For purposes of performing exterior maintenance and other duties of the Association, the Association, through its duly authorized agents or employees, shall have the right, after reasonable notice to the Unit Owner thereof, to enter upon any Unit at reasonable hours.

**ARTICLE 6
ALLOCATED INTERESTS**

SECTION 6.01 **ALLOCATED INTERESTS.** The initial Common Expense liability and votes in the Association allocated to each Unit are set forth in Exhibit "B".

SECTION 6.02 **DETERMINATION OF ALLOCATED INTERESTS.** The interests allocated to each Unit have been calculated as follows:

- (a) Percentage of Liability for Common Expenses:
 - (i) On the basis of square footage of each Unit as a fraction or percentage of the square footage of all Units in the Common Interest Community.

- (b) Percentage of ownership interest of each Unit Owner in the Common Elements:
 - (i) On the basis of square footage of each Unit as a fraction or percentage of the square footage of all Units in the Common Interest Community.

- (c) Number of votes in The Terraces Home Owners Association, Inc.:
 - (i) Each Unit in the Common Interest Community shall have one (1) vote in The Terraces Home Owners Association, Inc.

SECTION 6.03 **REALLOCATION.** When Units are added to or withdrawn from the Common Interest Community, or use rights are redesignated, or the size of a Unit is changed, pursuant to the provisions of this Declaration and the Act, the formulas set forth above shall be used to reallocate the Allocated Interests.

ARTICLE 7 COVENANT FOR COMMON EXPENSE ASSESSMENTS

SECTION 7.01 **CREATION OF ASSOCIATION LIEN AND PERSONAL OBLIGATION TO PAY COMMON EXPENSE ASSESSMENTS.** Declarant, for each Unit, shall be deemed to covenant and agree, and each Unit Owner, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association annual Common Expense Assessments, insurance assessments (assessed in proportion to risk), utility assessments (assessed in proportion to usage) and such other assessments as imposed by the Association. Such assessments, including fees, charges late charges attorney fees, fines and interest charged by the Association shall also be the personal obligation of the Unit Owner of such Unit at the time when the assessment or other charges became or fell due. The personal obligation to pay any past due sums due the Association shall not pass to a successor in title unless expressly assumed by them. No Unit Owner may become exempt from liability for payment of the Common Expense Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the Common Expense Assessments are made. All Assessments shall be payable in the amounts specified in the levy thereof, and no offsets or reduction thereof shall be permitted by any reason including, without limitation, any claim that the Association or the Executive Board is not properly exercising its duties and powers under this Declaration.

The Association annual Common Expense Assessments, insurance assessments (assessed in proportion to risk), utility assessments (assessed in proportion to usage) and such other assessments as imposed by the Association, including fees, charges, late charges, attorney fees, fines and interest charged by the Association, shall be a charge on each Unit and shall be a continuing lien upon the Unit against which each such assessment or charge is made. If a Common Expense Assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment becomes due.

SECTION 7.02 **APPORTIONMENT OF COMMON EXPENSES.** Except as provided in this Declaration, all Common Expenses shall be assessed against all Units in accordance with formula for liability for the Common Expenses as set forth in this Declaration and as initially shown on Exhibit "B" of this Declaration. In the event that a Common Expense is associated with one or more but less than all of the number of Units, such Common Expense may be assessed equally or in such reasonable proportion against the Unit or Units to which the Common Expense is associated.

SECTION 7.03 PURPOSE OF ASSESSMENTS. The assessments levied by the Association through its Executive Board shall be used exclusively for the purposes of promoting the health, safety, and welfare of the residents and guests of the Common Interest Community and the members of the Association. Such purposes shall include, but shall not be limited to the following: the improvement, maintenance, repair, upkeep and reconstruction of the Common Elements, and for the painting, landscape care and snow removal and any other maintenance obligations which may be deemed desirable for the common benefit of the Unit Owners or for the maintenance of property values, or for the payment of expenses which may be incurred by virtue of agreement with or requirement of San Miguel County or other governmental or quasi-governmental authorities. The assessments may also be used to provide insurance of various types and in such amounts deemed appropriate by the Executive Board. Also, a portion of the assessments may be used to provide a reserve fund for the replacement, repair, and maintenance of Common Elements of the real estate which must be replaced on a periodic basis.

SECTION 7.04 ANNUAL ASSESSMENT/COMMENCEMENT OF COMMON EXPENSE ASSESSMENTS. The Common Expense Assessment may be made on an annual basis against all Units and shall be based upon the Association's advance budget of the cash requirements needed by it to provide for the administration and performance of its duties during such assessment year. Common Expense Assessments shall be due and payable in monthly, quarterly, or annual installments, or in any other manner, as determined by the Executive Board. Common Expense Assessments may begin on the first day of the month in which conveyance of the first Unit to a Unit Owner other than the Declarant occurs. The omission or failure of the Executive Board to levy the Assessment for any period shall not be deemed a waiver, modification or a release of the Unit Owners from their obligation to pay.

SECTION 7.05 EFFECT OF NON-PAYMENT OF ASSESSMENTS. Any assessment, charge or fee provided for in this Declaration, or any monthly or other installment thereof, which is not fully paid within ten (10) days after the due date thereof, as established by the Executive Board, shall bear interest at the rate of eighteen percent (18%) per annum from the due date, and the Association may assess a reasonable late charge thereon as determined by the Executive Board. Failure to make payment within sixty (60) days of the due date thereof shall cause the total amount of such Unit Owner's Common Expense Assessment for the remainder of that fiscal year to become immediately due and payable at the option of the Board. Further, the Association may bring an action at law or in equity, or both, against any Unit Owner personally obligated to pay such overdue assessments, charges or fees, or monthly or other installments thereof, and may also proceed to foreclose its lien against such Unit Owner's Unit. An action at law or in equity by the Association against a Unit Owner to recover a money judgment for unpaid assessments, charges or fees, or monthly or other installments thereof, may be commenced and pursued by the Association without foreclosing, or in any way waiving, the Association's lien therefor. If such action at law or equity is commence, or if Association in any way consults with legal counsel concerning payment of assessment, charge or fee and Unit Owner desires to pay the levied assessment, charge or fee, such Unit Owner will be required to pay all attorney's fees incurred by Association in obtaining payment of levied assessment, charge or fee. Foreclosure or attempted foreclosure by the Association of its lien shall not be deemed to estop or otherwise preclude the Association from thereafter again foreclosing or attempting to foreclose its lien for any subsequent assessment, charges or fees, or monthly or other installments thereof, which are not fully paid when due. The Association shall have the power and right to bid on or purchase any Unit at foreclosure or other legal sale, and to acquire and hold, lease, mortgage, vote the Association votes appurtenant to ownership thereof, convey or otherwise deal with the same. If a foreclosure action is filed to foreclose any Assessment Lien, and a Unit Owner abandons or leaves vacant his or her Unit, the Board may take possession and rent said Unit or apply for the appointment of a receiver for the Unit without prior notice to the Unit Owner.

SECTION 7.06 LIEN PRIORITY. The lien of the Association under this Section is prior to all other liens and encumbrances on a Unit except:

- (a) liens and encumbrances recorded before the recordation of the Declaration;
- (b) a first lien Security Interest on the Unit (except as allowed by the Act with regard to the limited lien priority allowed to the Association); and
- (b) liens for real estate taxes and other governmental assessments or charges against the Unit.

This Section does not affect the priority of mechanics' or materialmen's liens. The lien of the Association under this Article is not subject to the provision of any homestead exemption as allowed under State or Federal law. Sale or transfer of any Unit shall not affect the lien for said assessments or charges except that sale or transfer of any Unit pursuant to foreclosure of any first lien security interest, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture shall only extinguish the lien of assessment charges as provided by applicable State law. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, nor cancellation or forfeiture shall relieve any Unit from continuing liability for any assessment charges thereafter becoming due, nor from the lien thereof.

SECTION 7.07 WORKING FUND. The Association or Declarant may require the first Unit Owner of each Unit (other than Declarant) to make a non-refundable payment to the Association in an amount equal to one-fourth (1/4th) of the annual Common Expense Assessment against that Unit in effect at the closing thereof, which sum shall be held, without interest, by the Association as a "Working Fund." Said Working Fund shall be collected and transferred to the Association at the time of closing of the sale by Declarant of each Unit, as aforesaid, and shall be maintained for the use and benefit of the Association. Such payment shall not relieve a Unit Owner from making regular payments of assessments as the same become due. Upon the transfer of his Unit, a Unit Owner shall be entitled to a credit from his transferee for any unused portion of the aforesaid Working Fund. This account may be updated annually as of December 31st, and notice shall be given to all Unit Owners whose individual account does not equal one fourth (1/4th) of the current annual assessment. Payment of any shortage shall be due with the next regular assessment payment, following written notice.

SECTION 7.08 COMMON EXPENSES ATTRIBUTABLE TO FEWER THAN ALL UNITS.

- (a) Any Common Expense associated with the maintenance, repair or replacement of components and elements attached to or a part of a Unit or Units or to a Unit or Units to which a Limited Common Element is assigned may be assessed against that or those Units. If any such Limited Common Element is assigned to more than one Unit, the Common Expenses attributable to the Limited Common Element may be assessed equally or in such reasonable proportion among the Units to which it is assigned.
- (b) Any Common Expense for services provided by the Association to an individual Unit at the request of the Unit Owner may be assessed exclusively against that Unit.
- (c) Any insurance premium increase attributable to a particular Unit by virtue of activities in or construction of the Unit shall be assessed against that Unit.

- (d) An assessment to pay a judgment against the Association may be made only against the Units in the Common Interest Community at the time the judgment was entered, in proportion to their Common Expense liabilities.
- (e) If a Common Expense is caused by the misconduct of a Unit Owner, the Association may assess that expense exclusively against that Unit Owner's Unit.
- (f) Fees, charges, taxes, impositions, late charges, fines, attorney's fees, collection costs and interest charged against a Unit Owner pursuant to this Section are enforceable as Common Expense assessments.

**ARTICLE 8
RESTRICTIONS ON USE, ALIENATION AND OCCUPANCY**

Subject to the Development Rights and Special Declarant Rights reserved by this Declarant, the following restrictions apply to all Units and to the Common Elements:

SECTION 8.01 USE/OCCUPANCY. No Unit within the Common Interest Community shall be used for any purpose other than as allowed by the local zoning codes and the rules, regulations, covenants, restrictions and conditions applicable to any governmental entity having jurisdiction over The Common Interest Community. No Unit shall be occupied for business, living or sleeping purposes by more persons than the Unit was designed to safely accommodate. No Improvements located upon a Unit shall be occupied in any manner at any time prior to being fully completed in accordance with approved plans nor shall any Improvements when completed, be in any manner occupied until there is compliance with all requirements, conditions, covenants, and restrictions herein set forth.

SECTION 8.02 UNITS TO BE MAINTAINED. Each Unit at all times shall be kept in a clean, sightly, and wholesome condition. No trash, litter, junk boxes, containers, bottles, cans, implements, machinery, lumber or other building materials shall be permitted to remain exposed upon any Unit so that the same are visible from any neighboring Unit, or any street, except as necessary during a period of construction. Declarant, its agents and assigns and the Association, and its agents, shall have the authority to enter and clean up Units which do not conform to the provisions of this Section, and to charge and collect from the Unit Owners thereof all reasonable costs related thereto.

SECTION 8.03 DECLARANT'S USE. Notwithstanding anything to the contrary contained in this Declaration, it shall be expressly permissible for Declarant, its employees and agents, to perform such reasonable activities, and to maintain upon portions of the Common Interest Community such facilities as they deem reasonably necessary or incidental to the construction and sale of Units in the development of the Common Interest Community, specifically including, without limiting the generality of the foregoing the maintenance of temporary business offices, storage areas, trash bins, construction yards and equipment, signs, model units, temporary sales offices and lighting facilities.

SECTION 8.04 RESTRICTIONS ON ANIMALS AND PETS. No animals shall be kept on or in any Unit which bothers or constitutes a nuisance to other Owners or in contravention of any rule or regulation of the Association or any governmental entity having jurisdiction over The Common Interest Community.

SECTION 8.05 NUISANCES. No Nuisance shall be permitted within the Common Interest Community, nor any use, activity or practice which is the source of unreasonable annoyance or

embarrassment to, or which unreasonably offends or disturbs, any Unit Owner or which may unreasonably interfere with the peaceful enjoyment or possession of the proper use of a Unit or Common Element, or any portion of the Common Interest Community by Unit Owners. Further, no immoral, improper, offensive or unlawful use shall be permitted within the Common Interest Community or any portion thereof. All valid laws, ordinances and regulations of all governmental and Quasi-governmental bodies having jurisdiction over the Common Interest Community or a portion thereof shall be observed. As used herein, the term "Nuisance" shall not include any activities of Declarant which are reasonably necessary to the development and construction of Improvements within this Common Interest Community; provided, however, that such activities of the Declarant shall not unreasonably interfere with any Unit Owner's use and enjoyment of his Unit, or any Unit Owner's ingress and egress to or from their Unit and a public way.

SECTION 8.06 NO ANNOYING LIGHTS, SOUNDS OR ODORS. No light shall be emitted from any portion of the Common Interest Community which is unreasonably bright or causes unreasonable glare, and no sound or odor shall be emitted from any portion of the Common Interest Community which would reasonably be found by others to be noxious or offensive. Without limiting the generality of the foregoing, no exterior spot lights, searchlights, speakers, horns, whistles, bells or other light or sound devices shall be located or used on any portion of the Common Interest Community except with the prior written approval of the Association.

SECTION 8.07 NO HAZARDOUS ACTIVITIES. No activity shall be conducted on any portion of the Common Interest Community which is or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any portion of the Common Interest Community and no open fires shall be lighted or permitted on any portion of the Common Interest Community except in a contained barbecue unit while attended and in use for cooking purposes or within a fireplace designed to prevent the dispersal of burning embers.

SECTION 8.08 COMPLIANCE WITH INSURANCE REQUIREMENTS. Except as may be approved in writing by the Executive Board, nothing shall be done or kept on the Common Interest Community which may result in a material increase in the rates of insurance or would result in the cancellation of any insurance maintained by the Association.

SECTION 8.09 NO UNSIGHTLINESS. All unsightly conditions, structures, facilities, equipment, objects and conditions shall be enclosed within an approved structure, including all tractors, snow removal equipment and garden or maintenance equipment, except when actually in use. Also all service areas for hanging, drying or airing of clothing shall be kept within approved structures.

SECTION 8.10 RESTRICTION ON SIGNS AND ADVERTISING DEVICES. No sign, poster, billboard, advertising device or display of any kind shall be erected or maintained anywhere within the Common Interest Community except such sign or signs as may be approved in writing by the Executive Board. One sign advertising a Unit for sale or for lease may be placed upon such Unit; provided, however, that standards relating to dimensions, color, style and location of such sign shall be determined from time to time by the Executive Board and shall comply with local sign codes and with all other applicable statutes, ordinances and regulations.

SECTION 8.11 RESTRICTIONS ON LOADS. No Owner of a Unit may place a load on any floor which exceeds the floor load for which the floor was designed to support. No Owners of a Unit shall install, operate or maintain any item of heavy equipment or other installation, except in a manner designed to achieve a proper distribution of weight.

SECTION 8.12 SALE OF A UNIT. The right of a Unit Owner to sell, transfer or otherwise convey their Unit shall not be subject to any right of first refusal or similar restriction and such Unit may be sold free of any such restrictions.

SECTION 8.13 NO RESTRICTIONS ON MORTGAGING OF A UNIT. There are no restrictions on the right of the Unit Owners to mortgage or otherwise encumber their Unit. There is no requirement for the use of a specific lending institution or particular type of lender.

SECTION 8.14 TIME SHARES. A Unit may NOT be conveyed pursuant to a timesharing arrangement described in sections 38-33-110 to 113, Colorado Revised Statutes.

SECTION 8.15 STRUCTURAL ALTERATIONS AND EXTERIOR IMPROVEMENTS. No structural alterations to any Unit or any Common or Limited Common Elements shall be done by any Owner, without the prior written approval of the Association. No Improvement to the exterior of a building which includes a Unit or to the Common Elements or to any landscaping shall be constructed, erected, placed or installed within the Common Interest Community, unless complete plans and specifications thereto shall have been first submitted to and approved in writing by the Executive Board. No satellite dishes of any kind and size shall be installed by any Unit Owner within the Common Interest Community without the prior written approval of the Association, which approval shall specify the approved location of such satellite dish.

SECTION 8.16 OBSTRUCTION OF COMMON ELEMENTS. There shall be no obstruction of the Common Elements, nor shall anything be stored outside of the Units without the prior written consent of the Executive Board.

SECTION 8.17 RULES AND REGULATIONS. In furtherance of the provisions of this Declaration, and the general plan, rules and regulations concerning and governing the Common Interest Community or any portion thereof may be adopted, amended, or repealed, from time to time, by the Executive Board, or its successors and assigns. The Executive Board may establish and enforce penalties for the infraction thereof.

ARTICLE 9 DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS

SECTION 9.01 DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS. The Declarant reserves, through ten (10) years after the recording of this Declaration, or such maximum period allowed by law, whichever is greater, the following Development Rights and Special Declarant Rights:

- (a) The right to add Units and to subject all or any part of the Real Estate described in Exhibit "A" and any additional unspecified Real Estate to the provisions of this Declaration upon the substantial completion of improvements on any portion of such Real Estate;
- (b) The right to relocate boundaries between adjoining Units, enlarge Units, enlarge the Common Elements, reduce or diminish the size of Units, reduce or diminish the size of areas of the Common Elements, subdivide Units or complete or make improvements generally and/or specifically, as the same may be indicated on maps or plats filed of record or filed with the Declaration;

- (c) The right to create or construct additional Units, Common Elements and Limited Common Elements, to subdivide Units and to convert Units into Common Elements;
- (d) The right, by supplement or amendment, to add additional real estate to the Real Estate and to create Units thereon;
- (e) The right to exercise any development rights reserved below or allowed in the Act;
- (f) The right to use, and to permit others to use, easements through the Common Elements as may be reasonably necessary for construction and for the purpose of discharging the Declarant's obligations under this Declaration;
- (g) The right to make the Common Interest Community subject to an additional master association and master declaration;
- (h) The right to merge or consolidate the Common Interest Community with an another Condominium or Planned Community;
- (i) The right to appoint or remove any officer of the Association or any Director during the Declarant Control period;
- (j) The right to amend the Declaration in connection with the exercise of any development right; and
- (k) The right to amend the Map in connection with the exercise of any development right.

Subsequent to the initial Real Estate and Improvements made subject to this Declaration, any additional buildings, structures and types of improvements to be placed on the Real Estate or any part thereof, may be of such quality and type as the persons developing the same may determine, and those improvements need not be of the same quality or type of the Improvements previously constructed on the Real Estate, nor of the same size, style or configuration. The improvements may be located anywhere in the Common Elements of the Common Interest Community, the same being reserved for future development, or on the additional Real Estate as may be added or as shown on the Map.

SECTION 9.02 ADDITIONAL RESERVED RIGHTS. In addition to the Special Declarant Rights set forth above, Declarant also reserves the following additional rights (the "Additional Reserved Rights"):

- (a) Sales. The right to maintain sales offices, management offices and models in Units or on the Common Elements.
- (b) Signs. The right to maintain signs and advertising on the Common Interest Community to advertise the Common Interest Community.
- (c) Dedications. The right to establish, from time to time, by dedication or otherwise, utility and other easements for purposes including but not limited to streets, paths, walkways, ski ways, drainage, recreation areas, parking areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions for the benefit of and to serve the Unit Owners.

(d) Use Agreements. The right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulations of parking and/or recreational facilities, which may or may not be a part of the Common Interest Community for the benefit of the Unit Owners and/or the Association.

(e) Construction and Access Easement. Declarant and its assignees expressly reserve the right to perform warranty work, and repairs and construction work and to store materials in secure areas, in Units and in Common Elements, and the future right to control such work and repairs, and the right of access thereto, until completion. All work may be performed without the consent or approval of any Unit Owner or holder of a Security Interest. Declarant and its assignees have such an easement through the Common Elements as may be reasonably necessary for exercising reserved rights in this Declaration and for access and utilities to any properties which Declarant may have or had the right to add, even if not added to the Community. Such easement includes the right to construct underground utility lines, pipes, wires, ducts, conduits and other facilities across the Real Estate.

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

SECTION 9.03 RIGHTS TRANSFERABLE/RIGHTS TRANSFERRED. Any Special Declarant Right, any of the Additional Reserved Rights, any expansion rights created or reserved under this Article or the Act for the benefit of Declarant may be transferred to any person by an instrument describing the rights transferred and recorded in the real property records of San Miguel County. Such instrument shall be executed by the transferor Declarant and the transferee. The rights transferred may then be exercised in compliance with the requirements of the Act without the consent of the Association, any Unit Owners or any holders of Security Interests.

SECTION 9.04 NO FURTHER AUTHORIZATION NEEDED. The consent of Unit Owners or holders of Security Interest shall not be required for exercise of any reserved rights, and Declarant or its assignees may proceed without limitation at their sole option. Declarant or its assignees may exercise any reserved rights on all or any portion of the Real Estate in whatever order determined. Declarant or its assignees shall not be obligated to exercise any reserved rights or to expand the Common Interest Community beyond the number of Units initially submitted.

SECTION 9.05 AMENDMENT OF DECLARATION OR MAP. If Declarant or its assignee elects to exercise any reserved rights, that party shall comply with the Act.

SECTION 9.06 TERMINATION OF RESERVED RIGHTS. The rights reserved to Declarant, for itself, its successors and assigns, shall expire as set forth above or in the Act, unless (i) 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 rights by the Declarant, (ii) extended as allowed by law or, (iii) terminated by written instrument executed by the Declarant, recorded in the records of the Clerk and Recorder of San Miguel County, Colorado.

ARTICLE 10
INSURANCE/CONDEMNATION

SECTION 10.01 **INSURANCE CARRIED.** The Association shall obtain and maintain in full force and effect to the extent reasonably available, and at all times, the insurance coverage set forth herein and as set forth in the Act, which insurance coverage shall be provided by financially responsible and able companies duly authorized to do business in the State of Colorado. Commencing not later than the time of the first conveyance of a Unit to a person other than a Declarant, the Association shall maintain, to the extent reasonably available, policies with the following terms or provisions:

(a) All policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Unit Owner and shall provide that such policies may not be canceled or modified without at least thirty (30) days prior written notice to all of the Unit Owners, holders of first lien security interests and the Association.

(b) If requested, duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all holders of first lien security interests at least ten (10) days prior to expiration of the then current policies.

(c) All liability insurance shall be carried in blanket form naming the Association, the Board, the manager or managing agent, if any, the officers of the Association, the Declarant, and if requested, holders of first lien security interests, their successors and assigns and Unit Owners as insureds.

(d) Prior to obtaining any policy of casualty insurance or renewal thereof, pursuant to the provisions hereof, the Board may obtain an appraisal from a duly qualified real estate or insurance appraiser, which appraiser shall reasonably estimate the full replacement value of the Units and the Common Elements, without deduction for depreciation, review any increases in the cost of living, and/or consider other factors, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions hereof. In no event shall any casualty insurance policy contain a co-insurance clause for less than one hundred percent (100%) of the full insurable replacement cost.

(e) Unit Owners must carry other insurance for their benefit and at their expense, provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished by reason of any such additional insurance carried by Unit Owners and provided, further, that the policies of insurance carried by the Association shall be primary, even if a Unit Owner has other insurance that covers the same loss or losses as covered by policies of the Association. In this regard, Declarant discloses that the Association's insurance coverage, as specified hereunder and under the Act, does not obviate the need for Unit Owners to obtain insurance for their own benefit.

(f) All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Unit Owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to the Unit Owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the

provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy, as to the interests of all other insured Unit Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

SECTION 10.02 HAZARD INSURANCE ON THE UNITS AND COMMON ELEMENTS. The Association shall obtain adequate hazard insurance covering loss, damage or destruction by fire or other casualty to the Units, to the Common Elements and the other property of the Association. The insurance obtained on the Units is not required to include improvements and betterments installed by Unit Owners. If coverage purchased by the Association includes improvements and betterments installed by Unit Owners, the cost thereof shall be assessed to each Unit in proportion to risk. If obtainable, the Association shall also obtain the following and any additional endorsements deemed advisable by the Executive Board:

- (a) Inflation guard endorsement,
- (b) Construction Code endorsement,
- (c) Demolition cost endorsement,
- (d) Contingent liability from operation of building laws endorsement,
- (e) Increased cost of construction endorsement, and/or
- (f) Any special PUD/Condominium endorsements.

SECTION 10.03 LIABILITY INSURANCE. The Association shall obtain adequate comprehensive policy of public liability and property damage liability insurance covering all of the Units and the Common Elements, including structural coverage of the Units, in such limits as the Executive Board may from time to time determine, but not in any amount less than One Million Dollars (\$1,000,000.00) per injury, per person, and per occurrence, and in all cases covering all claims for bodily injury or property damage. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other uses of the Common Interest Community. All liability insurance shall name the Association as the insured. If there are steam boilers in operation on the Common Interest Community, or if the Community has central heating or cooling, there must be in force boiler explosion and machinery coverage insurance providing for not less than Two Million Dollars (\$2,000,000.00) per accident, per location.

SECTION 10.04 FIDELITY INSURANCE. The Association shall obtain adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the parts of its officers, directors, trustees and employees and on the part of all others who handle or are responsible for handling the funds of the Association, including persons who serve the Association with or without compensation. The clause "officers, directors, trustees and employees" shall not include any officer, director, agent or employee of Declarant or any officer, director, agent or employee of any independent, professional manager or managing agent heretofore or hereafter employed by the Association. The fidelity coverage or bonds should be in an amount sufficient to cover the maximum funds that will be in the control of the Association, its officers, directors, trustees and employees.

SECTION 10.05 WORKER'S COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE. The Association shall obtain worker's compensation and employer's liability insurance and all other similar insurance with respect to its employees in the amounts and forms as may now or hereafter be required by law.

SECTION 10.06 OFFICERS' AND DIRECTORS' PERSONAL LIABILITY INSURANCE. The Association may obtain officers' and directors' personal liability insurance to protect the officers and directors from personal liability in relation to their duties and responsibilities in acting as officers and directors on behalf of the Association. Neither the term "officers" nor the term "directors" shall include any officer, director, agent or employee of Declarant nor any officer, director, employee or agent of any professional manager or managing agent heretofore or hereafter employed by the Association.

SECTION 10.07 OTHER INSURANCE. The Association may obtain insurance against such other risks, of similar or dissimilar nature, including flood insurance, as it shall deem appropriate with respect to the Association responsibilities and duties.

SECTION 10.08 INSURANCE PREMIUM. Except as assessed in proportion to risk, if permitted under the terms of this Declaration, insurance premiums for the above provided insurance shall be a Common Expense to be included as a part of the annual assessments levied by the Association.

SECTION 10.09 MANAGING AGENT INSURANCE. The manager or managing agent, if any, shall be insured to the same extent as the Association, as herein provided, and as provided in the Act, for the benefit of the Association, and shall maintain and submit evidence of such coverage to the Association.

SECTION 10.10 WAIVER OF CLAIMS AGAINST ASSOCIATION. As to all policies of insurance maintained by or for the benefit of the Association and Unit Owners, the Association and the Unit Owners hereby waive and release all claims against one another, the Executive Board and Declarant, to the extent of the insurance proceeds available, whether or not the insurance damage or injury is caused by the negligence of or breach of any agreement by and of said persons.

SECTION 10.11 ANNUAL INSURANCE REVIEW. The Board shall review the insurance carried by and on behalf of the Association at least annually, for the purpose of determining the amount of insurance required.

SECTION 10.12 ADJUSTMENTS BY THE ASSOCIATION. Any loss covered by an insurance policy described above shall be adjusted by the Association, and the insurance proceeds for that loss shall be payable to the Association, and not to any holder of a first lien security interest. The Association shall hold any insurance proceeds in trust for the Association, Unit Owners and holders of first lien security interests as their interests may appear. The proceeds must be distributed first for the repair or restoration of the damaged property, and the Association, Unit Owners and holders of first lien security interests 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.

SECTION 10.13 DUTY TO REPAIR. Any portion of the Common Interest Community for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly by the Association, except as provided in the Act.

SECTION 10.14 CONDEMNATION AND HAZARD INSURANCE ALLOCATIONS AND DISTRIBUTIONS. In the event of a distribution of condemnation proceeds or hazard insurance proceeds to the Unit Owners, the distribution shall be as the parties with interests and rights are determined or allocated by record, and pursuant to the Act.

SECTION 10.15 INSURANCE TO BE MAINTAINED BY OWNERS. Insurance coverage on furnishings, including carpet, draperies, oven, range, refrigerator, wallpaper, inventory, merchandise, equipment and other fixtures or items of personal property belonging to an Owner of a Unit, and public liability coverage within each Unit, shall be the sole and direct responsibility of the respective Owner(s) thereof, and the Association, its Executive Board and/or the managing agent of the Association shall have no responsibility therefor; provided, however, that the Executive Board of the Association may elect to include any such coverage in any Association policy and any costs of such coverage not allocable to the Owners on a uniform basis (or in respect of ownership of Units) shall be assessed as an individual purpose assessment.

ARTICLE 11 AMENDMENT OF DECLARATION

SECTION 11.01 AMENDMENT OF DECLARATION BY DECLARANT. Until the first Unit has been conveyed by Declarant by deed recorded in the office of the County Clerk and Recorder of the County of San Miguel, Colorado, any of the provisions, covenants, conditions, restrictions and equitable servitudes contained in this Declaration may be amended or terminated by Declarant by the recordation of a written instrument, executed by Declarant, setting forth such amendment or termination. Thereafter, if Declarant shall determine that any amendments to this Declaration shall be necessary in order to make non-material changes, such as the correction of a technical, clerical or typographical error or clarification of a statement, then, subject to the following sentence of this Section, Declarant shall have the right and power to make and execute any such amendments without obtaining the approval of any Unit Owners. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to make or consent to an amendment under this Section on behalf of each Unit Owner and holder of a security interest. Each deed, security interest, other evidence of obligation or other instrument affecting a Unit and the acceptance thereof shall be deemed to be a grant and acknowledgment of, and a consent to the reservation of, the power of Declarant to make, execute and record an amendment under this Section.

SECTION 11.02 AMENDMENT OF DECLARATION BY UNIT OWNERS. Except as otherwise provided in this Declaration, and subject to provisions elsewhere contained in this Declaration requiring the consent of Declarant or others, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration may be amended or repealed at any time and from time to time upon approval of at least sixty-seven percent (67%) of the votes in the Association and with the written consent of the Association. The amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of San Miguel County, State of Colorado, of a certificate, setting forth the amendment in full and certifying that the amendment has been approved as set forth above, and containing the written consent and approval of the Association.

SECTION 11.03 AMENDMENT REQUIRED BY GOVERNMENT MORTGAGE AGENCIES. Prior to the later of: (a) conveyance of the last Unit by Declarant to the first Owner thereof (other than Declarant), or (b) ten (10) years from the date of this Declaration, any provision, covenant, condition, restriction or equitable servitude contained in this Declaration which FHA, VA, FHLMC, GNMA, FNMA or any similar entity authorized to insure, guarantee, make or purchase mortgage loans requires to be amended

or repealed may be amended or repealed by Declarant or the Association. Any such amendment or repeal shall be effective upon the recordation in the office of the Clerk and Recorder of San Miguel County, State of Colorado, of a certificate, setting forth the amendment or repeal in full.

SECTION 11.04 REQUIRED CONSENT OF DECLARANT TO AMENDMENT. Notwithstanding any other provision in this Declaration to the contrary, any proposed amendment or repeal of any provision of this Declaration or of the Map reserving development rights or for the benefit of the Declarant, or its assignees, shall not be effective unless Declarant, and its assignees, if any, have given written consent to such amendment or repeal, which consent may be evidenced by the execution by Declarant or its assignees of any certificate of amendment or repeal. The foregoing requirement for consent to any amendment or repeal shall terminate ten (10) years after the recording of this Declaration, or upon conveyance of one hundred percent (100%) of the Units to Units Owners other than the Declarant, whichever occurs first.

ARTICLE 12
SPECIAL RIGHTS OF HOLDERS OF FIRST LIEN SECURITY INTERESTS

SECTION 12.01 GENERAL PROVISIONS. The provisions of this Article are for the benefit of holders, insurers, or guarantors of holders of first lien Security Interests recorded within the Common Interest Community. To the extent applicable, necessary or proper, the provisions of this Article apply to both this Declaration and to the Articles and Bylaws of the Association. A holder, insurer or guarantor of a first lien Security Interest who has delivered a written request to the Association containing its name, address, the legal description and address of the Unit upon which it holds a Security Interest shall be considered an "Eligible Holder." Eligible insurers and guarantors of a first lien Security Interest shall have the same rights as an Eligible Holder.

SECTION 12.02 SPECIAL RIGHTS. Eligible Holders shall be entitled to:

- (a) Timely written notice from the Association of any default by a mortgagor of a Unit in the performance of the mortgagor's obligations under this Declaration, the Articles of Incorporation, the Bylaws or the Rules and Regulations, which default is not cured within sixty (60) days after the Association learns of such default;
- (b) Examine the books and records of the Association during normal business hours;
- (c) Receive a copy of financial statements of the Association, including any annual audited financial statement;
- (d) Receive written notice of all meetings of the Executive Board or Members of the Association;
- (e) Designate a representative to attend any such meetings;
- (f) Written notice of any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;
- (g) Written notice of abandonment or termination of the Association of the plan contemplated under this Declaration;

(h) Thirty (30) days written notice prior to the effective date of any proposed, material amendment to this Declaration, the Articles of Incorporation, or the Bylaws;

(i) Immediate written notice as soon as the Association receives notice or otherwise learns of any damage to the Common Elements or to the Unit on which the Eligible Holder holds a Security Interest, if the cost of reconstruction exceeds \$20,000.00 and as soon as the Association receives notice or otherwise learn of any condemnation or eminent domain proceedings or other proposed acquisition with respect to any portion of the Common Elements or any Units.

SECTION 12.03 RIGHT TO PAY TAXES AND INSURANCE PREMIUMS. Any holder of a first lien Security Interest shall be entitled to pay any taxes or other charges which are in default and which may or have become a lien against a Unit or any of the Common Elements and may pay any overdue premiums on hazard insurance policies or secure new hazard insurance coverage for the Common Elements or Units

ARTICLE 13 GENERAL PROVISIONS

SECTION 13.01 ENFORCEMENT. The Association or a Unit Owner or Unit Owners of any of the Units may enforce the restrictions, conditions, covenants and reservations imposed by the provisions of this Declaration by proceedings at law or in equity against any person or persons, either to recover damages for such violation, including reasonable attorneys fees incurred in enforcing these covenants, or to restrain such violation or attempted violation. Failure of the Association or of any Unit Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Executive Board may post on a bulletin board at a conspicuous place on the Common Area notices of any covenant violations by members and copies of any recorded statements. Failure to post shall not affect the validity of any lien or covenant violation.

SECTION 13.02 COMPLIANCE WITH FEDERAL FAIR HOUSING ACT. In order to comply with the requirements of the Federal Fair Housing Act (as heretofore and hereafter amended);

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

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

SECTION 13.03 SEVERABILITY. Each of the provisions of this Declaration shall be deemed independent and severable. If any provision of this Declaration or the application thereof to any person or circumstances is held invalid, the invalidity shall not affect other provisions or applications of this Declaration which can be given effect without the invalid provisions or applications.

SECTION 13.04 TERM OF DECLARATION. The covenants and restrictions of this Declaration shall run with and bind the land in perpetuity.

SECTION 13.05 INTERPRETATION. The provisions of this Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development of the Units and of promoting and effectuating the fundamental concepts as set forth in the recitals of this Declaration. This Declaration shall be construed and governed under the laws of the State of Colorado.

SECTION 13.06 SINGULAR INCLUDES THE PLURAL. Unless the context otherwise requires, the singular shall include the plural, and the plural shall include the singular, and each gender referral shall be deemed to include the masculine, feminine and neuter.


SECTION 13.07 CAPTIONS. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any paragraph, section or article hereof.

SECTION 13.08 SUBDIVISION OF UNITS. Subject to the provisions of the Declaration, the Act and other provisions of law, and pursuant to the procedures described in sections 38-33.3-213 and 38-33.3-217 of the Act, a Unit Owner may apply to the Association to subdivide a Unit.

SECTION 13.09 GENERAL DECLARATION/TELLURIDE MOUNTAIN VILLAGE RESORT COMPANY. The provisions of this Declaration, the Articles of Incorporation of the Association, the Bylaws of the Association and the rules and regulations of the Association are subject and subordinate to the General Declaration recorded March 9, 1984 in Book 409 at Page 714, as amended, all in the records of the Clerk and Recorder of San Miguel County, Colorado.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed by its duly authorized agents this 29 day of January, 1998.

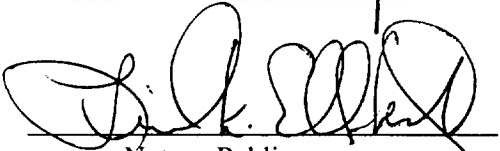
DECLARANT:

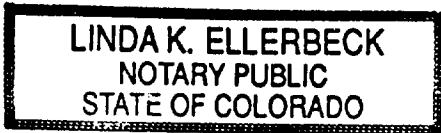
By: 
Stephen Finger, Managing Member
651 A & B, LLC, a Colorado limited liability company

STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Declaration was acknowledged before me by Stephen Finger, Managing Member of 651 A & B, LLC, a Colorado limited liability company on the 29th day of JANUARY, 1998.

Witness my hand and official seal.
My commission expires: 9-7-01


Notary Public




My Commission Expires 09/07/2001
124 E. Pacific
Telluride, CO 81435

LENDER CONSENT

Consent is hereby given to the above Declaration. Lender agrees and acknowledges that any foreclosure or enforcement of any other remedy available to Lender under a deed or deeds of trust or other security agreements will not render void or otherwise impair the validity of this Declaration or of the covenants running with the land described in this Declaration provided that the lien of the Lender's deed or deeds of trust or other security agreements is entitled to the priority granted by Section 38-33.3-316(2), C.R.S.

Dated this 28TH day of JANUARY, 1998.

Bank of Telluride

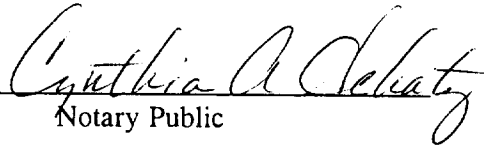
By: 
Name: PETER F. KENWORTHY
Title: SENIOR VICE PRESIDENT

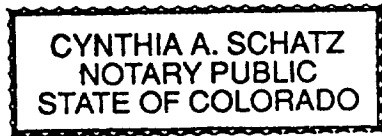
STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Lender Consent was acknowledged before me by Peter F. Kenworthy, as Senior Vice President of Bank of Telluride, _____ on the 28th day of January, 1998.

Witness my hand and official seal.

My commission expires: 2/5/2000


Notary Public



My Commission Expires Feb. 5, 2000

ASSOCIATION CONSENT

Consent is hereby given to the above Declaration.

Dated this 29th day of JANUARY, 1998.

The Terraces Home Owners Association, Inc.,
a Colorado non-profit corporation

By: [Signature]
Stephen Finger, President

STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Association Consent was acknowledged before me by Stephen Finger, as President of The Terraces Home Owners Association, Inc. on the 29th day of JANUARY, 1998.

Witness my hand and official seal.

My commission expires: 9-7-01

[Signature]
Notary Public



My Commission Expires 09/07/2001
124 E. Pacific
Telluride, CO 81435

EXHIBIT A

DESCRIPTION OF REAL ESTATE

Lot 651-B, Replat of Lot 651-B, Town of Mountain Village, according to the Plat recorded October 3, 1996 in Plat Book 1 at page 2125, County of San Miguel, State of Colorado.

Subject to the terms, conditions, obligations and provisions within the documents or exceptions to title set forth in "Schedule 1" attached hereto and incorporated herein by this reference.

SCHEDULE 1

Any tax or assessment imposed or created by reason of the inclusion of the subject property in the Mountain Village Metropolitan District as created by Order of Court in Civil Action No. 83-CV-34 recorded February 10, 1984 in Book 409 at page 275 and any amendments, additions or adjustments to the boundaries of said District.

Notice given by San Miguel Power Association, Inc. by document recorded March 3, 1982 in Book 398 at page 145 and in document recorded June 17, 1993 in Book 512 at page 653, that it owns and maintains underground facilities within the Telluride Mountain Village, for the purposes of transmission and distribution of electricity; and Notice that the said Association may place additional underground facilities in the future upon the subject property.

The terms, conditions, provisions and obligations contained in the San Miguel County/Mountain Village Metropolitan District Intergovernmental Agreement between The Telluride Company, San Miguel County Board of County Commissioners and Mountain Village Metropolitan District, recorded February 17, 1984 in Book 409 at page 369.

General Notes 1 through 14, inclusive, and definitions 1 through 25, inclusive, as shown on sheets 1 and 2 of the Plat for the Telluride Mountain Village, Filing 6, recorded June 20, 1985 in Plat Book 1 at page 565, and any amendments thereto as incorporated into the Plat of the subject property as modified and superceded by Plat Notes 1 through 18, inclusive, and Definitions A through X, inclusive, as shown on sheet 4 of the Town of Mountain Village Official Town Plat recorded July 24, 1996 in Plat Book 2 at page 2073.

Mountain Village P.U.D. Subdivision Improvements Agreement by the San Miguel County Planning Commission, recorded March 9, 1984 in Book 409 at page 708 and re-recorded and amended May 30, 1984 in Book 411 at page 211.

General Declaration for the Telluride Mountain Village regarding covenants, conditions and restrictions, recorded March 9, 1984 in Book 409 at page 714, as amended or supplemented by the following instruments; Book 419 at page 593, Book 419 at page 597, Book 426 at page 963, Book 434 at page 520, Book 438 at page 681, Book 438 at page 702, Book 439 at page 982, Book 441 at page 677, Book 441 at page 980, Book 442 at page 269, Book 445 at page 522, Book 445 at page 769, Book 446 at page 804, Book 447 at page 942, Book 448 at page 589, Book 449 at page 139, Book 451 at page 402, Book 452 at page 621, Book 454 at page 690, Book 454 at page 694, Book 455 at page 167, Book 455 at page 522, Book 455 at page 526, Book 456 at page 870, Book 457 at page 761, Book 458 at page 157, Book 459 at page 741, Book 459 at page 745, Book 459 at page 749, Book 461 at page 609, Book 462 at page 747, Book 462 at page 886, Book 463 at page 526, Book 464 at page 712, Book 466 at page 988, Book 467 at page 829, Book 474 at page 833, Book 480 at page 954, Book 484 at page 184, Book 486 at page 106, Book 489 at page 938, Book 489 at page 964, Book 489 at page 974, Book 501 at page 1022, Book 503 at page 646, Book 505 at page 12, Book

505 at page 252, Book 507 at page 326, Book 509 at page 281, Book 515 at page 83, Book 515 at page 623, Book 516 at page 402, Book 520 at page 629, Book 523 at page 79, Book 532 at page 745, Book 537 at page 1001, Book 548 at page 193, Book 559 at page 151, Book 572 at page 445, Book 583 at page 703, Book 584 at page 344, and the terms, conditions, provisions and obligations contained therein.

Notice of Water and Sewer Tap Fee Payment pursuant to Section 8.4 of the Mountain Village Metropolitan District Water and Sewer Operation Rules and Regulations which reads: "8.4 TAP FEE. A tap fee shall be a charge to all customers of the District which shall be assessed and paid for before a building permit is issued." as recorded April 14, 1987 in Book 435 at page 603 and as modified by Tap Fee Agreement recorded May 29, 1992 in Book 492 at page 991, and by First Amendment to Tap Fee Agreement recorded December 18, 1996 in Book 573 at page 237.

Reservation by The Telluride Company of all the rights to minerals and oil, gas or other hydrocarbons located on, in or under the real property, without any right of surface entry for exploration, development or extraction of the same as reserved in Deed recorded January 28, 1994 in Book 524 at page 323.

Second Mountain Village Improvements Agreement recorded November 28, 1989 in Book 460 at page 47 and All Filing Improvement Bonding Agreement recorded July 17, 1990 in Book 468 at page 212, and as amended or supplemented.

Resolution of the Board of County Commissioners of San Miguel County, Colorado authorizing the First Technical Amendment to "General Note 3" of the final plats in the Telluride Mountain Village, Resolution No. 1990-12, recorded February 12, 1990 in Book 462 at page 759, and the terms, conditions, provisions and obligations contained therein.

Final Development Plan Approval for The Mountain Village Planned Unit Development recorded January 19, 1993 in Book 504 at page 788.

Resolution of the Board of County Commissioners of San Miguel County Approving a Planned Unit Development Amendment and Rezoning for the Telluride Mountain Village PUD, Resolution No. 1992-76, recorded January 7, 1993 in Book 504 at page 203.

General Notes, easements, restrictions, designations and other matters as set forth on the Plats recorded in Plat Book 1 at page 1588 and in Plat Book 1 at page 1689.

Subsurface Utility Easement as set forth in NOTE 9 and Infrastructure Easement set forth in NOTE 10 on the Plat recorded November 17, 1993 in Plat Book 1 at page 1588.

Items 11, 12, 14 and 15 of Exhibit WD-ALL-1 attached to Deed recorded January 28, 1994 in Book 524 at page 323.

Matters as set forth on Town of Mountain Village Official Town Plat recorded July 24, 1996 in Plat Book 2 at page 2073.

Conveyances ii, iii, iv and v by Lot 651 A & B, L.L.C. as set forth on the Plat recorded October 3, 1996 in Plat Book 1 at page 2125.

Easements, vacated easements and other matters as shown on the Plat recorded October 3, 1996 in Plat Book 1 at page 2125.

NOTE: Conveyance of a non-exclusive interest in a portion of the 16 foot G.E. set forth on Plat in Deed recorded November 21, 1997 in Book 590 at page 765.

Notice of Property Subject to Landscape and Paving Completion Policy evidenced by Notices recorded September 27, 1994 in Book 535 at pages 595 through 606.

EXHIBIT B
ALLOCATION OF INTERESTS
AND
NUMBER OF VOTES IN THE ASSOCIATION

UNIT	SQUARE FOOTAGE	PERCENTAGE SHARE OF COMMON EXPENSES AND LIABILITIES <small>(rounded to nearest whole percent)</small>	PERCENTAGE SHARE OF OWNERSHIP OF COMMON ELEMENTS <small>(rounded to nearest whole percent)</small>	NUMBER OF VOTES IN ASSOCIATION
101	953	12%	12%	1
102	1,092	13%	13%	1
201	953	12%	12%	1
202	1,092	13%	13%	1
301	953	12%	12%	1
302	1,092	13%	13%	1
401	953	12%	12%	1
402	1,092	13%	13%	1
TOTALS	8,180	100%	100%	8

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

STEPHANIE L. FANGS
ATTORNEY AT LAW
P.O. BOX 3727
200 SAN MIGUEL RIVER DRIVE
TELLURIDE, COLORADO 81435

SPACE ABOVE THIS LINE RESERVED FOR USE BY RECORDER

FIRST SUPPLEMENT TO THE
CONDOMINIUM DECLARATION
FOR THE TERRACES AT MEADOWS RUN,
A CONDOMINIUM COMMUNITY

This First Supplement to the Condominium Declaration for The Terraces at Meadows Run, a Condominium Community ("First Supplement") is made this 8th day of March, 1999, by 651 A & B, LLC, a Colorado limited liability company, hereinafter referred to as Declarant.

WHEREAS, on January 29, 1998, Declarant executed and recorded: (1) the Condominium Declaration for The Terraces at Meadows Run, a Condominium Community ("Declaration") in the records of the Clerk and Recorder for San Miguel County, Colorado at Reception Number 316791; and (2) the Colorado Condominium Common Interest Community Map for The Terraces at Meadows Run, a Condominium Community, in the records of the Clerk and Recorder for San Miguel County, Colorado, in Plat Book 1, Page 2321;

WHEREAS, Article 9 of the Declaration provides for certain development rights and special Declarant Rights including the right to add, create or construct additional Units, Common Elements and Limited Common;

NOW THEREFORE Declarant does hereby publish and declare that:

1. Creation of Additional Unit. Pursuant to certain rights reserves to Declarant as set forth in Article 9, Declarant hereby adds eight (8) additional Units and certain additional Common Elements to The Terraces at Meadows Run, a Condominium Community ("Community"), which additional Units and Common Elements are designated on the First Supplemental Condominium Map. The additional Units and their respective square footage are identified in Exhibit A attached hereto and incorporated herein by this reference. Immediately upon the recording of the First Supplemental Condominium Map and this First Supplement, the total number of Units in the Community, their numeric designation, allocated interests and voting percentages shall be as set forth on the amended and restated Exhibit B, attached hereto and incorporated herein by this reference.
2. First Supplemental Condominium Map. Pursuant to Article 9, Declarant has prepared and recorded, or will prepare and record, in the records of the office of the Clerk and Recorder of San Miguel County, Colorado, a First Supplemental Condominium Map for The Terraces at Meadows Run, a condominium Common Interest Community ("First Supplemental Condominium Map"), designating the additional Units and Common Elements.

TMT 98020048

3. Unless otherwise defined herein, initially capitalized terms defined in the Declaration shall have the same meaning herein.

4. Except as specifically amended by this First Supplement or other amendments or supplements, all other terms and conditions of the Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, Declarant has caused this First Supplement to be executed by its duly authorized agents this 8th day of March, 1999.

DECLARANT:

By: *Stephen N. Finger* Dated: 3.8.99
Stephen N. Finger, ~~Manager~~ Managing Member
651 A & B, LLC, a Colorado limited liability company

STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Declaration was acknowledged before me by Stephen N. Finger, ^{as Managing Member} ~~Manager~~ of 651 A & B, LLC, a Colorado limited liability company on the 8th day of March, 1999.

Witness my hand and official seal.
My commission expires: 12-11-99

Carla E Moore
Notary Public


CARLA E. MOORE
NOTARY PUBLIC
STATE OF COLORADO

LENDER CONSENT

Consent is hereby given to the above First Supplement. Lender agrees and acknowledges that any foreclosure or enforcement of any other remedy available to Lender under a deed or deeds of trust or other security agreements will not render void or otherwise impair the validity of this First Supplement or of the covenants running with the land described in the Declaration provided that the lien of the Lender's deed or deeds of trust or other security agreements is entitled to the priority granted by Section 38-33.3-316(2), C.R.S.

Dated this 8th day of March, 1999.

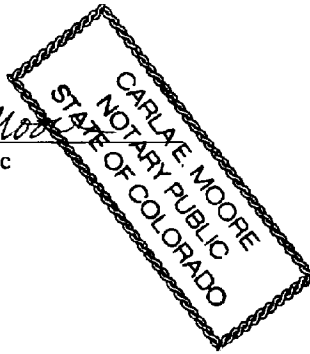
Bank of Telluride

By: 
Name: Peter P. Kenworthy
Title: Senior VP

STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Lender Consent was acknowledged before me by Peter Kenworthy,
as Senior Vice President of Bank of Telluride on the 8th day of March, 1999.

Witness my hand and official seal.
My commission expires: 12-11-99

Carla Moore
Notary Public


ASSOCIATION CONSENT

Consent is hereby given to the above First Supplement.

Dated this 8 day of March, 1999.

The Terraces Home Owners Association, Inc.,
a Colorado non-profit corporation

By: *Stephen N. Finger*
Stephen N. Finger, President

STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Association Consent was acknowledged before me by Stephen N. Finger, President of The Terraces Home Owners Association, Inc. on the 8th day of March, 1999.

Witness my hand and official seal.

My commission expires: 12-11-99

Carla E. Moore
Notary Public

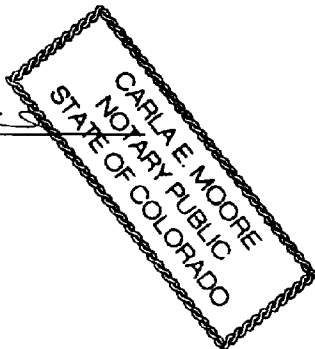


EXHIBIT A

ADDITIONAL UNITS

<u>ADDITIONAL UNIT IDENTIFYING NUMBER</u>	<u>SQUARE FOOTAGE</u>
501	953
502	1,092
601	953
602	1,092
701	953
702	1,092
801	953
802	1,092

FIRST AMENDED AND RESTATED
EXHIBIT B
TO THE CONDOMINIUM DECLARATION FOR
THE TERRACES AT MEADOWS RUN, A CONDOMINIUM COMMUNITY

ALLOCATION OF INTERESTS
AND
NUMBER OF VOTES IN THE ASSOCIATION

UNIT NUMBER	SQUARE FOOTAGE	PERCENTAGE SHARE OF COMMON EXPENSES AND LIABILITIES	PERCENTAGE SHARE OF OWNERSHIP OF COMMON ELEMENTS	NUMBER OF VOTES IN ASSOCIATION
101	953	5.8%	5.8%	1
102	1,092	6.7%	6.7%	1
201	953	5.8%	5.8%	1
202	1,092	6.7%	6.7%	1
301	953	5.8%	5.8%	1
302	1,092	6.7%	6.7%	1
401	953	5.8%	5.8%	1
402	1,092	6.7%	6.7%	1
501	953	5.8%	5.8%	1
502	1,092	6.7%	6.7%	1
601	953	5.8%	5.8%	1
602	1,092	6.7%	6.7%	1
701	953	5.8%	5.8%	1
702	1,092	6.7%	6.7%	1
801	953	5.8%	5.8%	1
802	1,092	6.7%	6.7%	1
TOTALS	16,360	100.0%	100.0%	16

**RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:**

STEPHANIE L. FANOS, ESQ.
REED & FANOS, ATTORNEYS AT LAW
620 MOUNTAIN VILLAGE BLVD., SUITE 2C
MOUNTAIN VILLAGE, COLORADO 81435

SPACE ABOVE THIS LINE RESERVED FOR USE BY RECORDER

**SECOND SUPPLEMENT TO THE
CONDOMINIUM DECLARATION
FOR THE TERRACES AT MEADOWS RUN,
A CONDOMINIUM COMMUNITY**

This Second Supplement to the Condominium Declaration for The Terraces at Meadows Run, a Condominium Community ("Second Supplement") is made this 15th day of November, 2001, by 651 A & B, LLC, a Colorado limited liability company, hereinafter referred to as "Declarant".

WHEREAS, on January 29, 1998, Declarant executed and recorded: (1) the Condominium Declaration for The Terraces at Meadows Run, a Condominium Community ("Declaration") in the records of the Clerk and Recorder for San Miguel County, Colorado at Reception Number 316791; and (2) the Colorado Condominium Common Interest Community Map for The Terraces at Meadows Run, a Condominium*Community ("Map"), in the records of the Clerk and Recorder for San Miguel County, Colorado, in Plat Book 1, Page 2321;

**Common Interest*

WHEREAS, on March 10, 1999, Declarant executed and recorded in the records of the Clerk and Recorder for San Miguel County, Colorado: (1) the First Supplement to the Declaration at Reception Number 324878, and (2) the First Supplemental Map in Plat Book 1 at page 2505; and

WHEREAS, Article 9 of the Declaration provides for certain development rights and special Declarant Rights including the right to add, create or construct additional Units, Common Elements and Limited Common Elements.

NOW THEREFORE Declarant does hereby publish and declare that:

1. Creation of Additional Unit. Pursuant to certain rights reserves to Declarant as set forth in Article 9 of the Declaration, Declarant hereby adds ten (10) additional Units and certain additional Common Elements and Limited Common Elements to The Terraces at Meadows Run, a Condominium Community ("Community"), which additional Units, Common Elements and Limited Common Elements are shown and designated on the Second Supplemental Condominium Map described below. The additional Units and their respective square footages are identified in Exhibit A attached hereto and incorporated herein by this reference. Immediately upon the recording of the Second Supplemental Condominium Map and this Second Supplement, the total number of Units in the Community, their numeric designation,

allocated interests and voting percentages shall be as set forth on the amended and restated Exhibit B, attached hereto and incorporated herein by this reference.

2. Second Supplemental Condominium Map. Pursuant to Article 9 of the Declaration, Declarant has prepared and recorded, or will prepare and record, in the records of the office of the Clerk and Recorder of San Miguel County, Colorado, a Second Supplemental Condominium Map for The Terraces at Meadows Run, a condominium Common Interest Community ("Second Supplemental Condominium Map"), designating the additional Units, Common Elements and Limited Common Elements.

3. Garage Limited Common Elements. Declarant has constructed (8) enclosed garage spaces which are shown and designated on the Second Supplemental Condominium Map as Limited Common Elements. The Units to which these Limited Common Elements are individually allocated are also designated on the Second Supplemental Condominium Map. The entire structure in which these garage spaces are contained shall be a Limited Common Element of those Units to which the individual garage spaces are allocated (Units 901, 1001, 1102, 1201, 1202, 1301, 1302 and 1402). All costs of the garage spaces, including without limitation, utilities, insurance, maintenance, and repair shall be allocated only to Units 901, 1001, 1102, 1201, 1202, 1301, 1302 and 1402 in equal shares of 1/8 each to the respective Units. Notwithstanding the previous sentence, the interior of each of the enclosed garage spaces, which shall be defined as the painted surfaces of the interior walls and the ceiling and the entire depth of the concrete floor) shall be maintained and repaired by the Unit Owner to which the individual garage space is allocated at the sole cost and expense of such Unit Owner. These garage Limited Common Elements may not be conveyed separate and apart from the Units to which they are specifically allocated.

4. Unless otherwise defined herein, initially capitalized terms defined in the Declaration shall have the same meaning herein.

5. Except as specifically amended by this Second Supplement or other amendments or supplements, all other terms and conditions of the Declaration shall remain in full force and effect.

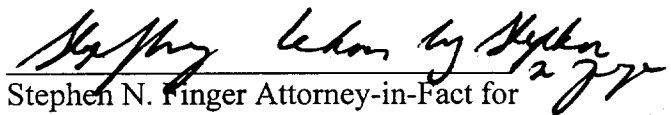
IN WITNESS WHEREOF, Declarant has caused this Second Supplement to be executed by its duly authorized agents this 15th day of November, 2001.

DECLARANT:

651 A & B, LLC, A COLORADO LIMITED LIABILITY COMPANY

By: 
Stephen N. Finger, Manager

Dated: 11/15/01

By: 
Stephen N. Finger Attorney-in-Fact for
Jeffrey Lehrer, Manager

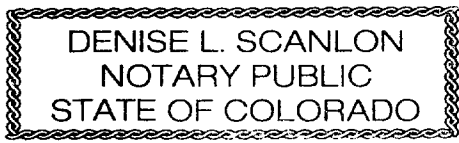
Dated: 11/15/01


STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing document was acknowledged before me by Stephen N. Finger as Manager of 651 A & B, LLC, a Colorado limited liability company and as Attorney-in-Fact for Jeffrey Lehrer, Manager of 651 A & B, LLC, a Colorado limited liability company on the 15th day of November, 2001.

Witness my hand and official seal.

My commission expires: 8/16/04



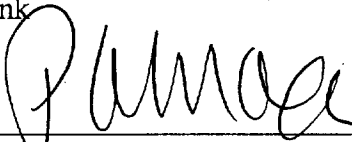

Notary Public

LENDER CONSENT

The undersigned Lender, the beneficiary under that certain Deed of Trust recorded at Reception No. 330921, that certain Modification of Deed of Trust recorded at Reception No. 342290, and that certain Financing Statement filed pursuant to the Uniform Commercial Code at Reception No. 331230, hereby consents to the above Second Supplement to the Declaration of Covenants, Conditions and Restrictions for Terraces on Meadows Run. Lender agrees and acknowledges that any foreclosure or enforcement of any other remedy available to Lender under a deed or deeds of trust or other security agreements will not render void or otherwise impair the validity of the Declaration, as amended and supplemented, or of the covenants running with the land described in the Declaration.

Dated this 8th day of November, 2001.

WestStar Bank

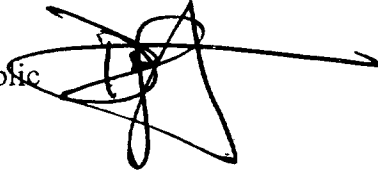
By: 
Patricia A. Maxon, President,
Bank of Telluride, a WestStar Bank

STATE OF COLORADO }
 } ss.
COUNTY OF SAN MIGUEL }

The foregoing Lender Consent was acknowledged before me by Patricia A. Maxon, President, Bank of Telluride, a WestStar Bank on the 8th day of November, 2001.

Witness my hand and official seal.

My commission expires: 8/16/04

Notary Public 

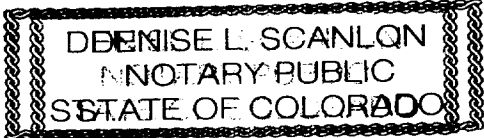


EXHIBIT A**ADDITIONAL UNITS**

<u>ADDITIONAL UNIT IDENTIFYING NUMBER</u>	<u>SQUARE FOOTAGE</u>
901	2,675
1001	2,600
1101	1,067
1102	1,334
1201	1,038
1202	1,296
1301	1,067
1302	1,334
1401	1,038
1402	1,305

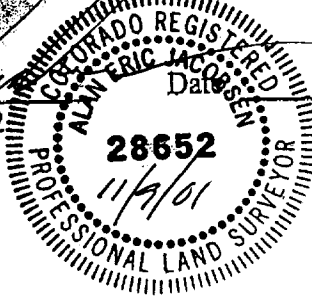
**SECOND AMENDED AND RESTATED
EXHIBIT B
TO THE CONDOMINIUM DECLARATION FOR
THE TERRACES AT MEADOWS RUN, A CONDOMINIUM COMMUNITY
ALLOCATION OF INTERESTS
AND
NUMBER OF VOTES IN THE ASSOCIATION**

UNIT NUMBER	SQUARE FOOTAGE	PERCENTAGE SHARE OF COMMON EXPENSES AND LIABILITIES	PERCENTAGE SHARE OF OWNERSHIP OF COMMON ELEMENTS	NUMBER OF VOTES IN ASSOCIATION
101	953	3.06%	3.06%	1
102	1,092	3.51%	3.51%	1
201	953	3.06%	3.06%	1
202	1,092	3.51%	3.51%	1
301	953	3.06%	3.06%	1
302	1,092	3.51%	3.51%	1
401	953	3.06%	3.06%	1
402	1,092	3.51%	3.51%	1
501	953	3.06%	3.06%	1
502	1,092	3.51%	3.51%	1
601	953	3.06%	3.06%	1
602	1,092	3.51%	3.51%	1
701	953	3.06%	3.06%	1
702	1,092	3.51%	3.51%	1
801	953	3.06%	3.06%	1
802	1,092	3.51%	3.51%	1
901	2,675	8.60%	8.60%	1
1001	2,600	8.36%	8.36%	1
1101	1,067	3.43%	3.43%	1
1102	1,334	4.29%	4.29%	1
1201	1,038	3.34%	3.34%	1
1202	1,296	4.17%	4.17%	1
1301	1,067	3.43%	3.43%	1
1302	1,334	4.29%	4.29%	1
1401	1,038	3.34%	3.34%	1
1402	1,305	4.19%	4.19%	1
TOTALS		100.0%	100.0%	26

CERTIFICATE OF COMPLETION

I, Alan E. Jacobsen, a Professional Land Surveyor licensed under the laws of the State of Colorado, do hereby certify pursuant to C.R.S. § 38-33.3-201(2) that all structural components of all buildings containing or comprising any units created by this Second Supplement to the Declaration for The Terraces at Meadows Run of Meadows, a Condominium Community are substantially completed.

Alan E. Jacobsen
Alan E. Jacobsen, P.L.S. 28652 Date 11/9/01



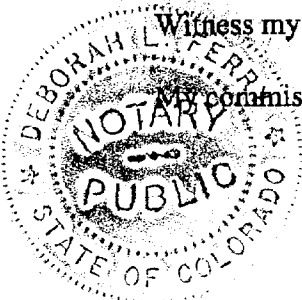
STATE OF COLORADO

COUNTY OF SAN MIGUEL

} ss.
}

The foregoing Association Consent was acknowledged before me by Alan E. Jacobsen, P.L.S. 28652 on the 9th day of November, 2001.

Witness my hand and official seal.



My commission expires: 11/12/01

Deborah L. Ferber

Notary Public

**ARTICLES OF INCORPORATION
OF
THE TERRACES HOME OWNERS ASSOCIATION, INC.**

COPY

For the purpose of forming a nonprofit corporation pursuant to the provisions of the Colorado Nonprofit Corporation Act, as may be amended, the undersigned incorporator has signed and acknowledged the following Articles of Incorporation:

ARTICLE I - NAME

The name of this nonprofit corporation shall be: **THE TERRACES HOME OWNERS ASSOCIATION, INC.**, (hereinafter the nonprofit corporation shall be referred to as the "Association" or "Corporation").

ARTICLE II - DURATION

The period of duration of the Association shall be perpetual.

ARTICLE III - PURPOSES

The objectives and purposes for which this Association is formed, are as follows:

1. To promote the health, safety, and welfare of all Members of the Association. To establish, provide and maintain a desirable environment for all Owners and guests and to protect and preserve the property, property values and property rights in the The Terrace at Meadows Run, a Condominium Community, located on Lot 651B, Telluride Mountain Village, San Miguel County, State of Colorado.
2. To enforce any and all covenants, restrictions, agreements, or rules and regulations applicable to The Terraces at Meadows Run in any manner provided by the laws of the State of Colorado, the Declaration, Bylaws, these Articles of Incorporation, and the Rules and Regulations and other governing documents of the Association as from time to time are in force and effect.
3. To provide any service and perform all actions contemplated or permitted by law.

ARTICLE IV - POWERS

In furtherance of its purposes, but not otherwise, the Association shall have the following powers:

1. **ALL COMMON LAW AND STATUTORY POWERS.** All of the powers conferred upon nonprofit corporations by common law and statutes of the State of Colorado, in effect now and from time to time, and those powers inherent to the Colorado Nonprofit Corporation Act, C.R.S. 7-20-101, et seq.

2. **POWERS NEEDED TO EFFECTUATE THE DECLARATION, BYLAWS, THESE ARTICLES OF INCORPORATION, AND THE RULES AND REGULATIONS AND OTHER GOVERNING DOCUMENTS OF THE ASSOCIATIONS AND ANY OTHER STATUTORY REQUIREMENTS.** All of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers of the Association under the above-referenced Declaration, Bylaws, these Articles of Incorporation, and the Rules and Regulations and other governing documents of the Associations and Statutory Requirements, including, without limitation, the following powers:

(a) **ASSESSMENTS.** To levy and collect assessments and special assessments against the Owner(s) of each Unit for the purpose of defraying the costs, expenses and any losses of the Association, or of exercising its powers or of performing its functions; to charge interest on unpaid assessments; and to create, enforce, and foreclose liens given as security for such assessments, charges, fees, fines, penalties, damages and interest.

(b) **OPERATION AND MAINTENANCE.** To manage, control, operate, maintain, repair and improve all road and utility systems serving The Terraces at Meadows Run.

(c) **ADVANCE OWNERS' INTERESTS.** To engage in activities which will actively foster, promote and advance the common interests of The Terraces at Meadows Run.

(d) **BUY, SELL, LEASE, OR ENCUMBER.** To buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate and otherwise deal with and in, real, personal and mixed property of all kinds, and any right or interest therein, for any purpose of this Association.

(e) **BORROW.** To borrow money and secure the repayment of monies borrowed for any purpose of this Association, limited in amount or in other respects as may be provided in the Bylaws of this Association.

(f) **CONTRACT.** To enter into, make, perform or enforce contracts of every kind and description, including, without limitation, contracts for management services, and to do all other acts necessary, appropriate or advisable in carrying out any purpose of this Association with or in association with any person, firm, association, corporation or other entity or agency, public or private.

(g) **BYLAWS.** To adopt, alter, amend or repeal such Bylaws as may be necessary or desirable for the proper management of the affairs of this Association provided, however, that such Bylaws may not be inconsistent with or contrary to any provisions of these Articles of Incorporation.

(h) **RULE MAKING.** To make and enforce rules and regulations applicable to The Terraces at Meadows Run for the accomplishment of any of the purposes or to further any of the powers set forth above, and to amend such rules and regulations.

(i) **POWERS NOT LIMITED OR RESTRICTED.** The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and The powers specified in each of the paragraphs of this Article IV are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Article IV.

3. **LIMITATION ON POWERS.** Without the consent of all the ownership interests in the Association, this Association shall have no power or authority to take any action which would cause it to be classified other than as a nonprofit corporation by either the Internal Revenue Service or the State of Colorado.

4. **PROHIBITION ON DIVIDENDS.** The Association shall not pay any dividends. No distribution of the corporate assets to Members shall be made. Upon dissolution of the Association, the assets shall be distributed as provided in Article XII herein.

ARTICLE V - MEMBERSHIPS

1. **SHARES-ONE CLASS.** This Association shall be a membership corporation without certificates or shares of stock. There shall be one class of membership, and there shall be one membership in the Corporation which shall be attributable to the fee simple title to each Unit.

2. **VOTING.** All Members shall be entitled to vote with one vote per Unit. The voting right of any Members who are in default of any obligations to this Association may be suspended until such default is cured. Cumulative voting is prohibited. The vote for a

given Unit shall be made by one person, who shall represent all individuals or entities holding title to the respective Unit.

3. **MEMBERSHIP APPURTENANT TO UNIT OWNERSHIP.** Each membership shall be appurtenant to the fee simple title of each Unit. The Owner of a Unit shall automatically be the holder of the membership appurtenant to that Unit. Membership in the Association shall not be assigned, encumbered or transferred in any manner except as an appurtenance to transfer of title to the Unit to which the Membership appertains. Membership in the Association is mandatory.

4. **TRANSFER.** A transfer of Membership shall occur automatically upon the transfer of title to a Unit to which the Membership appertains, provided, however, that the Bylaws of the Association may contain reasonable provisions and requirements with respect to recording such transfers on the book and records of the Association.

5. **SUSPENSIONS OF VOTING RIGHTS.** The Association may suspend the voting rights of the Owner of a Unit for failure to comply with rules, regulations or Bylaws of the Association or for failure to comply with any other obligations created pursuant to the governing documents of the Association. The Association may also impose fines, as permitted by law, and take all other actions permitted by law, for failure of a Member to comply with the rules, regulations and bylaws of the Association.

6. **BYLAWS APPLICABLE TO MEMBERS' RIGHTS.** The Bylaws may contain provisions, not inconsistent with the foregoing, setting forth the rights, privileges, duties and responsibilities of the Members.

ARTICLE VI - EXECUTIVE BOARD

The business and affairs of this Association shall be conducted, managed, and controlled by its Executive Board.

1. **NUMBER, TERMS.** The Executive Board shall consist of not less than three members, the specific number to be set forth from time to time in the Bylaws of the Association. In the absence of any provision to the contrary in the Bylaws, the Executive Board shall consist of three members.

2. **ELECTED DIRECTORS.** Members of the Executive Board shall be elected in the manner determined by the Bylaws. The persons comprising the Executive Board shall be natural persons. A person does not have to be an Owner to serve on the Executive Board. The initial Executive Board shall be those individuals specified in these Articles of Incorporation.

3. **VACANCIES.** Directors may be removed and vacancies on the Executive Board shall be filled in the manner provided in the Bylaws. Any vacancies on the Executive Board occurring before the first election of Directors by Members shall be filled by vote of the remaining Directors.

4. **DIRECTOR LIABILITY.** The Corporation hereby elects to enact all of those protections provided by Colorado law which would limit or eliminate the personal liability of Directors to the Association in any and all cases with the exception of those statutory exceptions which do not eliminate or limit a Director's liability, and unless otherwise set forth in the Articles, Bylaws or Declaration.

5. **INITIAL EXECUTIVE BOARD.** The names and addresses of the three natural persons over the age of twenty-one years who shall serve as Directors until their successors shall be elected and qualified, are as follows:

NAME	ADDRESS
Stephen Finger	P. O. Box 3629, Telluride, Colorado 81435
Nicole Finger	P. O. Box 3629, Telluride, Colorado 81435
Jeffrey Lehrer	1000 E. Apache Blvd., Suite 219, Tempe, Arizona 85281

ARTICLE VII - OFFICERS

The Executive Board shall, at each Annual Meeting of the Directors, elect a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Executive Board believes will be in the best interests of the Association, in accordance with the provisions of the Bylaws. The position of Treasurer may be combined with and held by the same person as the position of Secretary. The Officers shall have such duties as may be prescribed in the Bylaws of the Association and shall serve one year terms from the Annual Meeting of Directors at which they are appointed until a successor is named at the following Annual Meeting of Directors, at the pleasure of the Executive Board.

ARTICLE VIII - CONVEYANCES AND ENCUMBRANCES

Association property may be conveyed or encumbered by authority of the Association and its Executive Board. Conveyances or encumbrances shall be by instrument executed by the President or Vice President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer or executed by such other person or persons to whom such authority may be specifically delegated by the Executive Board.

ARTICLE IX - EXECUTION OF INSTRUMENTS

Authority to convey or encumber the property of the Association and to execute any deed, contract or other instrument on behalf of the Association for itself or as attorney-in-fact for one or more of the Members is vested in the president or any vice president. All instruments conveying or encumbering such property shall be executed by the president or vice president or any other officer of the Association.

ARTICLE X - INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the Corporation shall be at 398 West Colorado Avenue, P.O. Box 3727, Telluride, Colorado 81435. The initial registered agent at such office shall be Stephanie L. Fanos.

The undersigned consents to the appointment as the initial registered agent of THE TERRACES HOME OWNERS ASSOCIATION, INC.

Stephanie L. Fanos

ARTICLE XI - INCORPORATOR

The following is the name and address of a natural person over the age of twenty-one years and of full, unimpaired legal capacity who is the incorporator of this Corporation.

NAME	ADDRESS
Stephanie L. Fanos, Esq.	398 West Colorado Avenue P.O. Box 3727 Telluride, CO 81435 (970) 728-6237

ARTICLE XII - DISSOLUTION

The Association may be dissolved only by the affirmative vote of a majority of the Members. Written notice of a proposal to dissolve, setting forth the reasons thereof and the disposition to be made of the assets, as set forth below, shall be mailed to every Member at least 90 days in advance of any action taken. Upon dissolution of the Association, the assets, both real and personal, of the Corporation, shall be dedicated to an appropriate public agency or agencies or utility to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is not accepted, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or

other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of the Association properties shall be effective to divest or diminish any right or title of any Member vested in him or her under the recorded covenants and deeds applicable to The Terrace at Meadows Run unless made in accordance with the provisions of such covenants and deeds.

ARTICLE XII - AMENDMENTS

Amendments to these Articles of Incorporation shall require the assent of at least two-thirds of the Members of the Association, as provided in the Colorado Nonprofit Corporation Act.

Executed this ____ day of _____, 1998.

Incorporator:

Stephanie L. Fanos, Esq.
398 West Colorado Avenue
P. O. Box 3727
Telluride, CO 81435
(970) 728-6237

STATE OF COLORADO)
)ss
COUNTY OF SAN MIGUEL)

Subscribed and sworn to before me this ____ day of _____, 1998 by Stephanie L. Fanos.
My commission expires: _____

Notary Public

BYLAWS
OF
THE TERRACES HOME OWNERS ASSOCIATION, INC.

COPY

ARTICLE I - OBJECT

1.01 **Association.** The Terraces Home Owners Association, Inc. the ("Association" or "Corporation") is a nonprofit corporation organized under the Colorado Nonprofit Corporation Act, as amended.

1.02 **Purpose.** The purpose for which this Association is formed is to manage The Terraces at Meadows Run, a Condominium Community, as provided by Declaration and to further the interests of the residents, occupants, tenants and guests of The Terraces at Meadows Run and members of the Association.

1.03 **Unit Owners Subject to Bylaws.** All present or future Unit Owners, tenants, or other persons who might, in any manner, have an interest in The Terraces at Meadows Run are subject to the covenants or regulations set forth in and provided for by these Bylaws. The acquisition and ownership of the Units in The Terraces at Meadows Run as defined in the Declaration of Common Interest Community for The Terraces at Meadows Run shall signify that these By-laws are accepted, ratified and will be complied with by the Owners.

ARTICLE II - MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

2.01 **Membership.** Ownership of a Unit in The Terraces at Meadows Run is required for membership in this Association. Any person or entity, upon becoming an owner of such Unit, also becomes a member of the Association, subject to these Bylaws. Such membership terminates without any formal Association action upon such person or entity ceasing to own a Unit, but such termination shall not relieve or release any such former Owner from any liability or obligation to the Association, nor shall it impair any rights or remedies which the Association may have against such former Owner, arising out of or in any way connected with ownership of a Unit and membership in the Association. No certificates of stock shall be issued by the Association, but the Executive Board may, if it so elects, issue membership identification cards to the Owners of each Unit. Such membership card shall be surrendered to the Secretary whenever ownership in the Unit designated thereon shall terminate.

2.02 **Voting.** Members of the Association shall be entitled to vote on all matters. There shall be one vote for each Unit depicted on the Map. If title to any Unit is held by two or more co-owners, one of the co-owners shall be designated by all co-owners of such Unit to exercise the voting rights for such Unit on behalf of all Owners. Cumulative voting shall not be permitted.

2.03 **Quorum.** Except as otherwise provided in these Bylaws, the presence in person or by proxy by the Owners of a majority of the Units shall constitute a quorum and an affirmative

vote of those representing a majority of the Units represented at such a meeting having a quorum in attendance, either in person or by proxy, shall be necessary to transact business and to adopt decisions binding on all Owners.

2.04 **Proxies.** Votes may be cast in person or by proxy. Proxies must be filed with the Secretary at or before the commencement of each meeting. All proxies must be in writing signed by the Owner(s) granting the proxy and may be either general or for a particular meeting. A proxy-holder need not be an Owner.

ARTICLE III - MEETINGS OF MEMBERS

3.01 **Place of Meeting.** Meetings of the Association shall be held at such place within the San Miguel County, Colorado as the Executive Board may from time to time determine.

3.02 **Annual Meetings.** The meetings of the Association shall be held at least once a year. The annual meeting of the Members of the Association shall be held each year on such date as shall be selected by the Executive Board, provided that such meeting shall occur in each year no later than three (3) months after the end of the Association's fiscal year. The first annual meeting shall be called by the initial Executive Board of the Association. At such annual meetings, the Members shall elect Directors to succeed those Directors whose terms are to expire prior to the next succeeding regular annual meeting of the Association and may transact such business of the Association as may properly come before the meeting.

3.03 **Special Meetings.** It shall be the duty of the President to call such special meeting of the Association as may be needed to transact business and/or to adopt decisions binding on all Owners. Such meetings may be called by the President, by resolution of the Executive Board or by petition of the Owners of at least two of the Units in The Terraces at Meadows Run Home Owners Association. The Notice of any such special meeting shall state the time and place of such meeting and the specific purpose thereof. Telephone meetings shall be valid if permitted by law. No business shall be transacted at a special meeting except as may be stated in the notice. Any such meeting shall be held within thirty (30) days after receipt by the President of such resolution or petition.

3.04 **Notice of Meetings.** It shall be the duty of the Secretary to hand deliver or to mail, postage prepaid, by regular United States mail, a notice of each annual or special meeting, stating the purpose thereof (including the general nature of any proposed amendment to the Declaration or the Bylaws, any budget changes, and any proposal to remove an officer or director), as well as the time and place where it is to be held, to each Unit Owner of record. A waiver of notice, signed by all Members of the Association before, at or within a reasonable time after any meeting shall be valid substitute for notice. The certificate of the Secretary that notice was properly given as provided in these Bylaws shall be prima facie evidence thereof. Such Notice of Members' meetings must be given at least ten (10), but not more than twenty (20), days prior to the date of such meeting. Notice shall be deemed delivered when hand delivered, or deposited in the United

States mail addressed to the member at his address as it appears on the records of the Association, with postage thereon prepaid.

3.05 Adjourned Meetings. If any meeting of the Association cannot be convened because a quorum of Units are not in attendance or the business of the meeting cannot be concluded, the Owners who are present, either in person or by proxy, may adjourn the meeting one or more times for periods of no longer than two weeks from time to time, until a quorum is obtained or until a conclusion can be reached.

3.06 Quorum. A quorum is deemed present throughout any meeting of the Association Members if Owners of 50% of the Units are present, in person or by proxy, at the beginning of the meeting.

3.07 Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll call
- (b) Proof of notice of meeting or waiver of notice
- (c) Reading of minutes of the last meeting
- (d) Reports of officers
- (e) Reports of committees
- (f) Election of Directors (annual meetings only)
- (g) Unfinished business
- (h) New business

ARTICLE IV - Executive Board

4.01 Association Responsibilities. The Owners of the Units in The Terraces at Meadows Run constitute the membership of the Association, and have the responsibility of administering The Terraces at Meadows Run through the Association's Executive Board. The Association has the powers as set forth in the Declaration, including, without limitation, to amend the Declaration and to determine the powers and duties of the Executive Board.

4.02 Number and Qualification. The affairs of the Association shall be governed by a Executive Board (The "Board") composed of three natural persons. The number of directors may be increased or decreased by amendment of these Bylaws, provided however, that the number of Directors shall not be reduced to less than three nor increased to more than six. Until the first meeting of the Association, the initial Executive Board shall consist of the three individuals designated in the Articles of Incorporation of the Association, which individuals need not be Unit Owners.

4.03 Powers and Duties. The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration or these Bylaws. The Board shall have, subject

to the limitations contained in the Declaration, The powers and duties necessary for the administration of the affairs of the Association and of The Terraces at Meadows Run.

4.04 Managing Agent. The Executive Board may employ for the Association a Managing Agent (at a compensation established by The Executive Board), to perform such duties and services as it shall authorize. The Executive Board may delegate to such Managing Agent any of the Board's powers and duties but, notwithstanding such delegation, the Board shall not be relieved of its responsibility under the Declaration. Any contract of employment entered into with a Managing Agent must, however, be limited to a term not exceeding three years and must provide that it is cancelable by the Association without cause, upon thirty (30) days written notice, and with cause at any time.

4.05 Election and Term of Office. Except as otherwise provided in the Declaration, members of the Executive Board shall be elected by a majority or (if more than two candidates stand for election) a plurality, as appropriate, of the Owners or representatives of Units voting at the annual meeting of the Association. The term of each Director's service shall extend until the next annual meeting of the Association and so long thereafter as may be necessary for a successor to be duly elected and qualified; or until the Director may resign or is removed in the manner herein provided.

4.06 Vacancies. Vacancies in The Executive Board caused by any reason other than the removal of a Director by a vote of the Association shall be filled by the remaining Directors, even though they may constitute less than a quorum. A Director so selected shall serve until a successor is elected at the next annual meeting of the Association.

4.07 Removal of Directors. At any annual or special meeting of the Association, duly called, any one or more of the Directors may be removed with or without cause by a majority of the Members and a successor may then and there be elected by the Owners of Units to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting prior to a vote being taken on the matter.

4.08 Organizational Meeting. The first meeting of a newly elected Executive Board shall be held within thirty (30) days after such election at such place as shall have been fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to convene such meeting, provided that a majority of the new Board shall be present at such election meeting.

4.09 Regular Meetings. Regular meetings of the Executive Board may be held at such time and at such place in San Miguel County, Colorado as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Executive Board shall be given by the Secretary to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

4.10 Special Meetings. Special meetings of the Executive Board may be called by the President, on his own initiative, on three (3) days notice to each Director, given personally, or by mail, telephone, fax or telegraph, which notice shall set forth the time, place and purpose of the meeting. Special meetings of the Executive Board shall be called by the President or Secretary in like manner and on like notice on receipt of a written request to call such a special meeting from at least two (2) Directors. Such meetings may be held telephonically.

4.11 Waiver of Notice. Before or at any meeting of the Executive Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

4.12 Consent to Corporate Action. If all the Directors severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Board or the committee, as the case may be. The Secretary shall file these written consents with the minutes of the meetings of the Board.

4.13 Telephone Communication in Lieu of Attendance. A Director may attend a meeting of the Board by using an electronic or telephonic communication method whereby the Director may be heard by the other members and may hear the deliberations of other members on any matter properly brought before the Board. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

4.14 Executive Board Quorum. At all meetings of the Executive Board, a majority (at least 50% of the votes entitled to be cast) of the Directors at the beginning of the meeting shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of The Executive Board. If at any meeting of the Executive Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called, may be transacted without further notice.

4.15 Compensation; Fidelity Bonds. The Members of The Executive Board shall serve without salary or compensation. The Executive Board may require that all Officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association. All actions of members of the Board in good faith and using reasonable care shall be without recourse by the Association or any Owner.

ARTICLE V - OFFICERS

5.01 **Designation.** The Officers of the Association shall be a President, a Vice President or Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by the Executive Board.

5.02 **Election of Officers.** The Officers of the Association shall be elected annually by the Executive Board at The organizational meeting of each new Board and shall hold office at the pleasure of The Board. One person may hold concurrently the office of Vice President and Secretary or Vice President and Treasurer or Secretary and Treasurer, but the President shall serve only in the office of President.

5.03 **Removal of Officers.** Upon an affirmative vote of a majority of the Members of the Executive Board, any Officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Executive Board, or at any special meeting of the Board called for such purpose.

5.04 **President.** The President shall be elected from and by the Executive Board and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association. The President shall have all of the General Powers and duties which are usually vested in the office of the President of a nonprofit corporation, including but not limited to, the power to appoint committees from among the Members from time to time as may be deemed appropriate, and to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meeting. The President shall be the officer responsible for the preparation, execution, certification and recordation of amendments to the Declaration on behalf of the Association.

5.05 **Vice President.** The Vice President shall be a Member and shall have all the powers and authority and shall perform all of the functions and duties of the President, in the absence of the President or in the absence of the President's ability for any reason to exercise such powers and functions or perform such duties.

5.06 **Secretary.** The Secretary shall be a Member and shall keep the minutes of all meetings of the Association; the Secretary shall have charge of such books and papers as the Executive Board may direct; and shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Owners and their last-known addresses as shown on the records of the Association. Such list shall also show opposite each Owner's name the appropriate designation of the Unit owned by such Member. Such list shall be open to inspection by Owners and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

5.07 **Treasurer.** The Treasurer shall have responsibility for Association funds, shall keep The financial records and books of account of the Association and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in the name, and to the credit of the Association in such depositories as may from time to time be designated by the Executive Board.

5.08 **Agreements, Contracts, Checks, etc.** Except as provided in these Bylaws or the Declaration, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any Officer of the Association or by any other person or persons designated by the Board.

ARTICLE VI - INDEMNIFICATION OF DIRECTORS AND OFFICERS

6.01 **Indemnification.** The Association shall indemnify its Directors and Officers, and his or her heirs, executors and administrators against loss, costs and expense, including counsel fees, reasonably incurred in connection with any action, suit or proceeding to which such person may be made a party by reason of being or having been a Director or Officer of the Association, except as to matters to which such person shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or Officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or Officer may be entitled. All liability, loss, damage, costs, and expense incurred or suffered by the Association by reason of, or arising out of, or in connection with the foregoing indemnification shall be considered a legitimate association expense.

Nothing contained in this Section shall, however, be deemed to obligate the Association to indemnify any Member who is or has been a Director or Officer of the Association with respect to any duties or obligations assumed or liabilities incurred simply as a Member or Owner of a Unit under or by virtue of the Declaration and not as an Officer or Director.

Anything to the contrary notwithstanding, this provision shall not eliminate or lessen the liability of a director to the Association, or its members, for monetary damages for: Any breach of the director's duty of loyalty to the Association or its members; acts or omissions not in good faith or which include intentional misconduct or a knowing violation of law; acts specified in C.R.S. 7-24-111; or any transaction from which the director derived an improper personal benefit.

ARTICLE VII - AMENDMENTS

7.01 **Bylaws.** These Bylaws may be amended only by affirmative act of the Executive Board of the Association at a meeting duly called for that purpose. Any notice of any meeting for said purpose shall specify the nature and text of any proposed amendment or amendments, provided that these Bylaws shall at all times comply with the Declaration.

7.02 **Declaration.** The Declaration may be amended only as set forth in the Declaration.

ARTICLE VIII - ENFORCEMENT

8.01 **Abatement and Enjoinment of Violations by Unit Owners.** The violation of any of the Rules and Regulations adopted by the Board or the breach of any provision of the Declaration or other documents of the Common Interest Community (collectively, the "Documents") shall give the Board the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws:

(a) To enter the Unit or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Documents. The Board shall not be deemed liable for any manner of trespass by this action; or

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

8.02 **Fine for Violation.** By resolution, following notice and hearing, the Board may levy a fine of up to \$500.00 per day for each day that a violation of the Documents or Rules persists after notice and hearing, but this amount shall not exceed that amount necessary to insure compliance with the rule or order of the Board.

ARTICLE IX - WORKING CAPITAL FUND

9.01 **Working Capital.** The Association may require the first Unit Owner of each Unit (other than Declarant) to make a non-refundable Payment to the Association in an amount equal to one-fourth (1/4th) of the annual Common Expense Assessment against that Unit in effect at the closing thereof, which sum shall be held, without interest, by the Association as a "Working Fund." Said Working Fund shall be collected and transferred to the Association at the time of closing of the sale by Declarant of each Unit, as aforesaid, and shall be maintained for the use and benefit of the Association. Such payment shall not relieve a Unit Owner from making regular payments of assessments as the same become due. Upon the transfer of his Unit, a Unit Owner shall be entitled to a credit from his transferee for any unused portion of the aforesaid Working Fund. This account may be updated annually as of December 31st, and notice shall be given to all Unit Owners whose individual account does not equal one fourth (1/4th) of the current annual assessment. Payment of any shortage shall be due with the next regular assessment payment, following written notice.

ARTICLE X - MISCELLANEOUS

10.01 Proof of Ownership. Every person or entity becoming an Owner of a Unit shall immediately furnish to the Executive Board a photocopy or a certified copy of the recorded instrument vesting in that person such ownership, which copy (fax permitted) shall remain in the files of the Association. A Member shall neither be deemed in good standing nor shall be entitled to vote at any annual or special meeting of Members unless this requirement is first met.

10.02 Compliance. These By-Laws are intended to comply with the requirements of Colorado Law and the Declaration. If the Bylaws are found to be not in compliance, then they shall not terminate, but instead shall be amended to conform to the applicable law.

10.03 Character of Association. This Association is organized as a nonprofit corporation. No Member, Director, Officer or other person may receive any property or funds, or shall receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, be distributed to, or inure to the benefit of any of the Executive Board, Officers or Members, except upon a dissolution of the Association, provided however, always: (1) that reasonable compensation may be paid to any Member, Manager, Director or Officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any Member, Manager, Director, or Officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

10.04 Conveyances and Encumbrances. Corporate property may be purchased, conveyed or encumbered for security of monies borrowed by authority of the Association and/or the Executive Board. Conveyances or encumbrances shall be by instrument executed by the President or Vice President and by the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, or executed by such other person or persons to whom such authority may be specifically delegated by the Board.

10.05 Inspection of Records. Any Unit Owner may inspect the records of receipts and expenditures of the Association pursuant to Colorado Statute at convenient, weekday business hours, upon reasonable notice to the Executive Board or Managing Agent, if any. Upon payment of a reasonable fee, not to exceed \$50.00, any Unit Owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner and/or which might comprise a lien against the Owner's Unit. This statement setting forth the amount of unpaid assessments currently levied against a member's Unit shall be furnished at least 14 business days after receipt of the request, and shall be delivered personally, or by certified mail, first class postage prepaid, return receipt requested. Upon issuance of such a certificate by the Association, the Association shall be barred from collecting or attempting to

collect a greater amount than that set out in the certificate for the time period covered by the certificate, from any Unit Owner or new purchaser who may have acted in reliance on such certificate.

10.06 **Incorporation of Declaration.** The Declaration of Common Interest Community for The Terraces at Meadows Run as recorded in the records of the Clerk and Recorder of San Miguel County, Colorado, is by this reference incorporated as if fully set forth herein.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this ____ day of _____, 1998.

INITIAL EXECUTIVE BOARD

1) Director: _____
Stephen Finger

2) Director: _____
Nicole Finger

3) Director: _____
Jeffrey Lehrer

CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby certify that the above and foregoing Bylaws were duly adopted by the Directors of said Association as the Bylaws of said Association on the ____ day of _____, 1998, and that they do now constitute the Bylaws of said Association.

Secretary

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
1998/1999 ANNUAL BUDGET**

Operating Revenues:	1998	1999
Homeowner's Dues	\$19,130	\$38,199
Operating Expenses:		
Management Expense	\$1,800	\$3,600
Insurance	\$4,048	\$8,657
Other Administrative	\$168	\$234
Common Electric	\$1,000	\$2,200
Common Gas	\$1,800	\$3,600
Lobby Cleaning	\$1,800	\$4,800
General Maintenance	\$480	\$680
Snow Removal:		
Ground Snow Removal	\$1,200	\$1,800
Roof Snow Removal	\$750	\$1,500
Income Tax Returns	\$350	\$350
Trash Removal	\$540	\$1,032
Landscaping	\$1,000	\$2,000
Total Operating Expenses:	\$14,936	\$30,453
Repair and Replacement Reserve Fund	\$1,494	\$3,045
Painting Fund	\$2,700	\$4,700
Total Expenses:	\$19,130	\$38,199

*Assumes two buildings completed in 1998 and an additional two in 1999

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
DUES ALLOCATION: BUILDINGS 1, 2, 3, 4**

UNIT	SQ. FT.	1998 % ALLOC.	1998 MONTHLY DUES	1998 ANNUAL DUES	1999 % ALLOC.	1999 MONTHLY DUES	1999 ANNUAL DUES
101	1012	11.65%	\$185.78	\$2,229.31	5.83%	\$185.48	\$2,225.77
102	1159	13.35%	\$212.76	\$2,553.14	6.67%	\$212.42	\$2,549.08
201	1012	11.65%	\$185.78	\$2,229.31	5.83%	\$185.48	\$2,225.77
202	1159	13.35%	\$212.76	\$2,553.14	6.67%	\$212.42	\$2,549.08
301	1012	11.65%	\$185.78	\$2,229.31	5.83%	\$185.48	\$2,225.77
302	1159	13.35%	\$212.76	\$2,553.14	6.67%	\$212.42	\$2,549.08
401	1012	11.65%	\$185.78	\$2,229.31	5.83%	\$185.48	\$2,225.77
402	1159	13.35%	\$212.76	\$2,553.14	6.67%	\$212.42	\$2,549.08
501	1012	0.00%	\$0.00	\$0.00	5.83%	\$185.48	\$2,225.77
502	1159	0.00%	\$0.00	\$0.00	6.67%	\$212.42	\$2,549.08
601	1012	0.00%	\$0.00	\$0.00	5.83%	\$185.48	\$2,225.77
602	1159	0.00%	\$0.00	\$0.00	6.67%	\$212.42	\$2,549.08
701	1012	0.00%	\$0.00	\$0.00	5.83%	\$185.48	\$2,225.77
702	1159	0.00%	\$0.00	\$0.00	6.67%	\$212.42	\$2,549.08
801	1012	0.00%	\$0.00	\$0.00	5.83%	\$185.48	\$2,225.77
802	1159	0.00%	\$0.00	\$0.00	6.67%	\$212.42	\$2,549.08

Allocation Square Footages are estimates based on two each, one and two bedrooms per building

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
MANAGEMENT EXPENSE**

Description	Monthly Approximate Cost	Amount Budgeted
1998: 8 Units	\$150	\$1,800
1999: ¹⁶ 20 Units	\$300	\$3,600

Additional Expenses:

1. Copying of Budget, Articles, Declarations, Bylaws, CCRs, Insurance, etc. Requesting party will be billed for copying costs and management time.
2. Sending out notices and filing of liens. Liened party will be billed all time and other costs associated with lien.

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
INSURANCE EXPENSE**

Description	1998 Monthly Approx Cost	1998 Amount Budgeted	1999 Monthly Approx Cost	1999 Amount Budgeted
General Liability/Directors and Officers Coverage	\$1,002	\$4,008	\$711	\$8,537
Costs of Quarterly or Monthly Payments	\$10	\$40	\$10	\$120
Total Insurance Costs	\$1,012	\$4,048	\$721	\$8,657

Policy Coverage

Building Coverage \$5,400,000 \$772,000 Per Building for 7 Buildings Total
 Business Liability \$1,000,000 \$1M per incident, \$2M aggregate
 Fire/Legal \$100,000
 Visitor Auto \$1,000,000
 Employee Dishonesty \$10,000
 Loss of Income
 Water Damage
 All Exterior Signs
 Boiler and Machinery

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
ADMINISTRATIVE EXPENSE**

Description	Approx. Cost	1998 Quantity	1998 Amount Budgeted	1999 Quantity	1999 Amount Budgeted
<u>Postage</u>					
4 Quarterly Invoice Mailings	\$1.28	8	\$10.24	16	\$20.48
Annual Mailing	\$1.01	8	\$8.08	16	\$16.16
8 Miscellaneous Mailings	\$2.56	8	\$20.48	16	\$40.96
7 Monthly Payables Mailings	\$2.24	12	\$26.88	12	\$26.88
<u>Photocopies</u>					
Minutes and Other Homeowner Information (Approx. 25 Pages/Year/Unit)	\$2.50	8	\$20.00	16	\$40.00
Financials and Other Information for Board (Approx 75 Pages/Year/Board Member)	\$7.50	3	\$22.50	4	\$30.00
<u>Phone Charges: Long Distance Charges Per Month</u>	\$2.50	12	\$30.00	12	\$30.00
<u>Supplies: Envelopes and Other Supplies Per Month</u>	\$2.50	12	\$30.00	12	\$30.00
		Total	\$168.18	Total	\$234.48

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
ELECTRICITY EXPENSE**

Description	Month	1998 Budgeted Cost	1999 Budgeted Cost
Monthly Electric Bills Include: Lobby Lighting Heat Tape on Gutters Garage Door Openers Snow Melt Pump Boiler Pumps	January	\$100	\$300
	February	\$100	\$300
	March	\$100	\$300
	April	\$100	\$300
	May	\$50	\$100
	June	\$50	\$100
	July	\$50	\$100
	August	\$50	\$100
	September	\$150	\$300
	October	\$150	\$300
	November	\$150	\$300
	December	\$150	\$300
Totals		\$1,000	\$2,200

Assumes \$25 per building May through August and \$75 per building September through April

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
GAS EXPENSE**

Description	Month	1998 Budgeted Cost	1999 Budgeted Cost
Monthly Gas Bills Include: Lobby Heating Garage In Floor Heat	January	\$150	\$300
	February	\$150	\$300
	March	\$150	\$300
	April	\$150	\$300
	May	\$150	\$300
	June	\$150	\$300
	July	\$150	\$300
	August	\$150	\$300
	September	\$150	\$300
	October	\$150	\$300
	November	\$150	\$300
	December	\$150	\$300
	Totals		\$1,800

Assumes \$50 Per Building on a Budget Plan with KN Energy

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
LOBBY CLEANING**

Description	1998 Monthly Cost	1998 Budgeted Cost	1999 Monthly Cost	1999 Budgeted Cost
Lobby Cleaning and Maintenance	\$150	\$1,800	\$400	\$4,800

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
GENERAL MAINTENANCE**

Description	1998 Monthly Cost	1998 Budgeted Cost	1999 Monthly Cost	1999 Budgeted Cost
Boiler Maintenance	\$15	\$180	\$15	\$180
Garage Cleaning: Annual Pressure Wash		\$200		\$400
Garage Doors (Repairs As Needed)		\$100		\$100
Totals		\$480		\$680

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
SNOW REMOVAL**

Description	Month	1998 Budgeted Cost	1999 Budgeted Cost
Ground Snow Removal includes: Plowing and Shoveling of Walks	January	\$200	\$300
	February	\$200	\$300
	March	\$200**	\$300
	April	\$200	\$300
	November	\$200	\$300
	December	\$200	\$300
	Totals	\$1,200	\$1,800

Description	Month	1998 Budgeted Cost	1999 Budgeted Cost
Roof Snow Removal Per Event Contract over a Five Month Period November 15th to April 15th by Deep Creek, Inc.	January	\$150	\$300
	February	\$150	\$300
	March	\$150	\$300
	November	\$150	\$300
	December	\$150	\$300
	Totals	\$750	\$1,500

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
TRASH REMOVAL**

Description	Month	1998 Budgeted Cost	1999 Budgeted Cost
Trash Removal	January	\$45	\$86
	February	\$45	\$86
1998: Two Polycarts	March	\$45	\$86
Two Pickups a Week	April	\$45	\$86
	May	\$45	\$86
1999: Three yard Dumpster	June	\$45	\$86
One Pickup a Week	July	\$45	\$86
	August	\$45	\$86
	September	\$45	\$86
	October	\$45	\$86
	November	\$45	\$86
	December	\$45	\$86
	Totals	\$540	\$1,032

**THE TERRACES IN THE MEADOWS CONDOMINIUM ASSOCIATION
LANDSCAPING**

Description	1998 Budgeted Cost	1999 Budgeted Cost
Landscaping to Include:		
Spring Clean Up		
Maintenance and Mowing		
Fall Clean Up and Irrigation		
Totals	\$1,000	\$2,000