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HOMEOWNERS

DECLARATION

OF

WATER DANCE ON LAKE DILLON

TABLE OF CONTENTS

Exhibits

HOMEOWNERS DECLARATION
OF
WATER DANCE ON LAKE DILLON

This Homeowners Declaration of Water Dance on Lake Dillon (this "Declaration") is made this 16th day of November 1994, by Water Dance, Ltd., a Colorado corporation ("Declarant").

ARTICLE I
STATEMENTS OF PURPOSE AND DECLARATION

Section 1.1. Owner. Declarant is the owner of the property located in Summit County, Colorado, described on the attached Exhibit A (the "Property"). Declarant hereby makes the following declarations.

Section 1.2. Purpose. The purpose of this Declaration is to create a planned community of townhomes which will be the first phase of development (that first phase being referred to as the "Project") within the larger master planned community of single family lots, townhome units and other properties which will be known as "Water Dance on Lake Dillon" (and referred to in this Declaration as "Water Dance"), all in accordance with the Colorado Common Interest Ownership Act, Colo. Rev. Stat. § 38-33.3-101 through § 38-33.3-319, as amended and supplemented from time to time.

Section 1.3. Intention of Declarant. Declarant intends to ensure the attractiveness of the Property, including the residences and the other improvements constructed on it, to prevent any future impairment of the Property and guard against the construction on the Property of improvements of improper or unsuitable materials or with improper quality or methods of construction; to protect and enhance the values and amenities of the Property; to provide for the operation, administration, use and maintenance of the common areas within the Property; to preserve, protect and enhance the values and amenities of the Property; and to promote the recreation, health, safety and welfare of the owners of property in the Project.

Section 1.4. Water Dance. The larger master planned community of Water Dance, of which the Project is a part, is subject to the Master Declaration for Water Dance on Lake Dillon recorded concurrently with this Declaration in the office of the Clerk and Recorder of Summit County, Colorado (as defined more fully below, the "Master Declaration"). Reference is made to the Master Declaration for additional covenants governing the Project, and to the Design Guidelines issued pursuant to the Master Declaration, establishing the design theme and the architectural, construction and landscaping standards for the Project. The Project constitutes a "Project" as defined in the Master Declaration.

Section 1.5. Development and Use. Initially, the Project includes 19 Townhome Lots (as defined below). Upon completion, and conditioned on compliance with the regulations of the Town of Frisco, the Project will consist of a maximum of 38 Townhome Lots. Each Townhome Lot may be developed by the construction of a townhome dwelling unit. No more than 38 Townhome Lots may be established on the Property by subdivision of existing Lots or residential units or by time shares or any other method.

Section 1.6. Imposition of Covenants. To accomplish the purposes indicated above, Declarant hereby declares that from the date of recording this Declaration forward, the Property shall constitute a planned community under the Colorado Common Interest Ownership Act, Colo. Rev. Stat. § 38-33.3-101 through § 38-33.3-319, as amended and supplemented from time to time, and shall be held, sold and conveyed subject to the following covenants, conditions, restrictions and easements (collectively, these "Covenants"). These Covenants shall run with the land and be binding upon all persons having any right, title or interest in all or any part of the Property (including Declarant) and their heirs, successors and assigns, and their tenants, employees, guests and invitees. These Covenants will inure to the benefit of each owner of the Property.

ARTICLE II
DEFINITIONS

The following terms, as used in this Declaration are defi[illegible] as follows:

2.1. "Act" means the Colorado Common Interest Ownership Act, Colo. Rev. Stat. § 38-33.3-101 through § 38-33.3-319, as amended and supplemented from time to time, or any successor legislation to these statutes.

2.2. "Annual Assessment" means the Assessment levied annually pursuant to Section 10.3.

2.3. "Articles" or "Articles of Incorporation" means the articles of incorporation for the Association, which have been filed with the Colorado Secretary of State to create the Water Dance on Lake Dillon Homeowners Association, as such articles may be amended or restated from time to time.

2.4. "Assessments" means the Annual, Special and Default Assessments levied pursuant to Article X below.

2.5. "Association" means the Water Dance on Lake Dillon Homeowners Association, a Colorado nonprofit membership corporation, and any successor of that entity by whatever name, charged with the duties and obligations of administering the Project.

2.6. "Association Documents" means the basic documents creating and governing the Project, including, but not limited to, this Declaration, the Articles, the Bylaws, and any procedures, rules, regulations or policies adopted under such documents by the Association or the Board of Directors and its authorized committees, and the Plat.

2.7. "Board of Directors" or "Board" means the Board of Directors of the Association, which is the executive board, as defined in the Act, designated in this Declaration to act on behalf of the Association.

2.8. "Bylaws" means the Bylaws of the Association, which establish the methods and procedures of its operation, as such bylaws may be amended or restated from time to time.

2.9. "Common Area" means the real property and Improvements thereon, if any, in which the Association owns an interest for the common use, benefit and enjoyment of some or all of the Owners and such other persons who may be permitted to use the Common Area under the terms of this Declaration or any agreement with the Association. Such interest may include, without limitation, estates in fee, for terms of years, or easements.

2.10. "Common Expenses" means (i) all expenses expressly declared to be Common Expenses by the Association Documents; (ii) all other expenses of administering, servicing, conserving, managing, maintaining, repairing or replacing the Common Area and Exterior Maintenance Area; (iii) insurance premiums for the insurance carried under Article XIII; (iv) all expenses lawfully determined to be Common Expenses by the Board of Directors; (v) all expenses to be allocated among Owners as provided in Article X; and (vi) all expenses for maintenance obligations as may be shown on the Plat.

2.11. "Declarant" means Water Dance, Ltd., a Colorado corporation, or its successors or assigns, including any Successor Declarant to the extent the rights of Declarant are assigned to the Successor Declarant, as provided in this Declaration below.

2.12. "Declaration of Annexation" means a declaration prepared and recorded in accordance with the provisions of Article XVII to incorporate additional property within the Property governed by this Declaration.

2.13. "Default Assessment" means the Assessments levied by the Association pursuant to Section 10.6 below.

2.14. "Default Rate" means an annual rate of interest that is the lesser of (i) five percent above the prime rate of interest charged by the Association's bank, or such other rate as shall have been established by the Board of Directors, and (ii) the maximum rate permitted by the Act or other applicable law.

2.15. "Design Guidelines" means the guidelines and rules published, amended and supplemented from time to time by the Design Review Committee.

2.16. "Design Review Committee" or "Committee" means the committee formed pursuant to the Master Declaration to maintain the quality and architectural harmony of the Improvements in Water Dance, including the Project.

2.17. "Development Rights" is defined in Section 12.1.2.

2.18. "Director" means a member of the Board.

2.19. "Eligible Mortgage Holder" means a First Mortgagee or any insurer or guarantor of a First Mortgage which has notified the Association in writing of its name and address and status as a holder, insurer or guarantor of a First Mortgage. Such notice will be deemed to include a request that the Eligible Mortgage Holder be given the notices and other rights described in Article XVIII.

2.20. "Expansion Property" means such additional real property owned by Declarant, as Declarant may make subject to the provisions of this Declaration by a duly recorded Declaration of Annexation. The real property identified as Expansion Property as of the date of this Declaration is more particularly described on Exhibit B attached to this Declaration, and may be supplemented as provided in Section 17.2.

2.21. "Exterior Maintenance Area" means the exterior of any Residence (excluding window panes) and the property surrounding the Residence and any other Improvements on a Lot, all within the perimeter of the Lot on which the Residence is located.

2.22. "First Mortgage" means any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

2.23. "First Mortgagee" means the holder of record of a First Mortgage.

2.24. "Improvements" means all Residences and other buildings, parking areas, loading areas, fences, walls, hedges, plantings, lighting, poles, driveways, roads, ponds, lakes, trails, gates, signs, changes in any exterior color or shape, excavation and all other site work, including without limitation grading, road construction, utility improvements, removal of trees or plantings, and any new exterior construction or exterior improvement which may not be included in the foregoing. "Improvement(s)" does not include turf, shrub, or tree repair or replacement of a magnitude that does not change exterior colors or exterior appearances. "Improvement(s)" does include both original improvements and all later changes and improvements.

2.25. "Limited Common Area" means those parts, if any, of the Common Area which are limited to and reserved for the use of the Owners of one or more, but fewer than all, of the Lots, as designated on the Plat, or established by operation of the Act with respect to the Residences separated by Party Walls.

2.26. "Manager" means such person or entity engaged by the Board to perform certain duties, powers, or functions of the Board pursuant to this Declaration or the Bylaws.

2.27. "Master Association" means the Water Dance on Lake Dillon Master Association, a nonprofit membership corporation, or any successor to that corporation.

2.28. "Master Declaration" means the Master Declaration for Water Dance on Lake Dillon, as amended, supplemented or restated from time to time and recorded in the real property records of Summit County, Colorado, to provide a unified development scheme for the master planned community of Water Dance.

2.29. "Member" means any person holding a membership in the Association.

2.30. "Mortgage" means any mortgage, deed of trust or other document which is recorded in the office of the Clerk and Recorder of Summit County, Colorado, and which encumbers any portion of the Property or interest therein as security for payment of a debt or obligation.

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

2.32. "Owner" means the owner of record (including Declarant and including a contract seller, but excluding a contract purchaser), whether one or more persons, of fee simple title to any Townhome Lot, but does not mean or refer to any person who holds such interest merely as security for the performance of a debt or other obligation, including a Mortgage, unless and until such person has acquired fee simple title pursuant to foreclosure or other proceedings.

2.33. "Party Wall" means the common wall located in the common boundary separating individual Residences contained within duplex, triplex or fourplex structures, as shown on the Plat, the footings underlying the common wall, and the portion of the roof over the common wall.

2.34. "Period of Declarant Control" means the period during which Declarant (or any Successor Declarant) may appoint and remove the Directors and officers of the Association as permitted under the Act. The Period of Declarant Control will begin on the date this Declaration is first recorded in the office of the Clerk and Recorder of Summit County, Colorado, and will end no later than (i) 60 days after conveyance of 75% of the Townhome Lots that may be created within the Property (including the Expansion Property) to Owners other than Declarant (or any Successor Declarant), (ii) two years after the last conveyance of a Townhome Lot by Declarant (or any Successor Declarant) in the ordinary course of business, or (iii) the date on which Declarant (or any Successor Declarant) voluntarily terminates the Period of Declarant Control by recording a notice to that effect in the office of the Clerk and Recorder of Summit County, Colorado, whichever of the foregoing dates or events occurs first. Notwithstanding the foregoing, the Period of Declarant Control will be extended at the option of Declarant (y) if the Act is amended to allow for the extension of the period of Declarant Control beyond the limiting dates outlined in this Section above, or (z) if the Period of Declarant Control is reinstated or extended by agreement between Declarant and the Association. After the termination of the Period of Declarant Control, Declarant, if still an Owner, will have all the rights and duties ordinarily given to Members under this Declaration.

2.35. "Person" (whether or not in capitalized form) means a natural person, a corporation, a partnership, a limited liability company, an association, a trust, or any other entity or combination thereof.

2.36. "Plat" means the "special area plan" or any engineering survey or surveys of all or part of the Property, together with such other diagrammatic plans and information regarding the Property as may be required by the Act or other applicable law, or as may be included in the discretion of Declarant, as each such plan or survey may be amended and supplemented from time to time, and all as recorded in the office of the Clerk and Recorder of Summit County, Colorado.

2.37. "Project" means the planned community established by this Declaration as the first phase of development in Water Dance.

2.38. "Property" means and includes the real property described on Exhibit A and initially subjected to this Declaration, and also refers to any additional real property that has been incorporated in the Project from time to time and made subject to these Covenants pursuant to the provisions of this Declaration.

2.39. "Residence" means a townhome dwelling unit constructed on any one Townhome Lot designated by the Town of Frisco and by Declarant (by appropriate notes on the Plat or otherwise) for residential use.

2.40. "Special Assessment" means an Assessment levied pursuant to Section 10.5 below on an irregular basis.

2.41. "Special Declarant Rights" is defined as set forth in Section 12.1 below.

2.42. "Special Declarant Rights Period" means the period beginning the date this Declaration is first recorded in the office of the Clerk and Recorder of Summit County, Colorado, and ending the date on which Declarant shall have conveyed to parties (other than a Successor Declarant) all units, as defined in the Act, originally owned by Declarant in the master planned community of Water Dance.

2.43. "Successor Declarant" means any party or entity to whom Declarant assigns any or all of its rights, obligations, or interest as Declarant, as permitted by Section 22.7 and evidenced by an assignment or deed of record in the office of the Clerk and Recorder of Summit County, Colorado, designating such party as a Successor Declarant, signed by the transferor and the transferee, and otherwise complying with the requirements of the Act. Upon such recording, Declarant's rights and obligations under the Declaration shall cease and terminate to the extent provided in such document.

2.44. "Townhome Lot" means a parcel of land designated as a lot on any Plat and reserved for development and occupancy of a Residence, together with all appurtenances and Improvements, including a Residence, now or in the future on the Townhomes Lot. (A "Townhome Lot" is a "unit" as defined in the Act.)

2.45. "Town of Frisco" means the Town of Frisco, Colorado.

2.46. "Water Dance Documents" shall mean the basic documents creating and governing Water Dance, including but not limited to the Master Declaration, the Articles of Incorporation and Bylaws for the Master Association, the Design Guidelines and any other procedures, rules, regulations or policies adopted under such documents by the Master Association.

ARTICLE III
THE PROJECT PLANNED COMMUNITY

Section 3.1. Establishment of Planned Community. By this Declaration, the Project is established as a planned community under the Act, consisting initially of 19 Townhome Lots. Upon expansion, and subject to such requirements as may be imposed by the Town of Frisco, the Project may consist of up to 38 Townhome Lots.

Section 3.2. Declaration of Townhome Lot Boundaries. The boundaries of each Townhome Lot are delineated on the Plat, and each Townhome Lot is identified by the number or address noted on the Plat.

Section 3.3. Plat. The Plat shall conform to the requirements of the Act and shall be filed for record in the office of the Clerk and Recorder of Summit County, Colorado. The Plat may be filed as a whole or as a series of Plats from time to time, as stages of construction of the Project are completed. Any Plat filed subsequent to the first Plat shall be termed a supplement to the Plat, and the numerical sequence of each supplement shall be shown on it.

Section 3.4. Recorded Easements and Licenses. The recording data for recorded easements and licenses appurtenant to or included in the Project is set forth on the attached Exhibit C.

ARTICLE IV
ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

Section 4.1. Membership. Every Owner of a Townhome Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Townhome Lot. No owner, whether one or more persons, will have more than one membership per Townhome Lot owned, but all of the persons owning each Townhome Lot will be entitled to rights of membership and use and enjoyment appurtenant to such ownership.

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

Section 4.3. Classes of Membership. Initially, the Association shall have one class of voting membership, composed of all Owners, including Declarant. The Bylaws may set forth additional classifications of membership from time to time.

Section 4.4. Voting Rights. Each Member shall be entitled to vote in Association matters pursuant to this Declaration on the basis of one vote for each Townhome Lot owned, as each Townhome Lot is originally platted by Declarant. The number of votes will be determined by reference to the Plat as originally recorded by Declarant.

When more than one person holds an interest in any Townhome Lot, all such persons shall be Members. The vote for such Townhome Lot shall be exercised by one person or alternative persons as the Owners among themselves determine. If more than one of the multiple Owners are present at a meeting in person or by proxy, the vote allocated to their Townhome Lot may be cast only in accordance with the agreement of a majority in interest of the Owners. There is a majority agreement if any one of the multiple Owners casts the vote allocated to his Townhome Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Townhome Lot.

Any Owner of a Townhome Lot which is leased may assign his voting right to the tenant, provided that a copy of the instrument of assignment is furnished to the Secretary of the Association prior to any meeting in which the tenant exercises the voting right.

Section 4.5. Appointment of Officers and Directors by Declarant. Until the expiration of the Period of Declarant Control and subject to the limitations of the Act, Declarant will retain the exclusive powers to appoint and remove Directors and officers of the Association.

Notwithstanding the foregoing, Declarant may voluntarily surrender the right to appoint and remove Directors and officers of the Association before the end of the Period of Declarant Control by providing a notice to that effect to the Association and otherwise complying with the procedures for termination of this Special Declarant Right, as set forth in the Bylaws. However, upon voluntarily terminating this Special Declarant Right in advance of the expiration of the Period of Declarant Control, Declarant may require throughout the balance of the Period of Declarant Control (had it not been voluntarily terminated) that specified actions of the Association or the Board, as described in an instrument executed and recorded by Declarant in the office of the Clerk and Recorder of Summit County, Colorado, be approved by Declarant before those actions become effective.

After the Period of Declarant Control, the Directors and the officers of the Association will be elected as provided in the Bylaws.

Section 4.6. Notice of Membership. Any person, on becoming a Member, will furnish the Secretary of the Association with a photocopy or certified copy of the recorded instrument or such other evidence as may be specified by the Board under the Bylaws or the Association rules, vesting the person with the interest required to make him a Member. At the same time, the Member will provide the Association with the single name and address to which the Association will send any notices given pursuant to the Association Documents. The Member will state in such notice the voting interest in the Association to which the Member believes he is entitled and the basis for that determination. In the event of any change in the facts reported in the original written notice, including any change of ownership, the Member will give a new written notice to the Association containing all of the information required to be covered in the original notice. The Association will keep and preserve the most recent written notice received by the Association with respect to each Member.

Section 4.7. Owner's and Association's Addresses for Notices. All Owners of each Townhome Lot shall have one and the same registered mailing address to be used by the Association or other Owners for notices, demands, and all other communications regarding Association matters. The Owner or Owners of a Townhome Lot shall furnish such registered address to the Secretary of the Association within five days after transfer of title to the Townhome Lot to such Owner or Owners. Such registration shall be in written form and signed by all of the Owners of the Townhome Lot or by such persons as are authorized by law to represent the interests of all Owners of the Townhome Lot.

If no address is registered or if all of the Owners cannot agree, then the address of the Townhome Lot shall be deemed their registered address until another registered address is furnished as required under this Section.

If the address of the Townhome Lot is the registered address of the Owners, then any notice shall be deemed duly given if delivered to any person occupying the Residence or sent to the Residence by any other means specified for a particular notice in any of the Association Documents, or if the Residence is unoccupied, if the notice is held and available for the Owners of the principal office of the Association. All notices and demands intended to be served upon the Board of Directors shall be sent to the address of the Association or such other address as the Board may designate from time to time by a notice delivered to all Owners in accordance with this Section.

Unless applicable provisions of this Declaration or the Act expressly require otherwise, all notices given under this Declaration shall be sent by personal delivery, which shall be effective upon receipt; by overnight courier service, which shall be effective one business day following timely deposit with a courier service; or regular, registered or certified mail, postage prepaid, which shall be effective three days after deposit in the U.S. mail.

Section 4.8. Compliance with Association Documents and Water Dance Documents. Each Owner will abide by and benefit from the provisions, covenants, conditions and restrictions contained in the Association Documents and the Water Dance Documents.

ARTICLE V
POWERS AND DUTIES OF ASSOCIATION

Section 5.1. Association Management Duties. Subject to the rights and obligations of Declarant and other Owners as set forth in this Declaration and the Act, the Association shall be responsible for the administration and operation of the Project. The Board of Directors will exercise for the Association all powers, duties and authority vested in or obligated to be taken by the Association and not reserved to Declarant or the other Members by this Declaration, the other Association Documents, the Act or other applicable law.

Section 5.2. Common Area. From time to time before the expiration of the Period of Declarant Control, Declarant may, but shall not be obligated to, convey to the Association by written instrument recorded with the Clerk and Recorder of Summit County, Colorado, specified parcels of the Property (including the Expansion Property), as Common Area.

Section 5.3. Provisions Generally Applicable to Common Area.

5.3.1. Use of Common Area. Any Common Area generally is designated by the Declaration for the common use, benefit and enjoyment of the Owners and their families, tenants, employees, guests and invitees, and each other person as may be permitted to use the Common Area by the terms of this Declaration, by agreement established under this Article below, or otherwise.

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

5.3.3. Association's Responsibility for Common Area. The Association, subject to the rights and obligations of the Owners set forth in this Declaration, will be responsible for the management and control of any Common Area (including furnishings and equipment related thereto), and will keep it in good, clean, and attractive condition and repair consistent with the standards of Water Dance.

5.3.4. Declarant's Right to Perform for the Account of the Association. In the event the Association does not repair or maintain the Common Area, Declarant will have the right, but not the obligation, to perform such duties for the Association. In that event, Declarant will be entitled to reimbursement from the Association of all costs incurred by Declarant, such reimbursement being due within 30 days after the receipt by the Association of an invoice from Declarant, itemizing the costs incurred. After expiration of the 30 day period allowed for payment, Declarant may collect interest on the amount due at the Default Rate.

5.3.5. Association's Agreements Regarding Common Area. The Association, acting through the Board of Directors, may grant easements, rights-of-way, leases, licenses and concessions through or over the Common Area without the independent approval by the Owners, subject, however, to the rights of Declarant and the Owners to use the Common Area as provided in this Declaration. Without limiting the generality of the foregoing, the Association may grant such rights to suppliers of utilities serving the Project or property adjacent to the Project, and to developers or owners of property adjacent to the Project for the purpose of accommodating minor encroachments onto the Common Area or other purposes that do not unreasonably interfere with the use and enjoyment of the Common Area by the Owners.

5.3.6. Declarant's Agreements Regarding Common Area. Upon the transfer by Declarant to the Association of any Common Area as provided in this Declaration, Declarant may agree under the terms of the transfer, and subject to the limitations of the Act, that the Association may be required to contract with the Master Association or other organizations operating within or in the vicinity of Water Dance, to allow use of all or part of the Common Area under such terms and for such charges as may be acceptable to Declarant and such association or other organizations.

Any use of the Common Area by Owners and their families, tenants and guests, and such other persons permitted access to the Common Area will be subject to any applicable rules governing the Common Area, as provided in Section 5.5.

5.3.7 Owner's Negligence. In the event that the need for maintenance, repair or replacement of all or any portion of the Common Area is caused through or by the negligent or willful act or omission of an Owner, or by any member of an Owner's family, or by an Owner's guests, invitees, licensees or tenants, then the expenses incurred by the Association for such maintenance, repair or replacement shall be a personal obligation of such Owner. If the Owner fails to repay the expenses incurred by the Association within 30 days after notice to the Owner of the amount owed, then the failure to so repay shall be a default by the Owner under the provisions of this Section, and such expenses shall automatically become a Default Assessment enforceable in accordance with Article X below.

Section 5.4. Rules and Regulations.

5.4.1 Board's Power. From time to time and subject to the provisions of the Association Documents, the Board of Directors may adopt, amend and repeal rules and regulations governing among other things and without limitation, the use of the Townhome Lots and the use of the Common Area. A copy of the rules in effect will be distributed to each Member, and any change in the rules will also be distributed within a reasonable time following the effective date of the change.

5.4.2 Enforcement. The Board of Directors will provide for enforcement of the Association rules as set forth in the Bylaws. Without limiting the generality of the foregoing, the Board may suspend the voting rights of a Member after notice and hearing as provided in the Bylaws for an infraction of the rules.

Section 5.5. Cooperation with Master Association and Project Associations. The Board will assist the Master Association in the performance of its duties and obligations under its governing documents, and the Association will cooperate with the Master Association so that each of those entities may most efficiently and economically provide its respective services to Owners. It is further contemplated that from time to time each of the Association and the Master Association or the association of another project in Water Dance may use the services of the other in the furtherance of its respective obligations, and each may contract with the other to better provide for such cooperation. In the case of any such agreement between the Association and the Master Association, the payment for such contract services or a variance in services provided may be reflected in an increased assessment by the Master Association for the Owners (and the members of any other association in Water Dance similarly benefitted by the contract) or by an item in the Association's budget which will be collected through Assessments by the Association and remitted to the Master Association.

Section 5.6. Delegation by Association Board.

5.6.1. Delegation to Master Association Board. Without limiting the generality of the provisions in Section 5.1, the Board of Directors may delegate certain of its powers to the board of directors of the Master Association as the Directors may specify by resolution and as the board of directors of the Master Association may accept from time to time. After the Period of Declarant Control, the board of directors of the Master Association will be elected in accordance with the requirements of Section 38-33.3-220 of the Act.

5.6.2. Delegation to Manager. The Association, acting through the Board, may employ or contract for the services of a Manager to act for the Association and the Board and the officers according to the powers and duties delegated to the Manager pursuant to the Bylaws or resolution of the Board. Neither the Board nor any officer of the Association will be liable for any omission or improper exercise by a Manager of any such duty, power, or function so delegated by written instrument executed by or on behalf of the Board.

5.6.3. Committees. The Association, acting through the Board, may delegate any of its rights, duties or responsibilities to any committee or other entity that the Board may choose to form.

5.6.4. Limitation. Any delegation by the Board under this Article V is subject to compliance with the Act and the Bylaws and the requirement that the Board, when so delegating, will not be relieved of its responsibilities under the Documents and the Act.

Section 5.7. Ownership of Personal Property and Real Property for Common Use. The Association, through action of the Board of Directors, may acquire, hold and dispose of real property and personal property, including without limitation any fee, leasehold or other property interests within the Project conveyed to the Association by Declarant. The beneficial interest in any such property shall be deemed to be owned by the Owners in undivided shares allocated equally among the Townhome Lots subject to this Declaration from time to time. Such interests shall not be transferrable except with the transfer of a Townhome Lot. The conveyance of a Townhome Lot shall transfer ownership of the transferor's beneficial interest in such personal property without any reference to it. Each Owner may use all such property in accordance with the purposes for which it is intended, without hindering or encroaching on the rights of other Owners. The transfer of title to a Townhome Lot under foreclosure shall entitle the purchaser to enjoy the interest in such property associated with the foreclosed Townhome Lot.

Section 5.8. Roads and Streets. If Declarant elects to include roads or streets in the Common Area from time to time, the Association will be responsible for them, subject to any shared use agreements or other arrangements that may be established between the Association and the Master Association, other associations operating in Water Dance, or other third parties permitted to use the Common Area, as provided in this Declaration. In any case, such maintenance will include periodic maintenance of the surface and regular snow, ice, and trash removal from all drive areas. The Board will cooperate with traffic and fire control officials as appropriate to post public and private drives, roads and streets with traffic control, fire lane, and parking regulation signs.

Section 5.9. Books and Records. The Association will make available for inspection by Owners and Mortgagees, upon request, during normal business hours or under other reasonable circumstances, current copies of the Association Documents, and the books, records, and financial statements of the Association prepared pursuant to the Bylaws. Any Owner or Mortgagee may make a written request to the Association for a copy of the Association's financial statements for the preceding year. The Association may charge a reasonable fee for copying such materials.

Section 5.10. Reserve Account. The Association will establish and maintain an adequate reserve fund from Annual Assessments levied pursuant to Section 10.3 below for maintenance, repair or replacement of the Common Area and Improvements located within the Common Area that must be replaced on a periodic basis and for any other facilities made available to the Association that must be replaced on a periodic basis with contribution from the Association.

Section 5.11. Working Capital Account. The Association will also administer a working capital account funded as provided in Section 10.4.

Section 5.12. Implied Rights and Obligations. The Association will perform all of the duties and obligations imposed on it expressly by the Association Documents, together with every other duty or obligation reasonably to be implied from the express provisions of the Documents or reasonably necessary to satisfy any such duty or obligation. The Association may exercise any other right or privilege (i) given to it expressly by the Association Documents, (ii) reasonably to be implied from the existence of another right or privilege given expressly by the Association Documents, or (iii) reasonably necessary to effectuate any such right or privilege.

ARTICLE VI
CONSTRUCTION AND ALTERATION OF IMPROVEMENTS

Section 6.1. General. This provision serves as notice that the Design Guidelines and the other Water Dance Documents govern all aspects of the design and plan of the Project, including, among other things, the right of an Owner or other party to construct, reconstruct, refinish, alter or maintain a Residence or other Improvement upon, under, or above any of the Property, to make or create any excavation or fill on the Property, to make any change in the natural or existing surface contour or drainage, to install any utility line or conduit on or over the Property, and to park or store any vehicles and other equipment on the Property.

To illustrate the authority of the Design Review Committee, the Design Guidelines may include among other provisions, the restrictions and limitations set forth below:

6.1.1. Standards establishing an architectural theme and requirements pertaining to building style and design, construction materials and site planning.

6.1.2. Procedures for making application to the Design Review Committee for design review approval, including the documents to be submitted and the time limits in which the Design Review Committee must act to approve or disapprove any submission.

6.1.3. Time limitations for the completion, within specified periods after approval, of the Improvements for which approval is required under the Design Guidelines.

6.1.4 Designation of a building site on a Townhome Lot, establishing the maximum developable area of a Townhome Lot and set-back or view corridor requirements.

6.1.5. Minimum and maximum square foot areas of living space that may be developed on any Townhome Lot.

6.1.6. Limitations on the height of any building or other Improvement.

6.1.7. Specifications for the location, dimensions and appearance or screening of any fences, out buildings, antennae or other such Improvements.

6.1.8 Regulations for parking vehicles off of the street, which in an enclosed garage or a designated area on a Townhome Lot.

6.1.9. Landscaping regulations, including requirements for installing and maintaining landscaping on the entire Townhome Lot and on parkways abutting the Townhome Lot and the street or road providing access to the Townhome Lot; time limitations within which all landscaping must be completed; limitations and restrictions prohibiting the removal or requiring the replacement of existing trees, and guidelines encouraging the use of plants indigenous to the locale and compatible with the design theme of the Project; and other practices benefiting the protection of the environment, aesthetics and architectural harmony of Water Dance.

6.1.10. Guidelines and restrictions regarding window treatments on the exterior of any building or located inside the building, but visible from the exterior of the building.

6.1.11. Requirements for approval of the Design Review Committee, to be granted or withheld in the Committee's discretion, of any dog-run or other Improvement for pets proposed for installation on a Townhomes Lot.

Section 6.2. Approval Required. Any construction or reconstruction, or the refinishing or alteration of any part of the exterior of any building or other Improvement on the Property is absolutely prohibited until the Owner first obtains written approval from the Design Review Committee and otherwise complies with the provisions of this Declaration and the Water Dance Documents.

Section 6.3. Construction Methods. Specific rules regarding construction methods, including but not limited to excavation, drainage, utility lines, loading areas, waste storage, trash removal, materials storage, and transformers and meters, may be set forth in the Design Review Guidelines and the Master Declaration, and all Owners shall comply with those rules.

ARTICLE VII
PROPERTY USE RESTRICTIONS

Section 7.1. General Restrictions. The Property will be used only for the purposes set forth in these Covenants and the other Association Documents, in compliance with the applicable ordinances of the Town of Frisco and the laws of the State of Colorado and the United States, and with the Water Dance Documents and other recorded covenants affecting all or part of the Property.

Section 7.2. Residential Use of Townhome Lots. Each Townhome Lot may be used primarily for residential purposes and developed by the construction of a townhome dwelling unit. Any business or commercial enterprise or other non-residential use conducted in a Residence shall be subject to any licensing and approval requirements imposed by the Town of Frisco, and shall be limited or restricted by the Design Review Committee in its discretion after consideration of factors including, without limitation, the effect of such activities on traffic and noise levels within Water Dance, and compliance with the Design Guidelines. Without limiting the generality of these provisions above, no exterior signs or storage will be allowed in connection with any business conducted from a Residence.

ARTICLE VIII
EXTERIOR MAINTENANCE AREA

Section 8.1. Exterior Maintenance Area. In order to maintain a uniform appearance and a high standard of maintenance within the Project, the Association shall maintain the Exterior Maintenance Area, as more fully set forth below.

Section 8.2. Residence Exteriors.

8.2.1. Association Responsibility. The Association shall maintain the exterior of all Residences, including, but not limited to, painting of the exterior (including decks and porches) and roof repair. The Association shall have the sole discretion to determine the time and manner in which such maintenance shall be performed as well as the color or type of materials used to maintain the Residence, subject to the Design Guidelines.

8.2.2. Owner Responsibility. Notwithstanding the provisions of this Section above, the Owner shall be responsible for repair or replacement of broken window panes, and for the maintenance and repair (including without limitation removal of snow and ice) of any balconies, decks or porches that are part of the Residence. The Association shall be entitled to reimbursement for cost of repair from any Owner who causes, or whose family member, tenant, invitee, licensee or guest causes, damage to the Exterior Maintenance Area by a deliberate act or negligence. Any sum not reimbursed to the Association within 30 days after the Association notifies the Owner of the amount due, will bear interest at the Default Rate from the date of the expenditure until payment in full. Such charges will be a Default Assessment enforceable as provided in Article X.

Section 8.3. Landscaping, Sidewalks and Driveways. The Association shall maintain landscaping of the Townhome Lot surrounding the perimeter of the Residence, including, but not limited to, lawns, trees and shrubs, and the Association shall also maintain sidewalks and driveways (and the maintenance provided under this Section shall include snowplow services). The maintenance provided under this Section shall be performed at such time and in such a manner as the Association shall determine, subject to the Design Review Guidelines.

ARTICLE IX
PARTY WALLS

Section 9.1. General Law. To the extent not inconsistent with this Declaration or superseded by the Act, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to the Party Walls.

Section 9.2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners who make use of the Party Wall.

Section 9.3. Easement. The Owner of each Residence that shares a Party Wall with an adjacent Residence shall have a perpetual easement in and to that part of the adjacent Residence upon which the Party Wall is located for any purpose reasonably necessary for the maintenance, repair or inspection of the Party Wall. In addition, as utility lines and other installations serving a Residence may lie within a Party Wall, this easement shall be reserved also for the purpose of maintaining, repairing, inspecting or replacing such installations that serve a Residence bounded by a Party Wall. In the event of a dispute among the Owners with respect to the scope of the easement reserved in this Section, the decision of the Board of Directors shall be final.

Section 9.4. Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty or by physical deterioration, the Owner of either Residence bounded by the Party Wall may restore it, and the Owner of the other Residence shall contribute equally to the cost of restoration, without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

Section 9.5. Weather Proofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the Party Wall to be exposed to the elements or excessive heat or cold shall bear the whole cost of furnishing the necessary protection against such elements or heat or cold, and of repairing the Party Wall from damage caused by such exposure.

Section 9.6. Right to Contribution Runs With the Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title, shall constitute a lien upon the land until paid, and shall run with the land and bind the parties and their heirs and successors in title.

Section 9.7. Arbitration. In the event of any dispute concerning a Party Wall or otherwise arising under the provisions of this Article, each Residence bounded by the Party Wall in question shall be represented by one arbitrator chosen by the Owner of the Residence, and the two arbitrators shall choose one additional arbitrator, and the dispute shall be decided by a majority of the three arbitrators. Should either Owner refuse to appoint an arbitrator within ten days after receipt of a written request therefor, the Board of Directors shall select an arbitrator for the refusing Owner. The arbitration shall be conducted in Summit County, Colorado, in accordance with the rules of the American Arbitration Association, and the decision of the panel shall be conclusive and binding on the parties and enforceable in a court of competent jurisdiction. The cost of the arbitration shall be allocated equally to each Residence involved in the arbitration.

Section 9.8. Mechanic's Liens. Each Owner of a Residence which shares a Party Wall with an adjacent Residence agrees to indemnify and hold harmless the Owner of the adjacent Residence for any claims, causes of action, losses, costs, expenses (including reasonable attorneys' fees and legal assistants' fees), damages, judgments and mechanics' and materialmen's liens arising in connection with any material supplied or services rendered to make repairs or replacements for which the first-mentioned Owner is responsible.

ARTICLE X
ASSESSMENTS

Section 10.1. Creation of Lien and Personal Obligation for Assessments. Declarant, for each Townhome Lot owned within the Property, hereby covenants, and each Owner of any Townhome Lot, by accepting a deed for a Townhome Lot, is deemed to covenant to pay to the Association (1) Annual Assessments imposed by the Board of Directors as necessary to meet the Common Expenses of maintenance, operation, and management of the Common Area and the Exterior Maintenance Area, to fund the reserve account contemplated under Section 10.4 and to generally carry out the functions of the Association; (2) Special Assessments for capital improvements and other purposes as stated in this Declaration; and (3) Default Assessments which may be assessed against a Townhome Lot for the Owner's failure to perform an obligation under the Association Documents or because the Association has incurred an expense on behalf of the Owner under the Association Documents.

All Assessments, together with fines, interest, costs, reasonable attorneys' (and legal assistants') fees and other charges allowed under the Act, shall be a charge on the land and shall be a continuing lien upon the Townhome Lot against which each such Assessment is made until paid.

Each such Assessment, together with fines, interest, costs, and reasonable attorneys' (and legal assistants') fees and other charges allowed under the Act, shall also be the personal and individual obligation of the Owner of such Townhome Lot as of the time the Assessment falls due, and two or more Owners of a Townhome Lot shall be jointly and severally liable for such obligations. No Owner may exempt himself from liability for any Assessments by abandonment of his Townhome Lot or by waiver of the use or enjoyment of the Common Area. Suit to recover a money judgment for unpaid Assessments and related charges as listed above may be maintained without foreclosing or waiving the Assessment liens provided in this Declaration.

Section 10.2. Purpose of Assessments. The Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and occupants of the Project, for maintenance of the Exterior Maintenance Area, and for the improvement and maintenance of the Common Area, as more fully set forth in this Article below.

Section 10.3. Annual Assessments.

10.3.1. Calculation of Annual Assessments. The Board of Directors shall prepare a budget before the close of each fiscal year of the Association and submit the budget to the Association as required by the Act. Annual Assessments for Common Expenses shall be based upon the estimated net cash flow requirements of the Association to cover items including, without limitation, the cost of routine maintenance and operation of the Common Area and Exterior Maintenance Area; expenses of management; premiums for insurance coverage as deemed desirable or necessary by the Association; snow removal, landscaping, care of grounds, common lighting within the Common Area and Exterior Maintenance Area; routine renovations within the Common Area and Exterior Maintenance Area; wages; common water and utility charges for the Common Area and Exterior Maintenance Area; legal and accounting fees; management fees; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any deficit remaining from a previous Assessment period; and the supplementing of the reserve fund for general, routine maintenance, repairs, and replacement of Improvements within the Common Area and Exterior Maintenance Area on a periodic basis, as contemplated under Section 5.10.

10.3.2. Apportionment of Annual Assessments. Generally, each Owner shall be responsible for that Owner's share of the Common Expenses, which, except as specifically provided in this Declaration, shall be divided equally among the Townhome Lots included in the Project under this Declaration from time to time. Accordingly, at any given time an Owner's share of Common Expenses generally shall be determined as a fraction, the numerator of which is the number of Townhome Lots owned by the Owner, and the denominator of which is the number of Townhome Lots then platted and incorporated in the Project. The foregoing is subject to the qualifications of Section 5.3.7 and the following. First, any Common Expenses (including, but not limited to, costs of maintenance, repair, and replacement relating to the Exterior Maintenance Area on fewer than all of the Townhome Lots) which benefit fewer than all of the Owners shall be assessed exclusively against the Townhome Lots benefitted. Second, the costs of insurance may be assessed in proportion to risk, and the costs of utilities may be assessed in proportion to usage.

10.3.3. Collection. Annual Assessments shall be collected in periodic installments as the Board may determine from time to time, but until the Board directs otherwise, they shall be payable monthly in advance on the first day of each calendar month. The Association shall have the right, but not the obligation, to make pro rata refunds of any Annual Assessments in excess of the actual expenses incurred in any fiscal year. Any such excess funds not refunded will be applied to the next installment(s) of Annual Assessments due.

10.3.4. Date of Commencement of Annual Assessments. The Annual Assessments shall commence as to all Townhome Lots in the first phase of the Project no later than 60 days after the date of the first conveyance by Declarant of a Townhome Lot to an Owner. The first Annual Assessment shall be prorated according to the number of months remaining in the calendar year.

Section 10.4. Capitalization of the Association. Upon the first conveyance of record title to a Townhome Lot from Declarant, the Owner shall contribute to the working capital and reserves of the Association an amount equal to three months' installments of the Annual Assessment at the rate in effect at the time of the sale. The Association shall maintain the working capital funds in segregated accounts to meet unforeseen expenditures or to acquire additional equipment or services for the benefit of the Members. Such payments to this fund shall not be considered advance payments of Annual Assessments and shall not be refundable.

Section 10.5. Special Assessments.

10.5.1. Determination by Board. Subject to the budget procedures required by the Act, the Board of Directors may levy in any fiscal year one or more Special Assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of a described capital improvement within the Common Area or the Exterior Maintenance Area, including the necessary fixtures and personal property related to it, or to make up any shortfall in the current year's budget.

10.5.2. Apportionment and Collection of Special Assessments. The Board will apportion Special Assessments among the Townhome Lots and collect payment according to the same guidelines as set forth for Annual Assessments in Section 10.3.

10.5.3. Notice. Notice of the amount and due dates for such Special Assessments must be sent to each Owner at least 30 days prior to the due date.

10.5.4. Member Approval. If any of the Special Assessments levied pursuant to this Section are to be used for the construction of new facilities (as opposed to repair and reconstruction of existing facilities in the Project), and if the total amount of the Special Assessments levied for such construction exceeds 10% of the gross annual budget for the Association for that year, then the use of Special Assessments for that construction will require the approval of Owners representing at least 67% of the votes in the Association. The use of Special Assessments pursuant to this Section for constructing any Common Area shall not apply to the construction of any Common Area to be completed by Declarant in development of the Project.

Section 10.6. Default Assessments. All monetary fines, penalties, interest or other charges or fees levied against an Owner pursuant to the Association Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Association Documents, and any expense (including without limitation attorneys' fees) incurred by the Association as a result of the failure of an Owner to abide by the Association Documents, constitutes a Default Assessment, enforceable as provided in this Declaration below and in accordance with the Act.

Section 10.7. General Remedies of Association for Nonpayment of Assessment. Any installment of an Annual Assessment or a Special Assessment which is not paid within 30 days after its due date shall be delinquent. If such an Assessment installment becomes delinquent, or if any Default Assessment is levied, the Association, in its sole discretion, may take any or all of the following actions:

10.7.1. Assess a late charge for each delinquency at uniform rates set by the Board of Directors from time to time;

10.7.2. Charge interest from the date of delinquency at the Default Rate;

10.7.3. Suspend the voting rights of the Owner during any period of delinquency;

10.7.4. Accelerate all remaining Assessment installments for the fiscal year in question so that unpaid Assessments for the remainder of the fiscal year shall be due and payable at once;

10.7.5. Bring an action at law against any Owner personally obligated to pay the delinquent Assessment charges;

10.7.6. File a statement of lien with respect to the Townhome Lot and foreclose as set forth in more detail below.

The remedies provided under this Declaration shall not be exclusive, and the Association may enforce any other remedies to collect delinquent Assessments as may be provided by law.

Section 10.8. Assessment Liens. Any Assessment chargeable to a Townhome Lot shall constitute a lien on the Townhome Lot, effective the due date of the Assessment. To evidence the lien, the Association may, but shall not be required to, prepare a written lien statement setting forth the name of the Owner, the legal description of the Townhome Lot, the name of the Association and the delinquent Assessment amounts then owing. Any such statement shall be duly signed and acknowledged by the President or a Vice President of the Association or by the Manager, and the Association shall serve the notice upon the Owner by mail to the address of the Townhome Lot or to such other address as the Association may have in its files for such Owner. At least 10 days after the Association mails the statement to the Owner, the Association may record the same in the office of the Clerk and Recorder of Summit County, Colorado. The Association shall have the power to bid on a Townhome Lot at foreclosure sale and to acquire and hold, lease, mortgage and convey the Townhome Lot.

Section 10.9. Successor's Liability for Assessment. All successors to the fee simple title of a Townhome Lot, except as provided in Section 10.10 below, shall be jointly and severally liable with the prior Owner or Owners thereof for any and all unpaid Assessments, interest, late charges, costs, expenses, and attorneys' fees and legal assistants' fees against such Townhome Lot without prejudice to any such successor's right to recover from any prior Owner any amounts paid by such successor. This liability of a successor shall not be personal and shall terminate upon termination of such successor's fee simple interest in the Townhome Lot. In addition, such successor shall be entitled to rely on the statement of status of Assessments given by or on behalf of the Association under Section 10.13 below.

Section 10.10. Waiver of Homestead Exemption; Subordination of the Lien. The lien of the Assessments shall be superior to and prior to any homestead exemption provided now or in the future by any federal law or the laws of the State of Colorado, and to all other liens and encumbrances except the following:

10.10.1. Liens and encumbrances recorded before the date of the recording of this Declaration;

10.10.2. Liens for real estate taxes and other governmental assessments or charges duly imposed against the Townhome Lot by a Colorado governmental or political subdivision or special taxing district, or any other liens made superior by statute; and

10.10.3. The lien for all sums unpaid on a First Mortgage recorded before the date on which the Assessment sought to be enforced became delinquent, including any and all advances made by the First Mortgagee, even though some or all of such advances may have been made subsequent to the date of attachment of the Association's lien; all subject, however, to the limitations of the Act.

With respect to Section 10.10.3 above, any First Mortgagee who acquires title to a Townhome Lot by virtue of foreclosing the First Mortgage or by virtue of a deed or assignment in lieu of such a foreclosure, or any purchaser at a foreclosure sale of the First Mortgage, shall take the Townhome Lot free of any claims for unpaid Assessments, interest, late charges, costs, expenses, and attorneys' (and legal assistants') fees against the Townhome Lot which accrue prior to the time such First Mortgagee or purchaser acquires title to the Townhome Lot, except as provided in the Act.

All other persons not holding a lien not described in Sections 10.10.1 through 10.10.3 shall be deemed to consent that any such lien or encumbrance shall be subordinate to the Association's future liens for Assessments, interest, late charges, costs, expenses and attorneys' (and legal assistants') fees, as provided in this Article, whether or not such consent is specifically set forth in the instrument creating any such lien or encumbrance.

Section 10.11. Reallocation of Assessments Secured by Extinguished Lien. The sale or transfer of any Townhome Lot to enforce any of the liens to which the lien for Assessments is subordinate shall extinguish the lien of such Assessments as to installments which became due prior to such sale or transfer to the extent provided in the Act. The amount of such extinguished lien may be reallocated and assessed to all Townhome Lots as a Common Expense at the direction of the Board of Directors. However, no such sale or transfer shall relieve the purchaser or transferee of a Townhome Lot from liability for, or the Townhome Lot from the lien of, any Assessments made after the sale or transfer.

Section 10.12. Exempt Property. The following portions of the Property shall be exempt from the Assessments, charges, and liens created under this Declaration:

10.12.1. All properties to the extent of any easement or other interest therein dedicated and accepted by the Town of Frisco and devoted to public use;

10.12.2. All utility lines and easements and;

10.12.3. Common Area, if any.

Section 10.13. Statement of Status of Assessments. The Association shall furnish to an Owner or his designee or to any Mortgagee a statement setting forth the amount of unpaid Assessments then levied against the Townhome Lot in which the Owner, designee or Mortgagee has an interest. The Association shall deliver the statement personally or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party within 14 calendar days after the registered agent of the Association receives the request by personal delivery or by certified mail, first class postage prepaid, return receipt requested or as otherwise required by the Act. The information contained in such statement, when signed by the Treasurer of the Association or the Manager, shall be conclusive upon the Association, the Board, and every Owner as to the person or persons to whom such statement is issued and who rely on it in good faith.

Section 10.14. Protection of Association's Lien. With the approval of the Board of Directors, the Association may protect its lien for Assessments against any Townhome Lot by submitting a bid at any sale held for delinquent taxes payable with respect to the Townhome Lot.

Section 10.15. Failure to Assess. The omission or failure of the Board to fix the Assessment amounts or rates or to deliver or mail to each Owner an Assessment notice will not be deemed a waiver, modification, or release of any Owner from the obligation to pay Assessments. In such event, each Owner will continue to pay Annual Assessments on the same basis as for the last year for which an Assessment was made until a new Assessment is made, at which time any shortfalls in collections may be assessed retroactively by the Association in accordance with any budget procedures as may be required by the Act.

ARTICLE XI
PROPERTY RIGHTS OF OWNERS

Section 11.1. Owner's Easements of Access and Enjoyment. Every Owner has a perpetual, non-exclusive easement for access to and from his Townhome Lot and for the use of enjoyment of the Common Area, which easement is appurtenant to and shall pass with the title to every Townhome Lot, subject to the following provisions.

Section 11.2. Delegation of Use. Any Owner may delegate his rights of access and enjoyment described in Section 11.1 above to the members of his family, his tenants, guests, licensees and invitees, but only in accordance with the applicable rules of the Association and the other Association Documents.

Section 11.3. Easements of Record and of Use. The Property will be subject to all easements shown on any recorded Plat and to any other easement of record or of use as of the date of recordation of this Declaration, including those listed on the attached Exhibit C.

Section 11.4. Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and other similar emergency agencies or persons to enter upon all streets and upon the Property in the proper performance of their duties.

Section 11.5. Combination of Residences. The Owner of a Residence bounded by a Party Wall may acquire title to the adjacent Residence bounded by the same Party Wall and combine the two Townhome Lots and Residences into one Townhome Lot and Residence, subject to the requirements of the Master Declaration, the Design Guidelines, the Act and other applicable laws and regulations of the locale in which the Project is located. Every agreement and recorded instrument for the combination of Townhome Lots will make adequate provision for the preservation of easements previously established with respect to the Townhome Lots. Further, each such agreement and instrument will adjust the voting rights and liability for payment of Assignments related to such Townhome Lots allocating to the newly combined Townhome Lot the total of the voting rights and Assessments allocated to Townhome Lots combined into the single parcel.

Section 11.6. Partition or Subdivision of Townhome Lots. Notwithstanding any provision in the Master Declaration, no part of a Townhome Lot may be partitioned or subdivided unless the Townhome Lot being subdivided was created by a combination pursuant to Section 11.5 of two Townhome Lots which, as originally platted by Declarant, were separate but contiguous Townhome Lots with Residences joined by a Party Well.

Section 11.7. No Partition of Common Area. The Common Area will be owned by the Association, and no Owner will bring any action for partition or division of the Common Area. By acceptance of a deed or other instrument of conveyance or assignment, each Owner will be deemed to have specifically waived such Owner's rights to institute or maintain a partition action or any other action designed to cause a division of the Common Area, and this Section may be pleaded as a bar to any such action. Any Owner who institutes or maintains any such action will be liable to the Association, and hereby agrees to reimburse the Association for its costs, expenses and reasonable attorneys' (and legal assistants') fees in defending such action.

Section 11.8. Easement for Repair and Maintenance of Common Installations. Supplementing Section 9.3 above, the Townhome Lot beneath and surrounding a Residence, as well as the areas between the interior planes that comprise a Party Wall, may contain utility lines and other installations that serve another Residence. Accordingly, each Owner and the Association is granted an easement, to be exercised by the Association as the Owner's agent, for access to the other Residences in the building containing the first Owner's Residence, from time to time during such reasonable hours as may be necessary for the maintenance, repair, removal or replacement of such utility lines or other installations serving the first Owner's Residence, or for making emergency repairs to prevent damage to the first Owner's Residence or to any other Improvements. In the event of a dispute between the Owners with respect to the scope of the easement reserved in this Section, the decision of the Board of Directors shall be final. Subject to the provisions of Sections 5.3.7, 8.2.2 and 9.1, damage to a Residence resulting from the exercise of this easement shall be a Common Expense.

ARTICLE XII
SPECIAL DECLARANT RIGHTS
AND
ADDITIONAL RESERVED RIGHTS

Section 12.1. General Provisions. Until the expiration of the Special Declarant Rights Period, Declarant will have the following Special Declarant Rights with respect to all of the Property (including the Expansion Property):

12.1.1. Completion of Improvements. The right to complete Improvements as indicated on any Plat filed with respect to the Property;

12.1.2. Development Rights. The right to exercise all "development rights," as defined from time to time in the Act (and so referred to here as "Development Rights"), including without limitation the right or combination of rights hereby reserved by Declarant, as follows:

(a) The right to annex Property to the Project, in accordance with Article XVII.

(b) The right to create Townhome Lots and Common Area on the Property, subject to the limitations of Section 1.5.

(c) The right to subdivide Townhome Lots and convert Townhome Lots into Common Area on any part of the Property, subject to the limitations of Section 1.5.

(d) The right to withdraw real estate from the Project, as provided in Article XVII.

12.1.3. Sales Activities. Subject to any requirements imposed by the Town of Frisco, the right to maintain one sales office, one management office, up to 15 signs advertising the Project and up to 15 model residences on the Common Area, if any, and on Townhome Lots owned by Declarant, whether contained within the Property initially subject to this Declaration, or within the Expansion Property. The offices, model residences and signs will be of sizes and styles governed by the Design Guidelines, and may be relocated by Declarant from time to time. At all times, the offices, model residences and signs will remain the property of Declarant and may be removed from the Project by Declarant at any time during or promptly after the expiration of the Special Declarant Rights Period.

12.1.4. Easements. The right to use easements through the Common Area on the Property (including the Expansion Property) for the purpose of making Improvements on the Property (and the Expansion Property).

12.1.5. Association Directors and Officers. The right to appoint any officer or director of the Association, as provided in this Declaration or the Bylaws, but subject to the limitations of the Act.

Section 12.2. Order of Exercise of Declarant's Rights. Declarant makes no representations and gives no assurances regarding the legal description or the boundaries of any phase of the Expansion Property or the order in which the phases of the Expansion Property may be developed or incorporated in the Project. Further, the fact that Declarant may exercise one or more of Declarant's Development Rights or other Special Declarant Rights on one portion of the Property (including the Expansion Property) will not operate to require Declarant to exercise a Development Right or other Special Declarant Right with respect to any other portion of the Property (including the Expansion Property).

Section 12.3. Supplemental Provisions Regarding Declarant's Rights. Without limiting the generality of the foregoing, certain of these Special Declarant Rights are explained more fully in this Article below. Further, Declarant reserves the right to amend this Declaration and any Plat in connection with the exercise of any Development Rights or any other Special Declarant Rights to the extent permitted by the Act, and Declarant also reserves the additional rights retained for the benefit of Declarant in this Article and in other provisions of this Declaration.

Section 12.4. Utility Easements. Declarant hereby reserves for itself and its successors and assigns a general easement upon, across, over, in, and under the Property for ingress and egress and for installation, replacement, repair and maintenance of all utilities, including but not limited to water, sewer, gas, telephone, and electrical, cable and other communications systems. By virtue of this easement, it shall be expressly permissible and proper for the companies providing such services to install and maintain necessary equipment, wires, circuits, and conduits under and over the Property. No water, sewer, gas, telephone, electrical, communications or other utility or service lines, systems or facilities may be installed or relocated on the surface of the Property unless approved by Declarant prior to the expiration of the Special Declarant Rights Period, or by the Association after such expiration. These items may be temporarily installed above ground during construction, if approved by Declarant, or after the Special Declarant Rights Period, if approved by the Association, subject to the requirements, if any, of the Town of Frisco or any other authority having jurisdiction over the Property.

Section 12.5. Drainage and Irrigation Easements. Declarant reserves for itself and its successors and assigns an easement to enter on any portion of the Property for the purpose of modifying the grade of any drainage channels on the Property to improve the drainage of water.

Declarant also reserves the right to use or delegate the use of any irrigation ditches existing on the Property on the date this Declaration is recorded, and Declarant reserves for itself and its successors and assigns the right to construct, access and maintain additional irrigation ditches and lines on the Property for the maintenance of the Common Area and the Exterior Maintenance Area and for such other purposes as Declarant may from time to time deem appropriate. Any Owner of a Townhome Lot over which such ditches cross shall be prohibited from taking or diverting water from the ditches or constructing any Improvements within the easements established for such ditches without the prior written consent of the entity to whom Declarant grants the right to control the ditches in question.

Section 12.6. General Provision. Any entity using these general easements provided under Section 12.4 and 12.5 above shall use its best efforts to install and maintain the easements for utilities, drainage, or irrigation ditches without disturbing the uses of the Owners, the Association and Declarant; shall prosecute its installation and maintenance activities as promptly as reasonably possible; and in the case of utility work, shall restore the surface to its original condition as soon as possible after completion of its work. Should any entity furnishing a service covered by these general easements request a specific easement by separate recordable document, either Declarant or the Association shall have, and are hereby given the right and authority to grant such easement upon, across, over, or under any part or all of the Property without conflicting with the terms of this Declaration. This general easement shall in no way affect, avoid, extinguish, or modify any other recorded easement affecting the Property.

Section 12.7. Declarant's Rights Incident to Construction. Declarant, for itself and its successors and assigns, hereby reserves an easement for construction, utilities, drainage, ingress and egress over, in, upon, under, and across the Common Area, together with the right to store materials on the Common Area and to make such other use of the Common Area as may be reasonably necessary or incident to the construction of Residences on the Townhome Lots or other Improvements on the Property. However, no such rights shall be exercised by Declarant in a way which unreasonably interferes with the occupancy, use, enjoyment, or access to the Project by the Owners.

Section 12.8. Reservation for Construction and Expansion. Declarant hereby reserves for itself and its successors and assigns and for Owners in all future phases of the Project a perpetual easement and right-of-way over, upon, and across the Property, including the Expansion Property, for construction, utilities, drainage, and ingress and egress, and for use of the Common Area, including any Common Area located within the Expansion Property. The location of these easements and rights-of-way may be made certain by Declarant and the Association by instruments recorded in Summit County, Colorado.

Declarant further reserves the right to establish from time to time, by dedication or otherwise, utility and other easements, reservations, exceptions and exclusions necessary or convenient for the development, use and operation of any other property of Declarant, as long as such action does not hamper the enjoyment of the Project by the Owners.

Section 12.9. Reservation of Easements, Exceptions, and Exclusions. Declarant reserves for itself and hereby grants to the Association the concurrent right to establish from time to time, by declaration or otherwise, utility and other easements, permits, or licenses over the Common Area, for purposes including but not limited to streets, paths, walkways, drainage, recreation areas, parking areas, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions, and exclusions for the best interests of all the Owners and the Association, in order to serve the Owners within the Project.

Section 12.10. Maintenance Easement. An easement is hereby reserved to Declarant, and granted to the Association and any member of the Board of Directors or the Manager, and their respective officers, agents, employees, and assigns, upon, across, over, in, and under the Property and a right to make such use of the Property as may be necessary or appropriate to make emergency repairs or to perform the duties and functions which the Association is obligated or permitted to perform pursuant to the Association Documents, including the right to enter upon any Townhome Lot for the purpose of performing maintenance of the Exterior Maintenance Area of each Townhome Lot, as required by this Declaration.

Section 12.11. Bike Path and Hiking Easements. Any bike path, hiking or other recreation areas that are located on easements within the boundary of a Townhome Lot will be insured by the Association pursuant to Article XIII in the same manner as the Common Area is insured by the Association.

Section 12.12. Easements Deemed Created. Any and all conveyances made by Declarant to the Association or any Owner shall be conclusively deemed to incorporate these reservations of rights and easements, whether or not set forth in such grants.

ARTICLE XIII
INSURANCE AND FIDELITY BONDS

Section 13.1. Authority to Purchase. Except as provided in Section 13.13 below, all policies of casualty insurance relating to the Property, and all insurance policies of any kind relating to the Common Area, shall be purchased by the Board of Directors or its duly authorized agent. The Board of Directors, the Manager and Declarant shall not be liable for failure to obtain any coverage required by this Article or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverage from reputable insurance companies, or if such coverage is available only at demonstrably unreasonable cost.

Section 13.2. Notice to Owners. The Board of Directors shall promptly furnish to each Owner written notice of adverse changes in, or termination of, insurance coverages obtained on behalf of the Association under this Article, such notice to be delivered to all Owners by such methods as required by the Act. The notice (which may be issued in the form of a subpolicy relating to a master policy, if the Board of Directors obtains a master policy), shall specify the insurance coverage in effect on the Owner's Improvements.

Section 13.3. General Insurance Provisions. All such insurance coverage obtained in accordance with this Article shall conform to any minimum requirements of the Act, and, to the extent not inconsistent with the Act, the following provisions.

13.3.1. As long as Declarant owns any Townhome Lot, Declarant shall be protected by all such policies in the same manner as any Owner. The coverage provided to Declarant under the insurance policies obtained in compliance with this Article shall not be deemed to protect or be for the benefit of any general contractor engaged by Declarant, nor shall such coverage be deemed to protect Declarant for (or waive any rights with respect to) warranty claims against Declarant as the developer of the Project.

13.3.2. Depending on the area within the Property (whether Common Area or one or more Residences) damaged or destroyed and covered by an insurance claim submitted on behalf of the Association, the deductible amount, if any, on any insurance policy purchased by the Board of Directors may be treated as a Common Expense payable from Annual Assessments or Special Assessments allocable to all of the Townhome Lots or to only some of the Townhome Lots, if the claims or damages arise from the negligence of particular Owners, or if the repairs benefit only particular Owners, or as an item to be paid from working capital reserves established by the Board of Directors. The Association may enforce payment of any amount due from an individual Owner toward the deductible in accordance with Sections 10.6 and 10.7 above. Except as otherwise set forth in this Article, the maximum deductible amount shall be the lesser of $10,000 or one percent of the policy face amount.

13.3.3. Except as otherwise provided in this Declaration, insurance premiums for the insurance coverage obtained by the Board of Directors pursuant to this Article shall be a Common Expense to be paid by regular Annual Assessments. In accordance with Section 10.3.2 above, the Board of Directors shall make appropriate allocations of the cost of any insurance carried by the Association for the benefit of a particular Owner.

Section 13.4. Physical Damage Insurance on Common Area. The Association shall obtain and maintain in full force and effect physical damage insurance on all insurable Improvements on the Property in an amount equal to full replacement value (i.e., 100% of the current "replacement cost" exclusive of land, foundation, excavation, depreciation on personal property and other items normally excluded from coverage). The Improvements on the Property to be insured by the Board under this Section include without limitation the Residences and, unless the Board directs otherwise, the attached floor coverings, fixtures, heating equipment and other service machinery initially installed in the Residences and replacements of those items and fixtures up to the value of those initially installed by Declarant; however, the property to be insured by the Board does not include furniture, wall coverings, window coverings, improvements, additions or other personal property supplied or installed by Owners. The insurance obtained by the

Board will cover the interests of the Owners and their Mortgagees, as their interests may appear. Such insurance shall afford protection against at least the following:

13.4.1. Loss or damage caused by fire and other hazards covered by the standard extended coverage endorsement with the standard "all-risk" endorsement covering sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage;

13.4.2. In the event the Common Area contains a steam boiler, a broad form policy of repair and replacement boiler and machinery insurance in the lesser of (i) the amount of the insurable value of the building housing the boiler, or (ii) $2,000,000 (or such other amount as the Board deems advisable).

13.4.3. Such other risks as shall customarily be covered with respect to projects similar in construction, location and use to the Project. The Board shall obtain physical damage insurance covering any personal property owned by the Association.

If there are no Improvements within the Common Area, no physical damage insurance need be obtained by the Association with respect to the Common Area.

Section 13.5. Provisions Common to Physical Damage Insurance. In contracting for the policy or policies of insurance obtained pursuant to Section 13.4 above, the Board of Directors shall make reasonable efforts to secure coverage, if the Board deems such coverage advisable, which provides the following:

13.5.1. A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to this Declaration not to do so.

13.5.2. The following endorsements (or equivalent): (a) "cost of demolition;" (b) "contingent liability from operation of building laws or codes;" (c) "increased cost of construction;" (d) "agreed amount" or elimination of co-insurance clause; and (e) "inflation guard" (if available).

Prior to obtaining any policy of physical damage insurance or any renewal thereof, and at such other intervals as the Board of Directors may deem advisable (but in any event, at least once every three years), the Board of Directors shall obtain an appraisal from a general contractor or such other source as the Board may determine, of the then current replacement cost of the property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage) subject to insurance carried by the Association, without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be secured pursuant to this Article.

A certificate evidencing coverage under the policy of physical damage insurance, together with proof of payment of premiums and any notice issued under Section 13.2 above, shall be delivered by the insurer to any Mortgagee requesting same. The Mortgagee of a Residence shall also be entitled to receive upon request a certificate confirming the renewal of any existing physical damage insurance at least 10 days before the expiration of the then current policy, and to receive notice promptly of any event giving rise to a claim under such policy arising from damage to such Residence.

Section 13.6. Liability Insurance. The Association shall obtain and maintain in full force and effect commercial general liability insurance (including bodily injury, libel, slander, false arrest and invasion of privacy coverage) and property damage insurance with such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Association, the Manager, each Owner, and the employees and agents of the Association and the Manager against any liability to the public or the Owners (and their guests, invitees, tenants, agents and employees) arising out of or incident to the ownership, existence, operation, management, maintenance or use of the Common Area and streets and roads within Water Dance and any other areas under the control of the Association. Declarant shall be included as an additional insured in Declarant's capacity as an Owner or Director. The Owners shall be included as additional insureds, but only for claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Area.

Such comprehensive policy of public liability insurance shall include the following:

13.6.1 Coverage for contractual liability, liability for non-owned and hired automobiles, and, if applicable, host liquor liability, employer's liability, and such other risks as shall customarily be covered with respect to developments similar to the Project in construction, location, and use.

13.6.2 A cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another insured.

13.6.3 A "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to an Owner because of the negligent acts of the Association or another Owner.

The Board of Directors shall review the coverage limits at least once every two years, but, generally, the Board shall carry such amounts of insurance usually required by private institutional mortgage lenders on projects similar to the Project and in no event shall such coverage be less than $1,000,000 for all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than $2,000,000.

At the election of the Board of Directors, the Board may also contract for comprehensive general liability insurance covering each Owner with respect to the ownership and use of the Townhome Lots and Residences, as necessary or convenient to allow the Board, the Manager and the Association to perform their respective duties in connection with the Common Area. Notice of such coverage shall be given to the Owners as necessary to keep the Owners currently informed.

Section 13.7. Fidelity Insurance. To the extent obtainable at reasonable cost, fidelity bonds shall be maintained by the Association to protect against dishonest acts on the part of its officers, Directors, trustees, and employees and on the part of all others who handle or are responsible for handling the funds belonging to or administered by the Association. In addition, if responsibility for handling funds is delegated to a Manager, such bond shall be obtained for the Manager and its officers, employees, and agents, as applicable. Such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. Such bonds shall cover the maximum funds that will be in the custody of the Association or any Manager at any time when the bond is in force.

Section 13.8. Flood Insurance. If any habitable structure on the Common Area are located in a Special Flood Hazard Area which is designated A, AE, AH, AO, A1-30, A-99, V, VE or V1-30 on a Flood Insurance Rate Map, the Association shall obtain a policy of flood insurance in an amount equal to 100% of the insurable value of the Improvements, if any, on the Common Area or the maximum coverage available under the appropriate National Flood Insurance Administration program. The maximum deductible amount shall be the lesser of $5,000 or one percent of the policy face amount.

Section 13.9. Provisions Common to Physical Damage Insurance, Liability Insurance, Fidelity Insurance and Flood Insurance. Any insurance coverage obtained by the Association under the provisions of this Article above shall be subject to the following provisions and limitations:

13.9.1. The named insured under any such policies shall include Declarant, until all the Townhome Lots have been conveyed, and the Association, as attorney-in-fact for the use and benefit of the Owners, or the authorized representative of the Association (including any trustee with whom the Association may enter into an insurance trust agreement, or any successor trustee, each of which is sometimes referred to in this Declaration as the "Insurance Trustee") who shall have exclusive authority to negotiate losses and receive payments under such policies.

13.9.2. Each Owner shall be an insured person with respect to liability arising out of the Owner's interest in the Common Area or membership in the Association.

13.9.3. In no event shall the insurance coverage obtained and maintained pursuant to this Article be brought into contribution with insurance purchased by the Owners or their Mortgagees.

13.9.4. The policies shall provide that coverage shall not be prejudiced by (i) any act or neglect of any Owner (including an Owner's family, tenants, servants, agents, invitees and guests) when such act or neglect is not within the control of the Association; or (ii) any act or neglect or failure of the Association to comply with any warranty or condition with regard to any portion of the Property over which the Association has no control; or (iii) conduct of any kind in the part of an Owner (including the Owner's family, tenants, servants, agents, invitees and guests) or any Director, officer, employee or Manager of the Association, without prior demand to the Association and a reasonable opportunity to cure the matter.

13.9.5. The policies shall contain the standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Property is located, and provide that coverage may not be cancelled in the middle or at the end of any policy year or other period of coverage or substantially modified or reduced (including cancellation for nonpayment of premiums) without at least 30 days' prior written notice mailed to the Association and to each Owner and First Mortgagees to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

13.9.6. The policies shall contain a waiver of subrogation by the insurer as to any and all claims against Declarant, the Board of Directors, the Association, the Manager, and any Owner or their respective agents, employees, or tenants, and in the case of Owners, members of their households; and of any defenses based upon co-insurance.

13.9.7. The policies described in this Article shall provide that any "no other insurance" clause shall expressly exclude individual Owners' policies from its operation so that the physical damage policy or policies purchased by the Board shall be deemed primary coverage, and any individual Owners' policies shall be deemed excess coverage.

Section 13.10. Personal Liability Insurance of Officers and Directors. To the extent obtainable at a reasonable cost, appropriate officers' and directors' personal liability insurance shall be maintained by the Association to protect the officers and Directors from personal liability in relation to their duties and responsibilities in acting as such officers and Directors on behalf of the Association.

Section 13.11. Workers' Compensation Insurance. The Association shall obtain workmen's compensation or similar insurance with respect to its employees, if any, in the amounts and forms as may now or hereafter be required by law.

Section 13.12. Other Insurance. The Association may obtain insurance against such other insurable risks of a similar or dissimilar nature as it deems appropriate with respect to the Association's responsibilities and duties.

Section 13.13. Insurance Obtained by Owners. Each Owner shall have the right to obtain insurance for such Owner's benefit, at such Owner's expense, covering the Owner's Townhome Lot and Residence, personal property and personal liability. However, no such insurance coverage obtained by the Owner shall operate to decrease the amount which the Board of Directors, on behalf of all Owners, may realize under any policy maintained by the Board or otherwise affect any insurance coverage obtained by the Association or cause the diminution or termination of that insurance coverage. An Owner shall be liable to the Association for the amount of any such diminution of insurance proceeds to the Association resulting from insurance coverage maintained by the Owner, and the Association shall be entitled to collect the amount of the diminution from the Owner as if the amount were a Default Assessment, with the understanding that the Association may impose and foreclose a lien for the payment due. Any insurance obtained by an Owner shall include a provision waiving the particular insurance company's right of subrogation against the Association and other Owners, including Declarant, should Declarant be the Owner of any Townhome Lot.

ARTICLE XIV
ASSOCIATION AS ATTORNEY-IN-FACT

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

ARTICLE XV
DAMAGE OR DESTRUCTION

Section 15.1. <u>Damage or Destruction of Common Area</u>.

15.1.1. <u>Estimate of Damage or Destruction</u>. As soon as practicable after an event causing damage to or destruction of any part of the Common Area unless such damage or destruction shall be minor, the Board of Directors shall obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction. "Repair and reconstruction" as used in this Article shall mean restoring the damaged or destroyed Improvements to substantially the same condition in which they existed immediately prior to the damage or destruction.

15.1.2. <u>Repair and Reconstruction</u>. As soon as practical after the damage occurs and any required estimates have been obtained, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Improvements. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary. Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

15.1.3. <u>Funds for Repair and Reconstruction</u>. The proceeds received by the Association from any hazard insurance carried by the Association shall be used for the purpose of repair and reconstruction. If the proceeds of the Association's insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Association may, pursuant to Section 10.5, levy, assess, and collect in advance from the Owners a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction.

15.1.4. <u>Disbursement of Funds for Repair and Reconstruction</u>. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for above, constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as Special Assessments, or if no Special Assessments were made, then in proportionate shares on the basis of the allocation to the Owners of Common Expenses under Section 10.3.2, first to the Mortgagees and then to the Owners, as their interests appear.

15.1.5. Decision Not to Rebuild Common Area. If Owners representing at least 80% of votes in the Association, including the vote of every Owner of Improvements that will not be rebuilt and including, during the Special Declarant Rights Period, the vote of Declarant, and any other votes required by the Act, agree in writing not to repair and reconstruct Improvements within the Common Area and if no alternative Improvements are authorized, then and in that event the damaged property shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition. Any remaining insurance proceeds shall be distributed in accordance with Section 15.1.4.

Section 15.2. Damage or Destruction Affecting Townhome Lots. In the event of damage or destruction to the Residence or other Improvements located on any Townhome Lot, the Owner thereof will promptly repair or restore the damaged Improvements or Residence to their condition existing immediately prior to such damage or destruction. If such repair or restoration is not commenced within 180 days from the date of such damage or destruction, or if repair and reconstruction is commenced but then abandoned for a period of more than 90 days, then the Association may, after notice and hearing as provided in the Bylaws, impose a fine accruing at the rate of [$1,000] per day or such other rate imposed by the Board in compliance with the Act, charged against the Owner of the Townhome Lot until repair and reconstruction is commenced, unless the Owner can prove to the satisfaction of the Association that such failure is due to circumstances beyond the Owner's control. Such fine will be a Default Assessment and lien against the Townhome Lot as provided in Section 10.6 above.

ARTICLE XVI
CONDEMNATION

Section 16.1. Rights of Owners. Whenever all or any part of the Common Area shall be taken by any authority having power of condemnation or eminent domain or whenever all or any part of the Common Area is conveyed in lieu of a taking under threat of condemnation by the Board of Directors acting as attorney-in-fact for all Owners under instructions from any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking or conveyance. The Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 16.2. Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as trustee for those Owners for whom use of the Common Area was conveyed, and the award shall be disbursed as follows:

If the taking involves a portion of the Common Area on which Improvements have been constructed, then, unless within 60 days after such taking, Owners who represent at least 67% of the votes in the Association, including, during the Special Declarant Rights Period, the vote of Declarant, otherwise agree, the Association shall restore or replace such Improvements so taken on the remaining land included in the Common Area to the extent lands are available for such restoration or replacement in accordance with plans approved by the Committee and the Town of Frisco, if required, and/or any other authority having jurisdiction in such matters. If such Improvements are to be repaired or restored, the provisions in Article XV above regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any Improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be distributed as provided in Section 15.1.4.

Section 16.3. Complete Condemnation. If all of the Property is taken, condemned, sold, or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Common Area shall be distributed as provided in the Act.

ARTICLE XVII
EXPANSION AND WITHDRAWAL

Section 17.1. Reservation of Right to Expand. Declarant reserves the right, but shall not be obligated, to expand the effect of this Declaration to include all or part of the Expansion Property. The consent of the existing Owners and Mortgagees shall not be required for any such expansion, and Declarant may proceed with such expansion without limitation at its sole option. Declarant shall have the unilateral right to transfer to any other person this right to expand by an instrument duly recorded. Declarant shall pay all taxes and other governmental assessments relating to the Expansion Property as long as Declarant is the owner of such property.

Section 17.2. Incorporation of Additional Property. Declarant reserves the right to incorporate into the Property additional real property, subject to the limitations of the Act.

Section 17.3. Declaration of Annexation. Such expansion may be accomplished by recording a Declaration of Annexation and one or more supplemental plats in the records of the Clerk and Recorder of Summit County, Colorado, on or before the expiration of the Special Declarant Rights Period. The Declaration of Annexation shall describe the real property to be expanded, submit it to the covenants, conditions, and restrictions contained in this Declaration and provide for voting rights and Assessment allocations as provided in Section 4.4, 10.3 and 10.5 of this Declaration. Such Declaration of Annexation shall not require the consent of Owners. Any such expansion shall be effective upon the filing for record of such Declaration of Annexation, unless otherwise provided therein. The expansion may be accomplished in stages by successive supplements or in one supplemental expansion.

Upon the recordation of any such Declaration of Annexation, the definitions used in this Declaration shall be expanded automatically to encompass and refer to the Project as expanded. Such Declaration of Annexation may add supplemental covenants peculiar to the annexed property, or delete or modify provisions of this Declaration as it applies to the annexed property. However, this Declaration may not be modified with respect to that portion of the Property already subject to this Declaration, except as provided below for amendment.

Section 17.4. Withdrawal of Property. Declarant reserves the right to withdraw from the jurisdiction of these Covenants any parcel of the Property, subject to the limitations of the Act. After withdrawal of any parcel from the regime of these covenants, the Common Expenses and votes attributable to the Townhome Lots remaining in the Project will be allocated in accordance with Sections 4.4, 10.3 and 10.5 above.

ARTICLE XVIII
MORTGAGEE PROTECTIONS

Section 18.1. Introduction. This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain Mortgages. This Article is supplemental to, and not in substitution for, any other provisions of this Declaration, but in the case of any conflict, this Article shall control.

Section 18.2. Percentage of Eligible Mortgage Holders. Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgage Holders is required, it shall mean the approval or consent of Eligible Mortgage Holders under Mortgages encumbering Townhome Lots which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all Townhome Lots then subject to Mortgages held by Eligible Mortgage Holders.

Section 18.3. Notice of Actions. The Association shall give prompt written notice to each Eligible Mortgage Holder of the following:

18.3.1. Any condemnation loss or any casualty loss which affects a material portion of the Common Area or any Townhome Lot in which an interest is held by the Eligible Mortgage Holder.

18.3.2. Any delinquency which remains uncured for 60 days in the payment of Assessments by an Owner whose Townhome Lot is encumbered by a Mortgage held by such Eligible Mortgage Holder.

18.3.3. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association.

18.3.4. Any proposed action which would require the consent of Eligible Mortgage Holders as required in Section 18.4 below.

18.3.5. Any judgment rendered against the Association.

Section 18.4. Consent Required.

18.4.1. Document Changes. No amendment of any material provision of this Declaration described in this Section 18.4.1. may be effective without the vote of at least 67% of the Owners in the Association (subject to Section 21.3 below) and the approval in writing of at least 51% of the Eligible Mortgage Holders. "Material" provisions include any provision affecting the following:

(a) Assessments, Assessment liens, or the subordination or priority of Assessment liens.

(b) Voting rights.

(c) Reserves for maintenance, repair and replacement of the Common Area.

(d) Responsibility for maintenance and repairs.

(e) Rights to use the Common Area.

(f) Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project, except as provided in Article XVII above.

(g) Insurance or fidelity bonds.

(h) Imposition of any restrictions on an Owner's right to sell or transfer his Townhome Lot.

(i) Restoration or repair of the Property after hazard damage or partial condemnation in a manner other than that specified in this Declaration.

(j) Termination of this Declaration after the occurrence of substantial destruction or condemnation.

(k) The benefits of Eligible Mortgage Holders.

18.4.2. Actions. The Association may not take any of the following actions, except as such rights have been specifically reserved by Declarant under the provisions of this Declaration, without the approval of at least 51% of the Eligible Mortgage Holders:

(a) Conveyance or encumbrance of the Common Area (provided, however, that the granting of easements for public utilities, for construction and maintenance of roads within the Project, or for other public purposes not inconsistent with the use of the Common Area by the Owners shall not be deemed a transfer within the meaning of this clause).

(b) Restoration or repair of the Property (after hazard damage or partial condemnation) in a manner other than that specified in this Declaration.

(c) Termination of this Declaration for reasons other than substantial destruction or condemnation, as permitted with the approval percentages specified in Articles XV and XVI above.

(d) Merger of the Project with any other common interest community.

(e) The granting of easements, leases, licenses or concessions through or over the Common Area (excluding, however, any such grants for public utilities or other public purposes not inconsistent with the use of the Common Area by the Owners).

(f) The assignment of the future income of the Association, including its right to receive Assessments.

(g) Any action not to repair or replace the Common Area except as permitted under Articles XV and XVI above.

Section 18.5. Notice of Objection. Unless an Eligible Mortgage Holder provides the Secretary of the Association with written notice of its objection, if any, to any proposed amendment or action outlined above within 30 days following the receipt of notice delivered by certified or registered mail, return receipt requested, of such proposed amendment or action, the Eligible Mortgage Holder shall be deemed conclusively to have approved the proposed amendment or action.

Section 18.6. First Mortgagees' Rights.

18.6.1. Payment of Taxes and Insurance. First Mortgagees, jointly or singly, may pay taxes or other charges which are in default and which may or have become a charge against any of the Common Area, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area. First Mortgagees making such payments shall be owed immediate reimbursement from the Association.

18.6.2. Payment of Assessments. Eligible Mortgage Holders shall be entitled to cure any delinquency of the Owner of the Townhome Lot encumbered by the Eligible Mortgage Holder in the payment of Assessments of which the Eligible Mortgage Holder has received notice under Section 18.3.2. above. In that event, the Eligible Mortgage Holder shall be entitled to obtain a release from the lien imposed or perfected by reason of such delinquency.

Section 18.7. Title Taken by First Mortgagee. Any First Mortgagee who obtains title to the Townhome Lot pursuant to the remedies provided in the First Mortgage, including foreclosure of the First Mortgage, shall be liable for all Assessments due and payable as of the date title to the Townhome Lot vests in the First Mortgagee under the statutes of Colorado governing foreclosures. Except as provided in the Act, such First Mortgagee shall not be liable for any unpaid dues and charges attributable to the Townhome Lot which accrue prior to the date such title vests in the First Mortgagee.

ARTICLE XIX
ENFORCEMENT OF COVENANTS

Section 19.1. Violations Deemed a Nuisance. Every violation of this Declaration or any other of the Association Documents is deemed to be a nuisance and is subject to all the remedies provided for the abatement or correction of the violation. In addition, all public and private remedies allowed at law or equity against anyone in violation of these covenants will be available.

Section 19.2. Compliance. Each Owner or other occupant of any part of the Property will comply with the provisions of the Association Documents as the same may be amended from time to time.

Section 19.3. Failure to Comply. Failure to comply with the Association Documents will be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Reasonable notice and an opportunity for a hearing as provided in the Bylaws will be given to the delinquent party prior to commencing any legal proceedings.

Section 19.4. Who May Enforce. Any action to enforce the Association Documents may be brought by Declarant, the Board, the Design Review Committee, or the Manager in the name of the Association on behalf of the Owners. If, after a written request from an aggrieved Owner, none of the foregoing persons commences an action to enforce the Association Documents, then the aggrieved Owner may bring such an action.

Section 19.5. Remedies. In addition to the remedies set forth above in this Article, any violation of the Association Documents shall give to the Board, the Design Review Committee, the Manager or Declarant, on behalf of the Owners, the right to enter upon the offending premises or take appropriate peaceful action to abate, remove, modify or replace, at the expense of the offending Owner, any structure, thing or condition that may exist thereon contrary to the interest of the Owners and meaning of the Association Documents. If the offense occurs in any easement, walkway, Common Area or the like, the cure shall be at the expense of the Owner or other person responsible for the offending condition.

Section 19.6. Nonexclusive Remedies. All the remedies set forth herein are cumulative and not exclusive.

Section 19.7. No Waiver. The failure of the Board of Directors, Declarant, the Manager, or any aggrieved Owner to enforce the Association Documents will not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any other part of the Association Documents at any future time.

Section 19.8. No Liability. No member of the Board of Directors, the Declarant, the Design Review Committee, the Manager or any Owner will be liable to any other Owner for the failure to enforce any of the Association Documents at any time.

Section 19.9. Recovery of Costs. If legal assistance is obtained to enforce any of the provisions of the Association Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Association Documents or the restraint of violations of the Association Documents, the prevailing party will be entitled to recover all costs incurred by it in such action, including reasonable attorneys' fees (and legal assistants' fees) as may be incurred, or if suit is brought, as may be determined by the court.

ARTICLE XX
RESOLUTION OF DISPUTES

If any dispute or question arises between Members or between Members and the Association or relating to the interpretation, performance or nonperformance, violation, or enforcement of the Association Documents, such dispute or violation may be subject to a hearing and determination by the Board in accordance with the procedures set forth in the Bylaws.

ARTICLE XXI
DURATION OF THESE COVENANTS AND AMENDMENT

Section 21.1. Term. This Declaration and any amendments or supplements hereto will remain in effect from the date of recordation until the 21st anniversary of the date this Declaration is first recorded in the office of the Clerk and Recorder of Summit County, Colorado. Thereafter these Covenants will be automatically extended for five successive periods of 10 years each, unless otherwise terminated or modified as provided below.

Section 21.2. Amendment. This Declaration, or any provision of it, may be terminated, extended, modified or amended, or revoked as to the whole or any portion of the Property, upon the written consent of Owners holding 67% or more of the votes in the Association, and upon compliance with Article XVIII above, as appropriate. Amendments made pursuant to this Section will inure to the benefit of and be binding upon all Owners, their families, tenants, guests, invitees and employees, and their respective heirs, successors, and assigns. A certificate of a licensed abstract or title company showing record ownership of the Property and a certificate of the Secretary of the Association documenting votes held and voting rights exercised on the basis of such ownership records will be evidence of such ownership and voting representation for the purposes of any such amendment.

Section 21.3. Declarant's Approval. Notwithstanding the provisions of Section 21.2, (i) no termination, extension, modification, amendment or restatement of this Declaration will be effective in any event during the Period of Declarant Control, unless the written approval of Declarant is first obtained; and (ii) no termination, extension, modification, amendment or restated of this Declaration may be made during the Special Declarant Rights Period to impair any of the Special Declarant Rights or Declarant's other rights under Article 12 or this Article 21 unless the written approval of Declarant is first obtained.

Section 21.4. Notice of Amendment. No amendment or revocation of this Declaration will be effective unless a written notice of the proposed amendment is sent to every Owner reasonably in advance of any action taken or purported to be taken and such Owner has been given the opportunity to vote or give its consent thereto.

Section 21.5. Effective on Recording. Any modification, amendment or revocation made in accordance with this Declaration will be immediately effective upon recording in Summit County, Colorado, a copy of such amendment, modification or revocation executed and acknowledged by the necessary number of Owners (and by Declarant, as required), accompanied by either a certificate of a licensed abstract or title company as to ownership, or a duly authenticated certificate of the Secretary of the Association stating that the required number of consents of Owners were obtained, based on a certificate of a licensed title or abstract company or other authoritative evidence of compliance with the requirements of this Declaration regarding such matters, which will be placed on file in the office of the Association.

ARTICLE XXII
MISCELLANEOUS PROVISIONS

Section 22.1. Severability. This Declaration, to the extent possible, will be construed or reformed so as to give validity to all of its provisions. Any provision of this Declaration found to be prohibited by law or unenforceable will be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof.

Section 22.2. Construction. In interpreting words in this Declaration, unless the context will otherwise provide or require, the singular will include the plural, the plural will include the singular, and the use of any gender will include all genders.

Section 22.3. Headings. The headings are included only for purposes of convenient reference, and they will not affect the meaning or interpretation of this Declaration.

Section 22.4. Waiver. No failure on the part of the Association or the Board to give notice of default or to exercise or to delay in exercising any right or remedy will operate as a waiver, except as specifically provided above in the event the Board fails to respond to certain requests. No waiver will be effective unless it is in writing and signed by the President or Vice President of the Board on behalf of the Association.

Section 22.5. Limitation of Liability. Neither the Association nor any officer or member of the Board will be liable to any party for any action or for any failure to act with respect to any matter arising by, through or under the Association Documents if the action or failure to act was made in good faith. The Association will indemnify all of the officers and Board members with respect to any act taken in their official capacity to the extent provided in this Declaration and by law and in the Articles of Incorporation and Bylaws.

Section 22.6. Conflicts Between Documents. In case of conflict between this Declaration and the Articles of Incorporation or the Bylaws, this Declaration will control. In case of conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation will control.

Section 22.7. Assignment. Subject to the requirements and limitations of the Act, Declarant may assign all or any part of the Special Declarant Rights or any of Declarant's other rights and reservations hereunder to any successor who takes title to all or part of the Property in a bulk purchase for the purpose of development and sale. Such successor will be identified, the particular rights being assigned will be specified, and, to the extent required, concomitant obligations will be expressly assumed by such successor, all in a written instrument duly recorded in the records of the Clerk and Recorder of Summit County, Colorado.

Section 22.8. Counterparts. This Declaration and the required approvals and joinders to it, may be executed in two or more counterparts which, taken together shall evidence the agreement of Declarant and all such parties approving or joining in this Declaration.

WATER DANCE, LTD., a Colorado corporation

[SEAL]

Attest: Randolph P. Myers

Randolph P. Myers Secretary

By: Jeff Temple, Pres.

Jeff Temple, President

STATE OF COLORADO)
) ss.
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 17 day of November 1994, by Jeff Temple as President and Randy Myers as ________ Secretary of WATER DANCE, LTD., a Colorado corporation.

WITNESS my hand and official seal.

My commission expires: ______________.

[SEAL]

Notary Public

LAURA RUSSETTE
NOTARY PUBLIC
STATE OF COLORADO
My Commission Expires 3-13-96

APPROVAL OF LIENOR

The undersigned, beneficiary under a Deed of Trust dated as of July, 1994, and recorded 10/28, 1994, under Reception No. 479114 in the office of the Clerk and Recorder of Summit County, Colorado, approves the foregoing Homeowners Declaration of Water Dance on Lake Dillon (the "Declaration"), and the undersigned agrees and acknowledges that any foreclosure or enforcement of any other remedy available to the undersigned under the Deed of Trust shall not render void or otherwise impair the validity of the Declaration and the covenants running with the land described in the Declaration.

Dated: 11/14, 1994.

RAINBOW FOREST LIMITED LIABILITY COMPANY, a Wyoming limited liability company

By: [signature]
James M. Temple, Manager

STATE OF COLORADO)
) ss.
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 14th day of November 1994, by James M. Temple as Manager of Rainbow Forest Limited Liability Company, a Wyoming limited liability company.

WITNESS my hand and official seal.

My commission expires: 3-2-95.

[SEAL]

[signature]
Notary Public

APPROVAL OF LIENOR

The undersigned, beneficiary under a Deed of Trust dated July 28, 1994, and recorded August 17, 1994, under Reception No. 474288 in the office of the Clerk and Recorder of Summit County, Colorado, approves the foregoing Homeowners Declaration of Water Dance on Lake Dillon (the "Declaration"), and the undersigned agrees and acknowledges that any foreclosure or enforcement of any other remedy available to the undersigned under the Deed of Trust shall not render void or otherwise impair the validity of the Declaration and the covenants running with the land described in the Declaration.

Dated: 11/14, 1994.

BANK ONE, BOULDER, N.A.

By: [signature]
Title: Executive Vice President

STATE OF COLORADO)
) ss.
COUNTY OF SUMMIT)

The foregoing instrument was acknowledged before me this 14th day of November 1994, by S. Bert Stjernholm as Vice President of Bank One, Boulder, N.A.

WITNESS my hand and official seal.

My commission expires: 11/1/95.

[SEAL]

[signature]
Notary Public

November 11, 1994
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EXHIBIT A

Legal Description of the Property

Lots 15 through 22 and Lots 28 through 38, Water Dance Townhomes Filing No. 1, according to the plat recorded Nov. 23, 1994, under Reception No. 481090, Summit County, Colorado.

EXHIBIT B

Expansion Property

Parcel B, Water Dance, according to the plat recorded September 26, 1994, under Reception No. 476735, Summit County, Colorado,

EXCEPT

Lots 15 through 22 and Lots 28 through 38, Water Dance Townhomes Filing No. 1, according to the plat recorded Nov. 23, 1994, under Reception No. 481090, Summit County, Colorado.

EXHIBIT C

Recorded Easements and Licenses

List of Title Exceptions

1. Right of the proprietor of a vein or lode to extract and remove his ore therefrom, should the same be found to penetrate or intersect the Property, and a right-of-way for ditches or canals constructed by the authority of the United States, as reserved in United States Patent recorded November 14, 1896 in Book 74 at Page 574, Summit County, Colorado.

2. Utility easement as granted to Public Service Company of Colorado in instrument recorded May 31, 1962, in Book 164 at Page 42 under Reception No. 95079, Summit County, Colorado.

3. Terms, conditions and provisions of Ordinance No. 72-5 recorded March 27, 1972, under Reception No. 125369, Summit County, Colorado.

4. Dedications, easements and covenants as shown on the Plat recorded Nov. 23, 1994, under Reception No. 481090, Summit County, Colorado.

5. Terms, conditions and provisions of Water Line Extension Contract and Agreement for grant of utility access recorded July 28, 1994, under Reception No. 472797, Summit County, Colorado.

6. Terms, conditions and provisions of Agreement for Bike and Recreation Path Dedication recorded July 28, 1994, under Reception No. 472799, Summit County, Colorado.

7. Easements as shown on the plat for Water Dance, A Resubdivision of Tract 1, Rainbow Forest Subdivision recorded September 26, 1994 under reception no. 476735.

   Note: Ratification and Confirmation of plat for Water Dance recorded September 26, 1994 under reception no. 476736.