

**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF BLACK DIAMOND LODGE CONDOMINIUMS**



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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS OF BLACK DIAMOND LODGE CONDOMINIUMS

RECITALS

JCS Development, LLC ("Declarant"), a Colorado limited liability company, hereby establishes a condominium project known as Black Diamond Lodge upon that real property ("Property") situated solely in Gunnison County, Colorado, described in Exhibit A and which is incorporated into this Declaration, pursuant to the Colorado Common Interest Ownership Act (the "Act"). The Declarant declares that the following terms of this Declaration shall run with the Property.

ARTICLE I: DEFINITIONS

The terms that are capitalized herein shall have the meanings set forth below.

"Act" means the Colorado Common Interest Ownership Act as set forth in Colorado Revised Statutes 38-33.3-101, et seq., as it may be amended from time to time.

"Articles" means the Articles of Incorporation of the Association, which are filed in the Office of the Secretary of State of Colorado, as said Articles may be amended from time to time.

"Assessment" means an amount determined by the Association as payable to the Association by an Owner. The term Assessment includes Common Expense Liabilities, as defined under the Act.

"Association" means the Black Diamond Lodge Condominium Association, Inc., a Colorado nonprofit corporation, and its successors and assigns.

"Building" means the building constructed upon the Property containing Units as shown on the Map.

"Bylaws" means the Bylaws of the Black Diamond Lodge Condominium Association, Inc.

"Common Expense" means expenses for maintenance, repair, operation, management, and administration as more fully described in Article XIV. Common Expense is further defined under the Act.

"Condemnation Award" is defined in Article XIX.

"Condominium Estate" means a separately designated air space Unit; its assigned deck, storage closet, ski locker, and parking space; the portion of the Limited Common Elements allocable to that Unit; and an undivided interest in the General Common Elements as set forth in Article IV. A Unit shall not be severed from its corresponding Condominium Estate.

"Declarant" means JCS Development, LLC, a Colorado limited liability company, and its successors and assigns.

"Declaration" means this Declaration of Covenants, Conditions, and Restrictions of Black Diamond Lodge Condominiums, as it may be amended from time to time.

"Executive Board" means the governing body of the Association as defined under the Act.

"General Common Elements" means the portions of the Project the maintenance and safety of which are normally and reasonably in common use, including the air above such real property (except for the Units), all of which shall be owned by the Owners of



the separate Units as tenants in common, each Owner of a Unit having an undivided percentage interest in such General Common Elements, subject to any and all other applicable provisions of this Declaration. General Common Elements are further defined in the Act.

"Governing Documents" means the Declaration, Articles, Bylaws, and Rules and Regulations.

"Limited Common Elements" means a portion of the General Common Elements allocated by this Declaration for the exclusive use of one or more Units but fewer than all of the Units. Limited Common Elements include, for each Unit, one storage closet, one ski locker, one garage parking space, and one deck, as depicted on the Map, and such other items as they are depicted on the Map. The Act further defines Limited Common Elements.

"Management Company" means the management company appointed by the Executive Board to provide management services on behalf of the Association, as more fully discussed in Article XIII below.

"Managing Agent" means such agent, agents, or employees of the Management Company who may be appointed by the Executive Board pursuant to the terms of this Declaration.

"Map" means and includes the engineering survey of the Project locating all of the structural improvements, the floor and elevation plans of the Building and other improvements, and any other drawing or diagrammatic plan depicting a part or all of the improvements and land of the Project, submitted or to be submitted to the Town of Mt. Crested Butte for approval and recorded or to be recorded with the County of Gunnison. The Map is hereby incorporated into this Declaration.

"Member" means every Owner that holds membership in the Association by virtue of being an Owner (including the Declarant), as further described in Article VI.

"Owner" means every person or entity, collectively, that holds record title to a particular Unit. The capitalized, singular term Owner shall include all persons or entities with an ownership interest in a particular Unit, whether title is held in joint tenancy, tenancy in common, as time share estates, or in any other form.

"Project" means the Building and the Property initially submitted to condominium ownership by this Declaration and known generally as the common interest community called "Black Diamond Lodge Condominiums" or "Black Diamond Lodge."

"Property" means the real property of the Project as described in Exhibit A.

"Rules and Regulations" means the rules and regulations of the Association, as amended from time to time. The initial Rules and Regulations are attached hereto as Exhibit C.

"Unit" means an individual air space which is contained within the windows, doors, and unfinished perimeter walls, floors (or lower most floors, if it is an individual air space unit containing more than one level), and the ceilings (or the upper most ceilings, if it is an individual air space unit containing more than one level) of each Unit as provided in Section 38-33.3-202(1)(a) of the Act and as described on the Map to be filed for record, together with all fixtures and improvements therein contained, but not including any of the General Common Elements, if any, located within the Unit. Where the context requires, the term Unit shall also refer to a Condominium Estate.

ARTICLE II: DIVISION OF PROJECT INTO UNITS



A. Units.

The Project is divided into eight (8) fee simple Units, which is the maximum number of Units allowed in the Project. Each Unit shall be identified on the Map by number.

B. Title to Units.

A Unit may be owned by more than one person or entity as joint tenants or as tenants in common or in any real property tenancy relationship recognized under the laws of the State of Colorado.

C. Fractional Estates.

1. Time share estates (referred to as "fractional estates") in each Unit, as contemplated in Section 18-465 of the Mt. Crested Butte Code, are specifically permitted, subject to the Bylaws and Rules and Regulations, provided that no Unit may be divided into more than eight (8) fractional estates. Fractional estates shall fully comply with and be subject to all applicable ordinances, resolutions, and provisions of the Mt. Crested Butte Code.
2. Upon the creation of one or more fractional estates in any Unit, the Unit's Owner shall deliver to the Association all executed documents relating to the governance of the fractional estates, which shall not be effective until at least ten (10) days after such delivery to the Association. Executed sales contracts relating to the transfer of fractional estates need not be so delivered.
3. The Association and its agents shall not unreasonably impede the existence, transfer, or use of fractional estates that comply with the requirements of the Governing Documents.
4. No fractional estates are hereby established by this Declaration.

ARTICLE III: DESCRIPTION OF UNIT

A. Legal Description.

After the Map and this Declaration have been recorded, every contract, deed, lease, mortgage, deed of trust, or other instrument may legally describe a Unit (and its Condominium Estate) substantially as follows:

Unit _____, together with the Parking Space, Storage Closet, and Ski Locker bearing the same number, BLACK DIAMOND LODGE, a condominium, according to the Declaration of Covenants, Conditions, and Restrictions of Black Diamond Lodge Condominiums, as recorded with the Clerk and Recorder of Gunnison County, Colorado, on _____ at Reception No. _____, and according to the Map thereof recorded on _____ at Reception No. _____,

**County of Gunnison,
State of Colorado.**

Every such description shall be good and sufficient for all purposes to transfer, encumber, or otherwise affect the Unit, its Condominium Estate, and all other appurtenant properties and property rights, and shall incorporate all of the rights, limitations, and burdens incident to the ownership of a Unit as described in this Declaration and the Map. Each such description shall be construed to include a nonexclusive easement for ingress to and egress from the applicable Unit and the use of



all of the General Common Elements appurtenant to the Unit.

B. Supplements.

The reference to the Map and Declaration in any instrument shall be deemed to include any supplements or amendments to the Map or Declaration.

ARTICLE IV: OWNERSHIP AND USE OF COMMON ELEMENTS

A. Ownership.

The General Common Elements shall be owned in common by all of the Owners and shall remain undivided. Each Unit, and the Owner thereof, is allocated one-eighth of the undivided interests in the General Common Elements and one-eighth of the Common Expenses.

By the acceptance of the deed or other instrument of conveyance or assignment, each Owner specifically waives its right to institute or maintain a partition action or any other action designed to cause a division of the General Common Elements, and each Owner specifically agrees not to institute any action therefor. A violation of this provision shall entitle the Association to the actual attorney fees, costs, and other damages the Association incurs due to such violation.

B. Use.

Each Owner may use the General Common Elements in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other Owners, subject to the Rules and Regulations.

C. Management Company.

The Executive Board shall have the sole authority to select, hire, terminate, negotiate, and otherwise deal with a Management Company.

ARTICLE V: SEPARATE ASSESSMENT AND TAXATION NOTICE TO ASSESSOR

Each Unit shall be considered a separate parcel of real property and shall be separately assessed and taxed. The General Common Elements shall not be assessed separately but shall be assessed with the Units as provided pursuant to Sections 39-1-103(10) and 38-33.3-105(2), Colorado Revised Statutes. In the event that for a period of time any taxes or assessments are not separately assessed to each Unit Owner, but are assessed on the real property as a whole, then each Unit Owner shall pay its proportionate share thereof in accordance with its percentage ownership in the General Common Elements.

ARTICLE VI: MEMBERSHIP AND VOTING

A. Membership Corporation.

The Association shall be a membership corporation without certificates or shares of stock. There shall be one (1) membership in the Association for each Owner, for a total of eight (8) memberships. Each Owner, upon becoming an Owner, shall be entitled and required to be a Member of the Association and shall remain a Member for the period of its ownership. Membership shall be appurtenant to ownership of a Unit and shall be transferred automatically by a conveyance of that Unit to any new Owner.



B. Membership and Voting Rights.

1. **One Vote.** There shall be one (1) equal vote for each Member, for a total of eight (8) votes. In the event the ownership of a Condominium Estate is held by more than one person or entity:
 - (a) The Member, upon becoming a Member, shall designate an attorney-in-fact as the spokesperson and voter for the Member;
 - (b) The vote shall be cast only as a single vote, and split or divided votes shall not be allowed; and
 - (c) Despite the foregoing, if a Member cannot render a single vote due to conflict or indecision, the Member's vote for all votes to which such conflict or indecision applies shall be regarded as an abstention.
2. **Transfer.** No person other than an Owner may be a Member of the Association, and membership may not be transferred except in connection with the conveyance or transfer of a Condominium Estate; provided, however, that such membership may be assigned to the holder of a mortgage as further security for the loan secured by the lien of the mortgage holder upon the Condominium Estate.
3. **Termination.** Membership shall terminate without any formal action whenever an Owner ceases to be an Owner, but such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with the Association during the period of such membership, or impair any rights or remedies that the Association or others may have against such former Owner arising out of or in any way connected with such membership.

ARTICLE VII: USE AND OCCUPANCY OF UNITS

A. Residential Use.

All Units shall be residential Units and shall be used for residential purposes only. Any commercial use of a Unit is strictly prohibited; provided, however, renting of Units shall be permitted subject to this Declaration and the Rules and Regulations.

B. Rentals.

Units may be rented only as provided in the Rules and Regulations.

C. Compliance with Rules.

Each Owner shall comply strictly with the provisions of this Declaration, the Articles, the Bylaws, and the Rules and Regulations and the decisions and resolutions of the Association. Failure of any Owner or an Owner's invitees, guests, agents, or renters to comply with any of the Governing Documents shall be grounds for an action to recover sums due for damages or equitable relief or both and for reimbursement of all costs and attorney fees incurred in connection therewith, which action shall be maintainable by the Managing Agent or the Executive Board in the name of the Association on behalf of the Owners or, in a proper case by an aggrieved Owner or the Declarant.

D. Assignment of Parking Spaces, Storage Closets, and Ski Lockers.

The Map shall disclose assigned parking spaces, storage closets, and ski lockers. Each parking space, storage closet, and ski locker assigned to a Unit shall be treated as an appurtenant Limited Common Element. Parking spaces, storage closets, and ski lockers that are not assigned shall be treated as General Common Elements subject to the Rules



and Regulations.

E. Special Declarant Rights.

As long as the Declarant or any nominee of the Declarant upon whom it confers the rights provided herein owns any Units, the Declarant, its agent, or its nominee shall have the right, all without charge or contribution except as otherwise provided herein:

1. To maintain general and sales offices in or about the Project, including model residences;
2. To have its employees or agents present the Project to the public for any purpose;
3. To show Units;
4. To use the General Common Elements and any unsold Unit that is not under contract;
5. To use any part of the General Common Elements for posting of signs and advertising; and
6. To do all things necessary or appropriate by it to sell Units.

The use by the Declarant of any Unit as a model residence or office shall not affect its designation on the Map as a separate Unit.

ARTICLE VIII: RULES AND REGULATIONS

The Association may, by a vote of at least sixty-seven percent (67%) of all of the Members, make, adopt, and amend from time to time, reasonable Rules and Regulations governing the use of the Units, Limited Common Elements, and the General Common Elements, which Rules and Regulations shall be substantially consistent with the rights and duties established in this Declaration. The Association, the Declarant, or any aggrieved Owner may take judicial action against any Owner to enforce compliance with such Rules and Regulations and with the provisions of this Declaration, the Articles, and the Bylaws to obtain damages for noncompliance, to obtain injunctive relief, or both, all to the extent permitted by law. The Association shall also be entitled to recover all costs and attorney fees incurred with any enforcement action. The initial Rules and Regulations are attached hereto as Exhibit C.

ARTICLE IX: MAINTENANCE

A. Owner's Responsibility.

1. Units.

- (a) Owners shall be responsible for the maintenance, repair, alteration, and remodeling of their Units, including, without limitation, the interior non-supporting walls, the materials making up the finished or underlying surfaces of the perimeter walls, ceilings, and floors within the Unit. In addition, Owners shall be responsible for the maintenance, repair, alteration and remodeling of any chute, flue, duct, wire, conduit, line, or systems (collectively, "utilities") at that point where such utility starts to serve only that Unit (becoming a Limited Common Element) whether within or partially outside the designated boundary of the Unit. Such utilities shall not be disturbed or relocated by an Owner without the written consent and approval of the Executive Board.
- (b) Each Owner shall maintain and keep the interior of its Unit and its fixtures in a well-maintained, clean, and sanitary condition.



(c) All windows in a Unit shall utilize drapes, shades, or window coverings with exterior surfaces that are neutral in appearance and that are harmonious in color and style with the exterior surfaces of the building.

2. **Limited Common Elements.** Each Owner shall keep any other Limited Common Element appurtenant to its Unit in a maintained, clean, and sanitary condition, free and clear of snow, ice, dirt, debris, and any accumulation of water. An Owner shall not alter an exterior portion of the Building, regardless of whether such exterior area is a part of its Unit or Limited Common Element appurtenant to its Unit.
3. **Reimbursement.** An Owner shall be obligated to reimburse the Association promptly upon receipt of its statement of any expenditures incurred by it in repairing or replacing any portion of a Unit or Limited Common Elements for which the Owner is responsible, or for the repairs of another Owner's Unit or Limited Common Element, or any General Common Element damaged by any act or failure to act of the Unit Owner, its invitees, guests, agents, or renters.

B. Association's Responsibility.

Any part of the Project that is not an Owner's maintenance responsibility shall be the maintenance responsibility of the Association. In addition, the Association shall have the maintenance responsibility for all of the decks (including painting) that are Limited Common Elements, the ski lockers, the storage closets, and the parking spaces. The Association shall have the duty of maintaining and repairing all of the General Common Elements and such portions of the Limited Common Elements as set forth herein within the Project and the cost of said maintenance and repair shall be a Common Expense. The Association shall not need the prior approval of its Members to cause such maintenance or repairs to be accomplished.

The Association shall, on its own or through its Managing Agent, provide to the Owners the following services which shall be paid for out of Assessments for Common Expenses, to wit:

1. Maintaining the General Common Elements and Limited Common Elements as specified herein;
2. Administering and managing the Project;
3. Providing common utilities;
4. Setting aside reserves for future maintenance, repairs, and replacements;
5. Providing site maintenance, including snow and trash removal;
6. Obtaining the insurance required in Article XVII;
7. Acting as attorney-in-fact in the event of damage or destruction as provided for in Article XVIII; and
8. Performing all other acts required by this Declaration, the Articles, the Bylaws, or the Rules and Regulations.

C. Architectural Standard.

Except as provided herein or permitted by the Act, no person may make any encroachment onto the General Common Elements or Limited Common Elements, or make any exterior modification, alteration, or construction (including painting and landscaping), nor erect, place or post any object or thing on the exterior of the Building, in any windows, or any Limited Common Elements, or any other General Common Elements, without first obtaining the prior written approval of the Executive Board. The



standard for approval of such improvements shall include, but not be limited to, aesthetic consideration, materials to be used, harmony with the external design of the Building, Units, and structures, and the location in relation to surrounding structures and topography. The Executive Board may make such approval contingent on any matters it sees fit.

ARTICLE X: LIMITED ACCESS RIGHTS

The Association shall have the irrevocable right, to be exercised by the Managing Agent or Executive Board, to have access to each Unit from time to time during reasonable hours under the particular circumstances as may be necessary for the maintenance, repair, or replacement of any of the General Common Elements or Limited Common Elements or for making repairs necessary to prevent damage to the General Common Elements, Limited Common Elements, or to another Unit. In the event damage to the General Common Elements, the Limited Common Elements, or any part of a Unit is caused by the misuse or negligence of an Owner or its invitees, guests, agents, or renters, then such Owner shall be solely responsible for all expenses to restore the damaged items to their condition prior to such damage.

The Association may retain a passkey to each Unit. An Owner may change the locks only on doors accessing that Owner's Condominium Estate, provided that the Owner immediately furnishes a duplicate key to the Association and immediately gives notice of the change to the Association. No Owner may alter any lock or install a new lock on any other door of the Building. Failure to comply with these requirements could result in forced entry by the Executive Board or Managing Agent at the Owner's expense. Further, each Owner hereby specifically authorizes the Managing Agent or Executive Board to remove or re-key any lock installed in contravention of this provision at the Owner's expense, and in addition to assess a penalty against the Owner of \$100 per month for each month that the Owner refuses to comply with this Article X.

The Association shall repair incidental damage to any Unit resulting from performance of work which is the responsibility of the Association.

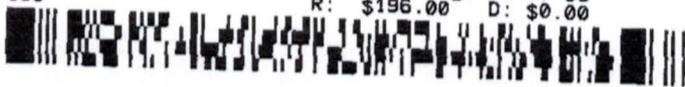
ARTICLE XI: EASEMENTS

A. Easement for Encroachment.

If any portion of the General Common Elements encroaches upon a Unit, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall exist. If any portion of a Unit encroaches upon the General Common Elements, or upon an adjoining Unit, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall exist. In the event that any one or more of the Units or the Building or other improvements comprising part of the General Common Elements are partially or totally destroyed and are then rebuilt or reconstructed in substantially the same location and as a result of such rebuilding any portion thereof shall encroach as provided in the preceding sentence, a valid easement for such encroachment shall exist. Such encroachments and easements shall not be considered or determined to be encumbrances either on the General Common Elements or on the Units.

B. Easement for Construction Facilities.

Until the conveyance by the Declarant of the last Unit within this Project, or June 1, 2009, whichever is sooner, the Declarant reserves unto itself an easement on, over, and across the General Common Elements for the purposes of storing and operating



construction trailers, construction yards, and construction materials, and equipment used in conjunction with the development and construction of the Project.

C. Easement for Utilities.

Until the conveyance by the Declarant of the last Unit within this Project, or June 1, 2009, whichever is sooner, the Declarant reserves unto itself the right to grant an easement on, over, and across the General Common Elements to any company, governmental authority, or governmental agency for the purpose of providing utility services to the Project or to other real property adjoining the Project. The right of the Declarant to grant easements as hereinabove reserved shall permit the Declarant to grant such easements and permit the holder of such easements to install, replace, repair, maintain, and operate its utility lines and facilities over and across that portion of the Project described in said easement.

D. Other Easements.

The Declarant hereby declares that the Project is now, or may hereafter become, subject to those certain easements, licenses, and recorded documents as set forth in Exhibit B, incorporated herein by this reference.

ARTICLE XII: TERMINATION OF MECHANIC'S LIEN RIGHTS AND INDEMNIFICATION

Subsequent to the completion of the improvements described on the Map, no labor performed or materials furnished or incorporated into a Unit with the consent of or at the request of a Unit Owner, its agent, its contractor, or its subcontractor shall be the basis for filing of a lien against the Unit or the Unit of any other Owner not expressly consenting to or requesting the same, or against the General Common Elements. Each Owner shall indemnify and hold harmless the Association and each of the other Owners from and against all liability arising from the claim of any lien against the Unit of any other Owner or against the General Common Elements for construction performed or for labor, materials, services, or other products incorporated into the Project at the direction of an Owner. Notwithstanding the foregoing, any mortgagee of a Unit who shall become an Owner of a Unit pursuant to a lawful foreclosure sale or the taking of a deed in lieu of foreclosure shall not be under any obligation to indemnify and hold harmless the Association or any other Owner against liability for claims arising prior to the date such mortgagee becomes an Owner.

ARTICLE XIII: ADMINISTRATION AND MANAGEMENT

A. Management.

The administration and management of this Project shall be governed by this Declaration, the Articles, the Bylaws, and the Rules and Regulations. The Association may delegate by written agreement any of its duties, powers, and functions related to the day-to-day administration and management of the Association to any person or firm to act as Managing Agent at an agreed compensation; provided that any agreement for professional management of the Project or other contract providing for services by the Declarant under a contract with the Association shall provide that the same may be terminated by either party to said contract, with or without cause, upon ninety (90) days written notice, and that said contract shall not be for an original term in excess of three (3) years. The Association, if requested, shall notify each Owner or mortgagee of any Unit of any proposed change in the Association's Managing Agent at least ten (10) days



prior to the effective date of such change.

B. Certificate of Identity.

There may be recorded from time to time a certificate of identity which shall include the addresses of the persons then comprising the officers of the Association and the Executive Board members as well as the name and address of the Managing Agent. Such certificate shall be conclusive evidence of the information contained herein in favor of any person relying thereon in good faith regardless of the time elapsed since the date thereof.

C. Annual Disclosures.

The Managing Agent shall take appropriate steps to implement and maintain compliance by the Association with the annual disclosure requirements of the Act. The Executive Board shall provide oversight and review of this process to assure that all required disclosures under the Act are carried out in an efficient and practical manner.

ARTICLE XIV: ASSESSMENTS

A. Personal Obligation.

1. From and after the date of the first conveyance of a Unit to an Owner other than the Declarant, all Owners of Units shall be obligated to pay the Assessments for the estimated Common Expenses imposed by the Executive Board to meet the cost of Common Expenses and reserves that are determined by the Executive Board to be necessary or appropriate. With respect to Units owned by the Declarant and submitted to this Declaration, the Declarant shall be obligated to pay the Assessments for the estimated Common Expenses imposed by the Executive Board for required Common Expenses and reserves.
2. Assessments for the estimated Common Expenses for Units shall be due in advance on the first day of each calendar quarter. If any such quarterly installment is not paid within thirty (30) days after it becomes due, the Executive Board may assess a late charge as reasonably determined from time to time by the Executive Board, interest on the unpaid principal at a rate not to exceed eighteen percent (18%) per annum, costs, and attorney fees as hereinafter provided. Each Owner hereby agrees that the Association's lien on a Unit for Assessments shall be superior to the Homestead Exemption provided by C.R.S. Section 38-41-201, and other similar state and federal laws and each Owner hereby agrees that the acceptance of the deed or other instrument of conveyance in regard to any Unit within this Project shall signify such grantee's waiver of the exemption right granted by the Colorado statutes and similar federal laws.

B. Proration of Assessments for Common Expenses.

In the event the ownership of a Unit commences on a day other than the first day of the assessment period, the Assessments for Common Expenses for that period shall be prorated.

C. Assessments for Common Expenses.

Assessments for Common Expenses shall be based upon a budget of Common Expenses established by the Executive Board in accordance with Subsection D below for the payment of all estimated expenses relating to the administration, maintenance, ownership, repair, operation, addition, alteration, and improvements of the General



Common Elements of the Project and personal property owned by the Association, except as otherwise provided. Said sum may include, but shall not be limited to, expenses of management; taxes and special assessments until separately assessed; premiums for insurance; landscaping and care of grounds; common lighting and heating; repairs and renovations; trash collection; wages; common fees, expenses, and liabilities incurred by the Executive Board on behalf of the Owners under or by reason of this Declaration, the Articles, and the Bylaws; for the creation of reasonable contingency reserves, working capital, and sinking funds; and any and all other costs and expenses relating to the General Common Elements or the Project.

D. Budget.

1. At least sixty (60) days before the beginning of each fiscal year, the Executive Board shall prepare a budget of the estimated Common Expenses for the coming year. The budget shall reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units.
2. Within thirty (30) days after the adoption of any proposed budget for the Association, the Executive Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budgets to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing or other delivery of the summary. Unless at that meeting a majority Members reject the budget of General Common Expenses, the General Common Expense budget is ratified, whether or not a quorum is present. Unless at that meeting a majority of Members in the Association reject the budget of Limited Common Expenses, the Limited Common Expense budget is ratified, whether or not a quorum is present. In the event that a proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Owners ratify a subsequent budget proposed by the Executive Board. The Executive Board shall adopt a budget and submit the budget to a vote of the Owners as provided herein no less frequently than annually.

E. Utility Charges.

Each Owner shall be obligated to pay all charges for any separately metered utilities, such as electricity and gas, servicing its Unit. In the event that any utilities, such as water and sewer, are master metered, then such utility service shall be part of the General Common Expenses.

F. Obligation to Pay Assessments.

The omission or failure to fix an Assessment or deliver or mail a statement for any period shall not be deemed a waiver, modification, or a release of the Owners from their obligations to pay the same.

G. Reserve Fund.

Subject to Subsection D above, the Association shall be obligated to establish a reserve fund for the maintenance, repair, and replacement of those General Common Elements that must be replaced periodically and such reserve fund shall be funded through the quarterly payments of the Assessments for Common Expenses. Such reserve funds shall be held by the Association and accounted for separately.

H. Special Assessments.

1. In addition to the Assessments authorized above, and unless prohibited by the Act, the Association, through its Executive Board, may from time to time, determine, levy,



and assess a special Assessment in any Assessment year, which determination, levy, and Assessment may be made by the Executive Board with or without a vote of the Members. Any special Assessment shall be for the purpose of defraying, in whole or in part, the unbudgeted costs or payments for any deficit remaining from a previous period, for fees and expenses of any construction, reconstruction, repair, demolition, replacement, or maintenance of the General Common Elements, the Project, or any facilities located thereon, specifically including fixtures and personal property.

2. In the event any special Assessment exceeds five thousand (\$5,000) dollars per Unit for all Units applicable to that particular Assessment year, then said Assessment shall be subject to a majority vote of the Members.
3. No proceeds from any special Assessment, regardless of the dollar amount, may be used for any activity that materially alters the design or the originally intended appearance of the Project without a majority vote of the Members approving such alteration.
4. The limitations set forth herein shall not apply to any emergency repair or maintenance. The amounts determined, levied, and assessed shall be assessed to each Owner in accordance with its undivided interest in the General Common Elements and shall be due and payable as set forth in any notice of special Assessment promulgated by the Executive Board.

I. Specific Assessments.

The Association shall have the power to levy specific Assessments against a particular Unit to cover costs incurred in bringing the Unit into compliance with the terms of this Declaration, the Bylaws, or the Rules and Regulations, or costs incurred as a consequence of the conduct of an Owner or its invitees, guests, agents, or renters.

J. Liability for Assessments.

All persons or entities comprising the Owner of a particular Unit shall be jointly and severally liable to the Association for the payment of all Assessments attributable to such Unit, and all such Assessments shall be a personal and individual debt of each such person or entity. No Owner may exempt itself from liability for an Assessment by abandonment of its Unit or by waiver of the use or enjoyment of all or any part of the General Common Elements. Suit to recover a money judgment for unpaid Assessments, any penalties and interest thereon, the costs and expenses of such proceedings, and all reasonable attorney fees in connection therewith shall be maintainable, and all foreclosing or waiving the Assessment lien provided in this Declaration.

K. Lien for Assessments.

1. All sums assessed but unpaid for the share of Common Expenses (whether general, special, or specific) chargeable to any Unit, shall constitute a lien on such Unit superior to all other liens and encumbrances, except only for:
 - (a) Real estate taxes and special assessment liens on the Unit in favor of any public or quasi-public assessing entity;
 - (b) Liens and encumbrances recorded before the recordation of this Declaration; and
 - (c) All sums unpaid on a mortgage or deed of trust of record, including advances and all unpaid obligatory sums as may be provided by such encumbrances.

To evidence such lien, the Executive Board may, but shall not be obligated to, prepare a written notice of lien Assessment setting forth the amount of such unpaid indebtedness, the amount of the accrued interest and late charges thereon, the



- name(s) of the Owner of the Unit and a description of the Unit. Any such notice shall be signed by the Managing Agent, one of the directors on the Executive Board, or by one of the officers of the Association and may be recorded in the office of the Clerk and Recorder of the County of Gunnison, Colorado. The recording of any written notice of lien shall not constitute a condition precedent nor delay the attachment of the lien, but such lien is a perpetual lien upon the Unit and attaches without notice at the beginning of the first day of any period for which any Assessment is levied or assessed. Such lien may be enforced by the judicial foreclosure of the defaulting Owner's Unit by the Association as well as in an action at law against the Owner personally obligated to pay the same or both.
2. An Owner shall be required to pay the costs, expenses, and attorney fees incurred by the Association in regard to any such default, including the cost of preparation and filing the lien, and, in the event of foreclosure proceedings, all additional costs, expenses, and attorney fees incurred. An Owner of the Unit being foreclosed shall be required to pay to the Association the monthly Assessment for Common Expenses for the Unit during the period of foreclosure, and the Association shall be entitled to request a receiver to collect the same. The Association shall have the power and authority to bid for the Unit at a foreclosure or other legal sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the same during such proceeding and its ownership thereof.
 3. Any mortgagee holding a lien on a Unit may pay, but shall not be required to pay, any unpaid Common Expenses payable with respect to such Unit, and upon such payment, such mortgagee shall have a lien on such Unit for the amounts paid on the same rank as the lien of its encumbrance without the necessity of having to record a notice or claim of such lien. The Association shall report to any mortgagee of a Unit, upon written request, any unpaid Assessments for Common Expenses remaining unpaid for longer than thirty (30) days after the same is due or other default of any covenant, condition, obligation, or term of this Declaration not cured within thirty (30) days; provided, however, that such mortgagee shall have furnished to the Association notice of such encumbrance.
 4. Any recorded lien for nonpayment of the Common Expenses may be released by recording a release of lien executed by an officer or Managing Agent of the Association. The cost of preparing, filing, and recording any release shall be paid by the affected Unit Owner to the Association in advance of obtaining the release.
 5. Notwithstanding the terms and conditions of this Declaration in the event of any default on the part of any Owner under any mortgage which entitles the holder thereof to foreclose the same, any sale under such foreclosure, including delivery of a deed to the mortgagee in lieu of such foreclosure, shall be made free and clear of the provisions of this Declaration relating to the liability of a grantee for the unpaid Assessments for Common Expenses of its grantor, but only to the extent permitted under the Act. Further, no mortgagee shall be liable for any unpaid Assessments for Common Expenses accruing prior to the time such mortgagee becomes the Owner of any Unit pursuant to the remedies in its mortgage, but only to the extent permitted under the Act. A lien of the Association, when delinquent, may be enforced in the same manner as provided for the judicial foreclosure of mortgages under the laws of the State of Colorado. Notwithstanding the foregoing, the Association's lien for delinquent Assessments shall be prior to a mortgage of record to the extent of an amount equal to the Common Expenses based on the Association's annual budget which would have come due in the absence of acceleration, during the six months immediately preceding institution of an action to enforce the lien.



L. Working Capital.

Upon becoming an Owner, each Owner shall pay to the Association an amount equal to the Assessments for Common Expenses due from each Owner on the first day of the current calendar quarter. Such payment shall be for the purpose of providing the Association with working capital and shall not be in lieu of a payment for any other Assessment. Upon ceasing to be an Owner, such payment shall be refunded.

ARTICLE XV: LIABILITY FOR COMMON EXPENSE UPON TRANSFER

Upon the written request of any Owner, mortgagee, prospective mortgagee, grantee, or prospective grantee of a Unit, the Association, by its Managing Agent, or if there is no Managing Agent, then by the financial officer of the Association, shall issue a written statement, which shall be conclusive upon the Association in favor of all persons who rely thereon in good faith, setting forth:

1. The amount of the unpaid Common Expenses, if any, with respect to the subject Unit;
2. The amount of the current monthly Assessment and the date that such Assessment becomes due; and
3. Credit for any advanced payments of Assessments, exclusive of accumulated amounts for reserves or sinking funds, if any.

Unless such written statement of indebtedness is delivered to the inquiring party within fourteen (14) business days of the date of the request, all unpaid Common Expenses which become due prior to the date of the request shall be subordinate to the lien of a mortgagee which acquired its interest in the Unit subsequent to requesting such statement. The written statement of indebtedness may be delivered by any reasonable means, physical or electronic. The grantee of a Unit, except for any first mortgagee who comes into possession of a Unit pursuant to foreclosure of its mortgage or by the taking of a deed in lieu thereof to the extent permitted under the Act, shall be jointly and severally liable with the grantor for all unpaid Assessments against the latter for the unpaid Assessments up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore.

ARTICLE XVI: MORTGAGES

An Owner shall have the right from time to time to mortgage or encumber its interest by deed of trust, mortgage, or other security instrument. For the purposes of this Declaration, all such instruments shall be referred to as a "mortgage" and all holders of such instruments shall be referred to as "mortgagees."

ARTICLE XVII: INSURANCE AND FIDELITY BONDS

A. General Insurance Provisions.

The Association shall maintain, to the extent reasonably available:

1. Property insurance on the General Common Elements for broad form covered causes of loss, except that the total amount of insurance must be not less than the full insurable replacement costs of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, paving areas, landscaping and other items normally



excluded from property policies; and

2. Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the General Common Elements and the Association, in an amount, if any, deemed sufficient in the judgment of the Executive Board, insuring the Executive Board, the Association, the Managing Agent, and their respective employees, agents, and all persons acting as agents. The Declarant shall be included as an additional insured in the Declarant's capacity as an Owner and Executive Board 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 General Common Elements. The insurance shall cover claims of one or more insured parties against other insured parties.
3. The Association may carry such other and further insurance that the Executive Board considers appropriate, including insurance on Units that the Association is not obligated to insure to protect the Association or the Owners.

B. Cancellation.

If the insurance described in Subsection A above is not reasonably available, or if any policy of such insurance is cancelled or not renewed without a replacement policy therefor having been obtained, the Association promptly shall cause notice of that fact to be delivered to all Owners.

C. Policy Provisions.

Insurance policies carried pursuant to Subsection A above must provide that:

1. Each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the General Common Elements or membership in the Association;
2. The insurer waives its rights to subrogation under the policy against any Owner or member of its household; and
3. No act or omission by any Owner, unless acting within the scope of such Owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy.

D. Insurance Proceeds.

Any loss covered by the property insurance policy described in Subsection A above must be adjusted with the Association, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any holder of a security interest. The insurance trustee or the Association shall hold any insurance proceeds in trust for the Owners and mortgagees of a Unit, as their interests may appear. Subject to the provisions of Subsection G below, the proceeds must be disbursed first for the repair or restoration of the damaged property, and the Association, Owners, and mortgagees are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored or the regime created by this Declaration is terminated.

E. Association Policies.

The Association may adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. To the extent the Association settles claims for



damages to the Project, it shall have the authority to assess negligent Owners causing such loss or benefiting from such repair or restoration an amount equal to all or any equitable portion of the deductibles paid by the Association.

F. Insurer Obligation.

An insurer that has issued an insurance policy for the insurance described in Subsection A above shall issue certificates or memoranda of insurance to the Association and, upon request, to any Owner or mortgagee. Unless otherwise provided by statute, the insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or non-renewal has been mailed to the Association and to each Owner and mortgagee to whom a certificate or memorandum of insurance has been issued at their respective last-known addresses.

G. Repair and Replacement.

1. Any portion of the General Common Elements for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly by the Association unless:
 - (a) The Project and the condominium regime created by this Declaration is terminated;
 - (b) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;
 - (c) Eighty percent (80%) of the Owners agree in writing not to rebuild; or
 - (d) Prior to the conveyance of any Unit to a person other than the Declarant, the mortgagee holding a deed of trust or mortgage on the damaged portion of the General Common Elements rightfully demands all or a substantial part of the insurance proceeds.
2. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. If all are not repaired or replaced, the insurance proceeds attributable to the damaged General Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Project, and except to the extent that other persons will be distributees, the insurance proceeds must be distributed to all the Owners or mortgagees, as their interests may appear, in proportion to their respective ownership interests in the General Common Elements.

H. Common Expenses.

Premiums for insurance that the Association acquires and other expenses connected with acquiring such insurance shall be General Common Expenses.

I. Fidelity Bonds.

In the event that the Association's accounts total fifty thousand dollars (\$50,000) or more, the Association shall maintain fidelity bonds 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 an amount not less than (1) fifty thousand dollars (\$50,000), or (2) two months' current Assessments plus reserves as calculated from the current budget of the Association, whichever is greater. In addition, if responsibility for handling funds is delegated to the Managing Agent, such bond may be obtained for the Managing Agent and its officers, employees, and agents, as applicable. Any such fidelity coverage shall name the Association as an obligee and such bonds shall contain waivers by the insurers of all defenses based upon the exclusion of persons serving without compensation from



the definition of "employees," or similar terms or expressions.

J. Workmen's Compensation Insurance.

The Executive Board shall obtain workmen's compensation or similar insurance with respect to its employees, if applicable, in the amounts and forms as required by law.

K. Directors' and Officers' Liability Insurance.

The Executive Board shall obtain a policy of directors' and officers' liability insurance which shall provide protection to officers of the Association and directors on the Executive Board in the performance of their duties and obligations on behalf of the Association. The terms of the policy shall be determined by the Executive Board.

L. Other Insurance.

The Executive Board may obtain insurance against such other risks as it shall deem appropriate with respect to the Association's responsibilities and duties.

M. Insurance Obtained by Owners.

1. Owners shall carry an insurance policy, commonly known as an HO6 policy, providing coverage for their Unit and the personal property contained therein, for their benefit and at their expense. Owners shall provide proof of such insurance annually to the Association. All such policies shall name the Association as an additional insured and shall contain waivers of subrogation as against the Association.
2. Owners may carry other insurance for their benefit and at their expense, provided that all such policies shall contain waivers of subrogation as against the Association. All Owners shall file copies of any such policies with the Association. Insurance coverage on furnishings, draperies, wallpaper, and other items of personal or other property, improvements, or betterments belonging to an Owner and public liability coverage within each Unit shall be the sole and direct responsibility of the Owner.

N. Mortgagee Protection.

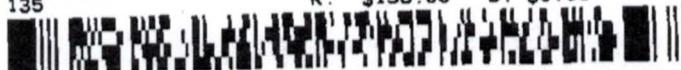
In the event that there is any damage or destruction to, or loss of, or taking of a Unit which exceeds fifty thousand dollars (\$50,000) or any damage or destruction to, or loss of, or taking of the General Common Elements which exceeds one hundred thousand dollars (\$100,000), then notice of such damage or loss or taking shall be given by the Association to each mortgagee of said Units within ten (10) days after the occurrence of such event and the cost of repair determined. The Executive Board of the Association shall not obtain any insurance policy where:

1. Under the terms of the insurance company's charter, bylaws, or policy, contributions or assessments may be made against the mortgagor or mortgagee's designee;
2. By the terms of carrier's charter, bylaws, or policy, loss payments are contingent upon action by the company's board of directors, policyholders, or members; or
3. The policy includes any limiting clauses (other than insurance conditions) which could prevent mortgagees or the mortgagor from collecting insurance proceeds.

ARTICLE XVIII: ATTORNEY-IN-FACT

A. Appointment.

This Declaration does hereby make mandatory the irrevocable appointment of an attorney-in-fact to deal with the Project upon its damage, destruction, or obsolescence.



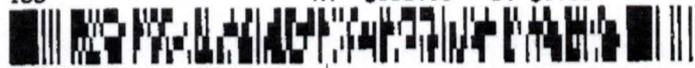
B. Insurance Proceeds.

1. All of the Owners irrevocably constitute and appoint the Association their true and lawful attorney in their name, place, and stead for the purpose of dealing with the Project upon its damage, destruction, or obsolescence. As attorney-in-fact, the Association, by its President and Secretary or Assistant Secretary, shall have complete authorization, right, and power to make, execute, and deliver any contract, deed, or any other instrument with respect to the interest of a Unit's Owner that is necessary and appropriate to exercise the powers herein granted. Repair and reconstruction of the improvements as used in the succeeding subparagraphs means restoring the improvements to substantially the same condition in which they existed prior to the damage, with each Unit and the General and Limited Common Elements having substantially the same vertical and horizontal boundaries as before. The proceeds of any insurance collected shall be available to the Association for the purpose of repair, restoration, or replacements unless the Owners and the mortgagees agree not to rebuild in accordance with the provisions set forth hereunder.
2. In the event of damage or destruction due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvements, shall be applied by the Association, as attorney-in-fact, to cause the repair and restoration of the improvements.
3. If the insurance proceeds are insufficient to repair and reconstruct the improvements, such damage or destruction shall be promptly repaired and reconstructed by the Association as attorney-in-fact, using the proceeds of insurance and the proceeds of a special Assessment, if permitted under the Act, to be made against all of the Owners and their Units.
4. Any such special Assessment shall be a Common Expense and shall be made pro rata according to each Owner's percentage interest in the General Common Elements and shall be due and payable within thirty (30) days after written notice thereof. The Association shall have full authority, right, and power, as attorney-in-fact, to cause the repair or restoration of the improvements using all of the insurance proceeds for such purpose, notwithstanding the failure of an Owner to pay the Assessment. The Assessment provided for herein shall be a debt of each Owner and a lien on its Unit and may be enforced and collected as provided in Article XIV. In addition, the Association, as attorney-in-fact, shall have the absolute right and power to sell the Unit of any Owner refusing or failing to pay such special Assessment, within the time provided, and if not so paid, the Association shall cause to be recorded a notice that the Unit of the delinquent Owner shall be required to pay the Association the costs and expenses for filing the notices, interest on the amount of the Assessment at the rate of eighteen percent (18%) per year, and all reasonable attorney fees and costs incident to a sale. The proceeds derived from the sale of such Unit shall be used and disbursed by the Association, as attorney-in-fact in the following order:
 - (a) For payment of taxes and special assessment liens in favor of any assessment entity and customary expense of sale;
 - (b) For payment of the balance of the lien of any mortgage;
 - (c) For payment of unpaid Common Expenses and all costs, expenses, and fees incurred by the Association;
 - (d) For payment of junior liens and encumbrances in the order of and to the extent of their priority; and

- (e) The balance, if any, shall be paid to the Owner.
5. Notwithstanding the foregoing provisions of this Article, if all directly adversely affected Owners agree in writing not to repair and reconstruct improvements within the General Common Elements and if no alternative improvements are authorized, then the damaged property shall be restored to its natural state and maintained as an undeveloped portion of the General Common Elements by the Association in a neat and attractive condition. Any remaining insurance proceeds shall be distributed in accordance with the Act.
6. Notwithstanding the foregoing provisions of this Article, if all of the Owners and the mortgagees of record agree not to repair or reconstruct the improvements and to terminate the Project, the Association shall record a notice of such, and upon the recording of such notice by the Association, the entire Project shall be sold by the Association pursuant to the provisions of this paragraph, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in the Declaration, Map, Articles, and Bylaws. Assessments for Common Expenses shall not be abated during the period prior to sale. The insurance settlement proceeds shall be collected by the Association, and such proceeds shall be divided by the Association according to each Owner's interest in the General Common Elements. Such divided proceeds shall be paid into separate accounts, each such account representing one of the Units. Each such account shall be in the name of the Association, and shall be further identified by the Unit designation and the name of the Owner. From each separate account, the Association, as attorney-in-fact, shall forthwith use and disburse the total amount of each of such accounts, without contribution from one account to another, toward the partial or full payment of the lien of any mortgagee encumbering the Unit represented by such separate account. Thereafter, each such account shall be supplemented by the apportioned amount of the proceeds obtained from the sale of the entire property. Such apportionment shall be based upon each Owner's interest in the General Common Elements. The total funds of each account shall be used and disbursed, without contribution, from one account to another by the Association, as attorney-in-fact for the same purposes and in the same order as is provided in Subsection B4(a) through B4(e) of this Article.

C. Obsolescence.

1. The Owners may agree that the General Common Elements are obsolete and adopt a plan for the renewal and reconstruction, which plan must have the unanimous approval of all mortgagees of record at the time of the adoption of such plan. If a plan for the renewal or reconstruction is adopted, notice of such plan shall be recorded, and the expense of renewal and reconstruction shall be payable by all of the Owners as Common Expenses; provided, however, that an Owner not a party to such a plan for renewal or reconstruction may give written notice to the Association within fifteen (15) days after the date of adoption of such plan that such Unit shall be purchased by the Association for the fair market value thereof. The Association shall then have thirty (30) days thereafter within which to cancel such plan. If such plan is not cancelled, the Unit of the requesting Owner shall be purchased according to the following procedures:
- (a) If such Owner and the Association can agree on the fair market value thereof, then such sale shall be consummated within thirty (30) days thereafter.
- (b) If the parties are unable to agree, the date when either party notifies the other that it is unable to agree with the other shall be the "commencement date" from which all periods of time mentioned herein shall be measured. Within ten (10)



days following the commencement date, each party shall nominate in writing (and give notice of such nomination to the other party) an appraiser. If the two designated appraisers are unable to agree, they shall appoint another appraiser to be umpire between them, if they can agree on such person. If they are unable to agree upon such umpire, each appraiser previously appointed shall nominate two appraisers, and from the names of the four appraisers so nominated, one shall be drawn by lot by the Owner in the presence of the other appraisers, and the person whose name was so drawn shall be the umpire. The decision of the appraisers as to the fair market value, or in the case of their disagreement, then the decision of the umpire, shall be final and binding. The expenses and fees of such appraisers shall be borne equally by the Association and the Owner. The sale shall be consummated within fifteen (15) days thereafter, and the Association, as attorney-in-fact, shall disburse the proceeds for the same purposes and in the same order as is provided in Subsection B4(a) through B4(e) of this Article, except as modified herein.

2. The Owners, with the consent of all mortgagees of record at that time, may agree that the Units are obsolete and that the same should be sold. In such instance, the Association shall forthwith record a notice setting forth such, and upon the recording of such notice by the Association, the entire premises shall be sold by the Association, as attorney-in-fact for all of the Owners, free and clear of the provisions contained in the Declaration, Map, Articles, and Bylaws. The sales proceeds shall be apportioned between the Owners on the basis of each Owner's percentage interest in the General Common Elements, and such apportioned proceeds shall be paid into separate accounts, each such account representing one (1) Unit and each such account shall be further identified by the Unit designation and the name(s) of the Owner. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount of each of such accounts, without contribution from one account to another, for the same purposes and in the same order as is provided in Subsection B4 (a) through B4(e) of this Article.

ARTICLE XIX: CONDEMNATION

A. Consequences of Condemnation.

If at any time during the continuance of the Project pursuant to this Declaration, all or any part of the Project shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu thereof or in avoidance thereof, then all compensation, damages, or other proceeds therefrom, the sum of which is hereinafter referred to as the "Condemnation Award," shall be payable to the Association, and the provisions of this Article shall apply.

B. Complete Taking.

In the event that the entire Project is taken or condemned or sold or otherwise disposed of in lieu thereof or in avoidance thereof, the condominium Ownership pursuant thereto shall terminate. The Condemnation Award shall be apportioned among the Owners on the basis of each Owner's undivided interest in the General Common Elements; provided, however, that if a standard different from the value of the Project as a whole is employed to measure the Condemnation Award in the negotiation, judicial decree, or otherwise, then in determining such apportionment the same standard shall be employed. The Association shall, as soon as practical, determine the share of the Condemnation Award to which each Owner is entitled, and such shares shall be paid into separate accounts and disbursed as soon as practical for the same purposes and in the



same order as is provided in Subsection B4(a) through B4(e) of Article XVIII.

C. Partial Taking.

In the event that less than the entire Project is taken or condemned or sold or otherwise disposed of in lieu thereof or in avoidance thereof, the condominium Ownership hereunder shall not terminate. Each Owner shall be entitled to a share of the Condemnation Award to be determined under the following provisions. As soon as is practical, the Association shall reasonably and in good faith allocate the Condemnation Award between compensation, damages, or other proceeds, and shall apportion the amounts so allocated among the Owners, unless otherwise required under the Act, as follows:

1. The total amount allocated to taking of or injury to the General Common Elements shall be apportioned among Owners on the basis of each Owner's undivided interest in the General Common Elements;
2. The total amount allocated to severance damages shall be apportioned to the Owners of those Units that were not taken or condemned;
3. The respective amounts allocated to the taking of or injury to a particular Unit or to improvements an Owner has made within its own Unit shall be apportioned to the Owner of that Unit; and
4. The total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Association determines to be equitable under the circumstances. If an allocation of the Condemnation Award is already established in negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award, the Association shall employ such allocation. Distribution of apportioned proceeds shall be made by checks payable jointly to the respective Owners and their respective mortgages.

D. Reorganization.

In the event a partial taking results in the taking of a Unit, the Owner thereof shall automatically cease to be a Member of the Association, and its ownership interest in the General Common Elements shall terminate and vest in the Owners of the remaining Units. Thereafter, the Association shall reallocate the ownership, voting rights, and Assessment ratios determined in accordance with this Declaration according to the same principles employed in this Declaration at its inception, and shall submit such reallocation to the Owners of the remaining Units for the amendment of this Declaration.

E. Repair and Reconstruction.

Any repair and reconstruction necessitated by condemnation shall be governed by the procedures contained in Article XVIII hereof.

F. Notice of Condemnation to Mortgagees.

In the event that any portion of the Project shall be made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then timely written notice of such condemnation shall be given by the Association to each Owner and mortgagee.

G. Conflict With Act.

In the event any conflict shall arise between the provisions of this Article and the Act, the Act shall govern.



ARTICLE XX: DURATION, AMENDMENT, AND CONFLICT

A. Duration.

This Declaration shall run with and bind the Project and shall inure to the benefit of and be enforceable by the Declarant, the Association, or any Owner subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a term of twenty (20) years from the date this Declaration is recorded, after which time this Declaration shall be automatically extended for successive periods of ten (10) years unless terminated or revoked. The separate Condominium Estates created by the Declaration and the Map shall continue until this Declaration is revoked or terminated.

B. Amendment.

This Declaration may be amended at any time by the affirmative vote or written consent of not less than sixty-seven percent (67%) of the Members. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted on and amendments shall be proposed by the Executive Board or petitions signed by at least fifty-one percent (51%) of the voting strength of the Members. Notwithstanding anything contained in this Article the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required to be taken under that clause or the Act for such action.

C. Conflict.

In the event of a conflict among the Governing Documents:

1. The Declaration shall control over the Articles, Bylaws, and Rules and Regulations;
2. The Articles shall control over the Bylaws and Rules and Regulations; and
3. The Bylaws shall control over the Rules and Regulations.

ARTICLE XXI: NOTICES

A. Contact Information.

Each Owner shall register its mailing address, email addresses, and fax numbers with the Association and shall notify the Association of any change in such contact information. The Association shall notify all Owners of any change in its contact information.

B. Delivery.

1. **Owners.** All notices and demands, except routine statements and notices, intended to be served upon an Owner shall be sent by certified mail, postage prepaid, to the Owner or its representative. Any such notice shall be deemed given when so mailed.
2. **Association.** All notices and demands intended to be served upon the Executive Board of the Association shall be emailed or faxed to the Association or its representative, and shall be deemed given when so emailed or faxed. The Association's contact information is as follows:

Black Diamond Lodge Condominium Association, Inc.
% Korkowski Law, LLC
P.O. Box 3468
Crested Butte, CO 81224



luke@korkowskilaw.com
866-811-3762

C. Alternative Delivery.

The Association may, upon giving notice to the Owners, require notices be sent via certified mail, postage prepaid, which shall be deemed delivered when so mailed. Each Owner may waive its right to receive notices by certified mail and elect to receive such notices via email or fax, which shall be deemed delivered when so emailed or faxed.

D. Hand Delivery.

Despite the foregoing, hand delivery shall always meet the requirements of this Article XXI.

ARTICLE XXII: REAL AND PERSONAL PROPERTY FOR COMMON USE

The Association, through action of its Executive Board, may acquire and hold tangible and intangible personal property and real property. The Association, through action of its Executive Board, may dispose of tangible and intangible personal property, and real property, subject to the limitations of the Act. The Declarant and its designees, subject to the limitations of the Act, may convey to the Association improved or unimproved real estate, interests in real estate located within the Project, personal property, and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association. The Association, through action of its Executive Board, may mortgage or encumber real property of the Association, subject to the limitations of the Act. In addition, the Executive Board specifically shall have the right to assign its future income including the right to receive Assessments for Common Expenses, for the obligations of the Association.

ARTICLE XXIII: GENERAL

A. Severability.

If any of the provisions of this Declaration or any section, sentence, clause, phrase, or word, or the application thereof in any circumstance be invalidated, such invalidity shall not affect the validity of the remainder of the Declaration, and the application of any such provision, paragraph, sentence, clause, phrase, or word in any other circumstances shall not be affected thereby.

B. Notice to Mortgagee.

Any notice required to be sent to any mortgagee under the provisions of this Declaration shall be deemed to have been properly sent when mailed, postage prepaid, to the last known address of persons who appear as a mortgagee on the records of the Association at the time of such mailing.

C. Supplemental to the Act.

The provisions of this Declaration shall be in addition to and supplemental to the Act and to all other provisions of law.

D. Gender and Number.



Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

E. Headings and Captions.

Headings and captions contained in this Declaration are solely for convenience and are not to be considered in interpreting or construing this Declaration.

F. Applicable Law, Jurisdiction, and Venue.

This Declaration shall be governed by the laws of the State of Colorado. Exclusive jurisdiction and venue of any action relating to this Declaration shall be in the District Court of Gunnison County, Colorado. Each party submits to the personal jurisdiction of the District Court of Gunnison County, Colorado, and waives any and all rights to object to such jurisdiction.

G. Liberal Construction.

The provisions of this Declaration shall be liberally construed to effectuate its purpose.

H. Provisions Required by the Town of Mt. Crested Butte.

1. The Association shall be liable to pay all water and sewer charges for all individual Units within the Project, and any General or Limited Common Element charges in accordance with the rules and regulations of the Crested Butte Water and Sanitation District.
2. The rights, duties, and liabilities of all Unit Owners with respect to the General Common Elements and the Limited Common Elements shall be as defined and described in this Declaration.
3. The Project is not expandable, as contemplated in Section 18-462(3) of the Mt. Crested Butte Code, without amendment to or replacement of this Declaration.
4. There shall be no employee Units as contemplated in Section 18-462(4) of the Mt. Crested Butte Code.
5. If any Unit is owned by more than one (1) person, or by a partnership, joint venture, corporation, or other such entity, each such person or entity shall designate to the Association, in writing, the name and address of the agent of the Owner to whom all legal or official assessments, liens, levies, or other such notices may be properly and lawfully mailed. Upon failure to so designate an agent, the Association shall be deemed to be the agent for receipt of notices to such persons or entities.

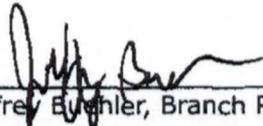


MORTGAGEE CONSENT

Community Banks of Colorado, a Colorado corporation, the owner and holder of that certain Deed of Trust from JCS Development, LLC, a Colorado limited liability company, to the Public Trustee of Gunnison County, Colorado, said Deed of Trust having been recorded on September 6, 2007, at Reception No. 578538 in the Office of Clerk and Recorder of Gunnison County, Colorado, hereby consents to the execution of this Declaration of Covenants, Conditions, and Restrictions of Black Diamond Lodge Condominiums and the related Map, and by said Consent, agrees to subject itself and its successors and assigns to the provisions of such instruments.

Signed this 3rd day of December, 2007.

Mortgagee: Community Banks of Colorado, a Colorado corporation

By: 
Jeffrey Buehler, Branch President, Community Banks of Colorado

STATE OF COLORADO)
)ss.
County of Gunnison)

The foregoing instrument was acknowledged before me this 3rd day of December, 2007, by Jeff Buehler as Branch President of Community Banks of Colorado, a Colorado corporation. Witness my hand and official seal.

My commission expires: 3-31-2009


Notary Public



My Commission Expires 03/31/2009



EXHIBIT A: LEGAL DESCRIPTION

Lot 1, THE GARDENS SUBDIVISION, according to the Plat thereof recorded May 18, 1983, bearing Reception No. 374111, County of Gunnison, State of Colorado.

also known as street and number: 621 Gothic Road, Mt. Crested Butte, CO 81225

Assessor's schedule or parcel number: 317726124001



EXHIBIT B: EASEMENTS AND TITLE EXCEPTIONS

1. A right of way for ditches or canals constructed by authority of the United States, as contained in United States Patent recorded in Book 101 at Page 373.
2. Easements and notes contained in Location Maps of Utilities recorded July 12, 1967 at Reception Nos. 271173 and 271174.
3. Terms, conditions, restrictions and easements as set forth in Easement recorded April 3, 1970 in Book 417 at Page 99.
4. Terms, conditions, obligations and restrictions as set forth in Subdivision Regulations contained in Ordinance #12, Series 1975 recorded October 3, 1975 in Book 489 at Page 533.
5. Easements notes and recitals as set forth on the plat of The Gardens Subdivision recorded May 18, 1983 at Reception No. 374111.
6. Any lien or right to a lien by reason of inclusion within the Mt. Crested Butte Water and Sanitation District and/or the Mt. Crested Butte Special Improvement District.
7. Deed of Trust recorded September 6, 2007, at Reception No. 578538 and Assignment of Rents recorded September 6, 2007, at Reception No. 578539, given in connection with the above Deed of Trust.



EXHIBIT C: RULES AND REGULATIONS

A. General.

These Rules and Regulations ("Rules") are designed to make living at Black Diamond Lodge pleasant, comfortable, and harmonious and are for the mutual benefit and comfort of everyone at Black Diamond Lodge. Objectionable behavior is not acceptable even if it is not specifically covered in these Rules. It is the responsibility of Owners to see that these Rules are not violated by their invitees, guests, agents, or renters.

B. Enforceability.

Rules must be enforceable to be effective. Accordingly, violations by Owners, their invitees, guests, agents, or renters will not be allowed. Any and all violations of the Rules shall be remedied by the offender immediately. An Owner shall be considered an offender if its invitee, guest, agent, or renter is the person or entity causing the offense. The Executive Board or the Managing Agent may give the offender a firm, informative, and friendly warning for any offense. Regardless of whether such a warning has been given, an offender of these Rules shall be subject to the following action:

1. If the offense is of a nature that is ongoing and so long as it remains unremedied,
 - (a) A fine of \$100 shall be imposed for each week that passes, as measured from the date of the offense, until the offense is remedied;
 - (b) Five weeks from the date of the offense, the offender's voting rights under the Governing Documents shall be suspended until the passage of the next annual meeting (if the offender is one or more persons or entities that constitute an Owner, that Owner's voting rights shall be so suspended);
 - (c) All monetary fines and other amounts due (for example, for reimbursement to the Association for repairs made) shall accrue 1.5% compounded interest per month.
2. For offenses that are not ongoing (for example, smoking in any part of General Common Elements), which shall be referred to as "one-time" offenses,
 - (a) A fine of \$100 shall be imposed for a one-time offense after the first one-time offense by that offender, which amount shall increase by \$100 for each subsequent one-time offense;
 - (b) Upon the fifth such one-time offense, the offender's voting rights under the Governing Documents shall be suspended until the passage of the next annual meeting (if the offender is one or more persons or entities that constitute an Owner, that Owner's voting rights shall be so suspended);
 - (c) All monetary fines and other amounts due shall accrue 1.5% compounded interest per month.

The Managing Agent shall have the discretion to determine whether an offense has occurred and to categorize any offense, subject to override by the Executive Board. The Executive Board shall have the power to amend these penalties at any time.

C. Maximum Occupancy.

No more than six people may occupy any Unit at one time.

D. Owners Bound by Rules.

Each Owner of a Unit shall be responsible for ensuring that the Owner's invitees, guests, agents, and renters comply with all provisions of the Governing Documents.



Furthermore, each Owner shall always endeavor to observe and promote the cooperative purposes for which the Association was established. In addition to any rights the Association may have against the Owner's invitees, guests, agents, or renters as a result of such person's violation of the Governing Documents, the Association may take action under Governing Documents against the Owner as if the Owner committed the violation in conjunction with the Owner's invitees, guests, agents, or renters.

E. Minimum Heating.

Every Owner shall maintain a minimum temperature in its Unit of at least fifty-five (55) degrees Fahrenheit at all times. This minimum heating requirement shall be met even when the Unit is vacant. This rule is essential to minimize any damage that could result from the freezing of pipes that pass near or through individual Units within the Building. At any time when the Unit's heating equipment is not working properly, the Owner shall immediately inform the Association's Managing Agent or Executive Board of the problem and of the time needed to repair the equipment. The Executive Board may fine any Owner up to five hundred dollars (\$500) and may cause the water service to the violator's Unit to be discontinued for violation of this Rule, in addition to any other remedies of the Association.

F. Traffic Regulations.

Vehicles using the driveway and parking areas may not exceed five (5) miles per hour. Headlights shall be on while using these areas after sunset or before sunrise.

G. Signs.

Except directional signs approved by the Declarant or the Executive Board, no sign, advertisement, or other lettering shall be exhibited, inscribed, painted, or affixed by any Owner or other person on any part of the outside or inside of the Building, except within a Unit. No advertisement, announcement, or solicitation of any kind shall be distributed in any part of the Project without prior written consent of the Executive Board.

H. Windows and Decks.

No awnings, enclosures, screens, or other projections shall be attached to an exterior wall or deck. Owners shall not modify in any manner the exterior of the Building. Any damage caused by the conduct of an Owner shall be specifically assessed as provided in the Governing Documents. Unless otherwise approved in writing by the Executive Board, all windows shall have window treatments. Any portion of window treatments that are visible from outside the Unit shall be neutral in color and harmonious with the exterior surfaces of the Building. Decks, exterior portions of the Building, and windows shall be used only for the purposes intended, and shall not be used for hanging garments or other objects, or for cleaning of rugs or other household items. Cooking on any deck is strictly limited to propane gas grills. Cooking on any other portion of the grounds (except within Units) is prohibited. The only exception to this Rule would be a cookout approved by the Executive Board for an Association function. All furniture and movable objects shall be removed from decks when a Unit is vacant in order to prevent wind from damaging property owned by others.

I. Refuse.

All trash shall be placed neatly in the Association's common trash dumpsters. No trash shall be placed on the General Common Elements or Limited Common Elements outside of the Unit.

J. Association Agents.



The Executive Board and the Association's Managing Agent are the only persons authorized to give orders to the agents and employees of the Association.

K. Prohibition of Damage and Nuisance.

Without the prior written consent of the Executive Board, nothing shall be done or kept within the Project that would increase the rate of insurance on the Project or any Unit, that would increase the Common Expenses, or that would be in violation of any statute, rule, ordinance, regulation, permit, or other validly imposed requirements of any governmental body. Activity that, in the sole opinion of the Executive Board, constitutes a nuisance or endangers the safety of the Project or its users is prohibited. Nothing herein shall be construed to affect the rights of an aggrieved Owner to proceed individually for relief from interference with its property or personal rights. No Owner shall do any activity that, in the opinion of the Executive Board, would jeopardize the soundness or safety of the Project or would reduce the value of the Project, without the prior written consent of the Executive Board. Each Owner indemnifies and holds the Association and the other Owners harmless against all loss to the Association or other Owners resulting from any damage or waste caused by such Owner.

L. Wiring and Antennas.

No radio, satellite dish, cable television, or television installation requiring additional wiring shall be made without the prior written consent of the Executive Board. No antenna or other wiring shall be erected on the roof, decks, or exterior walls of the Building.

M. Pets.

No person who is not an Owner shall bring any pets onto any portion of the Project at any time.

No Owner shall keep any pets other than generally recognized household pets on any portion of the Project, and no Owner shall keep more than two (2) pets per Unit. No Owner shall keep, breed, or maintain any pet for any commercial purpose. Pets shall not be left unattended outdoors. No structure for the care, housing, or confinement of any pet shall be constructed or maintained on any part of the General or Limited Common Elements. Pets are not permitted to run free on the General or Limited Common Elements at any time. Pets shall be on leashes at all times when outside of a Unit. Owners of pets must pick up the wastes created by their pets immediately. Any animal or breed of animal determined in the sole discretion of the Executive Board to be dangerous may be prohibited from being brought onto the Project. Any pet that endangers the health of any person, or that creates a nuisance, in the sole discretion of the Executive Board, shall be permanently removed from the Project upon twenty-four (24) hours notice by the Association's Managing Agent or Executive Board. If the pet's owner fails to comply with such notice, the Executive Board may remove the pet. Any pet that, in the sole discretion of the Executive Board, presents an immediate danger to the health, safety, or property of any person may be removed by the Executive Board without prior notice to the pet's owner.

N. Smoking.

Smoking is strictly prohibited in any part of the General Common Elements.

O. Care of General Common Elements.

General Common Elements shall be treated with care by all Owners and their invitees, guests, agents, and renters. Any abuse, damage, or annoyances created by invitees, guests, agents, or renters shall be the responsibility of the Owners. No radios, stereos,



speakers, or any other similar device shall be used without ear phones in any General Common Element area without the prior approval of the Executive Board. Nothing is permitted that will create an annoyance to other Owners. No furniture not belonging to the Association shall be used in any part of the General Common Elements. No part of the General Common Elements shall be used for storage, vehicle repair, or construction unless specific written permission for such use is given by the Executive Board.

P. Abandoned Personal Property.

Personal property other than a properly parked vehicle in accordance with the Governing Documents is prohibited from being stored, kept, or allowed to remain for a period of more than twenty-four (24) hours upon any portion of the General Common Elements without the prior written permission of the Executive Board. If the Executive Board or its designate, in its sole discretion, determines that property is kept, stored, or allowed to remain on the General Common Elements in violation of this subparagraph, then the Executive Board may remove and either discard or store the personal property in a location that the Executive Board may determine. Prior to taking any such action, the Executive Board shall place a notice on the personal property or on the front door of the Unit of the owner of such property, if known, specifying the nature of the violation and stating that after twenty-four (24) hours the property may be removed and either discarded or stored. The notice shall include the name and telephone number of the person or entity that will remove the property and the name and telephone number of a person to contact regarding the alleged violation. If twenty-four (24) hours after such notice is placed on the personal property or the front door of the Unit the violation continues or thereafter occurs again within six (6) months of such notice, the personal property may be removed in accordance with the original notice, without further notice to the owner or user of the personal property.

The Executive Board, in its discretion, may determine that an emergency situation exists, and the personal property abandoned or stored in violation of this subparagraph may, without prior notice to the owner or user of the personal property, be removed and either discarded or stored by the Executive Board in a location that the Executive Board may determine. If personal property is removed in accordance with this subparagraph, neither the Association nor any officer or agent of the Association shall be liable to any person for any claim of damage resulting from the removal. The Executive Board may elect to impose fines or use other available sanctions rather than exercise its authority to remove abandoned or improperly stored personal property.

Q. Unsightly Conditions.

The pursuit of hobbies or other activities, including but not limited to the assembly and disassembly of motor vehicles and other mechanical devices, that might tend to cause disorderly, unsightly, or unkempt conditions shall not be pursued or undertaken on any part of the Project. Clothing, bedding, rugs, mops, appliances, indoor furniture, and other household items shall not be placed or stored on decks or on any General Common Element.

R. Deliveries.

Owners shall be responsible to arrange to have all deliveries delivered directly to a Unit's door. Owners must arrange for all deliveries to be made in a manner that will least disrupt the normal use and privileges of other Owners. Any damage or necessity for cleanup caused by any workman engaged by an Owner or its invitees, guests, agents, or renters shall be the responsibility of the Owner.

S. Parking.



Each Unit is assigned one covered parking space. All remaining parking spaces, covered or uncovered, are General Common Elements available to Owners or their invitees, guests, agents, or renters on a first-come, first-served basis. No vehicle shall be parked in any General Common Element parking space for a period exceeding seventy-two (72) hours.

If any authorized vehicle is parked on any portion of the Project in violation of the Governing Documents, the Managing Agent or the Executive Board may place a notice on the vehicle specifying the nature of the violation and stating that after twenty-four (24) hours the vehicle may be towed. The notice shall include the name and telephone number of the person or entity that will do the towing and the name and telephone number of a person to contact regarding the alleged violation. If twenty-four (24) hours after such notice is placed on the vehicle the violation continues or thereafter occurs again within six (6) months of such notice, the vehicle may be towed in accordance with the notice and without further notice to the Owner or user of the vehicle. If a vehicle is parked in a fire lane, is blocking snow removal, is blocking another vehicle or access to another Owner's parking space, is obstructing the flow of traffic, is parked on any grassy area or other prohibited area, or otherwise creates a hazardous condition, no notice shall be required and the vehicle may be towed immediately. If a vehicle is towed because of noncompliance with this subparagraph, neither the Association nor any officer or agent of the Association shall be liable to any person for any claim of damage as a result of the towing activity. Notwithstanding anything to the contrary herein, the Executive Board may elect to impose fines or pursue other available sanctions, rather than exercise its authority to tow. No motorized vehicles of any kind are permitted to be used upon the General Common Elements for recreational or practice purposes.

T. Hot Tub.

All persons using the hot tub that is a General Common Element are required to comply with the rules listed below. There is no life guard on duty.

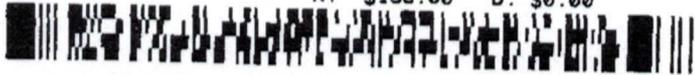
1. The hot tub is available for use only from 10:00 A.M. to 9:00 P.M. The hot tub shall not be used outside of these times.
2. The hot tub is for the exclusive use of Owners and their invitees, guests, and renters. Owners are responsible for the conduct of their invitees, guests, and renters.
3. All children under the age of fourteen (14) shall be accompanied and supervised by an adult at all times.
4. All guests shall be accompanied and supervised by an Owner or renter at all times.
5. Furniture shall not be brought into the hot tub area.
6. No running, pushing, scuffling, splashing, or rough play is permitted in the hot tub area.
7. Glass containers of any kind are prohibited in the hot tub area.
8. Radios, televisions, CD and tape players, MP3 players, and similar devices are strictly forbidden in the hot tub area without ear phones.
9. Hot tub users are responsible for removing all articles they bring to the hot tub area (including towels, books, magazines, etc.) at the time they leave the hot tub area.
10. Failure to comply with these regulations will be grounds for the exclusion of an Owner, renter, or guest from the hot tub area.

U. Rentals.



Rentals of Units and fractional estates is permitted subject to the following rules:

1. No rental or occupancy by anyone other than an Owner of a Unit or of a fractional estate shall be for a period longer than ninety (90) consecutive days.
2. No renter of a Unit or of a fractional estate shall keep any pets within the Project at any time.
3. Black Diamond Lodge is designed for family use. No more than two unrelated parties may rent or occupy (unless they constitute an Owner) a single Unit or fractional estate.
4. Subleasing and assignment of rental agreements are prohibited.
5. The Owner or rental agent acting on behalf of the Owner must make available to the renter copies of the Governing Documents.
6. Upon request from the Managing Agent or the Executive Board, an Owner shall provide the names and contact information of all renters and copies of all documents relating to the Owner-renter relationship, specifically including any rental agreement.
7. **Terms of Rental Agreement.** Any rental agreement, by whatever name denominated, for a Unit or fractional estate shall be deemed to contain the following provisions, regardless of whether they are expressly stated therein, and each Owner and renter agrees that every rental agreement shall contain the following language:
 - (a) Compliance with Governing Documents. The renter shall comply with all provisions of the Governing Documents and shall control the conduct of all other occupants, guests, and invitees of the rented Unit or fractional estate in order to ensure compliance with the foregoing. The Owner and the renter shall be jointly and severally liable for all violations by such occupants, guests, and invitees.
 - (b) Damage. The Owner and renter of a rented Unit or fractional estate shall be jointly and severally liable for all damage caused to the General Common Elements by the Unit's renter or the renter's guests or invitees.
 - (c) Enforcement. In the event that a renter or a renter's guests or invitees violates the Governing Documents and a fine is imposed, the Association may assess the fine against the renter and may require the prior payment of a rent deposit ("Deposit") from which such fines or other damages may be deducted. The amount of the Deposit may be established by resolution of the Executive Board. Notwithstanding the foregoing, if the fine is not paid by the renter for any reason within the time period set by the Executive Board, the Owner shall pay the fine upon notice from the Association of the renter's failure to pay the fine. Unpaid fines shall constitute a lien against the Owner's Unit. The Association may exercise against the renter any other enforcement procedure that the Association may exercise against an Owner.
 - (d) Eviction. Any violation of the Governing Documents by a renter or the renter's invitees, guests, or agents, is deemed to be a default under the terms of the rental agreement and authorizes the Owner to terminate the rental agreement without liability and to evict the renter. The Owner hereby delegates and assigns to the Association, acting through the Executive Board, the power and authority of enforcement against the renter for breaches resulting from the violation of the Governing Documents, including the power and authority to evict the renter as attorney-in-fact on behalf of and for the benefit of the Owner. In the event the Association proceeds to evict the renter, any costs, including attorney fees and court costs, associated with the eviction shall be an Assessment and lien against

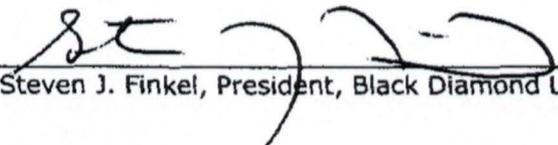


the Owner's Unit.

- (e) Use of Common Area. Except where the Owner also occupies the Unit, the Owner transfers and assigns to the renter, for the term of the rental agreement, all rights and privileges that the Owner has to use the General and Limited Common Elements, including without limitation the use of the parking space assigned to the Unit.
- (f) Liability for Assessments. Any Owner delinquent in paying any Assessment for a period of more than thirty (30) days after it is due and payable, hereby consents to the assignment of any rent received from a rental agreement during the period of delinquency. Upon request of the Executive Board, the renter or rental agent acting on behalf of the Owner shall pay to the Association all unpaid Assessments payable during the term of the rental agreement and any other period of occupancy by the renter. However, such payments to the Association shall not exceed the monthly rental payments unpaid at the time of the Executive Board's request nor the outstanding Assessments owed by such Owner. All such payments made by the renter shall reduce, by the same amount, the renter's obligation to make monthly rental payments to the Owner. If a renter fails to comply with the Executive Board's request, the Executive Board may declare a violation of the Governing Documents and violation of the rental agreement authorizing eviction. The above provision shall not be construed to release the Owner from any obligation, including the obligation for Assessments, for which it would otherwise be responsible.

Defined terms not specifically defined in these Rules and Regulations shall have the meaning attached to such terms in the Declaration of Covenants, Conditions, and Restrictions of Black Diamond Lodge Condominiums, as it may be amended from time to time.

These Rules and Regulations were approved by the Members of the Association this 20th day of November, 2007.

By: 
Steven J. Finkel, President, Black Diamond Lodge Condominium Association, Inc.