

CONDOMINIUM DECLARATION

PALACE ESTATES FILING TWO CONDOMINIUM I

ARTICLE I RECITALS AND CERTAIN DEFINITIONS

- 1.1 The Real Property: the Declarant. SONSHINE CONSTRUCTION DEVELOPMENT, LLC, hereafter referred to as "Declarant", is the owner of certain real property located in Mesa County, Colorado, hereinafter referred to as the "Real Property," to-wit:

See Exhibit "A" attached hereto and by this reference incorporated herein.
- 1.2 Intention of Declarant. Declarant intends to provide for condominium ownership of the Real Property under the Colorado Common Interest Ownership Act of the State of Colorado and to define the character, duration, rights, obligations and limitations of condominium ownership in Palace Estates Filing Two Condominium I, and for such purpose executes this Condominium Declaration of Palace Estates Filing Two Condominium I, hereinafter referred to as "Declaration".
- 1.3 The Proposed Project. Declarant has prepared a Condominium map of the surface of the ground of the "Real Property," together with diagrammatic floor plans of the buildings and other improvements erected thereon, showing elevations. Each Unit, as herein defined, is numbered consecutively on such plans. The term "Project" shall collectively mean the real property and all buildings and other improvements located or to be located on the Real Property.
- 1.4 Type of Ownership. This condominium ownership project will provide a means for ownership in fee simple of individual air space units and for co-ownership with others, as tenants in common, of Common Elements, as herein defined.

ARTICLE II
ADDITIONAL DEFINITIONS

- 2.1 Association. "Association" means the Palace Estates Filing Two Condominium I Association, Inc., a Colorado nonprofit corporation, its successors and assigns.
- 2.2 Building. "Building" means the buildings constructed on the Real Property.
- 2.3 Common Elements. "Common Elements" means all of the Project except all Units.
- 2.4 Condominium Map. "Condominium Map" means a plat or survey, or any supplement thereto, of the Real Property, showing a survey and legal description thereof, the location of the Building with respect to the boundaries of the Real Property, together with diagrammatic floor plans of the Building showing the boundaries of each Unit, together with Unit numbers identifying the Units, including horizontal and vertical locations and dimensions of the Building, together with such other information as may be included thereon in the discretion of the Declarant.
- 2.5 Condominium Unit. "Condominium Unit" means a Unit together with an equal undivided interest in the Common Elements.
- 2.6 General Common Elements. "General Common Elements" means all Common Elements except all Limited Common Elements.
- 2.7 Limited Common Elements. "Limited Common Elements" means those Common Elements designated herein for exclusive use by Owners of particular Condominium Units, as that term is herein defined.

- 2.8 Mortgage. "Mortgage means any person named as the mortgagee or beneficiary under any mortgage under which the interest of any owner is encumbered.
- 2.9 Mortgagee. "Mortgagee" means any person named as the mortgagee or beneficiary under any mortgage under which the interest of any owner is encumbered.
- 2.10 Owner. "Owner" means any person or entity at any time owning a Condominium Unit; the term "owner" shall not refer to any Mortgagee, as herein defined, unless such Mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.
- 2.11 Unit. "Unit" means an individual air space Unit consisting of enclosed rooms occupying all or part of a floor in the building bounded by the interior surfaces of the perimeter walls, floors, ceilings, windows and doors thereof as shown and numbered on the Condominium Map to be filed for record, together with all fixtures and improvements therein contained. Notwithstanding such markings, the following are not part of a Unit: bearing walls, floors and roofs (except for the interior surface thereof, if a perimeter wall, floor or ceiling), foundations, shafts, and other services used by more than one Unit, pipes, vents, ducts, flues, chutes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located within the Unit. The interior surfaces of a perimeter window or door means the points at which such surfaces are located when such windows or doors are closed; the physical perimeter windows and doors themselves are part of the Common Elements, as herein defined.

ARTICLE III STATEMENT OF INTENTION AND PURPOSE

Declarant hereby declares that the Project and every part thereof is held and shall be held, conveyed, devised, encumbered, used, occupied and improved and otherwise affected in any manner subject to the provisions of this Declaration, each and all of which provisions are hereby declared to be in furtherance of the general plan and

scheme of condominium ownership referred to in Article I and are further declared to be for the benefit of each owner. All provisions hereof shall be deemed to run with the land as covenants running with the land or as equitable servitude as the case may be, and shall constitute benefits and burdens to the Declarant and its assigns and to all persons hereafter acquiring or owning any interest in the Project, however such interest may be obtained.

**ARTICLE IV
PREPARATION AND FILING OF THE CONDOMINIUM MAP**

- 4.1 Preparation. The final Condominium Map or any supplement thereto, shall be completed only after the portion of the Project depicted thereon, has been substantially completed so that all points to be located thereon will reflect the true location of each Unit and of the Common Elements, as built.
- 4.2 Filing. The Condominium Map and all supplements thereto shall be filed for record in the real estate records of the County Clerk and Recorder of Mesa County, Colorado.

**ARTICLE V
NATURE AND INCIDENTS OF CONDOMINIUM OWNERSHIP**

- 5.1 Estates of an Owner. The Project is divided into Condominium Units, each consisting of a separate fee simple interest in a Unit and an equal undivided fee simple interest in the Common Elements. Such undivided interest in the Common Elements are hereby declared to be appurtenant to the respective Units.
- 5.2 Right to Combine Condominium Units. Condominium Units shall not be physically combined without first obtaining written permission of the Association, hereafter defined. Such combination shall not affect the designation nor prevent separate ownership of such Units in the future. Any walls or other structural

separation between combined Units, or any space which would be occupied by such structural separation but for the combination of Units shall remain Common Elements. Alterations to walls or other structural separations shall not alter the bearing capabilities of such structures and shall not adversely affect other owners. The combination of Units shall not be effective for any purpose until a supplemental Condominium Map shall be filed and recorded respectively in the Office of the Clerk and Recorder of Mesa County, Colorado. All costs of the preparation and filing of supplemental Condominium Maps shall be paid by the owner combining the Units.

- 5.3 Limited Common Elements. A portion of the Common Elements is set aside and reserved for the exclusive use, management, control, operation, maintenance, repair and improvements of and by the individual owners, as shall be designated on the Condominium Map for the use by a Unit or Units.
- 5.4 Title. Title to a Condominium Unit may be held or owned by an entity and in any manner in which title to any other real property may be held or owned in the State of Colorado, including, but without limitation, joint tenancy or tenancy in common.
- 5.5 Inseparability. No part of a Condominium Unit or of the legal rights comprising ownership of a Condominium Unit may be separated from any other part thereof during the period of condominium ownership prescribed herein, so that each Unit and the undivided interest in the

Common Elements appurtenant to such Unit shall always be conveyed, devised, encumbered, and otherwise affected only as a complete Condominium Unit. Every gift, devise, bequest, transfer, encumbrance, conveyance or other disposition of a Condominium Unit or any part thereof shall be presumed to be a gift, devise, bequest, transfer, encumbrance or conveyance, respectively, of the entire Condominium Unit together with all appurtenant rights created by law or by this Declaration.

- 5.6 Partition not Permitted. The Common Elements shall be owned in common by all the owners of Condominium Units, and no owner may bring any action for partition thereof.
- 5.7 Owner's Rights to Common Elements. Subject to the limitations contained in this Declaration, each owner shall have the non-exclusive right to use and enjoy the Common Elements.
- 5.8 Owner's Rights with Respect to Interiors. Each owner shall have the exclusive right to paint, repair, tile, carpet, drape, wax, paper or otherwise finish or refinish and decorate the interior surface of the walls, ceilings, floors, windows and doors forming the boundaries of his Unit.
- 5.9 Easements for Encroachments. If any part of the Common Elements encroaches or shall hereafter encroach upon a Unit or Units, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of a Unit encroaches or shall hereafter encroach upon the Common Elements, or upon an

adjoining Unit or Units, and easement for such encroachment and/or the maintenance of the same shall and does exist. Such encroachments shall not be considered to be encumbrances either on the Common Elements or the Units. If any part of the utilities such as gas or electric metering devices shall encroach upon the General, Limited Common Elements or Units, an easement for such encroachment and for the maintenance of the same shall and does exist. Encroachments referred to herein include, but are not limited to, encroachments caused by settling, rising or shifting of the earth, or by changes in position caused by repair or reconstruction of the Project or any part thereof.

5.10 Easements of Access.

For Repair, Maintenance and Emergencies. Some of the Common Elements are or may be located within the Units or may be conveniently accessible only through the Units. The Owner of other Units shall have the irrevocable right, to be exercised by the Association, hereafter define, as their agent, to have access to each Unit and to all Common Elements from time to time during such reasonable hours as may be necessary for the maintenance, repair, emergency, repair or replacement of any of the Common Elements or as a result of the Association or of Owners shall be an expense of the Association: provided, however, that if such damage is the result of negligence of the owner of a Unit, then such owner shall be financially responsible for all of such damage. Such damage shall be repaired and the property shall be restored substantially to the same condition as existed prior to damage. Amounts owing by owners pursuant hereto shall be collected by the

Association by assessment pursuant to Article X.

- 5.11 Owner's Right. To Ingress and Egress and Support. Each owner shall have the right to ingress and egress over, upon and across the Common Elements necessary for normal access to his Unit and shall have the right to the horizontal and lateral support of his Unit, and such rights shall be appurtenant to and pass with the title to each Condominium Unit.
- 5.12 Association's Right. To Use of Common Elements. The Association shall have a non-exclusive easement to make such use of the Common Elements as may be necessary or appropriate to perform the duties and functions which it is obligated or permitted to perform pursuant to this Declaration. The Association shall have the use of those areas marked on the Condominium Map for Association use.
- 5.13 Easements Deemed Created. All Conveyances of Condominium Units hereafter made, whether by the Declarant, or otherwise, shall be construed to grant and reserve such reciprocal easements as shall give effect to Section 5.9 through 5.13, inclusive, above, even though no specific reference to such easements or to those Sections appears in any such conveyance.
- 5.14 Ad Valorem Taxation. As soon as possible after the Condominium Map, if such map depicts Units, shall have been filed for record in Mesa County, Colorado, Declarant shall deliver a written notice to the Assessor of Mesa County, Colorado, as provided by law, setting forth the descriptions of the Condominium Units so that each Condominium Unit shall be assessed separately thereafter for all taxes, assessments and other charges of the State of Colorado or of any political subdivision or of any special

improvement district or of any other taxing or assessing authority. No forfeiture or sale of any Condominium Unit for delinquent taxes, assessments or other governmental charges shall divest or in any way affect the title to any other Condominium Unit.

ARTICLE VI
CONVEYANCE AND DESCRIPTION OF A CONDOMINIUM UNIT

Every purchase contract for the sale of a Condominium Unit written prior to the filing for record of the Condominium Map shall be effective and binding on the parties thereto if it described a Condominium Unit by its identifying unit number, and states that such Condominium Unit will have an undivided interest in the Common Elements appurtenant thereto, as such Condominium Unit and appurtenant Common Elements shall be designated on the Condominium Map to be filed for record in Mesa County, Colorado, and such description shall conclusively be presumed to relate to the corresponding unit reflected thereon.

After the Condominium Map shall have been filed for record in Mesa County, Colorado, every contract for the sale of a Condominium Unit and every other instrument affecting title to a Condominium Unit may describe that Condominium Unit by the number shown on the condominium map with the appropriate reference to the condominium map and to this Declaration, as each shall appear on the records of the County Clerk and Recorder of Mesa County, Colorado in the following fashion:

Condominium Unit _____ as shown on the Condominium Map for Palace Estates Filing Two Condominium I appearing in the records of the County Clerk and Recorder of Mesa County, Colorado, _____, 199____, Reception No. _____, and as defined and described in that Condominium Declaration of Palace Estates Filing Two Condominium I, appearing in such records in Book _____ at Page _____.

Such description will be construed to describe the Unit, together with the appurtenant undivided interest in the Common Elements, and to incorporate all the rights incident to ownership of a Condominium Unit and all the limitation on such ownership as described in this Declaration.

**ARTICLE VII
MECHANIC'S LIEN RIGHTS**

No labor performed or materials furnished for use in connection with any Unit with the consent or at the request of an owner or his agent or subcontractor shall create any rights to file a statement of mechanic's lien against the Unit of any other owner not expressly consenting to or requesting the same or against any interest in the Common Elements except as to the undivided interest therein appurtenant to the unit of the owner for whom such labor shall have been performed and such materials shall have been furnished. Each owner shall indemnify and hold harmless each of the other owners from and against liability or loss arising from the claim of any lien against the Condominium Unit, or any part thereof, of any other owner for labor performed or for materials furnished in work on the first owner's unit. At the written request of any owner, the Association shall enforce such indemnity by collecting from the owner of the unit on which the labor was performed and materials furnished the amount necessary to discharge any such lien, including all costs incidental thereto, and obtaining discharge of the lien. Such collection shall be made by a special assessment pursuant to Article X.

**ARTICLE VIII
THE ASSOCIATION**

- 8.1 Membership. Every owner shall be entitled and required to be a member of the Association, a Colorado non-profit corporation, which Association shall be organized and made effective by Declarant. If title to the Condominium Unit is held by more than one person, the membership related to that Condominium Unit shall be shared by all such persons in the same proportionate interests and by the same type of tenancy in which the title to the Condominium Unit is held. An owner shall be entitled to one membership for each Condominium Unit owned by him. No person or entity other than an owner may be a member of the Association and the memberships in the Association may not be transferred except in connection with the transfer of a Condominium Unit; provided, however, that the rights of membership may be assigned to a Mortgagee as further security for a loan secured by a lien on a Condominium Unit.
- 8.2 Voting Rights. The Association shall have one class of memberships. Each membership shall be entitled to one vote.

- 8.3 Board of Directors. Declarant shall elect the members of the Board of Directors until such time as three (3) of the Condominium Units of the Declarant have been sold or until one year after delivery of the first deed to such Condominium Unit, whichever shall occur first.
- 8.4 Transfer: Delegation. Except as otherwise expressly stated herein, any of the rights, interests, duties functions and obligations of the Association set forth herein or reserved herein may be transferred, assigned, or delegated to any other person or entity; provided, however, that no such transfer, assignment or delegation shall relieve the Association of any of the obligations set forth herein. Any such transfer, assignment or delegation shall not revoke or change any of the rights or obligations of any owners as set forth herein. Such delegations may be to a manager of the Project, provided that any such delegation to a manager of the Project shall be revocable by the Association.
- 8.5 Amplification. The provisions of this Article are to be amplified by the Articles of Incorporation and Bylaws of the Association; provided, however, that no such amplification shall substantially alter or amend any of the rights or obligations of the owners set forth herein.

ARTICLE IX CERTAIN RIGHT AND OBLIGATIONS OF THE ASSOCIATION

- 9.1 The Common Elements. The Association shall be responsible for the maintenance and repair of the General Common Elements and the Limited Common Elements and exterior of units in the event the owners of such units, and appurtenant Limited Common Elements, shall fail to maintain or repair the same as provided in Section 11.4 hereof. The cost of maintenance and repair

shall be borne as provided in Article X.

The Association shall have the right to grant easements for utility purposes over, upon, under or through any portion of the Common Elements, and is hereby irrevocable appointed as attorney in fact for each owner for such purpose.

- 9.2 Misc. Services. The Association may obtain and pay for the services of any person or entity to manage its affairs, or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall determine to be necessary or desirable for the proper operation of the Project, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom it contracts. The Association may arrange to furnish snow removal or other common services to each Unit. The cost of such services shall be borne as provided in Article X.
- 9.3 Personal Property. For Common Use. The Association may acquire and hold for the use and benefit of owners and invitees tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be deemed to be owned by the owners, equally. Such interests shall not be transferable except with the transfer of a Condominium Unit. A transfer of a Condominium Unit shall transfer the ownership of the transferor's beneficial interest in such property in accordance with the purpose for which it is intended, without hindering or encroaching upon the lawful rights of other owners of units. The transfer of title to a Condominium Unit under foreclosure shall entitle the purchaser to the interest in such personal property associated with the foreclosed Condominium Unit.
- 9.4 Rules & Regulations. The Association may make and owners shall comply with rules and regulations governing the use of the Units, Common Elements and

personal property for common use, which rules and regulations shall be consistent with the rights and duties established in this Declaration.

- 9.5 Rights. The Association may suspend any owner's voting rights in the Association during any period or periods during which such owner fails to comply with any obligation of such owner under this Declaration. The Association may also take judicial action against any owner to enforce compliance with such obligations or to obtain damages for non-compliance, all to the extent permitted by law. The Association may exercise any right or privilege given to it expressly by this declaration or by law, and every other right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

ARTICLE X ASSESSMENTS

- 10.1 Agreement to Pay Assessment. Declarant, for each Condominium Unit owned by it within the Project, and for and as the owner of the Project and every part thereof, hereby covenants, and each owner of any Condominium Unit by the acceptance of a deed therefor, whether or not it be so expressed in the deed, shall be deemed to covenant and agree with each other and with the Association to pay to the Association monthly assessments for capital improvements and other matters as provided in this Declaration. Such assessments shall be fixed, established and collected from time to time in the manner provided in this Article.
- 10.2 Amount of Regular Assessments. The regular assessments against all Condominium Units shall be based upon advance estimates by the Association to provide for the payment of all estimated expenses arising out of or connected

with the performance of the Association purposes. Said estimated expenses may include management fees and expenses; insurance premiums; landscaping and care of General Common Element grounds; snow removal; General Common Element repairs; replacements and maintenance; wages for Association employees; water, sewer and trash removal; legal and accounting fees; and deficit remaining from a previous period; the creation of a reasonable contingency reserve, surplus and/or sinking fund; and

any other expenses and liabilities which may be incurred by the Association for the benefit of the owners under or by reason of this Declaration.

- 10.3 Apportionment of Expenses. Any expenses assessed pursuant hereto against any owner shall be assessed to all owners, equally. Any assessments assessed pursuant hereto against less than all of the owners shall be assessed to such owners, equally.
- 10.4 Notice of Regular Assessments and Time for Payment. Assessments may be made on a calendar month, quarter or year basis as the Association may select. The Association shall give written notice to each owner as to the amount of the assessment with respect to his Condominium Unit within thirty (30) days of the determination and levy of such assessment. Such assessment shall be due and payable on or before ten (10) days following receipt of the notice of assessment or, in the event the assessment shall be paid monthly, on or before the 10th day of each month. Each assessment shall bear interest at the rate of eighteen percent (18%) per annum from the date it becomes due and payable if not paid within ten (10) days after such date. Failure of the Association to

give timely notice of any assessment as provided herein shall not affect the liability of the owner of any Condominium Unit for such assessment, but the date when payment shall become due in such a case shall be ten (10) days after such notice shall have been given.

10.5 Special Assessments. In addition to the regular assessments authorized by this Article, the Association may levy a special assessment, payable over such a period as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expense incurred or to be incurred as provided in this Declaration. This Section shall not be construed as an independent source of authority for the Association to incur expenses, but shall be construed to prescribe the manner of assessing for expenses authorized by other Sections hereof which shall make specific reference to this Article. Any amounts assessed pursuant hereto against all owners shall be assessed to all owners equally. Any amounts assessed pursuant hereto against less than all of the owners shall be assessed to such owners, equally. Notice in writing of the amount of such special assessments and the time for payment thereof shall be given promptly to the owners, and no payment shall be due less than thirty days after such notice shall have been given. A special assessment shall bear interest at the rate of eighteen percent (18%) per annum from the date it becomes due and payable if not paid within thirty days after such date.

10.6 Lien for Assessments. All sums assessed to any Condominium Unit pursuant to this Article, together with interest thereon as provided herein, shall be secured by a lien on such Condominium Unit in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Condominium Unit, except only for: valid tax and special assessment liens on the Condominium Unit in favor of any governmental assessing authority. All other lienors acquiring liens on any Condominium Unit after the Declaration shall have been recorded in said records shall be deemed to consent that such liens shall be inferior to future liens for assessments, as provided herein, whether or not such consent be specifically set forth in the instruments creating

such liens.

To evidence a lien for sums assessed pursuant to this Article, the Association may prepare a written notice of lien setting forth the amount of the assessment, the date due, the amount remaining unpaid, the name of the owner of the Condominium Unit and a description of the Condominium Unit. Such a notice shall be signed by the Association and may be recorded in the office of the County Clerk and Recorder of Mesa County, Colorado. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by judicial foreclosure by the Association in the same manner in which mortgages on real property may be foreclosed in Colorado. In any such foreclosure, the owners shall be required to pay the costs and expenses of such proceeding, the costs and expenses of filing the notice of lien and all reasonable attorney fees. All such costs and expenses shall be secured by the lien being foreclosed. The owner shall also be required to pay to the Association any assessments against the Condominium Unit which shall become due during the period of foreclosure. The Association shall have the right and power to bid at the foreclosure sale or other legal sale and to acquire, hold, convey, encumber and otherwise deal with the same as the owner thereof.

A release of notice of lien shall be executed by the Association and recorded in the Mesa County, Colorado real estate records, upon payment of all sums secured by a lien which has been made the subject of a recorded notice of lien.

Any encumbrancer holding a lien on a Condominium Unit may pay, but shall not be required to pay, any amounts secured by the lien created by this Section, and upon such payment, such encumbrancer shall be subrogated to all rights of the Association with respect to such lien, including priority.

The Association may report to any encumbrancer of a Condominium Unit any unpaid assessments remaining unpaid for longer than ninety (90) days after the same shall have become due; provided, however, that such encumbrancer first shall have furnished to the Association written notice of such encumbrance.

- 10.7 Personal Obligation of Owner. The amount of any assessment against any Condominium Unit shall be the personal obligation of the owner thereof

to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosing or waiving the lien securing the same. No owner may avoid or diminish such personal obligation by waiver of the use and enjoyment of any of the Common Elements or by abandonment of his Condominium Unit.

10.8 Statement of Account.

Upon written request of any owner or any Mortgagee, prospective mortgagee or prospective purchaser of a Condominium Unit, the Association shall issue a written statement setting forth the amount of the unpaid assessments, if any, with respect to such Condominium Unit, the amount of the current monthly assessment and the date that such assessment becomes due, credit for advanced payments or prepaid items, including, but not limited to, an owner's share of prepaid insurance premiums, which statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account shall be complied with within twenty (20) days, all unpaid assessments which become due prior to the date of making such request shall be subordinate to the lien of a Mortgagee which acquired its interest subsequent to requesting such statements. Where a prospective purchaser makes such request, both the lien for such unpaid assessments and the personal obligation of the purchaser shall be released automatically if the statement is not furnished within the twenty day period provided herein and thereafter an additional written request is made by such purchaser and is not complied with within ten days and the purchaser subsequently acquired the Condominium Unit.

ARTICLE XI
USE OF CONDOMINIUM UNITS

- 11.1 Use. Each unit shall be used for residential purposes consistent with the zoning of the property.
- 11.2 Prohibition. Of Damage and Certain Activities. Nothing shall be done or kept in any unit or in the Common Elements or any part thereof which would result in a violation of the restrictive covenants or which would result in the cancellation of the insurance on the Project or any part thereof or which would result in an increase in the rate of the insurance on the Project or any part thereof over what the Association, but for such activity, would pay, without the prior written consent of the Association. Nothing shall be done or kept in any unit or in the Common Elements or any part thereof which would be in violation of any statute, rule, ordinance, regulation, permit or other validly imposed requirement of any governmental body. No damage to, or waste of the Common Elements or any part thereof shall be committed by any owner or any invitee of any owner, and each owner shall indemnify and hold the Association and the other owners harmless against all loss resulting from any such damage or waste caused by him or his invitees. No noxious, destructive or offensive activity shall be carried on in any unit or in the Common Elements or any part thereof, nor shall anything be done therein which may be or may become an annoyance or nuisance to any other owner or to any person at any time lawfully residing in the Project.
- 11.3 Maintenance. Of Interiors and Limited Common Elements. Each owner shall keep the interior and exterior of his Unit, including without limitation, interior and exterior walls, windows, glass, ceilings, floors, permanent fixtures, roof and shingles, patios and appurtenances thereto, and Limited Common Elements appurtenant to such Unit, in a clean, sanitary and attractive condition, and in a good state of repair free from the accumulation of trash or debris and deterioration.
- 11.4 Structural Alterations. No structural alterations to any Unit shall be

made, and no plumbing, electrical or similar work within the Common Elements shall be done by any owner without the prior written consent of the Association.

- 11.5 Household Pets. The raising, breeding or keeping of any animal, fowl or reptile for commercial purposes is prohibited. Two (2) household pets are allowed in each unit subject to rules and regulations as adopted by the Association from time to time.

ARTICLE XII INSURANCE

- 12.1 Insurance. The Association shall obtain and keep in full force and effect at all times the following insurance coverage provided by companies duly authorized to do business in Colorado. The provisions of this Article shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage, in addition to any insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time.

- a) Property Insurance. The Association shall obtain insurance on the Project in such amounts as shall provide for full replacement thereof in the event of damage or destruction resulting from the perils against which such insurance is obtained, all in the manner in which a corporation owning similar multiple family residential buildings in the vicinity of the Project would, in the exercise of prudent business judgment, obtain such insurance. Such insurance shall include fire and extended coverage, vandalism and malicious mischief, and such other risks and hazards against which the Association shall deem it appropriate to provide insurance protection. The Association may comply with the above requirements by the purchase of blanket coverage and may elect such "deductible" provisions as in the Association's opinion are consistent with good business practice.
- b) Liability Insurance. The Association shall purchase broad-form Comprehensive General Liability coverage in such amounts and in such forms as it deems advisable. Coverage shall be written on an

occurrence basis and may include, without limitation, liability for personal injury, water damage, contractual obligations, operations of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Project.

- c) Workmen's Compensation and Employer's Liability Insurance. The Association may purchase Workmen's Compensation and Employer's Liability Insurance and all other similar insurance in respect of employees of the Association in the amounts and in the forms now or hereafter required by law as it deems necessary.
- d) Other. The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Project, including any personal property of the Association located thereon.

12.2 Owner's Responsibility. Insurance coverage on the furnishings and other items of personal property belonging to an owner and casualty and public liability insurance coverage within each individual unit and for activities of the owner, not acting for the Association, with respect to the Common Elements shall be the responsibility of the respective owners.

12.3 Form. The property insurance obtained by the Association shall be carried in a form or forms naming the Association in the insurance, as trustee for the owners. Such policy or policies also shall provide that it or they cannot be cancelled by either the insured or the insurance company until after ten (10) days prior written notice is first given to each owner, and to each mortgagee. On request, the Association shall furnish each owner a true copy of such policy or certificate identifying the interest of the owner. All policies of insurance shall be invalidated or suspended only in respect to the interest of any particular owner guilty of breach of warranty, act, omission, negligence or non-compliance with any provision of such policy, including payment of the insurance premium applicable to that owner's interest, or who permits or fails to prevent the happening of an event, whether occurring before or after a loss, which under the

provisions of such policy would otherwise invalidate or suspend the entire policy. All policies of insurance shall provide further that the insurance under any such policy as to the interest of all other insured owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

Liability insurance shall name the Association the insured, as Trustee for the owners and for Declarant, whether or not it is an owner, and shall protect each owner and Declarant against liability for acts of the Association in connection with the ownership, operation, maintenance or other use of the project.

12.4 Insurance Proceeds. The Association shall receive the proceeds of any property insurance payments received under policies obtained by it and maintained by it pursuant to this Article. The Association shall apportion the proceeds to the portions of the Project which have been damaged and shall determine the amount of the proceeds attributable to damage to the Common Elements. To the extent that reconstruction is required herein, the proceeds shall be used for such purpose. To the extent that reconstruction is not required herein and there is a determination that the Project shall not be rebuilt, the proceeds shall be distributed to each of the owners thereof in accordance with their respective interest therein, with joint payments being made to the owner and the Mortgagees where the Association has written notice of the existence of a mortgage. Each owner, Declarant and each mortgagee shall be bound by the apportionments of damage and of the insurance proceeds made by the Association pursuant hereto.

13.1 Affects Title. Title to each Condominium Unit is hereby made subject to the terms and conditions hereof, which bind the Declarant and all subsequent owners, whether or not it be so

expressed in the deed by which any owner acquired his Condominium Unit.

13.2 Association as Agent. The Declarant and all of the owner irrevocably constitute and appoint the Association their true and lawful agent in their name, place and stead for the purpose of dealing with the Project upon its damage or destruction as hereinafter provided. Acceptance by any grantee of deed from any owner shall constitute appointment of the attorney in fact herein provided.

13.3 Authority. General Authority of the Association. As attorney in fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed, or other instrument with respect to the interest of a Condominium Unit owner which may be necessary or appropriate to exercise the powers herein granted. Repair and reconstruction of the improvements as sued in the succeeding subparagraphs means restoring the Project to substantially the same condition in which it existed prior to damage, with each Unit and the common elements having substantially the same vertical and horizontal boundaries as before. The proceeds of any insurance of the Association collected shall be available to the Association for the purpose of repair or reconstruction unless the owners representing an aggregate ownership interest to seventy five percent (75%) or more of the Units, and all first and second mortgagees agree not to rebuild.

In the event any such mortgagee should not agree to rebuild, the Association shall have the option to purchase such mortgage by payment in full of the amount secured thereby if the owners representing an aggregate ownership interest of seventy five percent (75%) or more of the Units, excluding Units owned by the Association, are in agreement not to rebuild. The Association shall obtain the funds for such purpose by special assessments under Article X of this Declaration.

- 13.4 Estimate of Costs. As soon as practicable after an event causing damage to, or destruction of, any part of the Project, the Association shall obtain reliable and complete estimates of the costs of repair or reconstruction of that part of the Project damaged or destroyed.
- 13.5 Repair. Or Reconstruction. As soon as practicable after receiving these estimates, the Association shall diligently pursue to completion the repair or reconstruction of that part of the Project damaged or destroyed. The Association may take all necessary or appropriate action to effect repair or reconstruction, as attorney in fact for the owners, and no consent or other action by any owner shall be necessary in connection therewith. Such repair or reconstruction shall be substantially in accordance with the original plans or may be in accordance with any other plans and specifications the Association may approve. The location of the Building shall be substantially the same as prior to the damage or destruction.
- 13.6 Funds.For Reconstruction. If the proceeds of any insurance collected are insufficient to pay the estimated or actual cost of such repair or reconstruction, the Association, pursuant to Article X hereof, may levy in advance a special assessment sufficient to provide funds to pay such estimated or actual costs of repair or reconstruction. Such special assessment shall be allocated and collected and provided in that Article. Further, levies may be made in like manner if the amounts collected prove insufficient to complete the repair or reconstruction.
- 13.7 Disbursement. Of Funds for Repair or Reconstruction. The insurance proceeds held by the Association and the amounts received from the assessments provided for in Section 13.6 constitute a fund for the payment of cost or repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for costs of repair or reconstruction shall be made from insurance proceeds; if there is a balance after payment of all costs of such repair or reconstruction, such balance shall be distributed to the owners in proportion to the contributions each owner made, or

would have made had there been an assessment, pursuant to Section 13.6 of this Declaration.

Section 13.8 Decision Not To Rebuild. If the owners representing an aggregate ownership interest of seventy five percent (75%) or more of the Units, excluding Units owned by the Association, and all holders of first and second mortgages on Condominium Units agree not to rebuild, the Project shall be sold and the proceeds distributed in the same manner herein provided in the event of sale of obsolete Units, as set forth in Section 14.3.

ARTICLE XIV OBSOLESCENCE

14.1 Adoption of a Plan. The owners may adopt a written plan for the renewal and reconstruction of the Project, which plan shall have the unanimous approval of all first and second mortgagees of record at the time of the adoption of such plan. Such plan shall be recorded in the Mesa County, Colorado real estate records.

14.2 Payment. For Renewal and Reconstruction. The expense of renewal or reconstruction shall be payable by all of the owners as special assessments against their respective Condominium Units. These special assessments shall be levied in advance pursuant to Article X hereof and shall be allocated and collected

insufficient to complete the renewal and reconstruction, the excess shall be returned to the owners by a distribution to each owner in an amount proportionate to the respective amount collected from each such owner.

14.3 Sale. Of Obsolete Units. All owners may agree that the Condominium Units are obsolete and that the Project should be sold. Such an

agreement must have the unanimous approval of every first and second mortgagee of record at the time such agreement is made. In such instance, the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association, the Project shall be sold by the Association as attorney in fact for all of the owners free and clear of the provisions contained in this Declaration, the Condominium Map and the Articles of Incorporation and Bylaws of the Association, or any amendments or supplements thereto. The sale proceeds shall be apportioned among the owners, equally, and such proceeds shall be paid into separate accounts, each such account representing one Condominium Unit. Each such account shall remain in the name of the Association, and shall be further identified by the Condominium Unit designating and the name of the owner. From each separate account, the Association, as attorney in fact, shall use and disburse the total amount of such accounts without contribution from one account to the other, first to lienors in the order of the priority of their liens and the balance remaining to each respective owner.

In the event any mortgagee should not agree to the sale of the Project, the Association shall have the option to purchase the mortgage of such mortgagee by payment in full of the amount secured thereby if all owners are in agreement to sell. The Association shall obtain funds for such purpose by special assessments under Article X of this Declaration.

ARTICLE XV CONDEMNATION

15.1 Condemnation. Consequences. If at any time or times during the continuance of the condominium ownership 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 of or in avoidance thereof, the following provisions shall apply.

15.2 Proceeds. All compensation, damages, or other proceeds therefrom the sum of which is hereinafter called "Condemnation Award" shall be payable to the Association.

15.3 Complete Taking. In the event that the entire project is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership pursuant thereto shall terminate. The Condemnation Award shall be apportioned among the owners equally provided 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 shares, the same standard shall be employed to the extent it is relevant and applicable.

On the basis of the principle set forth in the last preceding paragraph, the Association shall as soon as practicable thereafter distribute the Condemnation Award to the parties in the shares so determined, such to be made by checks payable jointly to the respective owners and their respective mortgagees.

15.4 Partial Taking. In the event that less than the entire project is taken or condemned, or sold or otherwise disposed of in lieu of 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 in the following manner: as soon as practicable, 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 as follows: (a) the total amount allocated to taking of or injury to the Common Elements shall be apportioned among all owners equally, (b) the total amount allocated to severance damages shall be apportioned to those Condominium Units which were not taken or condemned, (c) the respective amounts allocated to the taking of or injury to a particular Unit and/or improvements an owner has made within his own unit shall be apportioned to the particular Unit involved, and (d) the total amount allocated to consequential damages and any other takings of injuries shall be apportioned as the Association determines to be equitable in 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 to the extent it is relevant and applicable. Distribution of apportioned proceeds shall be made by checks payable jointly to the respective owners and their respective mortgagees.

- 15.5 Reorganization. In the event a partial taking results in the taking of a complete unit, the owner thereof automatically shall cease to be a member of the Association. Thereafter, the Association shall reallocate the ownership interest in the Common Elements and the vote determined in accordance with the Declaration according to the same principles employed in this Declaration at its inception and shall submit such reallocation to the owners of remaining units for amendment of this Declaration as provided in Article XIX hereof.
- 15.6 Repair. And Reconstruction. Any reconstruction and repair necessitated by the condemnation shall be governed by the procedures specified in Article XIII hereof.

ARTICLE XVI REVOCATION OR AMENDMENT TO DECLARATION

This Declaration shall not be revoked nor shall any of the provisions herein be amended unless the owners representing an aggregate ownership interest of seventy five percent or more of the Condominium Units, and all of the holders of first and second mortgages on Condominium Units consent and agree to such revocation or amendment by instruments duly recorded.

ARTICLE XVII PERIOD OF CONDOMINIUM OWNERSHIP

The Condominium ownership created by this Declaration and the Condominium Map shall continue until this Declaration and any amendments thereto are revoked in the manner provided in Article XIV (Obsolescence), XV (Condemnation) or Article XVI (Revocation).

ARTICLE XVIII MISCELLANEOUS

- 18.1 Compliance. With Provisions of Declaration and Article of Incorporation and Bylaws of the Association. Each owner shall comply with the provisions of this Declaration, the Articles and Bylaws of the Association, and the decisions and resolutions of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due, damages or injunctive relief or both, costs and expenses of such proceeding and all reasonable attorney's fees. Such action shall be maintainable by the Association on behalf of the owners.
- 18.2 Registration. Of Mailing Address: Notices. Each owner shall register his mailing address with the Association and all notices, requests or demands intended to be served upon any owner, except for budget statements, notices of meeting and other routine notices, shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the owner at such registered mailing address. Unless otherwise provided herein, budget statements, notices of meetings and other routine notices may be sent by regular mail, postage prepaid, addressed in the name of the owner at such registered mailing address. All notices, requests or demands intended to be served upon the Association shall be given by registered or certified mail, postage prepaid, to the address of the Association as designated in the Articles of Incorporation or Bylaws of the Association. All notices, requests or demands to be served on mortgagees pursuant hereto shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the mortgagee at such address as the mortgagee may have furnished to the Association in writing. Unless the mortgagee furnishes the Association such address, the mortgagee shall be entitled to receive none of the notices provided for in this Declaration. Any notice referred to in this Section shall be deemed given when deposited in the United States mail in the form provided for in this Section.
- 18.3 Owner's Obligations Continue. All obligations of the owner under and by virtue of the provisions contained in this Declaration shall continue, notwithstanding that he may have

conveyed said interest as provided herein, but the owner of a condominium unit shall have no obligation for expenses or other obligations accruing after he conveys such Condominium Unit.

- 18.4 Transfer of Rights. Of Declarant. Any rights or interests reserved hereby to the Declarant may be transferred or assigned by the Declarant.
- 18.5 Modifications. Of Declarant by Declarant. Declarant reserves the right to make modifications, additions or deletions in or to this Declaration as may be required by a mortgage lender or insurer. Such modifications, additions or deletions will not increase the cost of Condominium Units, there will be no material physical modifications of the Project and any such changes will not decrease the financial obligations of Declarant as a Unit Owner.
- 18.6 Sales. And Retention of Units by Declarant. Declarant contemplates sale of one hundred percent (100%) of the Condominium Units; however, Declarant reserves the right to retain unsold units and sell, lease or rent them without the approval of the Association so long as Declarant uses due care and diligence regarding the good character habits and general desirability of the tenants.
- 18.7 No Warranty. Declarant disclaims any intent to warranty or make representations except as is set forth in this Declaration.
- 18.8 Severability. If any of the provisions of this Declaration or any paragraph, sentence, clause, phrase or work or the application thereof in any circumstance be invalidated, such invalidity shall not effect 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 be not affected thereby.
- 18.9 Rule Against Perpetuity. If any of the options, privileges, covenants or rights created by this Declaration shall be

unlawful or void for violation of (a) the rule against perpetuity or some analogous statutory provision, (b) the rule restricting restraints or alienation, or (c) any other statutory or common law rules imposing time limits, that such provision shall continue only for the period of the life of John Davis and his now living descendants, and the survivor of them plus twenty one (21) years.

18.10 Statute. The provisions of this Declaration shall be in addition and supplemental to Sections 38-33.3-101, et seq., C.R.S., the Colorado Common Interest Ownership Act of the State of Colorado and to all other provisions of law. In the event of any conflict between this Declaration and the terms of Sections 38-33.3-101 et seq., C.R.S., the terms of the statute shall prevail.

18.11 Applicability. This Declaration shall be binding upon the undersigned, their successors and assigns.

This Declaration is executed as of the 11th day of February, 1998.

"DECLARANT"

SONSHINE CONSTRUCTION DEVELOPMENT,

LLC

By: SUNDANCE PROPERTY LEASING, INC.,
MANAGER

By: Lloyd J. Davis, Jr.
Lloyd J. Davis, Jr. President

EXHIBIT "A"

Lots 9, 10 and 11, Block 1, and Lots 6 and 8, Block 2,
Palace Estates Filing No. Two, Condominium I,
Mesa County, Colorado.