

AFFORDABLE HOUSING DEED RESTRICTION

THIS AFFORDABLE HOUSING DEED RESTRICTION is entered into the 18th day of November, 2008, by Prospect Development Company, Inc., a Colorado corporation, and the Town of Mt. Crested Butte, Colorado, a Colorado home rule municipality, (collectively the "Developer").

1. Property Subject to Deed Restriction. The following real property ("Real Property") is hereby made subject to these Affordable Housing Restrictions ("Restrictions"):

Lots 1 through 39, Prospect Homestead Subdivision, according to the Plat filed December 10, 2008 at Reception No. 587999 of the records of Gunnison County, Colorado,

**Town of Mt. Crested Butte,
County of Gunnison,
State of Colorado.**

The Real Property has been subdivided into townhome Units (collectively "Units" or a "Unit") on which the Developer is constructing multifamily buildings. Upon completion of the building on the Real Property, the Developer will designate such Unit as either a Category 1 Unit, Category 2 Unit, Category 3 Unit, or Category 4 Unit.

2. Qualified Individuals.

2.1 The use and occupancy of the Units shall be exclusively limited to housing for natural persons who meet the definition of "Qualified Individuals", their families and/or accompanying tenants as set forth in these Affordable Housing Restrictions. The Prospect Homestead Owners Association ("Association"), working in consultation with the Gunnison County Housing Authority, or any governmental agency in The Town of Mt. Crested Butte, or Gunnison County, Colorado responsible for the administration of affordable housing ("Housing Agency") shall determine which individuals meet the definition of Qualified Individuals, and shall enforce the terms and conditions of these Affordable Housing Restrictions. The Association shall have the right to assign, in whole or in part, its obligations, rights, and administrative duties under these Restrictions to a Housing Agency, the Town of Mt. Crested Butte, Colorado, or such other governmental agency, non-profit institution, or entity which is responsible for the provision and administration of affordable housing within the Town of Mt. Crested Butte, Colorado.

2.2 A Qualified Individual is a natural person who meets all of the following qualifications:

2.2.1 Unless specifically waived in writing by both the Developers, has resided in Gunnison County, Colorado, for at least the immediately preceding one year; and

2.2.2 Is employed in the Gunnison County, Colorado, and derives eighty per cent (80%) of his total income from wages or salary from said employment; and

2.2.3 Has a net worth less than following amounts:

Category 1	\$100,000.00
Category 2	\$200,000.00
Category 3	\$300,000.00
Category 4	\$400,000.00

Net worth, as defined in this section 2.2.3, shall not include personal retirement plans or accounts. The amounts listed in this paragraph 2.2.3 shall be adjusted annually by the change in the Consumer Price Index Denver-Boulder (CPI-U), published by the U. S. Department of Labor, Bureau of Labor Statistics.

2.2.4 Will occupy the Unit as his or her primary residence. The occupant shall be deemed to have ceased to use the Unit as his or her primary residence by accepting permanent employment outside of Gunnison County, or residing in the Unit for fewer than nine (9) months out of any twelve (12) months.

2.2.5 Has a combined household income level set forth below which is within the range of percentages of the median household income for Gunnison County as published annually by the Department of Housing and Urban Development, as adjusted for household size ("AMI"), for the Unit which the person desires to be considered eligible for:

Category 1	< 80% AMI
Category 2	81% to 120% AMI
Category 3	121% to 160% AMI
Category 4	161% to 200% AMI

2.3 In order to be approved as a Qualified Individual by the Association, a person must establish by competent evidence that he meets the qualifications. Evidence that is acceptable to establish such qualifications includes, but is not limited to, the following:

2.3.1 Rent receipts, record of mortgage payments, utility receipts, voter registration records, and payroll records.

2.3.2 Income tax returns with all schedules.

2.3.3 Sworn affidavits regarding net worth, property ownership and/ or tax roll records, with supporting copies of deeds or bank statements, or account information.

2.4 Any person who seeks to be approved as a Qualified Individual by the Association shall submit an application therefor upon forms to be provided by the Association. The Association shall either approve or disapprove such applicant in writing, stating the reason for any disapproval, within fifteen (15) working days of its receipt of the completed application and documentary evidence of the applicant's qualifications as a

Qualified Individual. If an applicant is disapproved as a Qualified Individual, he may seek a hearing before the Association, as hereinafter provided.

2.5 The Developer, including any of its successors and assigns, as well as the Association, will be deemed to satisfy the requirements of paragraph 2.1 to own the Property as long as the Units within the Property are rented exclusively for 6 months or more to Qualified Individuals which only meet the requirements of section 2.2.2 and 2.2.4.

2.6 The Housing Agency or any business owner in Mt. Crested Butte, Colorado will be considered a Qualified Individual as long as the Units within the Property are rented exclusively for 6 months or more to Qualified Individuals as defined in section 2.2. A business owner in Mt. Crested Butte is defined as a business which holds a business license or sales tax license issued by the Town of Mt. Crested Butte, Colorado.

2.7 The Housing Agency may request Qualified Individuals who are renters and not Owners to recertify their status as a Qualified Individual on a periodic basis, no more frequently than annually.

3. PREFERENTIAL OCCUPANTS. "Preferential Occupant" means a Qualified Individual who also is one of the following categories of persons, which persons shall be given preference according to the following categories in order of priority:

3.1 First, employees of the Developer or its affiliates,

3.2 Second, employees of the Reserve Metropolitan Districts,

3.3 Third, employees of the Association, or the Prospect Property Owners Association.

3.4 Fourth, an employee of a business owner in Mt. Crested Butte or self-employed person working in Mt. Crested Butte, Colorado.

3.5 Fifth, employee or self-employed person working in Gunnison County north of the intersection of County Road 813 (Jack's Cabin cut-off road) and Highway 135.

4. SALE AND RESALE LIMITATIONS

4.1. The Units may be sold only to an approved Qualified Individual, as defined in these Restrictions.

4.2. Preferential Occupants shall be considered prior to other Qualified Individuals in the sale of Units.

4.3. The maximum initial sales prices of a Unit by the Developer shall be calculated according to the Mt. Crested Butte Community Housing Guidelines, based upon the following assumptions:

4.3.1. 95% loan to value ratio for Category 1 and Category 2 and 90% loan to value for Category 3 and 4, based upon a 30 year mortgage at prevailing interest rates.

4.3.2. Principal and interest, taxes, and homeowners association dues cannot exceed 30% of the gross monthly household income.

4.3.2.1 Taxes and insurance (not to exceed 10% of gross monthly household income) and homeowners association dues shall be deducted from the 30% of gross monthly household income.

4.3.3. The downpayment shall equal 5% for Category 1 and Category 2, 10% for Category 3 and Category 4.

4.3.4. The upper threshold of each Category shall be used in calculating the maximum initial sales price. (Category 1 = 80% AMI, Category 2 = 120% AMI, Category 3 = 160% AMI, Category 4 = 200% AMI)

4.3.5. The following household sizes shall correspond to the configuration of the Units:

<u>Household Size</u>	<u>Bedroom Configuration</u>
1	Studio, 1 Bedroom, 2 Bedroom
2	Studio, 1 Bedroom, 2 Bedroom, 3 Bedroom
3	2 Bedroom, 3 Bedroom
4 or more	3 Bedroom, 4 Bedroom

4.4. After the initial sale of a Unit by the Developer to a Qualified Individual, no subsequent sale of the Unit shall be for an amount greater than the "Maximum Sales Price".

4.5. The Maximum Sales Price shall be the aggregate of the following amounts:

4.5.1 The seller's purchase price of the Unit;

4.5.2 An amount equal to 3 per cent per annum of the seller's purchase price, prorated at the rate of 0.25 per cent per month from the date of seller's purchase of the Unit to the date of seller's sale of the Unit;

4.5.3 An amount equal to the actual cost incurred by seller in making improvements to the Unit which are eligible to add to the seller's basis in the Unit pursuant to the Internal Revenue Code up to a maximum of 10% of the seller's cost of the Unit.

4.6 Prior to the listing for sale of a Unit, the seller shall obtain the approval of the Association (or Housing Agency or successor administrator, as the case may be) that the sales price of the Units does not exceed the Maximum Sales Price. The seller shall submit to the Association a copy of the proposed sales contract for the Unit, verified by affidavit of the seller, as being a true and correct copy, and a calculation of the Maximum Sales Price

accompanied by evidence of the cost of any improvements which seller believes qualify for inclusion in the Maximum Sales Price. At a minimum, seller shall submit receipts to verify the costs of the improvements and affidavit verifying that the receipts are valid and correct and represent costs actually paid by seller at the time the improvements were made, and a copy of any building permit required for the improvement.

4.7 The Association shall either approve or disapprove the proposed sales contract and the Maximum Sales Price calculation, in writing, and if disapproved, shall state the reason for such disapproval, within fifteen (15) business days of the receipt of the sales contract and the accompanying materials. If the sales contract is disapproved, either the seller or buyer may request a hearing before the Association as set forth herein.

4.8 The seller shall not permit the buyer to assume any or all of seller's customary closing costs, nor shall seller accept any other consideration which would cause an increase in the sales price of the Units, above the Maximum Sales Price so as to induce the seller to sell the Unit to such buyer.

4.9 NOTHING HEREIN SHALL BE CONSTRUED TO CONSTITUTE A REPRESENTATION OR GUARANTEE BY THE ASSOCIATION THAT UPON SALE OF THE UNIT, THE SELLER SHALL OBTAIN THE MAXIMUM SALES PRICE.

4.10 At the time of the closing of any sale of the Unit, after the initial sale by the Developer, the seller and/or buyer, upon such terms as they may agree, shall pay an administrative fee in the amount of \$500.00 to the Association, the purpose of which is to fund the cost of administering the terms of these Restrictions. The amount of the administrative fee may be amended by the Association, upon the express determination of the Association that such an amendment is necessary in order to defray the cost of administering these Restrictions.

4.11 The Developer and the Association shall have an Irrevocable Right of First Refusal to repurchase the Unit ("Right of First Refusal") upon the following terms and conditions:

4.11.1 If an owner receives any offer to purchase or tenders any offer of sale for the Unit which the owner desires to accept, the Developer and Association shall have the absolute Right of First Refusal to purchase such Unit at the price in the offer not to exceed the Maximum Sales Price. The Developer shall have the initial right to purchase the Unit, and if it waives its right, then the Association shall also have the right to purchase the Unit.

4.11.2 After determination or verification of the Maximum Sales Price by the Association as set forth in paragraph 4.7 above, the Association shall immediately notify the Developer in writing of the Maximum Sales Price and attach a copy of the offer to purchase or contract of purchase.

4.11.3 The Developer shall exercise its Right of First Refusal within twenty-one (21) days after Developer receives notice from the Association, by Developer notifying the Association and owner that it will purchase

or otherwise acquire the Unit on such terms and conditions. If the Developer waives its Right of First Refusal, or fails to provide written notice to the Association within the twenty-one (21) day period, the Association shall have an additional four (4) days to exercise its Right of First Refusal (for a total of twenty-five (25) days from the notice to the Developer) by notifying the owner in writing that it will purchase the Unit.

4.11.4 In the event the Developer or the Association do not so notify the owner within said twenty-five (25) day period, this Right of First Refusal for the Developer and Association shall expire.

4.11.5 If the owner does not so sell or otherwise transfer the Unit, the terms and conditions of this Right of First Refusal shall again apply to any subsequent sale or other transfer of a Unit.

4.11.6 Any sale or attempted sale of a Unit effected without first giving the Developer and Association the Right of First Refusal described above shall be void and of no force and effect.

5. OWNERSHIP AND RENTAL

5.1 After the initial sale of the Unit, each subsequent owner of the Unit, by acceptance of a deed thereto, represents and warrants that the Unit shall be used only as his or her sole and exclusive place of residence, and he or she is and shall remain a Qualified Individual (with the exception of the income requirements of paragraph 2.2.5 and net worth requirements in paragraph 2.2.3 above), or that the Unit will be leased to a Qualified Individual as his or her sole and exclusive place of residence.

5.2 It is agreed that in the event an owner ceases to have the qualifications of a Qualified Individual, or if the owner changes his or her place of domicile or ceases to use the Unit as his or her sole and exclusive place of residence, the Unit will be offered for sale and will be sold to a Qualified Individual as provided herein. While the property is listed for sale, the owner may rent the Unit to a Qualified Individual as described in paragraph 5.4 below. An owner shall be deemed to have changed domicile by becoming a resident elsewhere, accepting permanent employment outside of Gunnison County, Colorado, or residing in the Unit fewer than nine months per calendar year, without the express written consent of the Association.

5.3 In the event that title to the Unit vests by descent in individuals and/or entities who are not Qualified Individuals, as that term is defined herein, the Unit shall be listed for sale and shall be sold to a Qualified Individual as provided herein. While the property is listed for sale, the owner may rent the Unit to a Qualified Individual.

5.4 An owner may rent the Unit to a Qualified Individual. Any rental agreement for the Unit to a Qualified Individual shall be for a minimum term of three months, and shall allow for no less than sixty (60) days notice of termination to the tenant in the event the Unit sells. In the event a Unit is rented, the Tenant shall meet all the criteria of a Qualified Individual under paragraph 2.2 above, with the exception of the residency requirement under paragraph 2.2.1.

5.5 The requirements of this section shall not preclude an owner from sharing occupancy of the Unit with non-owners who do not meet the requirements concerning occupancy of the Unit, or with non-owners who do not meet the requirements of a Qualified Individual, provided that the owner continues to meet the obligations contained in these Restrictions.

5.6 IN NO EVENT SHALL THE OWNER OR ANY SUBSEQUENT OWNER CREATE AN ADDITIONAL DWELLING UNIT WITHIN THE UNIT.

5.7 NOTHING IN THESE RESTRICTIONS SHALL BE CONSTRUED TO REQUIRE THE ASSOCIATION TO PROTECT OR INDEMNIFY THE OWNER OR A SUBSEQUENT OWNER AGAINST ANY LOSSES ATTRIBUTABLE TO THE RENTAL OF THE UNIT, INCLUDING BUT NOT LIMITED TO NON-PAYMENT OF RENT OR DAMAGE TO THE PREMISES; NOR TO REQUIRE THE ASSOCIATION TO OBTAIN A TENANT MEETING THE REQUIREMENTS OF A QUALIFIED INDIVIDUAL FOR THE OWNER IN THE EVENT SUCH A TENANT IS NOT FOUND BY THE OWNER.

5.8 Any mortgage or deed of trust encumbering a Unit must include the Association and Developer as parties to receive notices of default, consent, approval, or assignment.

6. FORECLOSURE

6.1 It shall be a breach of these Restrictions for an owner to default in the payments or other obligations due or to be performed under a promissory note secured by deed of trust encumbering the Unit. The owner hereby agrees to notify the Association and Developer, in writing, of any notification owner receives from a lender, or its assigns, of past due payments or default in payment or other obligations due or to be performed under a promissory note secured by a deed of trust, as described herein, within five (5) calendar days of owner's notification from lender, or its assigns, of said default or past due payments.

6.2 Upon receipt of notice as provided herein, either the Developer or the Association shall have the right, in its sole discretion, to cure the default or any portion thereof. ("Curing Party"). In such event, the owner shall be personally liable to the Curing Party for past due payments made by the Curing Party, together with interest thereon at the rate specified in the promissory note secured by the deed of trust, plus one (1) per cent, and all actual expenses of the Curing Party incurred in curing the default. In the event the Owner does not repay the Curing Party within sixty (60) days of notice that the Curing Party has cured the owner's default, the owner agrees that the Curing Party shall be entitled to a lien against the Unit to secure payment of such amounts. Such a lien may be evidenced by a notice of lien setting the amounts due and rate of interest accruing thereon, and such notice of lien may be recorded in the real property records of Gunnison County, Colorado, until such lien is paid and discharged. The Curing Party shall have the additional right to bring an action to foreclose on the Unit for the payment of the lien set forth in this paragraph 6.2.

6.3 After the initial sale of the Unit by the Developer, the Association hereby agrees to release and waive its ability to enforce these Restrictions in the event of foreclosure of a deed of trust upon the Unit, providing that the Developer, Association, Town, and Housing Agency are provided with the option to purchase the Unit within thirty (30) days

after the issuance of a public trustee's deed to the holder of the certificate of purchase for a price not to exceed the redemption price on the last day of all statutory redemption periods and any reasonable costs incurred by the grantee of the deed during the option period which are directly related to the foreclosure.

6.4 If the Developer, Association, Town, and the Housing Agency are offered the property for purchase as described herein, and the Developer, Association, Town and the Housing Agency decline to purchase said property, the Association shall release the terms and conditions of these Restrictions as to the property foreclosed.

6.5 In the event the Developer, Association, Town or Housing Agency exercise its option to purchase the property after foreclosure, they may resell the property to Qualified Individuals, without limitation as to price, but still subject to these Restrictions.

6.6 In the event the Developer, Association, Town or Housing Agency exercise its option to purchase the property after foreclosure, the owner hereby waives all right of homestead and any other exemption in the Unit under state or federal law presently existing or hereafter enacted.

7. DEFAULT/BREACH

7.1 In the event the Association has reasonable cause to believe an owner is violating the provisions of these Restrictions, the Association, by its authorized representatives, may inspect the Unit between the hours of 8:00 a.m. and 5:00 p.m. Monday through Friday, after providing the owner with no less than 24 hours written notice.

7.2 The Association shall send a notice of violation to the owner detailing the nature of the violation and allowing the owner fifteen (15) days to determine the merits of the allegations, or to correct the violation. In the event the owner disagrees with the allegation of violation of these Restrictions, the owner may request, in writing, a hearing before the Association. If the owner does not request a hearing and the violation is not cured within the fifteen-day period, the owner shall be considered in violation of these Restrictions.

7.3 Whenever these Restrictions provide for a hearing before the Association, such hearing shall be scheduled by the Association within 21 days of the date of receipt of a written request for a hearing. At any such hearing, the owner or other aggrieved party may be represented by counsel and may present evidence on the issues to be determined at the hearing. An electronic record of the hearing shall be made and the decision of the Association shall be a final decision, subject to judicial review.

7.4 There is hereby reserved to the parties hereto any and all remedies provided by law for breach of these Restrictions or any of its terms. In the event the parties resort to litigation with respect to any or all provisions of these Restrictions, the prevailing party shall be awarded its damages and costs, including reasonable attorney's fees.

7.5 In the event the Unit is sold and/or conveyed without compliance with the terms of these Restrictions, such sale and/or conveyance shall be wholly null and void and shall confer no title whatsoever upon the purported buyer. Each and every conveyance of the Unit, for all purposes, shall be deemed to include and incorporate by this reference the covenants herein contained, even without reference therein to these Restrictions.

7.6 In the event an owner fails to cure any breach of these Restrictions, the Association may resort to any and all available legal or equitable actions, including but not limited to specific performance of these Restrictions.

8. GENERAL PROVISIONS

8.1 These Restrictions shall constitute covenants running with the Real Property as a burden thereon, for the benefit of, and shall be specifically enforceable by the Association or the Town of Mt. Crested Butte, Colorado and their respective successors and assigns, as applicable. Enforcement by any appropriate legal action may include, but is not limited to specific performance injunction, reversion, or eviction of noncomplying owners and/or occupants.

8.2 Any notice, consent, approval, or request which is required to be given hereunder shall be given by mailing the same, certified mail, return receipt requested, properly addressed and with postage fully prepaid, to the address provided herein or to the address of the owner. The owner shall advise the Association of any change in address, in writing said notices, consents, and approvals, shall be sent to the parties hereto at the following addresses, unless otherwise notified in writing:

To Developer: Prospect Development Company, Inc.
(as long as Post Office Box 5700
Developer owns Mt. Crested Butte, Colorado 81225
a Lot) Telephone: 970-349-2202
Fax: 970-349-2208

Town of Mt. Crested Butte, Colorado
P.O. Box 5800
Mt. Crested Butte, Colorado 81225
Telephone: 970-349-6632
Fax: 970-349-6326

To Association: Prospect Homestead
Owners Association
Post Office Box 5700
Mt. Crested Butte, Colorado 81225
Telephone: 970-349-2202
Fax: 970-349-2208

To Subsequent Owners: At their last reported address

8.3 Whenever possible, each provision of these Restrictions and any other related document shall be interpreted in such manner as to be valid under applicable law; but if any provision of these Restrictions shall be invalid or prohibited under said applicable law, such provisions shall be ineffective to the extent of such invalidity or prohibition without invalidating the remaining provisions of such document.

8.4 These Restrictions and each and every related document is to be governed and construed in accordance with the laws of the State of Colorado.

