

DECLARATION OF
PROTECTIVE COVENANTS
FOR
PROSPECT HOMESTEAD

DECLARANTS:

PROSPECT DEVELOPMENT COMPANY, Inc.
a Colorado corporation
Post Office Box 5700
Mt. Crested Butte, Colorado 81225

TOWN OF MT. CRESTED BUTTE, COLORADO
A Colorado home rule municipality
P.O. Box 5800
Mt. Crested Butte, Colorado 81225

Prepared by:

WILDERSON, O'HAYRE, DAWSON & NORRIS, P.C.
120 North Taylor Street
Gunnison, Colorado 81230
Telephone: 970-641-3326
Fax: 970-641-3094
www.wodlaw.com

November 18, 2008

S Dominguez Gunnison
12/10/2008 03:59 PM
R: \$146.00
Pg: 2 of 29
D: \$0.00
5888003

DECLARATION OF PROTECTIVE COVENANTS
FOR
PROSPECT HOMESTEAD

THIS DECLARATION OF PROTECTIVE COVENANTS FOR PROSPECT
HOMESTEAD is executed with an effective date of November 18, 2008 by Prospect
Development Company, Inc., a Colorado corporation.

ARTICLE 1

STATEMENT OF PURPOSE OF DECLARATION

Section 1.1 Ownership of Property. Declarants are the Owners of the following described
real property ("Property") situate in Gunnison County, Colorado and described as follows:

As set forth in attached Exhibit A,

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

Section 1.2 Intention. Declarants, as the Owners of the Property, intend to provide for
Community Housing within the Property consisting of Multifamily Lots. At the time of initial
conveyance of any Lot to a subsequent purchaser, a Declarant will impose a Community
Housing Deed Restriction on the lot in the form Deed Restrictions set forth in Exhibit B, or,
in the alternative, such other deed restriction which is in compliance with the Community
Housing provisions contained in Chapter 22 of the Town of Mt. Crested Butte Code, and
the Community Housing Guidelines adopted thereunder.

Section 1.3 Statement of Purpose. To accomplish such intention, this Declaration is
executed to define the character, duration, rights, duties, obligations and limitations for the
use and ownership of the Property as a Townhome Project and to provide for the benefit of
all Owners of Lots located within the Property.

Section 1.4 Declaration of Protective Covenants. The Declarants hereby declare and
establish the following terms, covenants, conditions, easements, restrictions, uses,
reservations, limitations and obligations which shall be deemed to run with the Property
and shall be binding upon all Persons and entities having any right, title or interest in and to
the Property, or any part thereof, and their heirs, successors and assigns and to inure to
and be for the benefit of each Owner within Prospect Homestead.

Section 1.5 Subdivision of Property. The Property is platted as Prospect Homestead,
according to the recorded plat thereof filed November 10, 2008 and bearing Reception
No. 587999 of the records of Gunnison County, Colorado.

S Dominguez Gunnison Co, Y, CO 588003
12/10/2008 03:59 PM Pg: 3 of 29
R: \$146.00
135 D: \$0.00

Section 1.6 Colorado Common Interest Ownership Act. Declarant declares the Property to be a Common Interest Community in accordance with the Colorado Common Interest Ownership Act.

ARTICLE 2 DEFINITIONS

The following definitions shall apply to this Declaration and the Exhibits attached hereto unless the context shall expressly provide otherwise:

Section 2.1 "Association" shall mean the Prospect Homestead Owners' Association, a Colorado non-profit corporation, or any successor thereof charged with the duties and obligations set forth herein.

Section 2.2 "Association Documents" shall mean:

2.2.1 This Declaration of Protective Covenants for Prospect Homestead;

2.2.2 The Articles of Incorporation and Bylaws of the Association;

2.2.3 The Declaration of Covenants, Conditions and Restrictions for Prospect at Mt. Crested Butte recorded at Reception No. 521970 and Amendment to Declaration of Covenants, Conditions and Restrictions recorded March 30, 2005 at Reception No. 552220, and Second Amendment recorded April 1, 2005 at Reception No. 552317, Third Amendment recorded February 28, 2006 at Reception No. 563223; and Fourth Amendment recorded November 10, 2008 at Reception No. 588003 ("Master Declaration");

2.2.4 The Design Guidelines for Prospect Homestead;

2.2.5 The Articles of Incorporation and Bylaws of the Prospect at Mt. Crested Butte Property Owners' Association;

Section 2.3 "Board of Directors" or "Board" shall mean the Board of Directors of the Association duly elected and acting according to the Association Documents.

Section 2.4 "Building" shall mean any building constructed or erected on Lots.

Section 2.5 "Common Area" shall mean any area or tract or parcel of land shown on the Plat as "Common Area."

Section 2.6 "Common Element" shall mean any real estate within a planned community owned or leased by the Association, other than a Unit, and including but not limited to the Buildings and Common Walls.

Section 2.7 "Common Wall" shall mean any common wall or party wall situate between the Individual Residences within a Multifamily Building on the boundary between more Lots.

Section 2.8 "Community Housing" shall mean the provision for community housing in accordance with the individual Community Housing Deed Restriction applicable to each Lot. "Community Housing shall have the same meaning as "Affordable Lot" under the Master Declaration.

Section 2.9 "Community Housing Deed Restriction" shall mean the individual Community Housing Deed Restriction on the initial sale of each Lot from a Declarant and all subsequent sales.

Section 2.10 "Declarant" shall mean Prospect Development Company, Inc., a Colorado corporation, its successors and assigns and the Town of Mt. Crested Butte, Colorado, a Colorado home rule municipality (the "Town").

Section 2.11 "Declaration" shall mean this Declaration of Protective Covenants for Prospect Homestead.

Section 2.12 "Duplex Building" shall mean a Building on two Lots containing two (2) Individual Residences, each being a separate Individual Residence separated by a Common Wall on the boundary between the two Lots.

Section 2.13 "First Mortgage" shall mean any mortgage which is not subject to or junior to any lien or encumbrance, except liens for taxes and other liens which are given priority by statute.

Section 2.14 "Improvements" shall mean all Buildings, structures, parking areas, fences, walls, driveways, signs, changes in exterior or roof color or shape, excavation, site work, grading, road construction, utilities, landscaping, lawns, trees, shrubbery, grass, flowers, decorative devices and any exterior construction or exterior improvement constructed, completed or maintained on any Lot or Common Area within the Property.

Section 2.15 "Individual Residence" shall mean the Individual Residence on a Lot within a Multifamily Building or separated by a Common Wall.

Section 2.16 "Landscaping" shall mean all planted areas and plant materials, including lawns, trees, shrubbery, flowers, ground cover, all underground lawn watering systems, all driveways, parking areas and sidewalks of any Lot or Common Area and any other decorative materials or decorative devices forming a part of any landscaping area, excluding flower boxes and gardens installed and maintained on any Lot by an Owner.

Section 2.17 "Lot" shall mean a Lot, as shown on the Plat of Prospect Homestead, according to the official plat thereof filed November 10, 2008 and bearing Reception No. ~~December~~

S Dominguez Gunnison Inty, CO 588003
12/10/2008 03:59 PM Pg: 5 of 29 R: \$146.00
135

of the records of Gunnison County, Colorado. _____ 587999

Section 2.18 "Master Association" shall mean the Prospect Property Owners Association, a Colorado nonprofit corporation.

Section 2.19 "Master Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for Prospect at Mt. Crested Butte recorded at Reception No. 521970 and Amendment to Declaration of Covenants, Conditions and Restrictions recorded March 30, 2005 at Reception No. 552220, and Second Amendment recorded April 1, 2005 at Reception No. 552317, Third Amendment recorded February 28, 2006 at Reception No. 563223; and Fourth Amendment recorded ~~November 10,~~ ^{December} 2008 at Reception No. ~~588002~~.

Section 2.20 "Member" shall mean any Person who is a Lot Owner holding membership in the Association.

Section 2.21 "Mortgage" shall mean any mortgage, deed of trust or other document pledging a Unit, or interest therein, as security for the payment of any indebtedness.

Section 2.22 "Multifamily Building" shall mean a Building on two or more Lots containing two (2) or more Individual Residences, each being a separate Individual Residence separated by a Common Wall on the boundary between each Lot.

Section 2.23 "Owner" shall mean the record owner, whether one or more persons or entities, of fee simple title to any Lot; provided, however, that prior to the first conveyance of any Lot after the recording of this Declaration, the Owner shall mean a Declarant unless a Declarant has designated a successor in ownership of fee simple title to exercise the rights, duties and obligations of ownership.

Section 2.24 "Person" shall mean a person, corporation, partnership, joint venture, Association, fiduciary or any other type of entity or designation by which title to any Lot is held.

Section 2.25 "Plat" or "Subdivision Plat" shall mean the Plat of Prospect Homestead, according to the official plat thereof filed ~~November 10,~~ ^{December} 2008 and bearing Reception No. ~~587999~~ of the records of Gunnison County, Colorado.

Section 2.26 "Property" shall mean and include all property subject to this Declaration.

Section 2.27 "Prospect Homestead" shall mean all of the Property including the Multifamily Buildings and Individual Buildings constructed thereon.

Section 2.28 "Single Family Residence" shall mean an Individual Residence or Unit designed and used as a dwelling for one (1) family as an independent housekeeping unit.

Section 2.29 "Townhome" shall mean any Individual Residence on a Lot, and shall have the same meaning as a Unit.

Section 2.30 "Townhome Assessments" shall mean any townhome assessments, whether regular, special or otherwise, levied pursuant to this Declaration or the Association Documents to provide the necessary funds for all requirements of this Declaration and the obligations of the Association as to the Prospect Homestead.

Section 2.31 "Townhome Common Expenses" or "Common Expenses" shall mean the following expenses pertaining to Prospect Homestead:

2.31.1 All expenses declared to be Townhome Common Expenses by this Declaration or the Association Documents.

2.31.2 The expenses of administration, operation, management and maintenance of the Prospect Homestead.

2.31.3 The maintenance, repair or replacement of the exterior of any Multifamily Building, including any Common Wall and exterior surfaces of such Building.

2.31.4 The maintenance, repair or replacement of the roofs and roof structures of any Multifamily Building.

2.31.5 The maintenance, care, upkeep and replacement of all Landscaping, including driveways, parking areas and sidewalks within Prospect Homestead, excluding Landscaping and areas within the individual Lots.

2.31.6 All sums determined to be Townhome Common Expenses by the Association in accordance with the Association Documents.

2.31.7 All sums properly assessed against any Lot by the Association.

Section 2.32 "Unit" shall mean any Individual Residence on a Lot, and shall have the same meaning as a Townhome.

ARTICLE 3 DESCRIPTION OF LOT

Section 3.1 Description of Lot. Every instrument affecting title to a Lot in Prospect Homestead may describe that Lot as follows:

3.1.1 Lot ~~December~~, Prospect Homestead, according to the official plat thereof filed November 10, 2008 and bearing Reception No. 587999 of the records of Gunnison County, Colorado and the Declaration for Prospect

December 10, 2008 at Reception No. 588003 of the
Homestead recorded November 10, 2008 at Reception No. 588003 of the
records of Gunnison County, Colorado.

Section 3.2 Sufficient Description. Such method of description shall be sufficient for all purposes to sell, convey, transfer, and encumber or otherwise affect the title of a Lot, and all appurtenant property rights pertaining thereto, and shall incorporate all of the rights, duties, limitations and burdens incident to ownership of a Lot as described in this Declaration.

ARTICLE 4 USE OF LOTS

Section 4.1 Use of Lot. All Lots within the Property shall be used exclusively for one Single-Family Residence with one attached garage together with any appurtenant decks, patios, fences and landscaping appurtenant thereto.

Section 4.2 Enjoyment of Lot. Each Lot shall be for the exclusive use and enjoyment thereof by the Owner, members of his family and his guests. The leasing of a Townhome for residential purposes shall be allowed in accordance with the Community Housing Deed Restriction.

Section 4.3 Partition of Lots. No Lot may be partitioned, subdivided nor in any manner divided into two or more Lots.

Section 4.4 Approval of Use. No Improvement shall be constructed on any Lot without the approval of the Prospect Design Review Board as approved by the Association in accordance with the Association Documents and the issuance of all necessary permits and approvals by the Town of Mt. Crested Butte, Colorado.

Section 4.5 Utility Easements. The Utility Easements and rights of way shown on the Plat shall be for ingress and egress, installation, replacing, repairing and maintaining all shared utilities and utility lines, including, but not limited to, water, sewer, gas, telephone, cable television and electricity by the utility providers. It shall be expressly permissible for the companies providing utilities to erect and maintain the necessary equipment on any of the Individual Residences and to affix and maintain electrical and/or telephone wires, circuits, conduits and pipes on, above, across and under the roofs and exterior walls of improvements, all in a manner customary for such companies in the area surrounding the Property, subject to approval by the Association.

Section 4.6 No Commercial Use. No commercial or business enterprise of any nature shall be allowed or permitted on any Lot; provided, however, that the Owner of a Lot may be permitted to conduct an in-home executive office or an in-home occupation, artistic or literary activity on a Lot upon the prior approval by the Board of Directors and the Master Association as to such occupation or activity. No such occupation or activity shall be approved by the Board of Directors which would create a visual, sound or traffic nuisance.

Any such occupation or activity shall be subject to a reasonable limitation as to the number of persons and the number and type of motor vehicles involved in such occupation or activity. Certain in-home activities may require approvals from the Town of Mt. Crested Butte, Colorado.

Section 4.7 Model Home and Sales Office. Notwithstanding the provisions of Section 4.6 above, during the period of the development of the Property and the sale of the Lots, a Declarant, or its successor in interest, shall have the right to construct a model on any Lots with a sales office located therein to advertise, show and sell Lots and individual Residences to prospective purchasers. Each Declarant may also erect and maintain one sign on such Lot, advertising the model Individual Residence and sales office.

Section 4.8 Community Housing Deed Restriction. All Lots and Individual Residences shall be owned and occupied by Individuals who meet the definitions of Qualified Individuals under the Community Housing Deed Restriction applicable to each Lot.

Section 4.9 Crested Butte Fire Protection District Requirements. All Individual Residences greater than two thousand two hundred (2,200) square feet shall have individual or shared sprinkler systems as required by the Rules and Regulations of the Crested Butte Fire Protection District.

ARTICLE 5 COMMON WALL

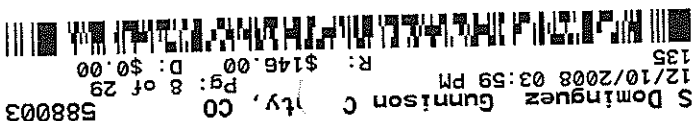
Section 5.1 Common Wall. Any Multifamily Building constructed on two or more Lots shall have Common Walls and such Common Walls shall be subject to the following special terms and conditions:

5.1.1 That portion of the Common Wall situate on a Lot shall be owned by the Owner of such Lot as part of the Owner's fee simple ownership of the Lot. Each Lot Owner shall enjoy a common perpetual easement and right of use of that portion of the Common Wall located upon the adjoining Unit.

5.1.2 Each Lot Owner shall have a perpetual right to use and enjoy the entire Common Wall as a Common Wall for the support, construction, maintenance and use of each Individual Residence.

Section 5.2 Rights of Association in Common Wall. The Association is granted, by the Owners of all Lots upon which any Common Wall is situate, the following rights, duties and obligations as the attorney in fact and agent for each Lot Owner:

5.2.1 To at all times perform any necessary and desirable maintenance, repairs, replacement or restoration of the Common Wall as may be required to keep the same structurally sound.



S Dominguez Gunnis County, CO Pg: 9 of 29 R: \$146.00 D: \$0.00 135
12/10/2008 03:59 PM
588003

5.2.2 To keep in good repair and finish all exterior portions of the Common Wall, including any roof or roof covering extending over and above any such Common Wall.

5.2.3 The Association is granted an easement and license sufficient in size and right as may be required by it to do and perform all necessary maintenance, repairs, restoration and replacement to the Common Wall.

5.2.4 In the event any required maintenance, repairs, restoration or replacement of any Common Wall causes any damage, injury or destruction to the interior of an Individual Residence, not caused by the negligence or failure to act of the Association, the Owner of such Individual Residence shall be responsible for the repair or replacement of any damage to the Individual Residence.

Section 5.3 Negligence of Owner. In the event that any damage or destruction is caused to a Common Wall by the negligence of the Owner of an Individual Residence or such Owner's failure to do and perform any obligation or duty imposed by such Owner by this Declaration, then the reasonable cost and expense of any required maintenance, repair, restoration or replacement of the Common Wall shall be the liability of such Owner and if such cost and expense is not paid by such Owner, then the Association shall have the right to levy a special Townhome Assessment against the Lot of such Owner and the right to enforce such Townhome Assessment as provided in this Declaration.

ARTICLE 6 AUTHORITY OF ASSOCIATION

Section 6.1 Maintenance and Repair as a Townhome Common Expense. All maintenance, repairs and replacements of the exterior, roof, Landscaping and Common Wall of any Multifamily Building shall be the Townhome Common Expense of all Lot Owners of the Association. Specifically, the Association has the responsibility, duty and obligation to:

6.1.1 At all times maintain the exterior of all Multifamily Buildings in an attractive and quality condition and to at all times keep the exterior of all Multifamily Buildings in the same condition and repair as when originally constructed.

6.1.2 At all times properly maintain and replace the roofs of all Multifamily Buildings. In addition to all regular repairs and maintenance or replacements by the Association, the Association shall be responsible to replace a roof in its entirety when the Association determines that due to time and deterioration, such roof needs to be replaced in its entirety. The repair or replacement of any roof shall be in a manner pre-approved by the Association.

6.1.3 At all times care for and maintain all Landscaping.

6.1.4 Provided, however, in the event of any care, maintenance, repair and/or replacement is required due to the negligence, misuse or deliberate act of the Owner, the Owner's family, guests and invitees or tenants, then and in that event such expense shall be the liability of the Owner and charged to the Owner by the Association.

Section 6.2 Right of Access. The Association, its officers, agents, employees and contractors shall have the irrevocable right to access each Lot and the individual Residence constructed on any Lot at all times and during any reasonable hour as may be necessary for the maintenance, repair, or replacement of the exterior, roof, or Common Wall of any Multifamily Building, any utilities or any Common Wall for the purpose of making any repair, maintenance, replacement, or inspection thereof, whether regular or emergency, necessary for the preservation and repair of the exterior, roof and party wall of any Lot.

Section 6.3 Damages. Any damage to all or part of a Multifamily Building or a Lot resulting from any maintenance, repair, restoration, emergency repair or replacement caused by or at the direction of the Association as a part of the exercise of its rights hereunder, shall be a Townhome Common Expense of the Association; provided, however, that if such damage or destruction is caused by the negligence of the Owner of a Lot, his or her agents, employees, invitees or tenants, then such Owner shall be responsible and liable for all such damage and the cost thereof and the same shall be an obligation of the Owner and shall be payable upon demand to the Association.

Section 6.4 Restoration. Any damage to any Multifamily Building or a Lot caused by the Association shall be restored substantially, to the extent reasonably practical, to the same condition in which such improvements existed prior to such damage.

Section 6.5 Reconstruction of a Residence. In the event that any Residence is destroyed in whole or in part due to fire or any other cause, the Owner shall immediately reconstruct, replace and rebuild such Residence as it existed prior to such damage or destruction and in accordance with the Plans and Specifications for the original construction of such Residence, subject only to such revisions or modifications as might be approved by the Design Review Board and Association.

Section 6.6 Association Insurance. The association shall maintain, to the extent reasonably available:

6.6.1 Property insurance on the common elements and on property that must become common elements, for broad form covered causes of loss in the minimum amount of the full insurable replacement cost of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies; and,

6.6.2 Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the common elements in an amount deemed sufficient in the judgment of the board, but in any event not less than \$1,000,000.00 per injury, per person, per occurrence and umbrella liability limits of \$1,000,000.00 per occurrence, covering claims for bodily injury and property damage. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Property Insuring the executive board, the unit owners' association, the management agent, and their respective employees, agents, and all persons acting as agents. Unit Owners shall be included as additional insureds but only for claims and liability arising in connection with the ownership, existence, use or management of the Common Elements. The Declarants shall be included as additional insured in such Declarants' capacity as a Unit owner and board member. The unit owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, use, or management of the Common Elements. The insurance shall cover claims of one or more insured parties against other insured parties.

6.6.3 Insurance policies carried pursuant to subsections 6.6.1 and 6.6.2 above must provide that:

6.6.3.1 Each Unit Owner is an insured person under the policy with respect to liability arising out of such Unit Owner's interest in the Common Elements or membership in the Association;

6.6.3.2 The insurer waives its rights to subrogation under the policy against any Unit Owner or member of his household;

6.6.3.3 No act or omission by any Unit Owner, unless acting within the scope of such Unit Owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy; and,

6.6.3.4 If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

Section 6.7 Fire and Extended Coverage. The Association, on behalf of the Owners of any Lot shall at all times maintain fire and extended coverage in an amount equal to the full replacement value of the Individual Residence(s), without deduction for depreciation, to the extent such insurance coverage is available, and shall have the right to assess the Owner(s) for all costs to obtain such insurance. Coverage shall include, unless the Executive Board deems otherwise, fixtures, appliances and other property therein initially installed or conveyed by the Declarant, but not including improvements, fixtures, furnishings or other personal property supplied or installed by Owners.

S Dominguez Gunnison \ hty, CO 588003
12/10/2008 03:59 PM Pg: 12 of 29
R: \$146.00 D: \$0.00
135

**ARTICLE 7
MAINTENANCE OF INTERIOR OF UNIT, LOT
LANDSCAPING AND PERSONAL PROPERTY**

Section 7.1 Maintenance. The Owner of a Lot shall be solely responsible to at all times properly maintain the interior of a Residence on any Lot, as well as any exterior flower boxes and gardens, in the same condition as when constructed, reasonable wear and tear excepted. The Owner shall at all times be solely responsible for all personal property, furniture within the Unit and the Association shall have no responsibility or liability therefore, unless the same is damaged or destroyed or due to the negligence of the Association, its agents and employees.

Section 7.2 Owner Insurance. The Owner shall maintain appropriate insurance for its personal property, furniture and other contents within the Unit. Owners may carry other insurance for their benefit and at their expense, provided that the liability of the carriers issuing the insurance obtained by the Board shall not be affected or diminished by reason of any such additional insurance carried by any Owner. Insurance coverage on any improvements and fixtures installed by an Owner along with any furnishings and other personal property belonging to an Owner, and public liability coverage within each townhome unit shall be the sole and direct responsibility of the Owner thereof, and the Executive Board, the Association and the Managing Agent shall have no responsibility therefore.

**ARTICLE 8
PROSPECT HOMESTEAD OWNERS' ASSOCIATION**

Section 8.1 Government of Association. Prospect Homestead Owners' Association, a Colorado nonprofit corporation, shall exercise all of the rights, duties, privileges powers and obligations as set forth in this Declaration and the Association Documents.

Section 8.2 Members. Each Owner shall be a Member of the Association. No Owner, whether one or more Persons or entities, shall have more than one membership per Lot owned by such Owner, but all Persons owning each Lot shall be entitled to the rights of membership and the use and enjoyment appurtenant to the ownership of each Lot.

Section 8.3 Termination of Membership. The right of membership in the Association and the status as a Member shall terminate upon the termination of status as an Owner of a Lot. Upon conveyance, sale or assignment of the Owner's interest, the selling Owner shall be relieved of liability for Townhome Assessments levied from and after the date of such sale or conveyance; provided, however, that no such sale or conveyance of any ownership shall relieve an Owner of liability arising prior to the date of such sale or conveyance.

Section 8.4 Voting Rights. All Owners of a Lot shall be Members of the Association. Each Lot shall be entitled to one vote in the Association. The one vote for each Lot shall

be exercised by the Owner and when more than one Person or entity holds an interest in a Lot, the vote for the Unit shall be exercised as the Lot Owners may determine among themselves, but the vote for the Lot shall be cast by only one Person.

Section 8.5 Compliance with Association Documents. Each Owner shall be governed by, shall comply with and shall have the benefit of the provisions, covenants, conditions and restrictions contained in the Association Documents.

Section 8.6 Rules and Regulations. The Association shall from time to time adopt, amend and repeal rules and regulations to be known as "Prospect Homestead Rules and Regulations" governing, among other things, and without limitation:

8.6.1 Standards for the care, maintenance, and use of all Lots, all Buildings, structures and Landscaping situate within the Property.

8.6.2 The maintenance, repairs and replacement of the exterior of all Multifamily Buildings, including all walls, doors, windows, and exterior surfaces and roofs, and the Common Walls pertaining thereto.

8.6.3 All matters delegated to the Association by this Declaration.

8.6.4 All Landscaping and the maintenance thereof.

8.6.5 The regulation of noise, activities and usage of any Lot or Property within Prospect Homestead.

8.6.6 The use of the Common Area and permitted activities within the Common Area.

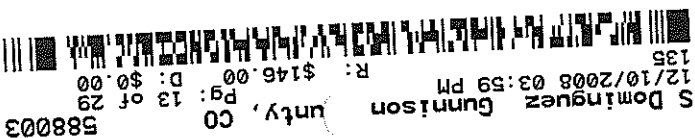
8.6.7 The conservation, maintenance, repair and use of all buildings, structures, landscaping and uses within the Common Area.

8.6.8 The establishment of easements for recreational use, including walking, hiking, bicycling, and skiing. Provided, that no easement for such purpose shall be created or established upon any Lot without the consent of the Owner of such Lot.

8.6.9 Any exterior decorations, devices or personal property of any Lot or upon any Property within Prospect Homestead.

ARTICLE 9 TOWNHOME ASSESSMENTS BY THE ASSOCIATION

Section 9.1 Acceptance of Townhome Assessments. Each Owner of a Lot, by acceptance of a Deed therefore, whether or not it shall be so expressed in any Deed, is



deemed to covenant and agree to pay to the Association: (1) all Townhome Regular Assessments or charges pertaining to Prospect Homestead; (2) any Townhome Special Assessments or charges pertaining to Prospect Homestead; and (3) any Townhome Default Assessments or charges pertaining to Prospect Homestead; all of which shall be fixed, established and collected as determined by the Association. The Townhome Regular, Special and Default Assessments, together with interest, costs and reasonable attorney fees, shall be a charge and continuing lien upon the Lot against which each such Townhome Assessment is made until paid. Each such Townhome Assessment, together with interest, costs and reasonable attorney fees, shall be the personal obligation of the Owner of such Lot at the time when the Townhome Assessment became due.

Section 9.2 Purposes of Townhome Regular Assessments. The Townhome Regular Assessments of Prospect Homestead levied by the Association shall be limited to and used exclusively for the following:

9.2.1 The maintenance, repair and replacement of all of the exterior portion of any Multifamily Building, the structural portions thereof, all Common Walls and including the doors, windows and roofs, water, sewer, or other utility service to any Building, including solar panels, and all exterior surfaces of any such Building.

9.2.2 The maintenance, repair or improvement of all Landscaping and lawns of any Lot.

9.2.3 The maintenance & plowing of the roads and street within the Property until acceptance of such roads and streets by the Town.

9.2.4 Any costs and expenses pertaining to the operation of the Association in the performance of its duties.

9.2.5 All costs and expenses incurred by the Association in the performance of all of its duties and obligations under the Association Documents.

9.2.6 Any other purpose approved by a majority vote of all of the Lot Owner Members of the Association.

Section 9.3 Townhome Regular Assessments. The Board of Directors shall prepare a budget prior to the beginning of each fiscal year of the Association and not less than thirty days prior to the commencement of each fiscal year, the Board shall adopt a final budget and shall determine, levy and assess the Association's Townhome Regular Assessments for the following year in accordance with the Colorado Common Interest Ownership Act as now existing or as the same may be amended, modified or changed.

Section 9.4 Townhome Special Assessments. In addition to the Townhome Regular Assessments set forth in Section 9.3 above, the Board of Directors may levy, in any fiscal year, one or more Townhome Special Assessments of Prospect Homestead for the purpose of defraying, in whole or in part, the cost, fees and expenses of any maintenance,

repairs, or replacements required to be done or performed by the Association or to make up any shortfall in the current year's budget. Such Townhome Special Assessment shall be assessed equally to each Lot Owner and shall be due and payable in the manner set forth in the Notice of such Townhome Special Assessments. Notice of the amount and due dates for such Townhome Special Assessments shall be sent to each Owner at least thirty days prior to the due date thereof.

Section 9.5 Townhome Reserve Funds. As a part of the Townhome Regular Assessments, the Association shall be obligated to establish:

9.5.1 A Townhome Reserve Fund of Prospect Homestead for the maintenance, repair and replacement of the exterior of and roofs of all Multifamily Buildings and Individual Residences and Common Walls, water, sewer, solar panels or other utility services to any Building.

9.5.2 A Townhome Reserve Fund of Prospect Homestead for any taxes or insurance required to be paid by the Association.

9.5.3 Such accounts may be interest-bearing accounts and shall be held in trust for the benefit of the Lot Owners for such purposes.

Section 9.6 Apportionment of Townhome Assessments. All Townhome Regular and Special Assessments shall be apportioned and allocated among all Lots according to the square footage of the gross residential floor area of constructed improvements on such Lot divided by the total gross residential floor area of constructed improvements on all Lots. Until issuance of a certificate of occupancy for any constructed improvements on a Lot, such Lot shall be responsible for its pro-rata share of Common Expenses of the Association, excluding any amounts necessary for contingencies, reserves or other funds not required for the cost of operating and maintaining the project on a day by day basis.

Section 9.7 Townhome Default Assessments. Any expense of the Association as to Prospect Homestead that is the obligation of an Owner or which is incurred by the Association on behalf of the Owner, shall be a Townhome Default Assessment and shall become a lien against such Owner's Lot and may thereafter be foreclosed or otherwise collected as provided herein. Notice of the amount and due date of such Townhome Default Assessment shall be sent to the Owner subject to such Townhome Default Assessment at least thirty days prior to the due date.

Section 9.8 Fiscal Year. The Townhome Assessments of the Association shall be computed and determined on a fiscal year basis.

Section 9.9 Payable Monthly. Townhome Assessments shall be payable monthly in advance on or before the tenth day of each month by the Owners of the Units unless the Association otherwise determines.

S Dominguez Gunnison
County, CO
12/10/2008 03:59 PM
Pg: 15 of 29
R: \$146.00
D: \$0.00
588003

S Dominguez Gunnison mty, CO Pg: 16 of 29
12/10/2008 03:59 PM R: \$146.00 D: \$0.00
588003

Section 9.10 Written Notice. The Association shall give written notice to the Owners of the Lots of the Townhome Regular Assessments, and Townhome Special Assessments if any, and shall deliver to each Owner itemized statements on a periodic basis determined by the Association.

Section 9.11 Late Charges and Interest. If any such quarterly payment is not paid within ten days after the date that it becomes due and payable, the Association may assess a "late charge" thereon in an amount not exceeding five percent (5%) of such statement to cover the extra costs and expense involved in handling such delinquent statement. In addition, the Association may provide that any Townhome Assessment shall bear interest at a rate of 1.5% per month from and after the date the statement becomes due and payable.

Section 9.12 Townhome Assessments of Declarant. During the period of development of the Property and until the construction of a Building and sale of a Lot by a Declarant the Townhome Assessments to be paid by a Declarant on such Lot shall be based upon the actual cost and expense required to maintain that Lot's share of the Common Expenses and shall not include any amounts necessary for contingencies, reserves or other funds not required for the cost of operating and maintaining the project on a day by day basis.

Section 9.13 Nonpayment of Townhome Assessments. Any Townhome Assessment, whether Regular, Special, or Default Townhome Assessment, which is not paid within thirty days of its due date shall be deemed delinquent. In the event that any Townhome Assessment becomes delinquent, the Association, in its sole discretion, may take any or all the following actions:

9.13.1 Assess a late charge of not more than 5% of the amount due and owing per each delinquency.

9.13.2 Assess an interest rate charge from the date of delinquency at the rate of 1.5% per month, or such other rate as shall be established by the Board of Directors.

9.13.3 Suspend the voting rights of the Owner during any period of delinquency.

9.13.4 Assess a charge of the Association's attorneys' fees and costs incurred as a result of such failure of the Owner to pay the delinquent Townhome Assessment.

9.13.5 Bring an action against any Owner personally obligated to pay the delinquent Townhome Assessment.

9.13.6 File a Statement of Lien with respect to the Lot and foreclose such lien in the manner hereafter set forth. The Association may file a Statement of Lien by recording with the Clerk and Recorder of Gunnison County, Colorado, a written

statement with respect to the Lot, setting forth the name of the Owner, the legal description of the Lot, the name of the Association and the amount of the delinquent Townhome Assessments then owing, which Statement of Lien shall be signed and acknowledged by the President, Vice President or Secretary of the Association and which shall be sent by certified mail, postage prepaid, to the Owner of the Lot at the latest address the Association may have in its records as to the Owner. Thirty days following the mailing of such notice, the Association may proceed to foreclose the Statement of Lien in the same manner as provided for the foreclosure of Mortgages under the statutes of the State of Colorado. Such Statement of Lien shall secure all Townhome Assessments accruing or assessed subsequent to the date of recording of such Statement of Lien until the same have been satisfied and released, together with the Association's attorney fees and costs incurred in the preparation and recording of such Statement of Lien and any release thereof. In any action for the payment or foreclosure of such Townhome Assessment, the Association shall be entitled to recover as part of the action, the interest, costs and reasonable attorney fees with respect to the action.

9.13.7 The Statement of Lien shall be superior to all other liens and encumbrances on such Lot, except only any tax and assessment liens levied by any government entity and the lien of any First Mortgage. Provided, however, at all times the lien of the Association shall have priority and status over any other lien or Mortgage as provided by the Colorado Common Interest Ownership Act, as it now exists and as it may hereafter be amended.

Section 9.14 Successor's Liability for Townhome Assessment. In addition to the personal obligation of each Owner of a Lot to pay all Townhome Assessments and the Association's lien on a Lot for such Townhome Assessments, all successors to the ownership of a Lot shall be jointly and severally liable with the prior Owner for any and all unpaid Townhome Assessments, interest, costs, expenses and attorney fees against such Lot.

Section 9.15 Owner's Obligation for Payment of Townhome Assessments. The amount of the Townhome Common Expenses assessed against each Lot shall be the personal and individual debt of the Lot Owner or Lot Owners thereof at the time the Townhome Assessment is made. Suit to recover a money judgment for such unpaid debt shall be maintainable by the Association without foreclosing or waiving the lien securing the same. No Owner may exempt himself from the liability for his contribution towards the Townhome Common Expenses by waiver of the use or enjoyment of any of the Common Areas or abandonment of his Lot.

Section 9.16 Prospect Property Owners Association Assessments. In addition to all of the Townhome Assessments as set forth above pertaining to Prospect Homestead, each Owner is separately liable and responsible for the payment of its pro rata share of all assessments and common expenses levied by the Prospect Property Owners' Association and pertaining to the entire Prospect Homestead subdivision or to an individual Lot, as the case may be.

S Dominguez Gunnisor County, CO 588003
12/10/2008 03:59 PM Pg: 18 of 29
R: \$146.00
135
D: \$0.00

**ARTICLE 10
RIGHTS, DUTIES, PRIVILEGES AND OBLIGATIONS OF OWNER**

Section 10.1 Duties and Limitations of Owner. The following limitations shall apply to the rights of any Owner:

10.1.1 No exterior addition or alteration to any Lot, Building nor any fence, wall, structure, landscaping, grading, deck, patio, decorative devices or other improvements shall be constructed, allowed or maintained on any Lot without the prior written approval of the Association.

10.1.2 No change in any exterior color or material shall be made without the prior written approval of the Association.

10.1.3 No exterior mounted radio, television or other communication antenna or device shall be located on the exterior of any Building without the prior written approval of the Association.

10.1.4 No clotheslines or incinerators shall be permitted on any Lot.

10.1.5 The storage of all equipment, furniture, tools and personal property shall be appropriately stored indoors or within a designated area as designated on the Plat or as approved by the Board as part of the design review process so that they are concealed from view from any other Lot, adjoining properties, or from any street.

10.1.6 No house trailer, travel trailer, camping trailer, motor home, camper, boat, trailer, canoe, kayak, snowmobile, ATV, recreational vehicle, truck, or other similar vehicle or device except a car, pickup, van, motorcycle, motorbike used for personal transportation, shall be parked, stored or maintained on any Lot unless within the Garage of the Lot. No street, alley or public access of any such Prospect Homestead shall be used for long term parking or storage of any recreational device, vehicle or trailer. The driveway or access to the Garage of any Building may be used for the temporary parking of any motor vehicle of the Owner or the Owner's guests and invitees, including construction trailers and vehicles during the construction or repair of a Building on the Lot.

10.1.7 No signs, banners or flags of any type or kind shall be placed or displayed on any Lot without the prior written approval of the Association, except for the rights of a Declarant under Section 12.7 and those items permitted by C.R.S. § 38-33.3-106.5 and the Associations rules and regulations on flags and signs.

10.1.8 No storage of commercial equipment, building supplies or materials, landscaping, or lawn maintenance equipment shall be allowed on any Lot without

the prior written approval of the Association. During the construction of the Buildings on any Lots, all commercial equipment, building supplies, and materials shall be confined to the parking areas and building envelope on the Lot.

Section 10.2 The use and maintenance of a Lot shall also be in accordance with the Article IX of the Master Declaration. In the event of a conflict between the Master Declaration and this Declaration, the more restrictive provision shall apply.

Section 10.3 Each Owner further acknowledges and agrees to the disclosures in Article XIII of the Master Declaration, specifically including and not limited to the fact the Property is located in the vicinity of the Crested Butte Ski Area and Mountain Recreational Areas. Each Owner acknowledges that the Mountain Activities and Construction Activities, and the impacts and disturbances generated by the Mountain Activities and Construction Activities will occur in and around the Owner's Lot and the Property, and by taking title to a Lot, agrees to the waiver and release contained in Article XIII of the Master Declaration.

**ARTICLE 11
PROPERTY FOR COMMON USE**

Section 11.1 Property for Common Use. The Association may acquire and hold for the use and benefit of all of the Lot Owners within Prospect Homestead, real and personal property and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be owned by the Association on behalf of all Lot Owners and shall not be transferable except with a transfer of a Lot. A conveyance of a Lot shall transfer to the grantee ownership of the grantor's beneficial interest in all such Property acquired and held by the Association.

**ARTICLE 12
RESERVATION OF DEVELOPMENT RIGHTS
AND OTHER SPECIAL DECLARANT RIGHTS**

Section 12.1 Reservation of Development Rights. The Declarants reserve the following Development Rights, which rights may be independently exercised for the Property owned by such Declarant:

12.1.1 The right by amendment to this Declaration or the Plat to create Units or Lots, Common Elements, and Limited Common Elements in the locations identified on the Plat.

12.1.2 The right to construct utility lines, pipes, wires, ducts, conduits, and other facilities across any portion of the Property for the purpose of furnishing utility and other services to Buildings and Improvements now located on or to be constructed on the Property. A Declarant also reserves the right to withdraw, amend, and grant easements and licenses to public utility companies and to convey

Improvements within those easements anywhere in the Common Interest Community not occupied by Buildings, for the purposes mentioned above.

12.1.3 The right, by amendment, to subdivide Lots in the areas identified on the Plat, and the remaining portions of Lots after partial subdivision, into units, Common Elements and Limited Common Elements.

12.1.4 The right to withdraw any real property subjected to this Declaration prior to the time of conveyance to an individual other than a Declarant.

12.1.5 The right to amend the Declaration and/or the Plat as provided in 14.3 or in exercise of any Development Right.

12.1.6 To change the design and size of any Townhome to be constructed on any Lot by a Declarant so long as the design and size of the Townhome is compatible with existing Townhomes.

12.1.7 To change the location of the individual Lots, Units, Common Areas, streets and parking areas to be platted as part of any subsequent phase of Prospect Homesite including the right to change the type, size, location and number of Lots or structures to be constructed therein, and the number of Townhomes whether detached or with party walls, that may be constructed upon any Lot or any portion of the Property.

Section 12.2 Limitations on Development Rights. The Development Rights reserved in Section 12.1 are limited as follows:

12.2.1 The Development Rights may be exercised at any time, but not more than twenty-five (25) years after the recording of the initial Declaration;

12.2.2 Not more than forty-five (45) Lots may be created under the Development Rights;

12.2.3 All Lots and Common Elements created pursuant to the Development Rights will be restricted to the same uses and to the same extent as the Units created under this Declaration as initially recorded; and

Section 12.3 Phasing of Development Rights. No assurances are made by a Declarant as to whether a Declarant will exercise its Development Rights or the order in which such Development Rights will be developed. The exercise of Development Rights as to some portions of the Property will not obligate a Declarant to exercise them as to other portions.

Section 12.4 Special Declarant Rights. The Declarants reserve the following Special Declarant Rights, to the maximum extent permitted by law, which may be exercised, where applicable, anywhere within the Common Interest Community. Special Development

S Dominguez Gunnison (ty, CO 588003
12/10/2008 03:59 PM Pg: 21 of 29
R: \$146.00 D: \$0.00
135

Rights may be independently exercised by a Declarant for the Property owned by such Declarant:

12.4.1 to complete any Improvements indicated on the Plat;

12.4.2 to exercise a Development Right reserved in the Declaration;

12.4.3 to maintain sales offices, management offices, signs advertising the Common Interest Community, and models;

12.4.4 to use easements through the Common Elements and Lots for the purpose of making improvements within the Common Interest Community; and

12.4.5 to appoint or remove an officer of the Association or an Executive Board member during the maximum period of Declarant control subject to the provisions of Section 12.9 of this Declaration and the Colorado Common Interest Ownership Act, as now in effect and as same may be amended or revised.

Section 12.5 Models, Sales Offices and Management Offices. As long as the Declarant is a Unit or Lot Owner, such Declarant, its duly authorized agents, representatives, and employees may maintain any Lot owned by such Declarant or any portion of the Common Elements as a model Unit, sales office, or management office. In addition, during periods of construction, such Declarant may maintain a construction trailer on the Common Elements, if approved by the Town of Mt. Crested Butte, Colorado.

Section 12.6 Construction: Declarant's Easement. The Declarants reserve the right to perform warranty work, repairs, and construction work on Lots and Common Elements, to store materials in secure areas, and to control and have the right of access to work and repairs until completion. All work may be performed by a Declarant without the consent or approval of the Executive Board. A Declarant has an easement through the Common Elements as may be reasonably necessary for the purpose of discharging a Declarant's obligations or exercising Special Declarant Rights, whether arising under the Act or reserved in this Declaration. This easement includes the right to convey access, utility, and drainage easements to utility providers, Crested Butte Mountain Resort the Town and/or the State of Colorado or United States Forest Service.

Section 12.7 Signs and Marketing. A Declarant reserves the right to post and maintain signs and displays on Lots owned by Declarant and in the Common Elements in order to promote sales of Lots. Declarant also reserves the right to conduct general sales activities in a manner which will not unreasonably disturb the rights of Lot Owners.

Section 12.8 Declarant's Property. A Declarant reserves the right to remove and retain all its property and equipment used in the sales, management, construction, and maintenance of the Property, whether or not they have become fixtures.

Section 12.9 Declarant Control of the Association.

S Dominguez Gunnison County, CO 588003
12/10/2008 03:59 PM Pg: 22 of 29
R: \$146.00 D: \$0.00
135

12.9.1 Subject to the provisions of 12.10.1, There shall be a period of Declarant control of the Association, during which a Declarant, or Persons designated by a Declarant, may appoint and remove the officers of the Association and Members of the Executive Board. The period of Declarant control shall terminate no later than the earlier of:

12.9.1.1 60 days after conveyance of 75 percent of the Lots that may be created in the Common Interest Community to Lot Owners other than a Declarant; or

12.9.1.2 Two years after the last conveyance of a Lot by a Declarant in the ordinary course of business; or

12.9.1.3 Two years after any right to add new Lots was last exercised.

Section 12.10 Voluntary Surrender. A Declarant may voluntarily surrender the right to appoint and remove officers of the Association and Members of the Executive Board before termination of the period described above. In that event, a Declarant may require, for the duration of the period of Declarant control, that specified actions of the Association or Executive Board, as described in a recorded instrument executed by a Declarant, be approved by a Declarant before they become effective.

12.10.1 Not later than 60 days after conveyance of 25 percent of the Lots that may be created to Lot Owners other than a Declarant, at least one Member and not less than 25 percent of the Members of the Executive Board shall be elected by Lot Owners other than the Declarants. Not later than 60 days after conveyance of 50 percent of the Lots that may be created to Lot Owners other than the Declarants, not less than 33-1/3 percent of the Members of the Executive Board must be elected by Lot Owners other than the Declarants.

12.10.2 Not later than the termination of any period of Declarant control, the Lot Owners shall elect an Executive Board of at least three Members, at least a majority of whom shall be Lot Owners. If any Lot is owned by a partnership, limited liability company, corporation, or similar entity, any officer, partner, manager, member, or employee of that Lot Owner shall be eligible to serve as a Member of the Executive Board and shall be deemed to be a Lot Owner for the purposes of the preceding sentence. The Executive Board shall elect the officers. The Executive Board Members and officers shall take office upon election.

12.10.3 Notwithstanding any provision of this Declaration or the Bylaws to the contrary, following notice under C.R.S., §38-33.3-308, the Lot Owners, by a vote of 67 percent of all Lot Owners present and entitled to vote at a meeting of the Lot Owners at which a quorum is present, may remove a Member of the Executive Board with or without cause, other than a member appointed by a Declarant.

S Dominguez Gunnison County, CO 588003
Pg: 23 of 29
R: \$146.00
D: \$0.00
12/10/2008 03:59 PM
135

Section 12.11 Limitations on Special Declarant Rights. Unless terminated earlier by an amendment to this Declaration executed by a Declarant, any Special Declarant Right may be exercised by a Declarant until the earlier of the following: as long as a Declarant (a) is obligated under any warranty or obligation; (b) holds a Development Right to create additional Lots or Common Elements; (c) owns any Lot; (d) owns any Security Interest in any Lots; or (e) twenty-five (25) years have elapsed after recording of this Declaration. Earlier termination of certain rights may occur by statute.

Section 12.12 Interference with Special Declarant Rights. Neither the Association nor any Lot Owner may take any action or adopt any Rule that will interfere with or diminish any Special Declarant Right without the prior written consent of the Declarants.

ARTICLE 13 REGISTRATION BY OWNER OF MAILING ADDRESS

Section 13.1 Registration of Mailing Address. Each Owner shall register his mailing address with the Association, and except for monthly statements and other routine notices, all other notices or demands intended to be served upon an Owner shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner at such registered mailing address. All notices, demands or other notices intended to be served upon the Association shall be sent by certified mail, postage prepaid, to the address of the Association, unless the Association otherwise informs the Owners. An Owner may alternately register his electronic address if he desires, and may specifically request that all notices be sent to his electronic address.

Section 13.2 Certified or Registered Mail. All notices or demands intended to be served shall be sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner at such registered mailing address.

Section 13.3 Single Address for Mailing. In the event any Lot is owned by more than one Person, or by a partnership, joint venture, corporation, or other such entity, the Lot Owners thereof 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 or electronically mailed, and upon failure to so designate an agent, the Association shall be deemed to be the agent for receipt of notices to such Lot Owners.

ARTICLE 14 PRINCIPLES OF INTERPRETATION

Section 14.1 Validity. This Declaration, to the extent possible, shall be construed so as to give validity to all of the provisions hereof. If any provision of this Declaration is determined to be invalid, unenforceable or prohibited by any court, the same shall not affect any other

provision or Section hereof and all other provisions and Sections shall remain in full force and effect.

Section 14.2 Context of Words. In interpreting words herein, unless the context shall otherwise provide or require, the singular shall include the plural, the plural shall include the singular and the use of any gender shall include all genders.

Section 14.3 Headings. The headings on any Section or Article are included only for purposes of convenient reference and shall not affect the meaning or interpretation of this Declaration.

Section 14.4 Written Notice. All notices required under this Declaration shall be in writing. Notice to any Owner shall be considered delivered and effective upon personal delivery or five days after mailing by certified or registered mail, return receipt requested, to the address of such Owner on file in the records of the Association at the time of such mailing.

Section 14.5 Limitation of Liability. Neither the Association nor any officer or director, shall be liable to any party for any failure to take any action with respect to any matter arising by, through or under this Declaration for Prospect Homestead if the action or failure to act was made in good faith. The Association shall indemnify all officers and directors with respect to any action taken in their official capacity as provided in the Articles of Incorporation and Bylaws of the Association.

Section 14.6 Severability. This Declaration for Prospect Homestead, to the extent possible, shall be construed so as to give validity to all of the provisions hereof. If any provision of this Declaration for Prospect Homestead is determined to be invalid, unenforceable or prohibited by any court, the same shall not affect any other provision or Section hereof and all other provisions and Sections shall remain in full force and effect.

Section 14.7 Attorney Fees. If the Association needs to consult an attorney, as to the interpretation, enforcement, construction or the determination of the rights and duties of the parties to this Declaration or any provision of the Association Documents provided herein, those costs shall be allocated to the Lot Owner(s) that necessitated such costs and that amount will be assessed to such Lot Owner(s). If any legal action is commenced or maintained in court, whether in law or in equity, as to the interpretation, enforcement, construction or the determination of the rights and duties of the parties to this Declaration or any provision of the Association Documents provided herein, the prevailing party in any such action shall be awarded its reasonable attorney fees together with all reasonable costs and expenses incurred in such action.

Section 14.8 Applicable Law. The proper jurisdiction and venue for any action pertaining to the interpretation or enforcement of the Association Documents shall be the District Court of Gunnison County, Colorado, unless otherwise chosen by the Association and shall be interpreted, construed and governed by the laws of the State of Colorado.

Section 14.9 Interest. Unless otherwise provided in this Declaration for Prospect Homestead, any sums, amounts or monies due and owing to the Association under the Association Documents shall bear interest at 18% per year from the date due until paid.

Section 14.10 Prospect Property Owners' Association. Notwithstanding any other provision herein to the contrary, it is specifically understood and agreed that:

14.10.1 The Property is at all times subject to the terms and conditions of the Declaration of Protective Covenants, and any amendments thereto, the Design Guidelines, the Rules and Regulations and the Articles of Incorporation and Bylaws of the Prospect Property Owners' Association.

14.10.2 In the event of any conflict between the terms and conditions of this Declaration for Prospect Homestead and the documents referenced in subsection 1 above, then and in that event the documents referenced in subsections 1 shall prevail, except for any necessary consents required under this Declaration.

ARTICLE 15 ENFORCEMENT OF COVENANTS

Section 15.1 Violations Deemed a Nuisance. Every violation of this Declaration for Prospect Homestead, the Articles and Bylaws of the Association, or any Rules and Regulations adopted by the Association shall be deemed to be a nuisance and is subject to all the remedies provided for the abatement thereof.

Section 15.2 Failure to Comply. The failure to comply with this Declaration or any Rules and Regulations adopted by the Board of Directors shall be grounds for an action to recover damages, or for injunctive relief or for specific performance, or any of them under the following terms and conditions:

15.2.1 Written notice of any violation or failure to comply with this Declaration or any Rules and Regulations adopted by the Board of Directors shall first be given to any Member or Person as to such violation or failure to comply.

15.2.2 Such Member or Person shall be given 10 days from the date of such notice to correct such violation or failure to comply.

15.2.3 In the event that any Member or Person believes that he or she is not in violation or failure to comply, he or she may request an opportunity for a hearing by the Board of Directors prior to the Association taking further action or commencing any legal proceeding against such Member or Person.

15.2.4 Any action by the Association as against any such Member or Person shall be by resolution of the Board of Directors following notice as above provided

S Dominguez Gunnis County, CO Pg: 26 of 29 R: \$146.00
12/10/2008 03:59 PM 135
588003

and granting to such Member or Person an opportunity to be heard before the Board of Directors.

Section 15.3 Who May Enforce. Any action to enforce any violation of any provision of these Protective Covenants may be brought as follows:

15.3.1 By the Association in name of the Association and on behalf of the Owners.

15.3.2 By the Owner of any Lot.

15.3.3 By the Prospect at Mt. Crested Butte Property Owners' Association

15.3.4 By the Town of Mt. Crested Butte, Colorado.

Section 15.4 No Waiver. The failure of the Board, the Association or an Owner to enforce or obtain compliance as to any violation, shall not be deemed a waiver of the right to do so for any subsequent violation or the right to enforce any part of such documents.

ARTICLE 16 DURATION OF COVENANTS

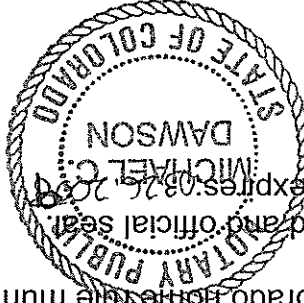
Section 16.1 Term. The term of this Declaration for Prospect Homestead, and any amendments or supplements thereto, shall be from the date of recording in the records of Gunnison County, Colorado and until January 1, 2056. Thereafter, this Declaration for Prospect Homestead shall be automatically renewed for successive periods of ten years each, unless otherwise terminated or amended as hereafter provided.

Section 16.2 Amendment. This Declaration for Prospect Homestead, or any provision thereof, may only be terminated, extended, modified or amended as to the Property subject to this Declaration or any portion thereof, upon the written consent by the Owners of 67% or more of the Lots in the Property and upon the written consent of the Board of Directors of the Prospect Homestead Association and the Board of Directors of the Prospect Property Owners' Association or as otherwise provided by C.R.S. § 38-33.3-217, as amended. Any such amendment shall be by an instrument duly executed, acknowledged and recorded in the records of Gunnison County, Colorado, and upon such recording shall be for the benefit of and be binding on all Owners of Units within the Property.

Section 16.3 Amendment by Declarant. Notwithstanding the provisions of Section 16.2, a Declarant reserves the right and power to modify and amend this Declaration for Prospect Homestead, and all Plats subject to this Declaration for Prospect Homestead, by executing and recording such amendment in the records of Gunnison County, Colorado. Such right or power of a Declarant is limited to (1) the correction of any typographical or language errors in this Declaration for Prospect Homestead, (2) any corrections required to comply with the applicable laws, rules and regulations of any governmental entity having

jurisdiction over the Property, and (3) any changes or corrections required to reasonably satisfy the requirements of any commercial lender to provide financing for the purchase and/or construction of a Unit upon any Lot, which are not contrary to the terms of the agreement. This right and power of a Declarant to modify or amend this Declaration for Prospect Homestead and the Plats, in whole or in part, as set forth in this Section 16.3, shall be effective only until (1) five years after the date of construction of the first improvements on the Property or (2) the date that 75% of all Lots within the Property have been sold or conveyed to third person owners by a Declarant, whichever occurs first. Provided, however, a Declarant may not amend or revise the location and dimensions of any Lot which has been conveyed by a Declarant to another Owner, without the consent of such Owner.

S Dominguez Gunnison County, CO Pg: 27 of 29
12/10/2008 03:59 PM R: \$146.00
588003 135
D: \$0.00



My commission expires: 03.25.2008
Witness my hand and official seal

Notary Public

The foregoing Declaration of Protective Covenants for Prospect Homestead has been acknowledged before me this 15th day of November, 2008, by William Buck as Mayor and attested by Donna Arwood as Town Clerk of the Town of Mt. Crested Butte, Colorado, a Colorado home rule municipality.

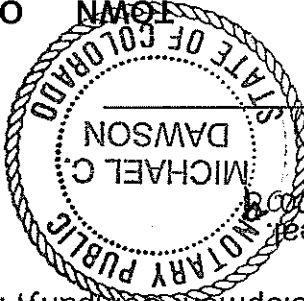
STATE OF COLORADO)
) ss.)
County of Gunnison)

Donna Arwood
Town Clerk

By: _____
William Buck, Mayor

Attest: _____
Donna Arwood

TOWN OF MT. CRESTED BUTTE,
COLORADO, A Colorado home rule municipality



My commission expires: 03.25.2008
Witness my hand and official seal

Notary Public

The foregoing Declaration of Protective Covenants for Prospect Homestead has been acknowledged before me this 15th day of November, 2008, by Michael Kraatz as Vice President of Prospect Development Company, Inc., a Colorado corporation.

STATE OF COLORADO)
) ss.)
County of Gunnison)

PROSPECT DEVELOPMENT COMPANY, INC.,
a Colorado corporation
By: _____
Michael Kraatz, Vice President

IN WITNESS WHEREOF, the Declarants have executed this Declaration the date first above written.

EXHIBIT A

Prospect Homestead Subdivision:

A parcel of land located within the East Trade Parcel recorded at Reception #488698, also located within Government Lot 14 of Section 13 and the Northwest 1/4 of Section 24, Township 13 South Range 86 West 6th P.M., Town of Mt. Crested Butte, Gunnison County, Colorado, being more particularly described as follows:

Beginning at the C-S-SW1/64th Corner of said Section 13, also being the Northwest corner of a parcel of land known as Mt. Crested Butte Affordable Housing Parcel recorded at Reception #543881, with all bearings relative to a bearing of N87°53'04"E between the C-S-SW 1/64th corner and the SE-SW 1/64th corner of said Section 13; thence N87°53'04"E a distance of 697.30 feet along the North line of said Lot 14 to the SE-SW1/64th corner of said Section 13; thence S01°36'19"W a distance of 628.23 feet along the East line of said Lot 14 to the Northernly boundary of Willdhorse Subdivision recorded at Reception #558500 from which the E-W 1/64th corner of said Sections 13 & 24 bears S01°36'19"W a distance of 54.13 feet; thence along the Northernly and Westerly boundary of said Willdhorse Subdivision the following three (3) courses S81°37'57"W a distance of 95.17 feet; thence N63°31'42"W a distance of 225.48 feet; thence S39°56'29"W a distance of 382.74 feet to a point along the North right-of-way of Prospect Drive as shown on Prospect at Mt. Crested Butte, Phase 1, recorded at Reception #522218; thence 38.92 feet along the arc of a non-tangent curve to the right having a radius of 270 feet, a central angle of 8°15'32", and a chord bearing of N15°43'14"W a distance of 38.88 feet to a point which is the Southeast corner of said Affordable Housing Parcel; thence continuing along the North right-of-way of said Prospect Drive also being the Southernly boundary of said Affordable Housing Parcel the following three (3) courses 11.70 feet along the arc of a curve to the right having a radius of 270 feet, a central angle of 2°28'59", and a chord bearing of N10°20'59"W a distance of 11.70 feet; thence N9°06'30"W a distance of 46.63 feet; thence 258.98 feet along the arc of a curve to the left having a radius of 330.00 feet, a central angle of 44°57'54" and a chord bearing of N31°35'27"W a distance of 252.38 feet to the West line of said Lot 14 from which the W1/16 of said Section 13/24 bears S1°41'23"W a distance of 189.47 feet; thence N1°41'23"E along the West line of said Lot 14 also being the West line of said Affordable Housing Parcel a distance of 499.28 feet to the Point of Beginning, said parcel contains 10.01 acres, more or less.

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