

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR SHADOW MOUNTAIN RANCH AND RESORT

THIS DECLARATION of Covenants, Conditions and Restrictions for Shadow Mountain Ranch and Resort is made effective June 30, 1992, by SMR Investments, Ltd. Liability Co., hereinafter referred to as the "Declarant".

ARTICLE 1.00 - RECITALS/DECLARATION

The Declarant is the owner of certain real property situate in Grand County, Colorado, as more particularly described on Exhibit "A" attached hereto and incorporated herein by reference (the "Property").

In order to protect and enhance the value, desirability and integrity of the Property, the Declarant has established a general plan for the improvement and development thereof and does hereby declare that all of the Property is and shall henceforth be held, conveyed, encumbered, leased, improved, used, occupied and enjoyed subject to the following covenants, conditions, reservations, easements and restrictions. Each and every one of these covenants, conditions, reservations, easements and restrictions is, and all are for the benefit of all persons acquiring or owning any interest in the Property, and shall inure to and pass with every part of the Property and every interest therein and shall inure to the benefit of and be binding upon the Declarant and its successors in interest. These covenants, conditions, reservations, easements and restrictions shall be construed as restrictive covenants running with the title to the Property and with each and every interest therein.

ARTICLE 2.00 - DEFINITIONS

The following terms shall have the following meanings when used in this Declaration, unless the context otherwise requires:

Section 2.1 Association. "Association" means the Shadow Mountain Ranch Property Owners' Association, Inc., a Colorado nonprofit corporation, its successors and assigns.

Section 2.2 Board of Directors. "Board of Directors" or "Board" means the governing body of the Association, as provided in this Declaration and in the Articles of Incorporation and Bylaws of the Association.

Section 2.3 Declarant. "Declarant" means SMR Investments, Ltd. Liability Co. and its successors and assigns.

Section 2.4 Declaration. "Declaration" means this instrument, together with any and all supplements and/or amendments hereto recorded in the office of the Clerk and Recorder of Grand County, Colorado.

Section 2.5 Lot. "Lot" means each subdivided parcel of land in the Project capable of separate fee simple ownership, together with all improvements thereon. Initially, there will be one Lot (which shall be deemed to be a Nonrestricted Lot as defined in Section 3.1) consisting of the entire Project owned by Declarant. Additional Lots will be created by conveyances of portions of the Project by Declarant to purchasers or other third parties after the recording of this Declaration, and the description of each such Lot shall be as set forth in the deed or other instrument of conveyance executed by the Declarant. The term "Lot" shall also mean and refer to any additional parcel or parcels of land which are created by the resubdivision of a Lot and any parcel or parcels submitted to the provisions of this Declaration after the date hereof, as provided herein.

Section 2.6 Owner. "Owner" means the record owner, whether one or more persons or entities, and including the Declarant, of fee simple title to any Lot within the Project.

Section 2.7 Project. "Project" shall mean and refer to all of the Property, together with all structures and other improvements now or hereafter situated thereon, subject to the Declarant's right to make additions to or withdrawals from the Project as provided in Article 7.00.

ARTICLE 3.00 - PERMITTED USES AND RESTRICTIONS

Section 3.1 Residential and Nonrestricted Lots. The initial deed, or other instrument of conveyance, executed by the Declarant to convey a Lot to a purchaser or other third party may designate the Lot as being restricted to residential use (a "Residential Lot") or as being nonrestricted in its use (a "Nonrestricted Lot"). If any such initial deed or instrument of conveyance from the Declarant does not contain any such designated use for the Lot, the Lot shall be deemed to be a Nonrestricted Lot. All Residential Lots within the Project are restricted to use for single-family dwellings for residential use and uses related to the convenience and enjoyment of such residential use, except as otherwise expressly provided in this Article 3.00.

Nonrestricted Lots may be used for any purpose permitted under the applicable zoning and other land use regulations.

Section 3.2 Minimum Criteria for Dwellings. Each single-family dwelling constructed or placed on a Residential Lot shall have a minimum habitable floor area of seven hundred fifty (750) square feet, exclusive of any porch, patio, deck or garage area, but including any finished basement. If warranted by unusual circumstances, a lesser area may be allowed by written variance granted by the Architectural Control Committee, hereinafter defined. An enclosed garage, which may be either attached to or separate from the dwelling, shall be permitted as an accessory structure on Residential Lots. No other accessory structures shall be permitted on a Residential Lot except on the written authorization of the Architectural Control Committee. The exterior finished surface of each dwelling and accessory structure (including roofs) and all other exterior improvements (including fences, if permitted) constructed or placed on a Residential Lot shall be earth tone in color, and the actual color scheme and exterior finish materials used shall be subject to review by the Architectural Control Committee.

Section 3.3 Approval of Plans. No building, driveway, wall, fence, excavation or other structure or exterior improvement shall be commenced, erected, placed or maintained upon any Residential Lot in the Project unless and until plans and specifications showing the nature, kind, shape, height, materials, floor plans, exterior color scheme and location of such structure or improvement and the grading plan and finished grade elevations of the site to be built upon have been submitted to and approved in writing by the Architectural Control Committee, hereinafter identified. Such Committee shall have the right to refuse to approve any such plans and specifications which are not suitable or desirable in the Committee's opinion, for aesthetic or other reasons; and in so passing upon such plans and specifications, the Committee may take into consideration the suitability of the proposed building, structure or other improvement and of the materials of which it is to be constructed to the site upon which it is proposed to erect the same, the harmony thereof with the surroundings, the topography of the land and the effect of the building, structure or other improvement as proposed on the adjacent or neighboring properties, and with the general plan of the community as a whole. All subsequent additions to or changes or alterations in any building, structure or other exterior improvement on a Residential Lot shall likewise be subject to the prior approval of the Architectural Control Committee.

Section 3.4 Construction Period. Every structure or other improvement, the construction or placement of which has begun on

any Lot, shall be substantially completed with reasonable diligence, and in no event shall such construction or placement extend beyond one (1) year from the commencement thereof without the approval of the Architectural Control Committee. No building, structure or other exterior improvement which has been partially or totally destroyed by fire or other casualty shall be permitted to remain in such damaged condition for more than three (3) months from the date of such damage. The time limitations set forth in this Section 3.4 may be extended, for just cause, by written variance granted by the Architectural Control Committee.

Section 3.5 No Temporary Structures. No temporary house, trailer, tent, garage or outbuilding shall be placed or erected upon any Lot in the Project; and no permanent building placed or erected upon any Lot shall be occupied in any manner at any time prior to it being fully completed in accordance with the plans and specifications therefor, nor shall any such dwelling, when completed, be in any manner occupied until made to comply with all requirements, conditions and restrictions herein set forth; provided, however, that during the actual construction or alteration of any building or other improvement, necessary temporary structures for the storage of materials, tools and equipment may be maintained by the person or entity doing such work.

Section 3.6 Maintenance and Repair of Property. Every Owner of a Lot in the Project shall at all times keep and maintain the land and/or improvements owned by him in good repair and in a good, clean, sightly and wholesome condition. No trash, garbage, litter, refuse, junk, boxes, bottles, cans, implements, machinery, lumber or other building materials shall be permitted to accumulate or to remain exposed on any Lot, except as is necessary during the period of construction.

Section 3.7 Resubdivision. Any Lot in the Project may be resubdivided or combined with another Lot or Lots, provided that all applicable subdivision and other laws and regulations are complied with in connection therewith; and provided further that no resubdivision of a Lot shall create a parcel less than ten (10) acres in size without the prior written approval of the Architectural Control Committee. Any parcels created by the resubdivision of any Residential Lot shall also be treated as Residential Lots under the terms of this Declaration; and similarly, any parcels created by the resubdivision of any Nonrestricted Lot shall be treated as Nonrestricted Lots hereunder. The voting rights and assessment obligations allocated to any Lot, as hereinafter provided, shall be reallocated among the new parcels created upon the resubdivision of such Lot in accordance with the formula referred to in Sections 4.3 and 5.2.

Section 3.8 Signs. No signs shall be erected, placed or maintained anywhere within the Project, except:

(a) Advertising, business identification, and other signs may be erected and maintained upon any Nonrestricted Lot in accordance with the requirements of any applicable state or local laws or regulations.

(b) Signs designating the name of the Owner or occupant and/or the address of a Residential Lot may be displayed from or upon such Lot. The Association may adopt uniform requirements regarding the size, design and/or placement of such signs; in which case, each owner shall comply with such requirements.

(c) Signs not larger than two (2) feet by three (3) feet may be displayed on or from a Residential Lot advertising such Lot for sale or lease.

(d) The Declarant may erect and maintain such signs for sales or other purposes as Declarant, in its sole discretion, deems appropriate.

No other signs, billboards, placards, posters, or advertising devices of any kind whatsoever, whether intended for a business, personal or political purpose or otherwise, shall be displayed to the public view from or upon any property in the Project without the prior written approval of the Architectural Control Committee.

Section 3.9 Animals. No cattle, sheep, goats, pigs, rabbits, poultry or other livestock or animals of any description shall be kept or maintained on any Residential Lot, except that the Owner or occupant of a Residential Lot may keep horses and pets of the customary household variety, including no more than two (2) dogs and/or two (2) cats, so long as such horses and pets are not kept for breeding or commercial purposes and do not make objectionable noises or otherwise constitute a nuisance or inconvenience to any other Owners or occupants of property within the Project, and so long as the keeping of such horses and pets is otherwise in compliance with all existing local ordinances and regulations. The provisions of this Section shall not apply to Nonrestricted Lots.

Section 3.10 Other Prohibited Activities. No noxious or offensive activity of any kind shall be carried on upon any property in the Project nor shall anything be done or placed on any property within the Project which is or may become a nuisance or cause embarrassment, disturbance or annoyance to others. Without

limiting the generality of the foregoing, no light shall be emitted from any Lot which is unreasonably bright or causes unreasonable glare; no sound shall be emitted from any Lot which is unreasonably loud or annoying; and no odor shall be emitted from any Lot which is noxious or offensive to others. Garbage, refuse, rubbish or cuttings shall be placed in a suitable container or containers which shall be properly located and shall not be exposed to public view except for the purpose of garbage pickup or removal. No living trees shall be felled or trimmed above ten (10) feet above the ground, except as may be necessary for the construction of buildings or other improvements, unless permission of the Architectural Control Committee is obtained. No property shall be used for the purpose of mining, quarrying, drilling, boring, or exploring for oil, gas or other hydrocarbons, minerals of any kind, rocks, stones, sand, aggregate or earth.

Section 3.11 Compliance with Law. All valid laws, ordinances and regulations of all governmental bodies having jurisdiction over the Project shall be observed. Without limiting the generality of the foregoing, every Owner shall comply fully with all zoning, building and other requirements relating to the ownership, use and improvement of his Lot, including restrictions upon building height, bulk, size, placement of structures, setbacks and other similar restrictions. Any violation of any federal, state or local law, ordinance or regulation pertaining to the ownership, improvement, occupancy or use of any Lot in the Project is hereby declared to be a violation of this Declaration and shall be subject to all of the enforcement procedures set forth herein.

ARTICLE 4.00 - THE ASSOCIATION

Section 4.1 Organization. The Association is a nonprofit Colorado corporation created for the purposes, charged with the duties, and invested with the powers set forth in this Declaration and its Articles of Incorporation and Bylaws, and as otherwise prescribed by law. Neither the Articles of Incorporation nor the Bylaws of the Association shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration, as supplemented or amended from time to time.

Section 4.2 Membership. Every Owner, including the Declarant, of a Lot within the Project shall be a member of the Association. There shall be one (1) membership for each Lot in the Project. If a Lot is owned jointly or in common by more than one (1) person or entity, the membership appurtenant to such Lot shall likewise be held jointly or in common in the same manner as

the title to the Lot is held. Each membership in the Association shall be appurtenant to the Lot upon which it is based and shall be transferred automatically by conveyance of the Lot. No person or entity other than an Owner of a Lot may be a member of the Association, but the rights of membership may be assigned to a lender as further security for a loan secured by a mortgage or deed of trust on a Lot.

Section 4.3 Classification and Voting Rights. The Association shall have one (1) class of members, which shall include the Owners of all Lots within the Project. The Owner of a Lot shall be entitled to the number of votes equal to the percentage of such Owner's share of common expense assessments, as determined in accordance with the formula set forth in Section 5.2, with respect to all matters which may be lawfully submitted to a vote of members, including the election of directors to serve on the Board of Directors of the Association.

Section 4.4 Road Maintenance. The Owner of any Lot, including the Declarant, may apply to the Association to have the Association assume responsibility for maintenance of any private access road constructed within the Project. If the Board of Directors finds that the road has been constructed in accordance with Grand County road standards or such other road standards as may be adopted by the Board and is otherwise suitable for maintenance by the Association, the Board may accept such road for maintenance by the Association. The costs of maintaining such roads accepted for maintenance by the Association shall be a common expense payable from the common expense assessments collected from all Lot Owners. The Association shall have the right to petition the County to accept any private access roads within the Project as public roads and to assume maintenance thereof, and in connection therewith, the Association may dedicate or convey such private roads to the public or to any governmental entity.

Section 4.5 Administration of Association Property. The Association may accept, purchase, acquire, own, operate, maintain and dispose of tangible and intangible personal and real property of whatever kind or nature, as the Board of Directors of the Association from time to time may deem necessary or appropriate to acquire and hold for the purpose of carrying out its powers, duties and functions or for the common use and benefit of all Owners of Lots within the Project. Every Owner of a Lot within the Project and his or her family, guests, invitees, lessees and licensees may use Association property held for common use subject, however, to:

(a) The provisions of this Declaration and the Articles of Incorporation, Bylaws and rules and regulations of the Association;

(b) The right of the Association to impose reasonable restrictions on the number of persons per Lot who may use the Association property;

(c) The right of the Association to charge reasonable usage fees; and

(d) The right of the Association to suspend the rights to the use of the Association property by any such Owner, his or her family, guests, invitees, lessees and licensees, for any period during which any assessment against the Owner's Lot remains past due and unpaid, or for any period during which such Owner is in violation of any of the provisions of this Declaration or of the Articles of Incorporation, Bylaws or rules and regulations of the Association.

Section 4.6 Association Services. The Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall determine to be necessary or desirable for the proper administration of the Project, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or which it contracts. The Association may obtain and pay for legal and accounting services necessary or desirable in connection with the administration of the Project or the enforcement of this Declaration and the Association's Bylaws and rules and regulations. The Association may arrange with others to furnish road maintenance, snow removal, trash collection, and other common services benefiting Lots within the Project. The Association may obtain appropriate insurance, including but not limited to casualty insurance, comprehensive general liability insurance, directors and officers error and omissions insurance and fidelity bonds. The costs of such services and insurance shall be a common expense payable from the common expense assessments levied against Lots as provided in this Declaration.

Section 4.7 Rules and Regulations. The Association may adopt rules and regulations, which shall be consistent with the rights and duties established in this Declaration, covering any and all aspects of its functions, including the use and enjoyment of Association property. Each member of the Association shall be entitled to obtain a copy of such rules and regulations and any

amendments thereto adopted by the Association upon request, subject to the Association's right to charge a reasonable fee for such copies.

Section 4.8 Transfer of Rights and Powers. Except as otherwise expressly stated herein, any of the rights and powers of the Association set forth or reserved herein or in the Association's Articles of Incorporation or Bylaws may be delegated, transferred or assigned to any other person or entity. No such delegation, transfer or assignment of the Association's rights or powers shall relieve the Association of any of its obligations set forth herein, nor shall it revoke or change any of the rights or obligations of the Owners as set forth herein.

ARTICLE 5.00 - ASSESSMENTS

Section 5.1 Authority to Levy Assessments. Assessments shall be levied by the Association, as provided in this Article 5.00, to meet the expenses and other costs and financial needs of the Association. All funds collected by the Association through assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Owners of Lots within the Project, for the maintenance and improvement of the Association property, to defray the Association's costs of administration, and for the other purposes set forth in this Declaration and in the Articles of Incorporation and Bylaws of the Association, as the same may from time to time be supplemented and amended.

Section 5.2 Apportionment. An assessment is defined for purposes of this Declaration as that sum which must be levied against the Lots within the Project in order to raise the total amount necessary to pay the actual or estimated common expenses or other costs for which the assessment is being made. Common expense assessments shall be levied against all Lots within the Project, and the percentage of the aggregate common expenses to be paid by each Lot shall be determined by dividing the area of the Lot in question by the total land area of all Lots included in the Project, as determined by the Board of Directors. In addition to common expense assessments, the Association may make special assessments against one or more but less than all of the Lots for any costs, expenses or other sums which are attributable solely to such Lot(s), including but not limited to the expenditures incurred by the Association to repair damages to Association property caused by the negligence of a particular Lot Owner.

Section 5.3 Regular Assessments. Prior to the beginning of each calendar year, the Board of Directors shall estimate the common expenses and costs to be incurred by the Association

during such year in performing its functions under this Declaration and the Articles of Incorporation and Bylaws of the Association, including a reasonable provision for contingencies and appropriate replacement reserves, less any expected income and any surplus from the prior year's fund. A common expense assessment sufficient to pay such estimated net expenses and costs shall then be levied against all Lots within the Project as provided in Section 5.2 above. If the sums collected prove inadequate for any reason, including nonpayment of any individual assessments, the Board may, at any time and from time to time, levy special assessments as provided in Section 5.4 below to make up for such deficiency. The initial regular common expense assessment shall be payable in monthly installments equal to \$1.00 multiplied by the acreage of the Lot. For example, a Lot consisting of 35.26 acres would pay a monthly assessment of \$35.26. Such initial regular assessment shall be payable by each Lot Owner, including the Declarant, commencing upon the conveyance of the first Lot in the Project by the Declarant to a purchaser, and shall be due on the first day of each month beginning with the first month following the date of such initial conveyance. The amount and due date of the regular assessment shall remain the same until modified by the Board of Directors.

Section 5.4 Special Assessments. In addition to the regular assessments authorized above, the Board of Directors may establish, levy and collect special assessments against the Lots whenever, in the Board's opinion, such special assessments are necessary to enable the Board to carry out the functions of the Association under this Declaration and under the Articles of Incorporation and Bylaws of the Association.

Section 5.5 Notice and Time for Payment of Assessments. The Board of Directors shall fix the date by which any regular or special assessment or any installment thereof shall be paid to the Association. The Board may require that regular and special assessments be paid in monthly, quarterly, or semiannual installments, or in such other manner as the Board may deem appropriate in its sole and absolute discretion. Written notice shall be given to each member, at such member's last known address as indicated by the Association's records, of the amount of any regular or special assessment and when it is due; provided, however, that the failure of any member to be sent or to receive such notice shall not, in any manner, excuse or postpone such member's obligation to pay any such assessment when due.

Section 5.6 Interest and Late Charges. If any assessment, whether regular or special, is not paid within thirty (30) days after it is due, such assessment shall bear interest at the rate of eighteen percent (18%) per annum, or at such lower or higher

rate as the Board may designate from time to time, compounded annually, from the date it became due; and the Owner owing such assessment may be required to pay a late charge at such uniform rate as the Board may designate from time to time.

Section 5.7 Assessment Lien. The amount of any delinquent assessments, whether regular or special, and any interest thereon and any late charge attributable thereto, plus the cost of collecting the same, including reasonable attorney's fees, shall constitute a lien upon the Lot upon which such assessment was levied. To evidence such lien, the Board of Directors may, but shall not be required to prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner, and a description of the Lot subject to the assessment, and record the same in the office of the Clerk and Recorder of Grand County, Colorado. Such assessment lien shall attach from the due date of the assessment(s) it secures and may be enforced by foreclosure of the defaulting Owner's Lot by the Association in the same manner as is provided by the laws of the State of Colorado for the foreclosure of mortgages on real property. In the event of any such foreclosure, the Owner shall be liable for all amounts secured by the assessment lien, plus the costs and expenses of such proceedings, the costs and expenses for filing the notice of the lien, and all reasonable attorney's fees in connection therewith. By acquiring ownership of any Lot subject to assessment as provided herein, the Owner shall thereby be deemed to have waived and released any and all rights and claims said Owner may have in and to said Lot as a homestead exemption or other exemption, said waiver and release to be applicable only in an action to foreclose the assessment lien.

Section 5.8 Personal Obligation. The amount of any assessment and the interest thereon and all other charges incident thereto shall be a personal and individual debt of the Owner of the Lot against which the assessment was made. No Owner may become exempt from liability for an assessment by abandonment or waiver of the use and enjoyment of the Association property or by abandonment of his Lot. A suit to recover a money judgment for unpaid assessments and all interest and other incidental charges, together with all court costs and reasonable attorney's fees incurred in connection with such suit, shall be maintainable by the Association without foreclosing or waiving the assessment lien provided herein.

A purchaser or other person acquiring ownership of any Lot subject to assessment shall be jointly and severally liable with the prior Owner for all unpaid assessments, interest and incidental charges due with respect to the Lot prior to the time of conveyance, without prejudice to the right of such purchaser or

other person to recover from the prior Owner the amount paid for such assessments, interest and incidental charges.

Section 5.9 Association's Right of Acceleration Upon Default. In addition to the other remedies provided for the Association upon default of an Owner in the payment of any regular or special assessment or any installment thereof, the Association shall have the immediate right to accelerate the total amount of such regular or special assessment as remains outstanding at the time of such default. This right of acceleration in the event of default shall apply whether the Association pursues the obligation personally against the Owner or through foreclosure of the Owner's Lot, as provided herein.

ARTICLE 6.00 - ARCHITECTURAL CONTROL COMMITTEE

Section 6.1 Powers and Duties of Committee. The Architectural Control Committee shall consider and act on any and all plans and specifications submitted for its approval pursuant to this Declaration and perform such other powers and duties assigned to it by this Declaration or as from time to time shall be assigned to it by the Board of Directors of the Association. Whenever the approval of the Architectural Control Committee is required, it shall have the right to consider all plans and specifications and other materials and information submitted with regard to the improvement or proposal in question and all facts, which, in its sole discretion, are relevant. The Committee may require such detail and information as it deems appropriate with respect to plans and specifications and other materials submitted for its review. The Committee shall approve or disapprove all plans and specifications or other requests within sixty (60) days after all required materials and information concerning the matter in question have been submitted. In the event the Committee fails to take any action within said sixty (60) day period, the approval of the matter in question shall not be required and the provisions of this Declaration regarding such approval shall be deemed to have been fully complied with.

Section 6.2 Composition of Committee. The Architectural Control Committee shall consist of three (3) members, who shall be appointed by and serve at the discretion of the Board of Directors of the Association. The Committee may designate one (1) of its members to take any action or perform any duties for and on behalf of the Committee. In the absence of such designation, the vote of two (2) of the members of the Committee at a meeting, or in writing without a meeting, shall constitute an act of the Committee.

Section 6.3 Fees. The Board of Directors of the Association may establish reasonable fees to be collected in connection with the Committee's review of proposed plans and specifications and other requests, which fees shall be imposed for such matters and according to such rates as the Board may designate from time to time.

Section 6.4 Written Records. The Architectural Control Committee shall maintain written records of all applications submitted to it and of all actions taken by the Committee.

Section 6.5 Variances. The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration when circumstances such as topography, natural obstructions, hardship or aesthetic or environmental considerations may, in the Committee's sole and absolute discretion, warrant. Such variances must be evidenced in writing and must be signed by at least a majority of all members of the Committee. The granting of any such variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and the particular provisions and in the particular instance covered by the variance.

ARTICLE 7.00 - RIGHTS RESERVED BY DECLARANT

Section 7.1 Declarant's Right to Modify Project. Declarant reserves the right to create, vacate or modify Lot boundary lines and easements and modify other details of the development plan for the Project with respect to property owned by Declarant; provided, however, that no such modification shall affect the boundaries of or access easements to any Lot which has been conveyed by the Declarant to any purchaser or other transferee or for which a contract of purchase has been entered into, without the written consent of the Owner or purchaser of such Lot.

Section 7.2 Declarant's Right to Make Additions or Withdrawals. Declarant further reserves the right, at Declarant's option, to make additions to or withdrawals from the Project, by submitting additional real property to the provisions of this Declaration, or withdrawing portions of the real property described on Exhibit "A" attached hereto from the provisions of this Declaration. Such additions or withdrawals may be made by Declarant either at one time or in phases from time to time. Any such addition or withdrawal hereunder shall be accomplished by the execution by Declarant of a supplement or supplements to this Declaration which shall describe the land to be added to or withdrawn from the Project. Such supplement or supplements to this Declaration shall be effective upon the recording thereof in

the office of the Clerk and Recorder of Grand County, Colorado. References to this Declaration in any instrument shall be deemed to include all such recorded supplements without specific reference thereto. Upon any such addition to or withdrawal from the Project, the voting rights and assessment obligations of the Lot Owners shall be reallocated, in accordance with the allocation formula set forth hereinabove.

Section 7.3 Duration of Reserved Rights. The rights reserved unto the Declarant pursuant to Section 7.1 and Section 7.2 shall continue until the Declarant no longer retains ownership of any portion of the Project, or until December 31, 2012, whichever event first occurs.

Section 7.4 Declarant's Right to Control Association. Notwithstanding any provisions set forth in this Declaration to the contrary, the Declarant shall have the right to appoint not less than two-thirds (2/3) of the members of the Board of Directors of the Association until such time as the Declarant has sold or transferred Lots encompassing seventy-five percent (75%) or more of the total area included in the Project, or until December 31, 2012, whichever first occurs. Accordingly, the Declarant may effectively control the Association until that time.

ARTICLE 8.00 - MISCELLANEOUS PROVISIONS

Section 8.1 Revocation of Declaration. Except as otherwise expressly provided elsewhere herein, this Declaration shall not be revoked unless the Owners of Lots encompassing an area equal to seventy-five percent (75%) or more of the total land area included in the Project consent and agree to such revocation by instrument(s) duly executed and acknowledged by such Owners and recorded in the office of the Clerk and Recorder of Grand County, Colorado.

Section 8.2 Amendment. This Declaration shall not be amended or supplemented, except as otherwise expressly provided elsewhere herein, unless the Owners of Lots encompassing an area equal to seventy-five percent (75%) or more of the total land area included in the Project consent and agree to such amendment or supplement by instrument(s) duly executed and acknowledged by such Owners and recorded in the office of the Clerk and Recorder of Grand County, Colorado.

Section 8.3 Enforcement. Each Owner shall strictly comply with the provisions of this Declaration and with all applicable provisions of the Articles of Incorporation, Bylaws and rules and regulations of the Association, as the same may from time to time

be in force and effect. Any failure to comply with any of the same shall be grounds for an action against the noncomplying Owner to recover damages or injunctive relief or both, together with reasonable attorney's fees, court costs and injunction bond premiums, maintainable by the Board of Directors of the Association on behalf of the other Owners; and the Association may pursue any other action at law or in equity against such noncomplying Owner which is recognized under the laws of the State of Colorado. The failure of the Association to enforce any of said provisions at any time shall not constitute a waiver of the right to do so thereafter.

Section 8.4 Declarant's Rights Transferable. Any right or interest of Declarant hereunder, established or reserved, may be transferred or assigned by Declarant, either separately or with one or more of such rights or interests, to any person or entity.

Section 8.5 Notices. Each Owner shall register his mailing address with the Association. Failure to do so shall be conclusively presumed to be a waiver by such Owner of the right to receive any notice required or permitted to be given to such Owner under this Declaration or under the Articles of Incorporation and Bylaws of the Association. All notices, demands and statements shall be sent by regular United States Mail, postage prepaid, addressed in the name of the Owner at such registered mailing address; and the giving or service of any such notice, demand or statement shall be deemed to be complete upon the mailing thereof.

Section 8.6 Severability. If any of the provisions of this Declaration or any paragraph, sentence, clause, phrase, word or section or the application thereof in any circumstances is invalidated, such invalidity shall not affect the validity of the remainder of this Declaration; and the application of any such provision, paragraph, sentence, clause, phrase, word or section in any other circumstances shall not be affected thereby.

Section 8.7 Nonliability. Neither the Architectural Control Committee or the members thereof nor the Association or the Board of Directors, officers or the members thereof shall be liable to any Owner or to any other person or entity for any loss, damage or injury arising out of or resulting from the performance of their respective powers and duties under this Declaration.

Section 8.8 Terminology. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural the singular, and the use of any gender shall include either gender.

Section 8.9 Governing Law. This Declaration shall be governed and shall be construed in all respects under the laws of the State of Colorado.

Section 8.10 Article and Section Headings. Article and Section headings used herein are for convenience only and do not add to or detract from the contents of this Declaration.

IN WITNESS WHEREOF, Declarant has executed this Declaration effective the date and year first above written.

DECLARANT

SMR INVESTMENTS, LTD. LIABILITY CO.

BY:

Frederick P. Birks
Frederick P. Birks, Manager

STATE OF Maryland)
COUNTY OF Montgomery) ss.

The above and foregoing Declaration of Covenants, Conditions and Restrictions for Shadow Mountain Ranch and Resort was acknowledged before me this 26th day of June, 1992, by Frederick P. Birks, as Manager of SMR Investments, Ltd. Liability Co.

Witness my hand and official seal.

My Commission expires: _____



Helen S. Krigster
Notary Public
My Commission Expires 06/30/93

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SACA L. ROSENE, RECORDER - GRAND COUNTY CO PG # 16 OF 20

EXHIBIT "A" TO
DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
SHADOW MOUNTAIN RANCH AND RESORT

Property Description

The Property referred to in this Declaration is located in Grand County, Colorado, and described as follows:

PARCEL A:

The S1/2NE1/4; W1/2SE1/4 and SW1/4 of Section 26,
The SE1/4SE1/4 of Section 27,
The SE1/4NE1/4 and N1/2NE1/4 of Section 34,
The N1/2 of the NW1/4 and SW1/4NW1/4 of Section 35,
All lying within Township 3 North, Range 77 West of the 6th P.M.,
EXCEPT that tract of land as conveyed by E. J. Miller to Russell
Hodge and Clyde I. Hodge by instrument recorded June 10, 1930, in
Book 73 at Page 588 and also;
EXCEPT that tract of land as conveyed by Edward J. Miller to C.
E. McRay by instrument recorded July 11, 1936, in Book 80 at Page
559;

PARCEL B:

All that portion of the ROSE END PLACER described as follows:
The E1/2NE1/4NE1/4 of Section 3, Township 2 North, Range 77 West
of the 6th P.M., and all that portion of the NW1/4SE1/4 and
N1/2SW1/4SE1/4 of Section 34, Township 3 North, Range 77 West of
the 6th P.M. lying North and East of State Highway 125 and all of
the E1/2SE1/4 of said Section 34, Township 3 North, Range 77 West
of the 6th P.M.

AND

All that portion of the DEW DROP PLACER described as follows:
The E1/2NE1/4SW1/4 of Section 34, Township 3 North, Range 77 West
of the 6th P.M. lying North and East of State Highway 125;
EXCEPT that tract of land as conveyed by E. J. Miller to Robert
J. Heid, et al., by instrument recorded December 11, 1959, in
Book 131 at Page 69; and also
EXCEPT that tract of land as conveyed by Ida Jane Wilson to
Martha D. Howe by instrument recorded December 4, 1962, in Book
142 at Page 41; and also

EXCEPT that tract of land as conveyed by E. J. Miller to Harry S. Dunham by instrument recorded January 15, 1963, in Book 142 at Page 218; and also
EXCEPT that tract of land as conveyed by E. J. Miller to Harry S. Dunham by instrument recorded September 11, 1968, in Book 161 at Page 635;

PARCEL C:

The S1/2SE1/4 of Section 33,
The W1/2NE1/4SW1/4; SE1/4SW1/4; S1/2SW1/4SE1/4 and SW1/4SW1/4 of Section 34, Township 3 North, Range 77 West of the 6th P.M.
Lots 2 and 5 of Section 3,
Lots 1 and 2 and the S1/2NE1/4 of Section 4, Township 2 North, Range 77 West of the 6th P.M.,
EXCEPT the following parcel:

A tract of land in the W1/2NE1/4NE1/4 of Section 3, Township 2 North, Range 77 West, 6th P.M., using points by a previous survey. Dependent Resurvey By U.S.B.L.M. March 11, 1953, Supplement Plat by U.S. Cadastral Engineer July 30, 1934, Original Township Plat U.S.B.L.M. 1982, described as follows:
Beginning at a point on the North line of Section 3, Township 2 North, Range 77 West, 6th P.M., whence the NE corner of said section bears South 89°43'00" East, 656.23 feet;
Thence North 89°43'00" West, 656.23 feet to a pipe by a previous survey;
Thence South 38°36'00" East, 951.53 feet;
Thence North 04°50'00" East, 743.00 feet to a point of beginning, less .5 acres for highway right-of-way.

AND EXCEPT all of Lot 5, the E1/2E1/2 of Lot 2, Section 3, Township 2 North, Range 77 West of the 6th P.M., according to the dependent resurvey of said Section 3 accepted July 30, 1934, EXCEPTING however, that portion of said Lot 5 conveyed to Miller by Deed recorded in Book 142 at Page 42 of the records of the Clerk and Recorder of Grand County, Colorado, which tract is further described as follows:
Beginning at the NW corner of said Lot 5 on the North line of said Section 3, whence the NE corner of said Section 3, bears South 89°46'00" East, a distance of 1,312.24 feet;
Thence South 38°39'00" East, a distance of 981.43 feet to the East line of said Lot 5;
Thence South 03°14'00" West, a distance of 702.48 feet along said East line to the Southeast corner of said Lot 5;
Thence along the South line of said Lot 5, North 88°10'00" West, a distance of 639.97 feet to the SE corner of said Lot 2;
Thence along the South line of said Lot 2, North 88°10'00" West, a distance of 320.00 feet;

Thence North 02°15'30" East, a distance of 1,432.11 feet along the West line of the said E1/2E1/2 of Lot 2 to the North line of Section 3;
Thence along said North line of Section 3, South 89°46'00" East, a distance of 328.06 feet to the Point of Beginning.

AND EXCEPT the S1/6 (one-sixth) of that portion of Lot 2 presently owned by Norman Steenhof which is bounded on the North by land presently owned by Norman Steenhof and on the East by land presently owned by Avis A. Bond and on the South by land presently owned by George McQueary and on the West by land presently owned by the Bureau of Land Management, the opposite sides of which are parallel to each other, in Township 2 North, Range 77 West of the 6th P.M., Grand County, Colorado;

PARCEL D:

All that portion of the N1/2SW1/4SE1/4; E1/2NE1/4SW1/4; E1/2SW1/4NW1/4 and SW1/4SE1/4NW1/4 of Section 34, Township 3 North, Range 77 West of the 6th P.M., lying South and West of State Highway 125 AND that part of the S1/2SE1/4NW1/4, Section 34, Township 3 North, Range 77 West, 6th P.M., described as follows:

Beginning at the intersection of the East right-of-way line of State Highway No. 125 as now established with the East-West center line of Section 34 aforesaid;

Thence East along said East-West center line of Section 34 aforesaid a distance of 226.00 feet, more or less, to an old automobile steering column set in the ground;

Thence Northerly at right angles a distance of 660.00 feet;

Thence Westerly at right angles a distance of 660.00 feet, more or less, to the Easterly right-of-way line of said highway, which point is opposite the steel bridge of said highway, spanning Willow Creek;

Thence southeasterly following the Easterly boundary line of said highway to the Point of Beginning;

PARCEL E:

A tract of land located in the NE1/4SW1/4 and NW1/4SE1/4, Section 34, Township 3 North, Range 77 West, 6th P.M., and lying NE of Willow Creek Pass State Highway No. 125, more particularly described as follows:

Beginning at a point on the East West 1/4 Section line of Section 34, Township 3 North, Range 77 West 6th P.M., whence the W1/4 corner of said Section 34 bears North 89°47'00" West, for 1,927.80 feet;

Thence along said 1/4 line South 89°47'00" East, for 314.20 feet;
Thence South 40°02'00" East, for 839.30 feet to a point on Tract
B;
Thence along the West line of Tract B South 72°50'00" West, for
284.10 feet to a point on the Easterly right-of-way line of State
Highway No. 125;
Thence along said right-of-way line on a spiral curve to the
right with a radius of 2,864.79 feet for a distance of 146.60
feet;
Thence North 49°22'00" East, for 14.00 feet;
Thence North 40°38'00" West, for 318.00 feet;
Thence South 49°22'00" West, for 14.00 feet;
Thence North 40°28'00" West, 446.00 feet;
Thence leaving said right-of-way line, due North for 28.50 feet
to the Point of Beginning.

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