

**DECLARATION OF  
SUPPLEMENTAL COVENANTS, CONDITIONS, AND RESTRICTIONS FOR  
CASTLE VALLEY RANCH, PLANNED UNIT DEVELOPMENT, FILING 6,  
PLANNING AREA 21A**

This Declaration of Supplemental Covenants, Conditions and Restrictions for Castle Valley Ranch, Planned Unit Development, Filing 6, Planning Area 21A, is made this 28<sup>th</sup> day of November, 2000, by LAND DISCOVERY, INC., a Colorado corporation.

**RECITALS**

A. On the 6<sup>th</sup> day of November, 2000, Declarant recorded the Second Amendment to the Declaration of Covenants, Conditions and Restrictions for Castle Valley Ranch, Planned Unit Development in Book 571848 Page 205 of the Garfield County, Colorado, real property records.

B. Article II, Section 3 and Article XIII, Section 7 of the Master Declaration permit, and set forth the method for, establishing and recording supplemental declarations of covenants, conditions and restrictions for portions of the real property covered by the Master Declaration.

C. Declarant is the owner of the following-described real property, which is entirely within the real estate covered by the Master Declaration, and Declarant records this Supplemental Declaration to supplement the covenants, conditions, and restrictions set forth in the Master Declaration:

FILING 6, PLANNING AREA 21A, CASTLE VALLEY RANCH,  
Planned Unit Development, as more particularly described on Exhibit  
A, attached to this instrument and incorporated by this reference.

D. The Declarant desires to create a planned community upon the above property, and to subject the above property to the covenants, conditions and restrictions set forth in this Supplemental Declaration pursuant to the Colorado Common Interest Ownership Act, section 38-33.3-101, et seq., C.R.S. (A Common Interest Act or "CCIOA") and the Master Declaration.

NOW, THEREFORE, the Declarant declares that the property described in Recital Paragraph C above shall be held, sold and conveyed subject to the covenants, conditions and restrictions set forth in this instrument, which covenants, conditions and restrictions shall run with that property and be binding on all parties having any right, title or interest in that property or any part of it, their heirs, personal representatives, successors and assigns and shall inure to the benefit of each Owner.

**ARTICLE I  
DEFINITIONS**

All definitions in the Master Declaration apply except as expressly modified or supplemented below:

Please return to:  
Leavenworth & Tester, P.C.  
P.O. Drawer 2030  
Glenwood Springs, CO 81602

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Section 1. "Association" shall mean or refer to Castle Valley Ranch Planning Area 21A Homeowners Association, a Colorado nonprofit corporation, its successors and assigns, which is a Subassociation under the Master Declaration.

Section 2. "Common Area" shall mean those portions of the Property designated on the Map as Common Area.

Section 3. "Supplemental Declaration" shall mean and refer to this Supplemental Declaration of Covenants, Conditions and Restrictions, as the same may be amended from time to time. Any reference to the "Declaration" in provisions of the Master Declaration incorporated into this Supplemental Declaration by reference shall mean and refer to this Supplemental Declaration.

Section 4. "HOA Maintained Area" shall mean the area so designated on the recorded as-built plat of any Block of the Property, which will be shown on an amendment to the Map which may be executed and recorded by Declarant or the Association as a clerical or technical amendment of this Supplemental Declaration. Unless and until such a Supplemental Map is recorded, all references to HOA Maintained Areas in this Supplemental Declaration shall be inapplicable.

Section 5. "Lot" shall mean and refer to each separate numbered or lettered Platted Lot referred to as a lot shown upon the Map, as the same may be amended from time to time.

Section 6. "Map" or "Plat Map" or "Supplemental Map" means the map of the Property attached to this Supplemental Declaration pursuant to the requirements of CCIOA and includes the plat of the Property if a separate plat is attached to this Supplemental Declaration. THIS MAP MAY BE CHANGED IN THE FUTURE AND DOES NOT MEAN THE SUBDIVISION OF LOTS SHOWN HAS BEEN APPROVED BY ANY GOVERNMENTAL AUTHORITY.

Section 7. "Master Declaration" means the instrument described in Recital Paragraph A above as it may be amended from time to time.

Section 8. "Member" shall mean and refer to each Owner of a Lot that is subject to assessment under this Supplemental Declaration, including Declarant, each of whom shall be a Member of the Association. Subject to each Owners consent by accepting Conveyance of a deed to his or her Lot, membership in the Association shall be appurtenant to, and may not be separated from, ownership of a Lot.

Section 9. "Owner Maintained Area" shall mean the area so designated on the recorded as-built plat of any Block of the Property, which will be shown on an amendment to the Map which may be executed and recorded by Declarant or the Owner as a clerical or technical amendment of this Supplemental Declaration. Unless and until such a Supplemental Map is recorded, all references to Owner Maintained Areas in this Supplemental Declaration shall be inapplicable.

Section 10. "Property" means that certain real property described in the Recital Paragraph C above, as is more particularly shown and described on a plat or Map, together with any additions which may later be brought within the jurisdiction of the Association and this Supplemental Declaration.

**ARTICLE II**  
**RELATION TO MASTER DECLARATION:**  
**PROPERTY RIGHTS IN THE COMMON AREA:**  
**RESERVATION OF EASEMENTS**

Section 1. Name and Type of Community, Master Declaration. The name of the common interest community is Castle Valley Ranch Planned Unit Development, Filing 6, Planning Area 21A. The common interest community is a planned community.

Section 2. Easements. Easements for the installation and maintenance of utilities, irrigation and drainage facilities may be created or reserved by being shown on any recorded subdivision plat creating Platted Lots. Within these easements no improvement, structure, planting or other material (excluding fences capable of being readily removed for the purposes of the easement) shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of such utilities or facilities, or which may change the direction of flow or drainage channels in the easements. Despite anything to the contrary stated in this Section, Declarant reserves the right to enter upon the Property to correct any flow of water, to establish and re-establish drainage channels; and to install and maintain utilities, irrigation and drainage facilities, landscaping and other improvements associated with development of the Property.

**ARTICLE III**  
**MEMBERSHIP AND VOTING RIGHTS: THE ASSOCIATION**

Section 1. Incorporation of Master Declaration Provisions. Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article II of the Master Declaration is incorporated here by this reference.

**ARTICLE IV**  
**COVENANT AND MAINTENANCE ASSESSMENTS**

Section 1. Incorporation of Master Declaration Provisions. Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article V of the Master Declaration is incorporated here by this reference.

Section 2. Working Capital Fund. The Declarant shall require the first Owner of each Developed Lot or Platted Lot, other than Declarant or a builder approved by Declarant, to make a non-refundable payment to the Association in an amount of Two Hundred Dollars (\$200.00). All of such sums shall be held by the Association and maintained in a segregated account for the use and

benefit of the Association, including, but not limited to, use to meet unforeseen expenses of the Association. Such payment shall not be deemed to be prepayment of any Assessment but shall be deemed a payment to the working capital fund of the Association and shall not relieve an Owner from making the regular payment of Assessments as the same become due. The payment to the Association working capital fund shall be due on the first Conveyance of a Developed Lot or Platted Lot to an Owner other than Declarant, unless such Owner is a builder approved by the Declarant, in which case the payment shall be due on Conveyance of that Developed Lot or Platted Lot to the next Owner. No Owner making a payment to the working fund under this Section (or any subsequent Owner of the same Developed Lot or Platted Lot) shall be entitled to a credit or refund from the Association for the payment to working capital fund upon subsequent Conveyance of that Developed Lot or Platted Lot.

#### **ARTICLE V**

##### **BUDGET AND RECORDS**

Section 1. Incorporation of Master Declaration Provisions. Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article VII of the Master Declaration is incorporated here by this reference.

#### **ARTICLE VI**

##### **ARCHITECTURAL CONTROL COMMITTEE**

Section 1. Incorporation of Master Declaration Provisions. Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article VIII of the Master Declaration is incorporated here by this reference.

#### **ARTICLE VII**

##### **INSURANCE**

Section 1. Insurance on Common Area and HOA Maintained Areas. To the extent not maintained by the applicable governmental entity or the Master Association, the Association shall maintain insurance covering all insurable improvements located or constructed upon the Common Area and HOA Maintained Areas. The Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, and the cost of said coverage shall be paid by the Association as a common expense. Notwithstanding any of the specific insurance requirements specified in this Article VI, the Association may also consider in determining the types and amount of insurance it needs to obtain the then existing requirements of any of the Agencies.

- (a) A policy of casualty insurance covering all insurable improvements, if any, located on the Common Area, except for land, foundations, excavations and other matters normally excluded from coverage, in an amount no less than their full insurable replacement cost, less deductibles. Further, said policy shall contain a Replacement Cost Endorsement.

Such insurance as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

- (i) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and
  - (ii) such other risks as shall customarily be covered with respect to projects similar in construction, location and use.
- (b) A comprehensive policy of public liability insurance covering all of the Common Area and HOA Maintained Areas, insuring the Association in an amount not less than \$1,000,000.00 covering bodily injury, including death to persons, personal injury and property damage liability arising out of a single occurrence.
- (c) A policy providing comprehensive fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Association and all others who handle or are responsible for handling funds of the Association, in an amount at least equal to the estimated maximum of funds, including maintenance reserves in the custody of the Association at any given time; provided, however, that such fidelity coverage or fidelity bonds shall not be in an amount less than three (3) months aggregate assessments on all Lots, plus such reserve funds. Such fidelity coverage or bonds shall meet the following requirements:
- (i) all such fidelity coverage or bonds shall name the Association as an obligee; and
  - (ii) such fidelity coverage or bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of employee or similar expression.
- (d) In the event the Association has delegated some or all of its responsibility for the handling of funds to a managing agent, the Association may require the managing agent to purchase, at its own expense, a policy of fidelity insurance or bonds which fully complies with the provisions of this subparagraph (c).
- (e) If the Common Area or HOA Maintained Areas, or any portion of them, is located within an area identified by the Federal Emergency Management Agency as having special flood hazards, and flood insurance coverage on the Common Area or HOA Maintained Areas has been made available under the National Flood Insurance Program, then such a policy of flood insurance on that portion of the Common Area and HOA Maintained Areas in an amount at least equal to the lesser of:

(i) the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or

(ii) one hundred percent (100%) of current replacement cost of all buildings and other insurable property located within a designated flood hazard area.

(f) In addition, the Association may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate, to the extent that such coverage is reasonably available, including, but not limited to, personal liability insurance to protect directors and officers of the Association from personal liability in relation to their duties and responsibilities in acting as directors and officers on behalf of the Association.

Section 2. General Provisions of Insurance Policies. All policies of insurance carried by the Association shall be carried in blanket policy form naming the Association as insured, or its designee as trustee and attorney-in-fact for all Owners, and each Owner shall be an insured person under such policies with respect to liability arising out of any Owner's membership in the Association. The Association's policies shall contain a standard noncontributory first Mortgagee's clause in favor of each First Mortgagee and a provision that it cannot be canceled or materially altered by either the insured or the insurance company until thirty (30) days prior written notice thereof is given to the insured and each First Mortgagee, insurer or guarantor of a First Mortgage. The Association or any Owner, as applicable, shall furnish a certified copy or duplicate original of the policy, or renewal thereof, which is in the name of such Owner or the Association, with proof of premium payment and a certificate identifying the interest of the Owner in question or the Association, to any party in interest, including First Mortgagees, upon request. Any such Owner's policy shall also contain waivers of subrogation. All policies shall contain waivers of any defense based on invalidity arising from any acts or neglect of any Owner where such Owner is not under the control of the Association.

Section 3. Deductibles. No policy of insurance of which the Association or its designee is the beneficiary shall include a deductible clause in an amount greater than the greater of One Thousand Dollars (\$1,000.00) or one percent (1%) of the face amount of the policy. Without limiting any other right or remedy of the Association or any other person or entity under this Supplemental Declaration or applicable law, any loss falling within the deductible portion of such policy shall be borne by the person or entity who is responsible for the repair and maintenance of the property which is damaged or destroyed. In the event of a joint duty of repair and maintenance of the damaged or destroyed property, then the deductible shall be borne by the Association subject to the Association's rights and remedies under this Supplemental Declaration and applicable law. Notwithstanding the foregoing, after notice and hearing, the Association may determine that a loss, either in the form of a deductible to be paid by the Association or an uninsured loss, resulted from the act or negligence of an Owner. Such loss may be assessed against the offending Owner and the Association may collect the amount from said Owner in the same manner as any annual assessment; provided, however, that any such determination which assigns liability to any Owner pursuant to the terms of this Section 3 may be appealed by said Owner to a court of law.

Section 4. Insurance Trustee. The Association may authorize a representative to act for it, including any trustee or successor thereto, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance. Such insurance trustee shall act as attorney-in-fact for the purpose of purchasing and maintaining insurance, including the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purpose. Said party may also receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Owners and their First Mortgagees as their interest may appear.

Section 5. Association Insurance as Primary Coverage. If at the time of any loss under any policy which is in the name of the Association, there is other insurance in the name of any Owner and such Owners policy covers the same property or loss or any portion thereof which is covered by such Association policy, such Association policy shall be primary insurance not contributing with any of such other insurance. An Owner shall be liable to the Association for the amount of any diminution of insurance proceeds to the Association as a result of policies of insurance of an Owner, and the Association may collect the amount from said Owner in the same manner as any annual assessment. Any such Owner's policy shall also contain waivers of subrogation.

Section 6. Acceptable Insurance Companies. Each hazard insurance policy purchased by the Association must be written by a hazard insurance carrier which has a current rating by Best's Insurance Reports of B/VI or better, or a financial rating of Class V provided it has a general policy holder's rating of at least A, and is authorized by law to transact business within the State of Colorado. The Association shall not obtain any policy where (a) under the terms of the insurance company's charter, bylaws or policy contributions or assessments may be made against the mortgagor or mortgagee's designee, or (b) under the terms of the carrier's charter, bylaws or policy loss payments are contingent upon action by the carrier's Board of Directors, policy holders or members, or (c) the policy includes any limiting clauses (other than insurance conditions) which could prevent mortgagees or any Owner from collecting insurance proceeds.

Section 7. Insurance to be Maintained by Owners. Insurance coverage on the structures located upon a Lot (including without limitation HOA Maintained Areas), as well as the furnishings and other items of personal property belonging to an Owner, shall be the responsibility of such Owner. Owners shall also be responsible for obtaining such policies of public liability insurance, and the title insurance related to any sale of a Lot other than the purchase by the initial Owner from the Declarant. The Association shall be named as additional insured as to improvements on the HOA Maintained Areas, and each Owner shall provide the Association with copies of the policies issued under this provision, which shall include a clause providing that it will not be cancelled without at least 30 days prior written notice to the Association. If an Owner fails to provide this proof of insurance within 30 days after written request from the Association, the Association may obtain such insurance and the cost of such coverage shall be added to and become part of the assessment against that Lot and its Owner.

**Section 8. Annual Review of Insurance Policies.** All insurance policies carried by the Association shall be reviewed at least annually by the Board to ascertain that the coverage provided by such policies adequately covers those risks insured by the Association.

**ARTICLE VIII**  
**DAMAGE OR DESTRUCTION OF COMMON AREA**

**Section 1. Incorporation of Master Declaration Provisions.** Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article X of the Master Declaration is incorporated here by this reference.

**ARTICLE IX**  
**MAINTENANCE OBLIGATIONS**

**Section 1. Incorporation of Master Declaration Provisions.** Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article XI, Section 1 of the Master Declaration is incorporated here by this reference. For example, the provisions of Article XI, Section 1 of the Master Declaration incorporated here shall apply to all Owner Maintained Areas.

**Section 2. Maintenance of Common Area and HOA Maintained Area.** Subsequent to the installation of improvements to the Common Area and HOA Maintained Area by Declarant, and to the extent not performed by the applicable governmental entity or any Owner, the Association shall be responsible for the landscaping and maintenance of the Common Area and HOA Maintained Area, including, but not limited to, repair of signage, fencing (including without limitation any fencing bordering any Owner Maintained Area), masonry columns, irrigation equipment, lighting and electrical fixtures and equipment and plantings. No Owner shall, in whole or in part, change the landscaping, grade or fencing or in any way change any retaining wall on any portion of the Common Area or on or bordering any Owner Maintained Area. Maintenance of the HOA Maintained Area by the HOA shall not give any person or entity any other rights to use or occupancy of the HOA Maintained Area of a Lot.

**Section 3. Owner's Negligence.** Notwithstanding anything to the contrary contained in this Article VIII, in the event that the need for maintenance or repair of the Common Area or HOA Maintained Area is caused by the willful or negligent act or omission of any Owner, or by the willful or negligent act or omission of any member of such Owner's family or by a guest or invitee of such Owner, the cost of such repair or maintenance, repair or reconstruction shall be added to and become part of the assessment to which such Owner's Lot is subject and shall become a lien against such Owner's Lot as provided in Article IV of this Supplemental Declaration. A determination of the negligence or willful act or omission of any Owner or any member of an Owners family or a guest or invitee of any Owner, and the amount of Owner's liability therefor, shall be determined by the Association at a hearing after notice to the Owner, provided that any such determination which assigns liability to any Owner pursuant to the terms of this Section 3 may be appealed by said Owner to a court of law.



**ARTICLE X**  
**RESTRICTIONS**

Section 1. Incorporation of Master Declaration Provisions. Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article XII of the Master Declaration is incorporated here by this reference.

**ARTICLE XI**  
**FIRST MORTGAGES**

Section 1. Member and First Mortgagee Approval. Unless it has obtained the prior written consent of at least sixty-seven percent (67%) of the Members and sixty-seven percent (67%) of the First Mortgagees (based upon one vote for each First Mortgage owned), the Association shall not:

(a) by act or omission, change, waive or abandon any scheme of architectural control or enforcement thereof, as set forth in this Supplemental Declaration, regarding the design or maintenance of Lots, improvements thereon or the Common Area;

(b) fail to maintain full current replacement cost fire and extended insurance coverage on the Common Area;

(c) use hazard insurance proceeds for the Common Area or HOA Maintained Area property losses for purposes other than to repair, replace or reconstruct such property;

(d) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any common property owned, directly or indirectly, by the Association for the benefit of the Owners (excluding the granting of permits, licenses and easements for public utilities, roads or other purposes reasonably necessary or useful for the proper maintenance or operation of the Property or the Association);

(e) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

(f) add or amend any material provisions of this Supplemental Declaration, the Articles of Incorporation or Bylaws of the Association which establish, provide for, govern or regulate any of the following, provided that any First Mortgagee who receives a written request to approve any additions or amendments to any of such documents and who does not deliver or post to the requesting party a negative response within thirty (30) days after receipt of such a request shall be deemed to have approved such request, and provided that such additions or amendments shall not be considered material if they are for the purpose of correcting technical errors or for clarification only (such as for the defining HOA Maintained Area and Owner Maintained Area), and further provided that this subsection (f) shall not apply to amendments to this Supplemental Declaration, the Articles of Incorporation or

Bylaws of the Association made as a result of destruction, damage or condemnation of the Property or the improvements thereon:

- (1) voting;
- (2) assessments, assessment liens or subordination of such liens;
- (3) reserve for maintenance, repair and replacement of those elements of the Common Area which must be maintained, repaired or replaced on a periodic basis;
- (4) insurance, including but not limited to, fidelity bonds;
- (5) rights to use of the Common Area;
- (6) responsibility for maintenance and repair of any portion of the Property;
- (7) expansion or contraction of the Property or the addition, annexation or withdrawal of the Property to or from the Property;
- (8) interests in the Common Area;
- (9) convertibility of Lots into Common Area or of Common Area into Lots;
- (10) leasing of Lots or dwellings constructed thereon;
- (11) imposition of any right of first refusal or similar restriction on the right of any Owner to sell, transfer or otherwise convey his Lot;
- (12) any provisions which are for the express benefit of First Mortgagees, or insurers or guarantors of First Mortgages;
- (g) restore or repair the Common Area, or any portion thereof, including, but not limited to, improvements located thereon, after a partial condemnation or damage due to any insurable hazard, other than substantially in accordance with this Supplemental Declaration and the most recent plans and specifications for the Common area and the construction of improvements thereon.

Section 2. Notice of Action. Upon written request to the Association identifying the name and address of the First Mortgagee or insurer or guarantor of the First Mortgage and the residence address of the property which is subject to such First Mortgage, each such First Mortgagee or insurer or guarantor of such a First Mortgage shall be entitled to timely written notice of:

(a) any condemnation loss or casualty loss which affects a material portion of the Property or any Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or guarantor of a First Mortgage;

(b) any delinquency in the payment of assessments or charges owed to the Association by the Owner of the Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or guarantor, or any default by such Owner in any obligation under the Supplemental Declaration, Articles of Incorporation or Bylaws of the Association of which the Board has actual knowledge, when such delinquency and/or default remains uncured for a period of sixty (60) days;

(c) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(d) any proposed action which would require the consent of a specified percentage of First Mortgagees as provided in this Article X.

Section 3. Audit. The Association shall provide an audited financial statement for the immediately preceding fiscal year at the cost of the requesting party to any First Mortgagee, insurer or guarantor of a First Mortgage within a reasonable time after written request therefor.

## **ARTICLE XII**

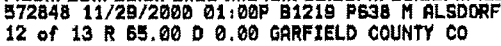
### **GENERAL PROVISIONS**

Section 1. Incorporation of Master Declaration Provisions. Subject to the definitions contained in Article I above to the extent they differ from the definitions of the same terms in the Master Declaration, all of Article XIII, Sections 1 through 3 of the Master Declaration is incorporated here by this reference.

#### Section 2. Duration, Revocation and Amendment.

(a) Each and every provision of this Supplemental Declaration shall run with and bind the land for the term of twenty (20) years from the date of recording of this Supplemental Declaration, after which time this Supplemental Declaration shall be automatically extended for successive periods of ten (10) years each. Except as provided in Article X hereof and in subsections (b) and (c) of this Section 2, this Supplemental Declaration may be amended during the first twenty (20) year period, and during subsequent extensions thereof, by any instrument approved in writing by not less than sixty-seven percent (67%) of the Members. Such amendment shall be effective when duly recorded in Garfield County, Colorado.

(b) If Declarant shall determine that any amendments to this Supplemental Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order for existing or future mortgages, deeds of trust or other security



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13 of 13 R 65.00 D 0.00 GARFIELD COUNTY CO

**EXHIBIT A**

All of that property as shown on Sheet 2 of the Final Plat of Castle Valley Ranch,  
Filing No. 6.