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CONDITIONS AND RESTRICTIONS OF
SOUTHERN BLUFFS LLC

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
SOUTHERN BLUFFS LLC

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made this ___ day of _____, 2006, by Southern Bluffs LLC, a Colorado limited liability company, hereinafter referred to as the "Declarant".

RECITALS :

1. Declarant and the undersigned Owners are the owners of certain real property located in the County of Montezuma, Colorado, which has been platted for single family residential lots according to the official Second Amended Plat of Southern Bluffs Subdivision recorded December 21, 2004 in Book 15 at Page 130 of the records of Montezuma County, Colorado, (the Property).

2. Declarant desires to create thereon a residential community, to insure the attractiveness of the Property, to prevent nuisances, to protect the value and amenities of the Property, and to provide for the construction and maintenance of roads and other community facilities.

3. That the covenants, conditions, reservations and restrictions set forth herein shall henceforth apply to all of the Property and these restrictions shall supersede any restrictions previously recorded.

NOW THEREFORE, Declarant and the undersigned Owners hereby declare that all of the Property and the improvements thereon shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and desirability of the Property and which shall run with the Property and be binding on all parties having any right, title and/or interest in the described Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

The following terms used in this declaration shall have the definitions set forth below, which shall be applicable to this declaration, the Articles of Incorporation, Bylaws and any other document concerning Southern Bluffs.

Section 1.1 “Act” shall mean and refer to the Colorado Common Interest Ownership Act, Title 38, Article 33.3, C.R.S., as amended.

Section 1.2 "Association" shall mean and refer to the Southern Bluffs Owners Association, a Colorado non-profit corporation.

Section 1.3 "Board" or "Board of Directors" shall mean the Board of Directors of Southern Bluffs Owners Association.

Section 1.4 "Builder" shall mean a person other than Declarant who acquires a Lot for the purpose of constructing improvements on the Lot and reselling it to an Owner.

Section 1.5 "Class A Member" shall mean all Owners except the Class B Member, if any.

Section 1.6 "Class B Member" shall mean the Declarant.

Section 1.7 "Common Area" or "Common Properties" shall mean and refer to all real or personal property, including improvements thereon, conveyed to the Association or dedicated to the use of all owners of Lots on the plat of the Subdivision or by separate recorded instrument.

Section 1.8 "Common Expenses" means and includes expenses of administration, operation, maintenance, repair or replacement of the Common Properties and any expenses declared Common Expenses by the provision of this Declaration and the Bylaws of the Association.

Section 1.9 "Declarant" shall mean and refer to Southern Bluffs LLC, a Colorado limited liability company, its successors in interest and any person to whom Declarant's rights hereunder are assigned by recorded instrument, or any mortgagee of Declarant which acquires title to or the interest of the Declarant in substantially all of the lots or other portion of the Property then owned by Declarant by reason of foreclosure or a deed in lieu of foreclosure, provided, however, that any such mortgagee shall agree by recorded instrument to assume and discharge the obligations of the Declarant under this declaration.

Section 1.10 "Declarant Control Period" shall mean the period of time during which the Declarant, as the Class B Member, is entitled to appoint a majority of the members of the Board, as provided in the Bylaws. The Class B Control Period shall terminate not later than 60 days after the first to occur of the following:

(a) the date that 75% of the total number of Units permitted by applicable zoning for the Property have been issued certificates of occupancy and have been conveyed to Class A Members other than Builders; or

(b) 10 years from the date of recording of this Declaration; or

(c) such earlier date as the Class B Member, in its sole discretion, executes and records a written notice voluntarily terminating the Declarant Control Period.

Section 1.11 "Declaration" shall mean this instrument, together with the Plat and any amendments to the Declaration or Plat. The Declaration may also be referred to as the "Covenants" or "CC&Rs".

Section 1.12 "First Mortgage" shall mean the deed of trust encumbering a lot having priority of record over all other recorded liens, except those governmental liens made superior by statute and any other lien, including Association liens for assessments made superior by statute.

Section 1.13 "Improvement" shall mean and refer to any building, structure, driveway, fence, pond, water diversion structure or other man made structure on any Lot within Southern Bluffs.

Section 1.14 "Lot" shall refer to any separately conveyed parcel within the Property on which there may be constructed only one single family dwelling unit. Roads, Common Areas, Tracts E, F, G, and H, and parcels designated as Open Space or for other uses shall not be considered to be Lots.

Section 1.15 "Member" shall mean any person who is a member of the Association. Every person or entity who is an "Owner" shall automatically be a member of the Association.

Section 1.16 "Mortgage" shall mean an encumbrance upon property securing a debt or obligation of the owner of the property and may be in the form of a deed of trust, mortgage or other similar encumbrance.

Section 1.17 "Mortgagee" shall mean the holder of a mortgage as defined herein and shall include the seller under a contract of sale under which the purchaser has a right to possession of the property.

Section 1.18 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple interest in a Lot including contract purchasers but excluding those having such interest merely as security for the performance of an obligation.

Section 1.19 "Person" shall mean a natural person, a corporation, a partnership, a trustee or any other legal entity.

Section 1.20 "Property" shall mean and refer to the property which is subject to this Declaration. The Property is sometimes referred to as Southern Bluffs or the Subdivision.

Section 1.21 "Subdivision" shall mean the property described on the Second Amended Plat of Southern Bluffs Subdivision, according to the plat thereof filed for record December 21, 2004 in Book 15 at Page 130 in the office of the Clerk and Recorder of Montezuma County, Colorado.

Section 1.22 "Supplemental Declaration" shall mean any written instrument which may be recorded by Declarant, such right being herein retained by Declarant, which: (1) supplements the

provisions of this Declaration as to the Property or any portions thereof; and (2) may contain additions, amendments and modifications to the Declaration.

ARTICLE II

ADDITIONAL RIGHTS RESERVED TO DECLARANT

Section 2.1. Withdrawal of Property. During the Declarant Control Period, Declarant reserves the right to amend this Declaration for the purpose of removing any portion of the real property which has not yet been improved with structures from the coverage of this Declaration, provided such withdrawal does not reduce the total number of Units then subject to the Declaration by more than 10%. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant. If any of the property withdrawn is Common Area, the Association shall consent to such withdrawal.

Section 2.2. Development and Sales Activities. During the Declarant Control Period:

(a) Declarant and Builders whom the Declarant so authorizes may construct and maintain upon any Lot and portions of the Common Area such facilities and activities as, in Declarant's sole opinion, may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. Declarant and authorized Builders shall have easements for access to and use of such facilities at no charge. Such right shall specifically include the right of Declarant and its designees to use Common Area facilities for an information center and/or for administrative, sales and business offices at no charge. Upon termination of such use, the Declarant or Builders shall, at their sole expense, restore any portion of the Common Area disturbed by their respective activities under this Section.

(b) Declarant and its employees, agents and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

(c) Every Person that acquires any interest in Southern Bluffs acknowledges that Southern Bluffs is a master planned community, the development of which is likely to extend over many years, and recognizes that there may be changes in uses or density for the property. The Declarant reserves the right to pursue such changes through appropriate land use approvals.

Section 2.3. Additional Covenants. No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of Southern Bluffs without Declarant's review and written consent during the Declarant Control Period, and thereafter the written consent of the Association. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless

subsequently approved by written consent signed and recorded by Declarant or the Association, as appropriate.

Section 2.4. Right to Transfer or Assign Declarant Rights. Any or all of Declarant's special rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a recorded written instrument signed by Declarant and the transferee. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to record any written assignment unless necessary to evidence Declarant's consent to such exercise.

Section 2.5. Exclusive Rights To Use Name of Community. No Person other than Declarant, its authorized agents, and Builders, shall use the name "Southern Bluffs," any derivative of such name, or associated logos or depictions, in any electronic, printed or promotional media or material without Declarant's prior written consent. However, Owners may use the name "Southern Bluffs" in printed or promotional matter where such term is used solely to specify that particular property is located within Southern Bluffs. The Association shall also be entitled to use the words "Southern Bluffs" in its name.

ARTICLE III

THE ASSOCIATION

Section 3.1 Authority. The business affairs of the Southern Bluffs Subdivision shall be managed by the Association. The Association shall be governed by the Act, its Article of Incorporation, Bylaws and Rules and Regulations, as amended from time to time.

Section 3.2 Powers. The Association shall have all the powers, authority and duties permitted pursuant to the Act necessary and proper to manage the business and affairs of the Southern Bluffs Subdivision.

Section 3.3 Declarant Control. During the Declarant Control Period the Declarant shall have all the powers reserved in Section 38-33.3-303(5) of the Act to appoint and remove officers and members of the Executive Board (referred to herein as the "Board of Directors").

Section 3.4 Membership. Membership in the Association shall be a covenant running with the land, and all Owners of Lots in the Southern Bluffs Subdivision shall be members of such Association, subject to the Articles of Incorporation, Bylaws and Rules and Regulations, as the same may from time to time be adopted and amended. Membership in the Association shall be appurtenant to and may not be separated from ownership of a Unit; provided, however, that a

Member may make written appointment of an agent or a written designation by proxy which shall allow such agent or delegate to cast votes on behalf of the Member.

Section 3.5 Voting Rights. All Owners of Lots (including Declarant) shall be Members and the Owners of each Lot shall have one vote. When more than one Person holds an ownership interest in a Lot, such Persons may appoint one of the co-owners or a delegate to cast the vote for the Lot. Voting interests for any Lot shall not be divided among co-owners.

Section 3.6 Managing Agent. The Association may delegate any or all of its powers and duties to a managing agent, however, such delegation shall not relieve the Association of any responsibilities under this Declaration. Any such delegation shall be in writing and may be terminated by either party upon reasonable notice. The Association may by contract employ independent contractors, professionals, employees or such other persons as it deems necessary to carry out its function.

Section 3.7 Rules and Regulations. The Association shall have the right to adopt and amend reasonable rules and regulations governing The Southern Bluffs Subdivision. Any such rules and regulations shall be subject to the provisions of this Declaration and shall not alter or amend this Declaration. Violation of any such rules and regulations may be enjoined by the Association or any Owner and the provisions on collection in Section 5.9 and enforcement in Section 9.1 shall apply.

Section 3.8 Books and Records. The Association shall keep complete records of the affairs of the Association, including receipts and expenditures. Each Owner and any Mortgagee shall have the right to inspect such records at reasonable times.

Section 3.9 Directors and Officers. The management of the Association shall be vested in a Board of Directors of not less than five (5) members. The Board shall annually meet and elect a President, Vice President, Treasurer and Secretary Officers as necessary for three-year terms. The Bylaws of the Association shall set forth detailed provisions for directors and officers who shall have and may exercise such powers as may be conferred upon them by this Declaration, the Act, the Articles of Incorporation, the Bylaws, the Rules and Regulations and the Colorado Nonprofit Corporation Act.

Section 3.10 Notices. Any notice required or permitted to be given pursuant to this Declaration or in the normal course of the affairs of the Association, shall be sent to such Owner by first-class mail, postage prepaid, to the address of such Owner as shown in the Association's records. An Owner may by written notice to the Association sent in the same manner notify the Association of a different address. If more than one Owner owns a unit, any such notice may be addressed to all of such Owners and mailed in one envelope to the address shown in the Association's records. Until notice is given of a change of address for the Association, all notices to the Association shall be addressed as follows:

Southern Bluffs Owners Association
~~48 CR 250, Suite 6~~
Durango, CO 81301 ~~801 Bluffs Blvd~~
Cortez, CO 81321

ARTICLE IV

PROPERTY RIGHTS IN THE COMMON AREAS

Section 4.1 Title to Common Areas. The Declarant may transfer to the Association any portion of the Common Areas with or without improvements completed thereon. Any portion of the Property so transferred may be subject to easements, rights-of-way, special access permits, rights of usage, contractual agreements, covenants, restrictions, deeds of trust, security interests or other liens as established by the Declarant at or prior to the time of transfer.

Section 4.2 Owner's Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Areas which shall be appurtenant to and shall pass with the title to every lot, subject to the following provisions:

- (a) The Declaration and any Rules and Regulations adopted by the Association;
- (b) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;
- (c) The right of the Association to restrict access to utility systems or portions thereof for the purpose of safety, security or operation and maintenance;
- (d) The right of the Association to suspend the voting rights and rights to use of the Common Area of any Owner for any period during which the assessment against the Owner's Lot remains unpaid or for any infraction of its Rules and Regulations;
- (e) The right of the Association to transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such transfer shall be effective unless an instrument agreeing to such transfer signed by the Owners of at least two-thirds (2/3) of the Lots has been recorded provided, however, Declarant shall have the unrestricted right to make such transfers;
- (f) The right of the Association to enter into agreements to dedicate, lease, or grant special easements, rights-of-way, or uses to private or public agencies for utilities or access for the general benefit of the Property.

Section 4.3 Delegation of Use. Any Owner may delegate, in accordance with the Bylaws of the Association, his right of enjoyment to the Common Area and facilities to the Owner or his family, his tenants, contract purchasers who reside on the Property, or to such other persons as may be permitted by the Association Bylaws.

ARTICLE V

ASSESSMENTS

Section 5.1 Covenant. Declarant, for each Lot shown on the Plat, hereby covenants, and each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association Annual Assessments, Special Assessments, and Default Assessments.

Section 5.2 Personal Obligation of Owner. Such assessments shall be fixed, established and collected from time to time as provided in the Act, this Declaration and the Bylaws of the Association. Each Owner, by acceptance of deed, further waives any Homestead Exemption as to any lien created by this Declaration or the Act. All assessments, together with such interest thereon and costs of collection thereof, including reasonable attorney's fees, as hereinafter provided, shall be a lien pursuant to the Act and shall also be a continuing personal liability of the person who was the Owner of such Lot when the assessment fell due.

Section 5.3 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to pay Common Expenses and for the purpose of promoting the recreation, health, safety, and welfare of the residents of Southern Bluffs and in particular for the maintenance of the roads, utilities, Common Elements and other property the Association is obligated or authorized to maintain.

Section 5.4 Statement of Status of Assessments. The Association shall, upon demand at any time, furnish a certificate in writing signed by an officer or agent of the Association, setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Association for the issuance of these certificates. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 5.5 Annual Assessment. At least thirty (30) days prior to the end of each calendar year, the Board shall determine the Annual Assessment for the next ensuing year. Such Assessment shall be based upon an annual budget for the Association approved by the Board and adopted by the Owners in the manner required by the Act. Each annual budget shall be based upon the actual income and expenditures for the preceding year, plus such amounts representing expected additional expenses and modifications of income for the next ensuing year together with contributions to reserves maintained by the Association. Annual Assessments shall be payable in periodic installments and with appropriate penalties for delinquency as shall be established by the Board.

Section 5.6 Special Assessment. In addition to the Annual Assessments authorized above, the Association may levy a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair, or replacement of any Common Elements or facilities which are the responsibility of the Association pursuant to this Declaration, provided that such Special Assessment shall have the assent of Members who own not less than two-thirds (2/3) of the Lots who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting set forth for the purpose of the meeting. Any such Special Assessment shall be payable in equal monthly or quarterly installments together with the Annual Assessment installment over such a period of time as the Board of Directors may deem in the best interest of the Owners.

Section 5.7 Default Assessments. In the event that expenses for maintenance, repair or replacement of the Common Elements are the result of the intentional or negligent act of an Owner, an Owner's family or an Owner's guests or invitees or are the result of Owners failure to maintain his Lot as required hereunder, then such expenses incurred by the Association for such maintenance shall be the personal obligation of such Owner and if not repaid to the Association within seven (7) days after notice of the amount of such expense, then such expense shall become a Default Assessment levied against such Lot and the Association may proceed to collect such assessment in the manner provided in Article 11. 5.9 & 8.1?

Section 5.8 Allocation of Assessments. All assessments, excluding Default Assessments, shall be evenly allocated among the Owners, including Declarant, on the basis of the total number of Lots (245) resulting in an allocation per Lot of 1/245th.

Section 5.9 Collection of Assessments. Any Annual, Special or Default Assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate established by the Board, not to exceed twenty-one percent (21%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien against the Lot, and all interest charges, costs and a reasonable attorney's fee for any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Lot.

Section 5.10 Liens. Priority of liens for assessments shall be as set forth in the Act, including §38-33.3-316, C.R.S., which provides that any holder of a first deed of trust who obtains title to a Lot or Lots pursuant to the remedies in the deed of trust or through foreclosure will not be liable for more than six months of the Lot's unpaid regularly budgeted dues or charges accrued before the acquisition of the title to the Lot or Lots by the holder of the deed of trust.

Section 5.11 Reserves. The Association may establish reasonable reserves for maintenance, capital expenditures, or repairs and accumulate such reserves from year to year without causing such reserves to be deemed "surplus funds" for purpose of the Act. The Association may keep

reserves or a portion thereof in interest bearing accounts; interest gained will be added to the preserve.

Section 5.12 Commencement of Annual Assessment. The annual assessments provided for herein shall commence on all completed Lots on the first day of the month following the conveyance of the first such Lot by Declarant to an Owner other than Declarant. A completed Lot shall be defined as a Lot for which a certificate of occupancy has been issued by the appropriate governmental authority.

ARTICLE VI

ARCHITECTURAL REVIEW COMMITTEE

Section 6.1 The Committee. There is hereby established an Architectural Review Committee (the "Committee") consisting of at least three (3) members all of whom shall be appointed by the Board. The aforesaid members of the Committee shall serve at the pleasure of the Board. The vote of a majority of the committee members shall constitute the action of the Committee. The Committee may adopt written procedures and establish review fees as it deems appropriate with approval by the Board.

Section 6.2 Restriction. A Construction Impact Fee in the amount set by the Board shall be paid for all approved new construction and major remodel construction. No improvements shall be constructed, erected, placed, altered, maintained or permitted on any of the Property nor shall any construction or excavation whatsoever be commenced or materials, equipment, or construction vehicles be placed on any lot until plans and specifications with respect thereto in manner and form satisfactory to the Committee showing the proposed improvements, site location of such improvements, complete building plans, material specifications, all exterior elevations, materials and colors, landscaping, grading, easements and utilities and such other information as may be requested by said Committee have been submitted to and approved in writing by the Committee.

Approval shall be based upon conformity and harmony of exterior designs, colors and materials with neighboring structures, relation of the proposed improvements to the natural topography, grade and finish elevation of neighboring structures and conformity of the plans and specifications to the purpose and general plan and intent of these restrictions.

Section 6.3 Approval. If the Committee fails either to approve or disapprove such plans and specifications within thirty (30) days after the same have been submitted to it, it shall be conclusively presumed that said plans and specifications have been approved, subject, however, to the restrictions contained in Article VI hereof. The Committee shall notify the Owner in writing upon receipt of all required plans and specifications and the said thirty (30) day period shall commence on the date of said notification.

Section 6.4 Non-liability. The Committee, the Association and the Declarant shall not be liable in damages to anyone submitting plans to the Committee for approval or to any Owner by reason of a mistake in judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve such plans and specifications. Every Owner or other person who submits plans to the Committee for approval agrees by submission of such plans and specifications that he will not bring any action or suit against the Committee, the Association or Declarant to recover any such damages. Approval of plans by the Committee, the Association or the Declarant shall not be deemed to constitute that the plans meet the requirements of any local building codes and it shall be the responsibility of the Owner or other persons submitting the plans to the Committee to comply therewith.

Section 6.5 Waiver. The Committee shall have the power to grant waivers of restrictions imposed by this Declaration but only if the Committee determines that such waiver is necessary to prevent undue hardship to a lot owner caused by some peculiar condition affecting a specific lot and that the waiver is consistent with the intent of this Declaration and not detrimental to any other lot in Southern Bluffs. Such waivers may only extend to the provisions of this Declaration pertaining to use and occupancy of lots in Southern Bluffs.

Section 6.6 Books and Records. The Architectural Review Committee shall keep and safeguard a complete written record of all applications approved and submitted to it and all actions taken by it under the provisions of this Declaration. Said records shall be maintained for a minimum of five (5) years after approval or disapproval.

ARTICLE VII

USE AND ARCHITECTURAL RESTRICTIONS.

Section 7.1 Commercial Use Prohibited. No commercial use of any type shall be permitted or allowed on the Lots, except that a home occupation may be carried out in the residence on a Lot, provided, it is expressly approved by the Architectural Review Committee; it is in compliance with all city of Cortez zoning regulations; it does not interfere with the residential character of the dwelling or neighborhood; the home occupation is secondary to the use of the residence as a dwelling place; it causes no undue parking or traffic problems; and it has no outward appearance of such home occupation except for a small, unlighted sign. Each Lot shall be used solely for the construction and occupancy of one (1) single family residence.

Section 7.2 General Standards. All homes shall be newly constructed to the UBC/IRC codes with a minimum of 1,200 square feet. All residential structures shall be on a permanent foundation and shall be constructed of new materials designed and finished in a manner which is consistent with the other structures on the property. As newer type finishes become popular or the norm, they are included as consistent with approved finishes with Architectural Review Committee and Board approval. No yurts, tents, tee-pees, geodesic domes, earthships, log type homes, modular homes, trailers, mobile homes or other non-traditional structures shall be permitted. All colors shall be approved by the Architectural ~~Control~~-Review Committee. All

homes shall have a minimum of 2 exterior types of approved finishes on the front, a minimum of 4 inside/outside corners and one inside corner on the face of the home.

Section 7.3 Pets. Family pets shall be permitted not to exceed a total of two (2) dogs and/or cats per Lot. Owners shall license and restrain all family pets in accordance with the ordinances of the City of Cortez. The owner of any pet shall at all times be personally liable and responsible for all actions of such pets and for any damage or maintenance, including the prompt removal and disposal of waste, required as a result of such pet. The Association may adopt reasonable Rules and Regulations concerning pets, including provisions for dealing with fencing, barking, and disposal of waste.

Section 7.4 Fencing. Fences shall be permitted; however, no Lot shall be fenced in its entirety. Fences shall be constructed only after ~~approval of~~ the location, type and materials for the fencing are approved by the Architectural Control Review Committee. No front yard fences shall be permitted. All fences shall be of vinyl or other approved material. No chain link fences are permitted.

Section 7.5 Fireplaces and Wood Stoves. Gas burning grills, fireplaces, pellet stoves, free standing stoves and heaters are acceptable.

Section 7.6 Storage of Equipment and RVs. No storage of industrial, construction or other heavy equipment shall be permitted upon any Lot except during construction of the primary residence or other permitted structures. Boats, motor homes, travel or tent trailers, utility trailers, snowmobiles, jet skis, and other recreational vehicles or water craft of whatever type and description may not be parked upon any Common Area or Lot for more than 48 hours except within an enclosed garage.

Section 7.7 Improvements. No improvements shall be erected on any Lot in violation of any provisions of this Declaration and improvements may be constructed or erected on Lots only after approval by the Architectural Review Committee as provided in this Declaration. No more than one detached single-family dwelling house may be constructed on any Lot. All construction and alteration work shall be prosecuted diligently and each building structure or improvement which is commenced on any Lot shall be entirely completed one year after commencement of construction.

Section 7.8 Noxious Activity. No noxious or offensive activity shall be carried on at any Lot or the Common Area, nor shall anything be done or placed therein which may be or become a nuisance or cause unreasonable embarrassment, disturbance or annoyance to the Owners in the enjoyment of lots or the Common Areas. No garbage or trash or other waste shall be placed or stored anywhere on any Lot other than in covered, sanitary containers. No waste shall be burned upon any Lot. All garbage and trash collection and disposal shall be in strict compliance with the rules and regulations of the Association.

Section 7.9 Signs. No signs shall be permitted upon any Lot with the exception of signs required by legal proceedings, residential identification or home occupation signs subject to the approval of the Architectural Review Committee. "For Sale" signs limited to a total of six (6) square feet with placement in the home. Developer signage is exempt from these restrictions.

Section 7.10 Subdivision Prohibited. Resubdivision of Lots shall not be permitted which will increase the density or change the land use defined within these covenants.

Section 7.11 Antenna. No exterior radio, television, microwave, or other antenna or antenna dish or signal capture or distribution device in excess of three feet high or 24 inches in diameter shall be permitted or installed on any Lot. Any permitted antenna shall be installed at a location approved by the Association.

Section 7.12 Abandoned or Inoperable Vehicles. Abandoned or inoperable automobiles or motor vehicles of any kind shall not be stored or parked on any driveway, road, or the Common Areas within Southern Bluffs. The Association shall adopt reasonable rules and regulations for the removal of such vehicles.

Section 7.13 Non-licensed Vehicles. Snowmobiles, ATVs, motorcycles and the like, unless licensed as motor vehicles, shall not be operated within the Property.

Section 7.14 Rentals. Owners may rent Lots for periods of not less than one month. The Association may adopt reasonable rules and regulations concerning rentals. All tenants shall be subject to the Declaration and all Rules and Regulations adopted hereunder. Regardless of any lease, the Owner shall remain directly liable for all obligations imposed by this Declaration.

Section 7.15 Maintenance of Lots. Each Owner shall, at all times, maintain his Lot in good repair. Buildings shall be kept painted and in good repair. All Lots shall be landscaped and Owners shall keep lawns, shrubs and trees watered and in an attractive condition. In the event an Owner fails to maintain his property in good condition, the Association shall have the authority to provide such maintenance as is necessary and charge the Owner a Default Assessment for the costs incurred in providing such maintenance.

ARTICLE VIII

ENFORCEMENT; POWERS OF ASSOCIATION

Section 8.1 Enforcement. This Declaration may be enforced by an Owner or by the Association, including without limitations the right to maintain an action for injunction, damages or both. In the event that litigation is brought for the purpose of enforcing this Declaration or to recover liens for assessments or other charges levied by the Association pursuant to this Declaration, the prevailing party shall be entitled to recover its costs, including all charges for witnesses, experts, or consultants, and reasonable attorney's fees.

Section 8.2 Powers of Association. The Association may exercise all powers conferred upon it by this Declaration, together also with such powers as may be contained in the Act, the Articles of Incorporation, the Bylaws and the Colorado Nonprofit Corporation Act, not reasonably inconsistent with the powers and purposes set forth in this Declaration. Such powers shall include, but not be limited to, the following:

8.2.1 The power to enforce, by litigation if necessary, all provisions of this Declaration.

8.2.2 The power to appoint an Architectural ~~Control~~-Review Committee or to act as same and to approve any construction or other improvements as authorized by this Declaration.

8.2.3 The power to establish budgets and maintenance assessments and assessments for capital improvements and to place liens and take such other actions as shall be necessary for the collection of same.

8.2.4 The power to maintain, repair and improve Common Areas and weed control in conformance with requirements of applicable planning approvals and the requirements of any governmental agency with jurisdiction.

8.2.5 After expiration of the Declarant Control Period, the power to grant licenses or easements for use of access and utility easements as shown on the Plat or described herein to any utility or adjoining land owner, together also with the power to allow connection to utility systems within the Southern Bluffs, subject to the following conditions:

a. The person or persons to whom such license is granted shall be responsible for all damage to roads or easements and restoration of landscaping, fences and improvements.

b. All such licenses shall be revocable upon thirty (30) days notice by the Association; grants of easement or utility connection may be in perpetuity.

c. The Association may prescribe the compensation to be paid for use of such easements or connection to utility systems; provided that no fee, other than reasonable inspection fees, shall be payable by an Owner.

d. The power to grant the right to use easements and to connect to utility systems is exclusively reserved to the Association and shall not be exercised by any individual Lot Owner.

8.2.6 The power to establish Rules and Regulations governing Southern Bluffs, including fines and penalties for violations, which are not inconsistent with the Declaration.

ARTICLE IX

ADDITIONAL PROPERTIES WHICH MAY BECOME SUBJECT TO THIS DECLARATION

Additions may be made to the property in any of the following ways:

(a) The Declarant shall have the right, but shall be under no obligation, to bring within the scope of this Declaration and make subject to the provisions hereof additional properties.

(b) Such additions shall be made by the filing of record a Supplemental Declaration with respect to the additional Properties, or with respect to the Property as the case may be, which will extend the coverage of this Declaration to such Property or additional Properties.

(c) Notwithstanding anything contained herein or in any Supplemental Declaration to the contrary, all Owners of additional Properties shall have the same rights and liabilities at least of similar quality and character to those established within the Property.

(d) Upon approval in writing of the Association, pursuant to the vote of its members as provided in the Bylaws, the Owner of any Property who desires to add said Property to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may file of record a Supplemental Declaration evidencing that its members have approved the inclusion of such Property.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Duration. Duration of this Declaration shall be as set forth in the Act.

Section 10.2 Notices. Any notice required to be sent to any person under the provisions of this Declaration shall be deemed to be properly given when mailed postage prepaid to the last known address of the person as shown on the records of the Association at the time of such mailing.

Section 10.3 Assignment of Declarant's Rights and Duties. Any and all of the rights, powers, duties and obligations of Declarant herein contained may be assigned by the Declarant to the Association and, upon the Association's evidencing its consent in writing to accept such assignment, said Association, to the extent of such assignment, shall assume Declarant's duties hereunder, have the same rights and powers and be subject to the same obligations and duties as

are given to and assumed by the Declarant hereunder. Upon such assignment, and to the extent thereof, Declarant shall thereafter be relieved from all duties and obligations hereunder.

Section 10.4 Benefits and Burdens. The terms and provisions contained in this Declaration shall bind and inure to the benefit of the Declarant, the Owners, and their respective heirs, successors, personal representatives and assigns.

Section 10.5 Singular and Plural. Words used herein regardless of the number and gender specifically used shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine or feminine, as the context requires.

Section 10.6 Severability. In the event that any provision of this Declaration is deemed invalid or is declared to be invalid by any court of competent jurisdiction, such declaration shall not invalidate the remainder of such Covenants, and they shall remain in full force and effect.

Section 10.7 Indemnification. To the fullest extent permitted by law, every Director and Officer of the Association, and the members of the Architectural ~~Control-Review~~ Committee and other committees of the Association, and the Developer (to the extent a claim may be brought against the Developer by reason of its appointment, removal or control over a member of the Board or the Architectural ~~control-Review~~ Committee) shall be indemnified by the Association, and every other person serving as an employee or direct agent of the Association, or on behalf of the Association as a member of a committee or otherwise may in the discretion of the Board, be indemnified by the Association, against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Association (or in the case of the Developer by reason of having appointed, removed or controlled or fail to control members of the Board or the Architectural ~~Control-Review~~ Committee), or any settlement thereof, whether or not he is a director, officer, or member of the ~~Design-Architectural~~ Review Committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that such officer, director, member of the Architectural ~~Control-Review~~ Committee, or the Developer, did to act, fail to act, or refuse to act willfully or with gross negligence or fraudulent or criminal intent in the performance of his duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

Section 10.8 Nonwaiver. Failure by the Declarant, the Association or any Owner to enforce any covenant, condition, restriction, easement, reservation, right-of-way or other provision contained in this Declaration shall in no way or event be deemed to be a waiver of the right to do so thereafter.

Section 10.9 Captions. The captions to the Articles and Sections are inserted herein only as a matter of convenience and for reference and are in no way to be construed to define, limit or otherwise describe the scope of this Declaration nor the intent of any provisions hereof.

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Section 10.10 Conflict in documents. In the case of any conflict between the provisions of this Declaration and the Articles of Incorporation, Bylaws or Rules and Regulations adopted by the Association, this Declaration shall control.

IN WITNESS WHEREOF, the Declarant has executed this instrument on the day and year first above written.

DRAFT

Southern Bluffs LLC,
a Colorado limited liability company

Pinon Investments, LLC

By _____
xxx

By _____
xxx

By _____
Xxx

By _____
xxx

Xxx

xxx

Xxx

xxx

By: _____
xxx, President

STATE OF COLORADO)
) ss
COUNTY OF LA PLATA)

SUBSCRIBED and sworn to before me this ____ day of _____, 2006 by xxx

WITNESS my hand and official seal.
My commission expires:

Notary Public

STATE OF COLORADO)
) ss
COUNTY OF LA PLATA)

SUBSCRIBED and sworn to before me this ____ day of _____, 2006 by xxx

WITNESS my hand and official seal.
My commission expires:

Notary Public

STATE OF COLORADO)
) ss
COUNTY OF LA PLATA)

SUBSCRIBED and sworn to before me this ____ day of _____, 2006 by xxx.

WITNESS my hand and official seal.
My commission expires:

Notary Public

STATE OF _____)
) ss
COUNTY OF _____)

SUBSCRIBED and sworn to before me this ____ day of _____, 2006 by xxx

WITNESS my hand and official seal.
My commission expires:

Notary Public

DRAFT_SB_Declaration_Amendment