

AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
TRAILWOOD ASSOCIATION

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AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
TRAILWOOD ASSOCIATION

PREAMBLE

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR TRAILWOOD ASSOCIATION (this "Declaration"), is made by the Owners of Lots within the Properties as those terms are hereinafter defined, pursuant to Colorado Revised Statutes ("C.R.S.") Sec. 38-33.3-217.

WITNESSETH:

WHEREAS, the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR TRAILWOOD ASSOCIATION was recorded February 27, 1996, in Book 1534, Page 128, Reception Number 2478061 of the Weld County, Colorado, records (the "Original Declaration").

WHEREAS, the Original Declaration encumbers the following described property located in the Town of Windsor, County of Weld, State of Colorado (the "Properties"):

RIVERBEND SUBDIVISION FIRST REPLAT INCLUDES LOTS 1-41 AND OUTLOTS A, B, C AND D

WHEREAS, Article X, Section 2 of the Original Declaration provides that it may be amended in accordance with C.R.S. Sec. 38-33.3-217.

WHEREAS, C.R.S. Sec. 38-33.3-217(1)(a)(I) provides that the Original Declaration may be amended by the affirmative vote of Owners of Lots within the Properties to which sixty-seven percent (67%) or more of the votes in the Association are allocated.

WHEREAS, this Declaration was approved by Owners of Lots within the Properties to which sixty-seven percent (67%) or more of the votes in the Association are allocated at a meeting of the Owners duly called and properly held.

WHEREAS, the Owners of Lots within the Properties to which sixty-seven percent (67%) or more of the votes in the Association are allocated hereby declare that all of the Properties shall be owned, held, transferred, conveyed, sold, leased, rented, hypothecated, encumbered, used, occupied, maintained, altered and improved subject to the covenants, conditions, restrictions, limitations, reservations, exceptions, equitable

servitudes and other provisions set forth in this Declaration for the duration thereof, all of which shall run with the title to the Properties and be binding upon all parties having any right, title or interest in the Properties or any part thereof and upon their heirs, personal representatives, successors and assigns and shall inure to the benefit of each party having any such right, title or interest in the Properties or any part thereof.

NOW, THEREFORE, the Original Declaration shall be and is hereby amended and restated in its entirety and the Properties shall be held, transferred, sold, conveyed and occupied subject only to the covenants, restrictions, easements, charges, and liens set forth in this Declaration. Additionally, the Properties shall be subject to the provisions of the Colorado Common Interest Ownership Act Sections 38-33.3-101 et. seq., Colorado Revised Statutes as it may be amended from time to time (the "Act").

ARTICLE I

DEFINITIONS

Section 1. "Association Architectural Review Committee" (AARC) shall mean the Committee that is formed by Article IX of these covenants. The duties and functions of the AARC, as defined and detailed in Article IX, are primarily concerned with Improvement(s) to Owner Property (IOP), but also include serving in an advisory capacity to the Executive Board of the Association, as requested by the Board, on matters concerning 'Improvements' to Association owned and/or maintained property.

Section 2. "Articles of Incorporation" shall mean the Articles of Incorporation of the Association, as the same may from time to time be amended.

Section 3. "Association" shall mean and refer to Trailwood Association, a Colorado corporation, not-for-profit, its successors and assigns.

Section 4. "Association Fences" shall mean the fences located or to be located on the Common Area. The precise locations of the Association Fences, if any are to be located, shall be as determined by the Executive Board of the Association.

Section 5. "Association Maintenance Areas" shall mean any portion of Common Area as defined in Section 10 of this Article I together with any portion of the Lots maintained by the Association.

Section 6. "Assessment" shall mean and refer to any assessment levied, charged, or assessed against an Owner in accordance with the provisions of this Declaration.

Section 7. "Assessable Unit" shall mean and refer to any real property within the Properties which is subject to Assessments.

Section 8. "Board" shall mean the Executive Board of the Association.

Section 9. "Bylaws" shall mean and refer to the duly adopted Bylaws of the Association, as the same may from time to time be amended.

Section 10. "Common Area" shall mean and refer to all real property and Improvements owned or leased by the Association which shall include, by way of example but without limitation, all exterior fencing, exterior lighting, benches and walks owned by the Association. Said areas are devoted to the common use and enjoyment of Owners (subject to the provisions hereof) and are not dedicated for use by the general public except as indicated on the Subdivision Plat. The definition of Common Area shall expressly exclude any public streets or alleys as shown on any Subdivision Plat.

Section 11. "Declaration" shall mean this Amended and Restated Declaration of Covenants, Conditions, and Restrictions for Trailwood Association, as the same may from time to time be amended.

Section 12. "Federal Mortgage Agencies" shall mean and refer to those Federal Agencies that have an interest in the Properties, such as the Federal Housing Administration, the Veterans Administration, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation, or successors to their interest.

Section 13. "First Mortgage" shall mean and refer to any unpaid mortgage, deed of trust or other security instrument recorded in the records of the office of the Clerk and Recorder of Weld County, Colorado, having priority of record over all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments). "First Mortgage" shall also mean and refer to any executory land sales contract wherein the Administrator of Veterans Affairs, an officer of the United States of America, is the original seller, whether such contract is recorded or not, and whether such contract is owned by the said Administrator or has been assigned by said Administrator and is owned by the Administrator's assignee, or a remote assignee and the land records in the office of the Clerk and Recorder of Weld County, Colorado show the said Administrator as having the record title to the Lot.

Section 14. "First Mortgagee" shall mean and refer to a lender who holds either a first deed of trust or a First Mortgage on a Lot or Living Unit.

Section 15. "Improvements" shall mean and refer to all improvements now or hereafter constructed including, without limitation, all Association exterior boundary fencing, exterior lighting, benches, walks, landscaping, sprinkling systems, irrigation ditches and parking areas within the Project owned by the Association. This definition pertains only to Association owned and/or maintained property. "Improvement(s) to Owner Property" ("IOP") are specifically defined in Article IX and referred to as IOP throughout this Declaration.

Section 16. "Institutional Mortgagee" or "Institutional Lender" shall mean and refer to a First Mortgagee which is a federally or state chartered bank, a federal or state

savings bank, or savings and loan institution, a real estate investment trust, or any corporation whose primary business is the making, purchasing, or placing of mortgage loans, who shall perfect a first priority security position as to any Lot or Living Unit constructed within the Project.

Section 17. "Living Unit" shall mean and refer to any structure situated upon the Properties designed and intended for use and occupancy as a residence by a Single Family.

Section 18. "Lot" shall mean and refer to any numbered area of land shown as such upon any Subdivision Plat, with the exception of Common Areas as heretofore defined. "Lot" shall also mean a "Unit" as defined in C.R.S. Sec. 38-33.3-103(30) as originally enacted or subsequently amended.

Section 19. "Member" shall mean and refer to every Person having an ownership interest in a Lot. If more than one Person has an ownership interest in a Lot, the Owners of the Lot shall designate one Person to cast the vote assigned to that Lot as pursuant to Article III of this Declaration.

Section 20. "Mortgage" shall mean and refer to mortgage, deed of trust, or other similar security instrument held or owned by a Mortgagee which encumbers any Lot and/or Living Unit.

Section 21. "Mortgagee" shall mean and refer only to a Mortgagee under a Mortgage or a beneficiary under a deed of trust or similar security instrument that has given written Notice of such interest to the Association together with the name and address of the Mortgagee.

Section 22. "Notice" shall mean and refer to a written informational document properly delivered according to the provisions of this Declaration, the Bylaws, or the Rules and Regulations of the Association.

(a) Routine Notices and monthly statements shall be sent to Owners by one or more of the following means:

- (1) posting on an Internet web page plus either mailing or e-mailing the web address to each Owner;
- (2) by postal mail to each Owner; or
- (3) by personal delivery to each Owner.

All Notices or demands upon an Owner shall be sent to the Owner's address as registered with the Association and also by e-mail if the Owner has so requested and has furnished the Association with an e-mail address.

(b) All Notices or demands upon First Mortgagees shall be sent by postal mail except as otherwise required under Article XII, Section 2(b) of this Declaration.

(c) All Notices or demands upon the Board of Directors shall be sent by certified mail, postage prepaid, return receipt requested, to the office of the Association at the address identified by the Association in writing to each Owner.

Section 23. "Owner" means any Person who owns the record fee simple interest in one or more Lots and shall include the purchaser under any executory land sales contract wherein the Administrator of Veterans Affairs is seller, whether recorded or not, and whether owned by said Administrator or his (or her) assigns. The term "Owner" shall include any grantee, transferee, heir, successor, personal representative, executor, administrator, devisee, and assign of any Owner, but shall not refer to any Mortgagee as herein defined, or other Person or entity having an interest in any Lot merely as security for the performance of an obligation, unless such Mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

Section 24. "Owner Property" shall mean each Living Unit within the Properties and the Lot upon which it is built, together with private walks, driveways, porches, and patios/decks attached to the Living Unit or located on the Lot.

Section 25. "Person" shall mean an individual, corporation, partnership, association, trust, limited liability company, or other legal entity, or any combination thereof.

Section 26. "Project or Properties" shall mean and refer to all real property which is subject to the Declaration.

Section 27. "Quorum of Owners" shall mean the representation by presence or proxy of Members who hold fifty-one percent (51%) of the outstanding votes entitled to be cast on any issue.

Section 28. "Registered Notice" shall mean and refer to any Notice which has been signed for by a recipient or has been certified by the U.S. Postal Service or other entity as having been delivered to the address of the intended recipient. Failure by refusal of an intended recipient to acknowledge such Notice shall nevertheless constitute receipt when such refusal is witnessed by one other Person.

Section 29. "Related User" shall mean any member of the family of an Owner who resides with such Owner; guests and invitees of an Owner; employees and agents of an Owner; and occupants, tenants and contract purchasers residing in a Living Unit of an Owner who claim by, or through an Owner.

Section 30. "Single Family" shall have the same meaning as that term is defined in the zoning ordinance of the Town of Windsor, County of Weld, Colorado, as

of the date of the recording of this Declaration or as amended in the future by the governing body of the Town of Windsor, County of Weld, Colorado.

Section 31. "Subdivision Plat" shall mean any plat of the Properties approved by the Town of Windsor and recorded in the office of the Clerk and Recorder of Weld County, Colorado.

Section 32. "Common Water Line" shall mean a Water Line which services Association Maintenance Areas.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION

The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in the Town of Windsor, Weld County, State of Colorado and legally described as Lots 1-41 and Outlots A, B, C and D, Riverbend Subdivision First Replat. The maximum number of Living Units that may be built within the Properties is 41 Units.

ARTICLE III

ASSOCIATION STRUCTURE AND FORMAT

Section 1 – Organization. The Association is a non-profit, non-stock corporation organized and existing under the laws of Colorado, charged with the duties and vested with the powers prescribed by law and set forth in the Articles of Incorporation and Bylaws, as such may be amended from time to time, provided that the Articles of Incorporation and Bylaws shall not for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

Section 2 – Membership.

(a) Basis. Membership shall be appurtenant to the Lot giving rise to such Membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except as provided in this Declaration, the Articles of Incorporation or Bylaws.

(b) Member's Rights and Duties. Each Member shall have the rights, duties and obligations set forth in this Declaration, the Articles of Incorporation or Bylaws.

(c) Voting Rights. The Association shall have one (1) class of voting Member. Each shall be entitled to one (1) vote for each Lot owned.

(d) Exercise of Vote. Membership shall be appurtenant to and may not be separated from record ownership of a Lot, and such Membership shall automatically

transfer to the new Owner upon any sale, transfer, or other disposition of a Lot subject to the provisions of this Declaration. There shall not be more than one (1) voting Member for any Lot within the Project. The vote appurtenant to a Lot which is owned by more than one (1) Person may only be exercised by one (1) Person, or if the Owner is an entity, by a designated representative of the entity. A written Notice subscribed to by all Persons having an ownership interest in a Lot or by an entity, as the case may be, designating one (1) of such Persons or a representative of such entity as the Person entitled to cast the vote with respect to such Lot shall be delivered to the Secretary of the Association prior to the start of any Annual or Special Meeting of the Association. Without this written Notice, the vote appurtenant to a Lot owned by more than one Person or by an entity shall not be counted.

Section 3 – Executive Board.

(a) Composition. The number of Directors shall be as provided in the Articles of Incorporation and Bylaws.

(b) Extent of Power.

(1) The Executive Board shall have all powers for the conduct of the affairs of the Association which are enabled by law or this Declaration or the Articles of Incorporation and its Bylaws which are not specifically reserved to Members or the Association Architectural Review Committee (AARC) by said Documents.

(2) The Executive Board shall exercise its power in accordance with this Declaration, the Articles of Incorporation and its Bylaws.

ARTICLE IV

DUTIES AND POWERS OF TRAILWOOD ASSOCIATION

Section 1 – General Duties and Powers of Association. The Association has been formed to further the common interests of the Members of the Association. The Association, acting through its Executive Board or Persons to whom the Board has delegated such powers, shall have the duties and powers hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to further the common interests of the Members of the Association, to maintain, improve and enhance the Common Area and to improve and enhance the attractiveness and desirability of the Project.

Section 2 – Duty to Accept Property and Facilities Transferred by Declarant. The Association has accepted title to any Common Area, including any Improvements thereon, Association Fences and personal property or equipment, together with the responsibility to perform any and all of the functions set forth in this Declaration in

connection therewith, provided that such property and functions are not inconsistent with the terms of this Declaration.

Section 3 – Duty to Manage and Care for the Association Fences. The Association shall manage, operate, care for, maintain, repair and replace the Association Fences, if any, and keep the Association Fences in a neat, attractive and desirable condition.

Section 4 – Duty to Remove Snow from Driveways and Front Walks. The Association shall remove snow as reasonably necessary from public sidewalks, the driveway and from the walk leading from the front door of the Living Unit to the adjacent street and/or to such driveway located on each developed Lot within the Project. This duty shall not extend to any patio/deck area adjacent to a Living Unit.

Section 5 – Duty to Manage and Care for Association Maintenance Areas. The Association shall manage, operate, care for, maintain and repair all landscaping or other Improvements (other than any private walks, driveways, porches, and patios/decks) installed in the Association Maintenance Areas, including all irrigation systems therein and common water meters for irrigation water therefor on the Maintenance Areas. The Association is responsible for maintenance, but not replacement, of Association-approved landscaping installed by the Owner. The Association shall keep the Association Maintenance Areas (other than private walks, driveways, porches, and patios/decks located in the Association Maintenance Areas) in a safe, attractive and desirable condition for the use and enjoyment of the Owner of the Lot on which the Association Maintenance Area is located. As provided hereinafter, the Owner of the Lot shall be responsible for maintenance and repair of grade surrounding the foundation of the Living Unit and shall provide for maintenance, repair and replacement of any private driveway, walk, porch or patio/deck in the Association Maintenance Areas of the Lot.

Section 6 – Owner(s)' Responsibility. The Owner of each Lot shall be responsible for maintenance of grades (and elevations) surrounding the foundation of the Living Unit on the Lot, including but not limited to front, rear, and side elevations, as well as the private walks, driveways, porches, patios/decks, etc. on the Lot. All maintenance and repairs due to subsidence of such grades, including any damage to the Owner's private property caused by subsidence or settling of such grades is the responsibility of the Owner. All maintenance and repair costs to re-establish grades and to repair or replace the Owner's settled, cracked, broken, or otherwise damaged private improvements (including but not limited to walks, driveways, porches, patios/decks, etc.) are the sole responsibility of the Owner. The Association shall have the right but not the obligation to manage/oversee all repairs in elevations around the Owner's Living Unit. The Owner shall be responsible for the cost of repairing any damage to the irrigation system wiring and/or irrigation lines caused by the Owner and/or such Owner's contractors, subcontractors, agents and employees while engaged in activities such as: backfilling and compacting grade to improve drainage; replacing or repairing driveways, walkways, porches, and patios; replacing, repairing, or modifying boundaries of mulch strips; setting or repairing posts or support columns for decks; setting TV antenna posts; or planting shrubs, flowers, etc. All Owners shall submit project plans and request

permission of the AARC prior to initiating any such work (see Article IX of this Declaration).

Section 7 – Change of Association Maintenance Area. If the Owner of a Lot desires to change the boundaries of the Association Maintenance Area located on his (or her) Lot, such Owner shall give written Notice to the Association. Any such change shall be effective only upon the execution of a written agreement by and between such Owner and the Association setting forth the new boundaries of the Association Maintenance Area located on such Lot and containing such other terms and conditions as shall be deemed advisable by the Association in its sole discretion, which written agreement shall be recorded by the Association. The terms and conditions of any such written agreement between the Association and the Owner of a Lot shall run with title to such Lot and shall also be binding upon each subsequent Owner of such Lot. If a change or alteration to an Association Maintenance Area is approved in accordance with the foregoing and if such change or alteration results in either an expansion or contraction of that Association Maintenance Area, the Association's duty to manage and care for the Association Maintenance Area, as provided herein, and the corresponding obligation of the Owner of the Lot to maintain the remainder of his (or her) Lot, as hereinafter provided, shall either be increased or decreased, as is appropriate; provided, however, that no such change to an Association Maintenance Area shall alter the amount of the Assessment payable by the Owner thereof. Any such change or alteration to the Association Maintenance Areas shall only be made or done by the Association or its authorized agents, or contractors approved by the Association.

Section 8 – Duty to Manage and Care for Exterior Surfaces. The maintenance and care of all Exterior Surfaces of the Living Unit is the sole responsibility of the Owner except as noted below. "Exterior Surfaces" are defined as brick, trim, exterior glass, screens, doors, cement, roofs, gutters, downspouts, driveways, walkways, porches, and patios or decks, whether constructed of wood, concrete or other materials. Trim is further defined as including siding, soffits, fascias, porch and deck ceilings, and door and window frames.

The Association is responsible for painting the trim (unless non-maintenance, factory-painted, or factory-finished material has been used), gutters, downspouts, and the exterior side of garage doors. Specifically, the Association will not paint: siding, soffits, and fascias that are constructed of vinyl or factory-painted metal; storm or screen doors; metal-clad or vinyl-clad sliding doors on porches, decks and patios; metal-clad or vinyl-clad window frames or window screen frames; or main front doors. The exterior side of other exterior doors will be painted by the Association. When using the existing color on the Living Unit, the Board shall determine if a second coat is required and would be responsible for payment thereof. An Owner who has received approval for a color change to the Owner's Living Unit is responsible for paying for any second coat of paint that may be required. The nature and type of any painting, including the color thereof, shall be within the sole discretion of the Association. If the Association is required to incur costs and expenses of maintenance, repair or care due to the willful or negligent act or failure to act of an Owner or a Related User of an Owner, the amounts incurred shall

be payable by such Owner to the Association as an Assessment secured by a lien as provided in Article V of this Declaration.

Section 9 – Duty to Manage and Care for Common Water Lines. The Association shall manage, care for, maintain, repair and replace all Common Water Lines within the Project. The Association shall also maintain, repair and replace any landscaping, pavement, curbing, gutter or other Improvement to the Common Areas which is damaged or destroyed by the management, care, maintenance, repair or replacement, or the lack thereof, of the Common Water Lines; provided, however, that the Association shall not be liable, and each Owner hereby waives any and all right to claim against or recover from the Association, for any damage or destruction, to any Improvements to the Common Areas, resulting from or related to the failure of the Association to comply with its obligations under this Section.

If a component of the Association Common Water Lines fails under pressure, and the failure is not caused by or related to Owner-initiated actions/activities, the Association's responsibility to repair private property damaged by such failure is defined as follows:

(a) If the failure is due to lack of proper Association management, care, maintenance, repair or replacement of the Common Water Lines, or the Association did not take appropriate remedial action to limit damage to the Owner's property, the Association shall repair or replace the Owner's damaged private property.

(b) If the Association has exercised due diligence in management, care, maintenance, repair or replacement of these Lines, and the failure is due to component aging, defect, malfunction or any other cause that could not have been reasonably predicted, detected, known, or prevented, the Association shall not repair or replace the Owner's damaged private property; furthermore, the Association shall not be liable, and each Owner hereby waives any and all right to claim against or recover from the Association, for any damage or destruction, to any private property, caused by or related to any such failure.

If an Owner's private property or Association property is damaged as a result of failure of a component of the Common Water Lines, and the failure is due to Owner-initiated actions/activities, the Owner shall be solely responsible for the full cost to repair and/or replace all damaged property (both privately owned and Association owned property). Examples of Owner-initiated actions/activities with potential to damage the Common Water Lines are set forth in Article IV, Section 6, and include but are not limited to, events where: the Owner (or Owner's Contractor or designated representative) repairs, digs, ditches, penetrates, or otherwise disturbs the grade surrounding their Living Unit (or in the Common Areas); or an Owner (or Owner's Contractor or designated representative) repairs, modifies, alters, or re-positions the Association irrigation plumbing system in any manner (on either private property or Common Areas). In all Owner-initiated failures, the Association shall not be liable, and each Owner hereby waives any and all right to claim against or recover from the Association, for any damage

or destruction, to any private property or Association property, caused by or related to any such failure.

The Association is responsible for repair of damages, to Association owned property, caused by failure of a Town of Windsor Water Supply Line, flood, runoff, or ground water; provided, however, that the Association shall not be liable, and each Owner hereby waives any and all right to claim against or recover from the Association, for any damage or destruction, to any Improvements to Association property, resulting from or related to the failure of the Association to comply with its obligations under this Section. The Association shall not be liable or responsible for damage, to an Owner's private property, resulting from failure of a Town of Windsor Water Supply Line, sewer back-up, sump overflow or discharge, flood, runoff, or ground water; and each Owner hereby waives any and all right to claim against or recover from the Association, for any damage or destruction, to any private property, caused by or related to any such failure, hazard, or event.

Section 10 – Duty to Prepare Budgets. The Association shall prepare budgets as elsewhere provided in this Declaration.

Section 11 – Duty to Levy and Collect Assessments. The Association shall levy and collect Assessments as elsewhere provided in this Declaration.

Section 12 – Duty to Provide Audit. The Association shall provide for an audit or review of the accounts of the Association at least once every two (2) years and shall provide copies of any audit or review to any Member upon request.

Section 13 – Power to Adopt Rules and Regulations. The Association, acting by and through its Executive Board, may adopt, amend, repeal and enforce Rules and Regulations as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, and the use of any property within this Project. Any such Rules and Regulations shall be reasonable and uniformly applied. Such Rules and Regulations shall be effective only upon adoption by resolution of the Executive Board of the Association. Notice of the adoption, amendment or repeal of any Rules or Regulations shall be given in writing to each Member of the Association at the address for Notices to Members as elsewhere provided in this Declaration or the Bylaws of the Association, and copies of the currently effective Rules and Regulations will be made available to each Member upon request and payment of the reasonable expense of copying the same. Each Member shall comply with such Rules and Regulations and shall see that Related Users comply with such Rules and Regulations. Such Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration. In the event of conflict between the Rules and Regulations and the provisions of this Declaration, the provisions of this Declaration shall prevail.

Section 14 – Power to Enforce Declaration and Rules and Regulations. The Association shall have the power to enforce the provisions of this Declaration and of its Rules and Regulations and shall take such action as the Executive Board of the

Association deems necessary or desirable to cause such compliance by each Member of the Association and each Related User. Without limiting the generality of the foregoing, the Association shall have the power to enforce the provisions of this Declaration and of Rules and Regulations of the Association by any one or more of the following means: (a) by entry upon any property within the Association Maintenance Area (when a bona fide emergency exists), without liability to the Owner thereof, for the purpose of enforcement or causing compliance with this Declaration or Rules and Regulations of the Association; (b) by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the provisions of this Declaration or the Rules and Regulations of the Association, by mandatory injunction or otherwise; (c) by commencing and maintaining actions and suits to recover damages for breach of any of the provisions of this Declaration or the Rules and Regulations of the Association; (d) by suspension, after Notice and Hearing, of the voting rights of a Member of the Association during and for up to sixty (60) days following any breach by such Member or a Related User of such Member of this Declaration or such Rules and Regulations, unless the breach is a continuing breach, in which case suspension shall continue for so long as such breach continues; (e) by levying and collecting, after Notice and Hearing, a Reimbursement Assessment against any Member of the Association for breach of this Declaration or such Rules and Regulations by such Member or a Related User of such Member; and (f) by levying and collecting, after Notice and Hearing as defined in this Declaration, reasonable and uniformly applied fines and penalties, established in advance in the Rules and Regulations and/or Policy Statements of the Association, from any Member of the Association for breach of or failure to comply with this Declaration or such Rules and Regulations by such Member or a Related User of such Member.

Section 15 – Power to Provide Special Services for Member. The Association shall have the power to provide services to a Member or group of Members. Any service or services to a Member or group of Members shall be provided pursuant to an agreement in writing, or through one or more special service contract(s), which shall provide for payment to the Association by such Member or group of Members of the reasonably estimated costs and expenses of the Association of providing such services, including a fair share of the overhead expenses of the Association, and shall contain reasonable provisions assuring that the obligation to pay for such services shall be binding upon any heirs, personal representatives, successors and assigns of the Member or group of Members and that the payment on such services shall be secured by a lien on the property of the Member or group of Members.

Section 16 – Power to Employ Managers. The Association shall have the power to retain and pay for the services of a Manager or Managers to undertake any of the management or functions for which the Association has responsibility under this Declaration to the extent deemed advisable by the Association, and may delegate any of its duties, powers or functions to any such Manager. Any contract or agreement with any such Manager shall be terminable by the Association for cause on no more than thirty (30) days' prior written Notice, and shall be terminable by the Association without cause and without payment of a termination fee on no more than ninety (90) days' prior written Notice. Any such contract or agreement shall be for a term of no more than one (1) year, but may be subject to renewal for succeeding terms of no more than one (1) year each.

Notwithstanding any delegation to a Manager of any duties, powers or function of the Association, the Association and its Executive Board shall remain ultimately responsible for the performance and exercise of such duties, powers and functions. Any agreement or contract with a Manager may contain any other provisions which are required to be contained therein by any Federal Mortgage Agency.

Section 17 – Power to Engage Employees, Agents and Consultants. The Association shall have the power to hire and discharge employees and agents and to retain and pay for legal and accounting services as may be necessary or desirable in connection with the performance of any duties or the exercise of any powers of the Association under this Declaration.

Section 18 – General Corporate Powers. The Association shall have all of the ordinary powers and rights of a Colorado corporation formed under the Colorado Non-profit Corporation Act, including, without limitation, entering into partnership and other agreements, subject only to such limitations upon such powers as may be set forth in this Declaration or in the Articles of Incorporation or Bylaws of the Association. The Association shall also have the power to do any and all lawful things which may be authorized, required or permitted to be done under this Declaration or the Articles of Incorporation and Bylaws of the Association and to do and perform any and all acts which may be necessary or desirable for, or incidental to, the exercise of any of the express powers or rights of the Association under this Declaration and the Articles of Incorporation and Bylaws of the Association.

ARTICLE V

COVENANT FOR ASSESSMENTS

Section 1 – General. The Association shall have the power to levy Assessments against the Lots and the Owners thereof, and each Owner, and, if more than one (1) Person, all such Persons, jointly and severally, by acceptance of the deed to a Lot, whether or not it shall be expressed in any such deed, shall be deemed to covenant and agree to pay all such Assessments in the manner and for the purposes provided herein. Subject to the provisions hereof, the Board shall have the power and authority to determine all matters in connection with Assessments, including the power and authority to determine where, when, and how Assessments shall be paid to the Association, and each Owner shall comply with such determination.

Section 2 – Method of Assessment. All Assessments shall be levied by the Association against Lots and collected and disbursed by the Association. The Executive Board shall fix the amount of the Assessments as provided hereinafter and set the date or dates such Assessments shall become due. The Association may enter into an escrow agreement with the holder of a Member's Mortgage so that Assessments may be combined with the Member's Mortgage payments and paid at the same time and in the same manner; except that any such escrow agreement shall comply with any applicable rules of the Federal Housing Administration, Department of Housing and Urban Development, Veterans Administration, or other government agency.

Section 3 – Relationship of the Association Lien to Mortgages. Except as provided in C.R.S. Sec. 38-33.3-316 as originally enacted or as subsequently amended by the Colorado Legislature, the lien of the Assessments provided for herein shall be subordinate to the lien of any First Mortgage, including any executory land sales contract wherein the Administrator of Veterans Affairs (Veterans Administration) is the seller, whether such contract is owned by the Veterans Administration or its assigns, and whether such contract is recorded or not. The lien of such Assessments shall be superior to any homestead exemption or other exemption as is now or may hereafter be provided by Colorado or federal law. The acceptance of a deed to land subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against said Assessment lien. Sale or transfer of any Lot shall not affect the liens for said charges except that sale or transfer of any Lot pursuant to Mortgage foreclosure or any proceeding in lieu thereof, including a deed in lieu of foreclosure or cancellation or forfeiture of an executory land sales contract shall extinguish the lien of such charges as to payments which became due prior to such sale, transfer, cancellation or forfeiture of executory land sales contract, subject to the terms and provisions of C.R.S. Sec. 38-33.3-316. No sale, transfer, cancellation or forfeiture of executory land sales contract shall relieve such Lot from liability for any such charges thereafter becoming due or from the lien thereof; provided, however, that in the event of foreclosure of a First Mortgage or the taking of a deed in lieu thereof, such First Mortgagee shall not be liable for unpaid Assessments or other charges which accrue prior to the acquisition of title to the Lot in question by such First Mortgagee except to the extent C.R.S. Sec. 38-33.3-316 grants a superior priority to liens of the Association in relationship to a First Mortgage.

Section 4 – General Assessments.

(a) Purpose. The General Assessment shall be used exclusively to promote the welfare of the Members and in particular to improve, maintain, and operate the Common Areas and facilities, including funding of an adequate reserve fund for maintenance, repair, replacement of those elements of the Common Areas that must be replaced on a periodic basis, and to pay annual insurance costs necessary to the Association, all tax liabilities assessed by any federal, state or local tax authority relating to the Common Areas, as well as any professional fees incurred by the Association.

(b) Basis for Assessment. For General Assessment purposes all Lots shall be assessed equally.

(c) Increase in Maximum Lot Assessment. For the calendar year 2011 the maximum General Assessment shall be One Hundred Forty and No/100 Dollars (\$140.00) per Lot, per month.

(1) The maximum General Assessment may be increased effective January 1 of each year without a vote of the Membership in conformance with the rise, if any, of the Consumer Price Index for the Denver/Boulder region (published by the Department of Labor, Washington, D.C.) for the preceding month of July.

(2) The maximum General Assessment may be increased above that established by the Consumer Price Index formula by a vote of the Owners for the next succeeding two (2) years, and at the end of each such period of two (2) years, for each succeeding period of two (2) years, provided that any such change shall have the assent of two-thirds (2/3) of the votes of the Owners who are voting in person or by proxy at a meeting duly called for this purpose. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association participates.

(3) The Board may fix the annual assessment at an amount not in excess of the maximum.

Section 5 – Special Assessments for Capital Improvements. In addition to the General Assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, payment of any operating deficit and/or unbudgeted cost; the cost of any construction, reconstruction, repair, or replacement of an Improvement within the Common Areas. Any such special assessment shall have the assent of two-thirds (2/3) of the votes of the Owners who are voting in person or by proxy at a meeting duly called for this purpose at which a quorum is present.

Section 6 – Notice and Quorum for Any Action Authorized Under Sections 4 and 5. Notice of any meeting called for the purpose of taking any action authorized under Section 4 or 5 shall be given to all Owners not less than thirty (30) days or more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Owners or of proxies entitled to cast sixty percent (60%) of all the votes of the Owners shall constitute a quorum. If the required quorum is not present, another meeting may be called, subject to the same Notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than fifty (50) days following the preceding meeting.

Section 7 – Budget Process. To determine the amount required to be raised by General Assessments for any fiscal year, the Executive Board shall prepare an Annual Budget for such fiscal year showing, in reasonable detail, the various matters proposed to be covered by the budget, the estimated costs and expenses which will be payable, and the estimated income and the funds which will be available in that fiscal year, and the estimated total amount of money required to be raised by the General Assessment to cover such costs and expenses and to provide a reasonable reserve. The total amount of money required to be raised by the General Assessment for such fiscal year shall be the amount as determined by the Board necessary to satisfy the costs and expenses of fulfilling such functions and obligations of the Association in the coming fiscal year, including the payment of debts from prior fiscal years, providing reasonable reserves, and providing a reasonable carry-over reserve for the following fiscal year. The budget proposed by the Board does not require approval from the Owners and it will be deemed approved by the Owners in the absence of a veto. Within thirty (30) days after adoption of any proposed budget, the Executive Board shall mail, by ordinary first-class mail, or

otherwise deliver a summary of the budget to all Lot Owners and shall set a date for a meeting of the Lot Owners to consider the budget not less than fourteen (14) nor more than fifty (50) days after mailing or other delivery of the summary. Unless at that meeting a majority of ALL Lot Owners present at the meeting, in person or by proxy, vetoes the budget, the budget shall be deemed approved. In the event the proposed budget is vetoed, the last periodic budget that was not vetoed by the Lot Owners must be continued until such time as a subsequent budget proposed by the Executive Board is not vetoed by the Owners.

Section 8 – Supplementary Assessments. In the event that the Board shall determine, at any time or from time to time, that the amount of the General Assessment is not adequate to pay for the costs and expenses of fulfilling the Association's obligations hereunder, one or more Supplementary Assessments may be made for the purpose of providing the additional funds required. To determine the amount required to be raised by each Supplementary Assessment, the Board shall revise the Annual Budget for such fiscal year as provided in Article V, Section 7, or prepare a new budget, a copy of which shall be furnished to any Owner, or on request, to any Mortgagee. Based on such revised or new budget, the Board may make a Supplementary Assessment for such fiscal year against each Lot, the amount of which shall be determined by the Board as provided in Section 7 of this Article, and issue a Notice to Owners of an Owners meeting for consideration of veto of the revised budget as provided in Section 7.

Section 9 – Reimbursement Assessments. The Executive Board of the Association may, subject to the provisions hereof, levy an Assessment against any Member if (a) the willful or negligent failure of the Member or Related User of the Member to comply with this Declaration, the Articles of Incorporation, the Bylaws of the Association, Rules and Regulations adopted by the Association, or guidelines or rules adopted by the AARC have resulted in the expenditure of funds to cause such compliance, or (b) if a Member or a Related User of the Member shall fail to pay any fines or penalties established in the Rules and Regulations of the Association for breach of or failure to comply with this Declaration or such Rules and Regulations. Such Assessments shall be known as Reimbursement Assessments. The amount of the Reimbursement Assessments shall be due and payable to the Association thirty (30) days after Notice to the Member of the decision of the Executive Board of the Association that the Assessment is owing.

Section 10 – Time for Payments. The General Assessment for each Lot shall be payable, subject to Section 12 of this Article V, in twelve equal monthly installments due on the first day of each month and shall become delinquent if not paid by the tenth (10th) day of each month. Special and Supplementary Assessments shall be payable as provided in the resolutions authorizing the same. All installments of General, Supplementary, and Special Assessments shall be due and payable without notice or demand, and all Assessments shall be paid without any setoff or diminution of any kind. Any Assessment or installment thereof or other amount payable pursuant to this Section or under the Articles of Incorporation or its Bylaws which is not paid when due shall bear interest from the delinquency date until paid at the maximum rate permitted by law for interest as provided in C.R.S. Sec. 38-33.3-315(2) or any subsequent amendment thereto

or such lesser rate as the Board shall determine and/or may be subject to a late charge as may be set and uniformly applied by the Board. All payments on account shall be first applied to interest and late charges and then to the Assessment payment due.

Section 11 – Lien for Assessments and Other Amounts. The Association shall have a lien against each Lot to secure payment of any Assessment and other amounts due and owing to the Association with respect to that Lot which shall be created and enforced as provided in C.R.S. Sec. 38-33.3-316 or any subsequent amendment thereto.

Section 12 – Working Capital. The Association may require that the Owner of a Lot make a contribution of working capital to the Association which shall be equal to two (2) monthly General Assessments which is then currently being collected by the Association from its Members, which sum shall be held, by the Association as and for working capital. Such payment shall not relieve an Owner of a Lot from making the regular payment of General Assessments as the same becomes due. So long as an Owner is current in the payment of all assessments to the Association and upon payment of the working capital amount by the purchaser, the amount collected as working capital shall be refunded to the Owner upon the sale or transfer of the Lot. No Owner shall be entitled to interest on any amount provided as working capital to the Association.

Section 13 – Estoppel Certificate. Upon payment of a reasonable fee and upon written request of any Owner, or First Mortgagee, or any Person with any right, title or interest in a Lot or intending to acquire any right, title, or interest in a Lot, the Association shall furnish a written statement stating forth the amount of any Assessments, if any, due or accrued and then unpaid with respect to such Lot and the amount of the Assessments for the current fiscal period of the Association payable with respect to the Lot, which statement shall, with respect to the party to whom it is issued, be conclusive against the Association, for all purposes, that no greater or other amounts were then due or accrued and unpaid. Each Owner hereby authorizes the Association to provide such information to any title company or lender upon request.

Section 14 – No Abatement. No diminution or abatement of Assessments shall be allowed or claimed for any reason including, without limitation, from the making of repairs or Improvements to the Common Area or from any action taken to comply with any law, ordinance, or order of a governmental authority.

Section 15 – Rights of First Mortgagees. Any First Mortgagee of a Lot within the Project may jointly or severally pay any tax or other charge which is in default and which may have become a charge or a lien against any Common Areas of the Association, and any First Mortgagee may jointly or severally pay any overdue premium on hazard insurance policies or secure new hazard insurance coverage on the lapse of any such policy, upon Common Area of the Association, and any First Mortgagee(s) making such payments shall be entitled to immediate reimbursement therefor from Trailwood Association.

Section 16 – Exempt Property. The following property subject to this Declaration shall be exempted from the Assessments, a charge and lien created herein: (a) all

properties to the extent of any easement or other interest therein dedicated and accepted by a public authority and devoted to public use; and (b) all Common Areas.

ARTICLE VI

USE AND OTHER RESTRICTIONS

Section 1 – Nuisances. No nuisance shall be permitted to exist or operate upon any property so as to jeopardize property values or to be detrimental to the well being of any other Member of the Association.

Section 2 – Restriction on Further Subdivision. No Lot upon which a Living Unit has been constructed shall be further subdivided or separated into smaller lots by an Owner, and no portion less than all of any such Lot, nor any easement or other interest herein shall be conveyed or transferred by an Owner, provided that this shall not prohibit deeds of correction, deeds to resolve boundary line disputes, and similar corrective instruments.

Section 3 – Single-Family Residences. No Living Unit shall be used for any other purpose other than as a Single-Family residence, and no business or commercial activity shall be carried on or within the Project.

Section 4 – Common Area Restriction. All use and occupancy of the Common Area shall be subject to and governed by the Rules and Regulations adopted by the Association. No damage or waste shall be committed to the Common Area or Improvements located thereon.

Section 5 – No Imperiling of Insurance. Nothing shall be done or kept in or on any portion of the Project which might result in an increase in the premiums with respect to insurance obtained for all or any portion of the Project or which might cause cancellation of such insurance except with the prior written consent of the Association.

Section 6 – No Violation of Law. Nothing shall be done or kept in or on any portion of the Project which would be in violation of any statute, rule, ordinance, regulations, permit, or validly imposed requirement of any governmental body.

Section 7 – Appearance. All parts of the Project shall be kept in a clean, safe, and attractive condition, and no rubbish or refuse, or garbage shall be allowed to accumulate.

Section 8 – Restrictions on Signs. No signs or advertising devices of any nature shall be erected or maintained on any part of the Project (including, without limitation, any Lot) without the prior written approval of the AARC. There are two exceptions to this rule: political signs; and real estate “For Sale” signs. Political signs may be erected on a Member’s property or in a window of the Member’s residence without such approval if (a) there is no more than one political sign per political office or ballot issue that is contested in a pending election, (b) each sign is no larger than 36 inches by 48 inches, and (c) no sign is erected earlier than forty-five (45) days before election day and shall be removed within seven (7) days after election day. Real estate “For Sale” signs

may be erected on a Member's property without prior written approval of the AARC; however, if an Association Member erects (or authorizes erection of) any sign on Association Commons or on the Member's property, and erection of the sign results in damage to the Association's irrigation system or any other underground pipelines or wiring, the cost of repairs will be assessed to that Member.

Section 9 – Conditions for Architectural Control. No improvements, alterations, repairs, replacements, change of paint colors, excavations, changes in grade or other work which in any way alters the exterior of any Lot, Living Unit, other IOP, Common Area or the Improvements located thereon from its natural or improved state existing on the date such property was first subject to this Declaration shall be made or done without compliance with the procedures set forth in Article IX of this Declaration regarding Architectural Control.

Section 10 – Rules and Regulations. Every Owner or guests or members of the family, or Related User, and employees shall strictly adhere to the Rules and Regulations adopted from time to time by the Association. The Board may adopt general rules, including but not limited to, rules to regulate potential problems relating to the use of the property and well being of the Members, such as keeping of animals, storage items, and the use of all vehicles, storage and use of machinery, use of outdoor drying lines, antennas, signs, trash, trash containers, maintenance, and removal of vegetation on the Properties.

Section 11 – Restrictions on Parking. Except as expressly heretofore provided, no Lot or street, including the private drives, or parking areas, unless specifically designated by the Association therefor, shall be used as a parking, storage, display, or accommodation area for any type of house trailer, camping trailer, boat trailer, hauling trailer, running gear, boat, or accessories thereto, motor-driven cycle, truck, self-contained motorized vehicle, or any type of van except as a temporary expedience for loading, delivery, or emergency. The same shall be stored, parked, or maintained within the garage area of a Living Unit. This restriction, however, shall not restrict trucks or other commercial vehicles within the Properties which are necessary for the construction and repair of residential dwellings or the maintenance of the Common Area or Lots.

Further, this restriction shall not prohibit the parking of a motor vehicle by a Member on a street, driveway, or guest parking if: (a) the Member is a bona fide member of a volunteer fire department or employed by an emergency service provider; (b) the vehicle bears an official emblem or other visible designation of the emergency service provider; (c) the vehicle is required to be available at designated periods at the Member's residence as a condition of the Member's employment; (d) the vehicle has a gross vehicle weight rating of 10,000 pounds or less; and (e) the vehicle can be parked so as not to obstruct emergency access or interfere with other Members' ability to use streets and driveways.

Section 12 – Animals within Project. No animals shall be kept or harbored within the Project except that any Owner may keep a reasonable number of household pets, subject to existing ordinances of the Town of Windsor, Colorado. Any such household

pet shall be kept in the interior of any Living Unit. Such pet must be kept at all times on an attended leash if the pet is taken from the interior of any Living Unit. It shall be the obligation of each Owner owning a pet to control it in accordance with existing ordinances of the Town of Windsor, Colorado. It shall be the responsibility of each Owner to maintain any Lot or Common Area used in any manner by any pet to avoid any noise or odor or nuisance to any other Owner within the Association. The Executive Board of the Association may, at any time, create Rules and Regulations regarding the keeping of animals within the subdivision, and all Owners shall be subject to this covenant which requires that the Owners comply with the terms and conditions of those Rules and Regulations regarding animals within the Project. Any Rules and Regulations regarding animals shall be established in accordance with the Bylaws of the Association.

Section 13 – Control of Antennas and Receiving Equipment. Exterior television receiving or transmitting devices of any type including receiving or transmission equipment for microwave transmissions and any radio receiving or transmitting devices of any type are expressly prohibited unless approved in writing by the AARC.

Section 14 – Underground Electric Lines. All electric, television, radio, and telephone line installations and connections from any property line of a Lot to a Living Unit or other structures shall be placed underground, except that during the construction of a Living Unit the contractor or builder may install a temporary overhead utility line which shall be promptly removed upon completion of construction.

Section 15 – No Hazardous Activities. No activities shall be conducted on the Project, nor on any IOP or Improvements constructed on the Project, which are or might be unsafe or hazardous to any Person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any of the Project and no open fires shall be lighted or permitted on the Project except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed interior fireplace.

Section 16 – No Annoying Light, Sound or Odors. No light shall be emitted from any Lot which is unreasonably bright or causes unreasonable glare; no sound shall be emitted on any Lot which is unreasonably loud or annoying; and no odor shall be emitted on any Lot which is noxious or offensive to others.

Section 17 – Dog Runs, Clotheslines and Storage Areas. Any clothesline, dog run, drying yards, storage area, woodpile and private fencing shall be prohibited.

Section 18 – Garbage and Refuse Disposal. No garbage, refuse, rubbish, or cuttings shall be deposited on any street, and not on any Lots unless placed in a container suitably located, solely for the purpose of garbage pickup. All equipment for the storage or disposal of such materials shall be kept in clean and sanitary condition.

Section 19 – Repair. No activity such as, but not limited to, maintenance, repair, rebuilding, dismantling, repainting, or servicing of any kind of vehicles, trailers, or boats, may be performed on any Lot unless it is done within completely enclosed structures located in the Living Unit which screen the sight and sound of the activity from the street

and from adjoining property, nor shall any such activity be performed on the Common Area. The foregoing restriction shall not be deemed to prevent washing and polishing of any motor vehicle, boat, trailer, or motor-driven cycle together with those activities normally incident and necessary to such washing and polishing.

Section 20 – Storage. No tanks for the storage of gas, fuel, oil, or other materials shall be erected, placed, or permitted above or below the surface of the Lot.

Section 21 – Trash Burning. Trash, leaves, and other similar materials shall not be burned within the Project.

Section 22 – Owner's Obligation upon Resale of Lot. The deed or instrument transferring title to any Lot shall contain a provision incorporating by reference the covenants and restrictions set forth in this Declaration, as well as any applicable Supplementary Declarations.

Section 23 – Leases. Any lease agreements between an Owner and a tenant shall provide that the tenant shall comply in all respects with the provisions of this Declaration, the Articles of Incorporation, Bylaws, and Rules and Regulations of the Association, and that any failure by the tenant to comply with the terms and provisions of such documents shall be a default under the lease. The Board may require information forms to be completed and security deposits to be made by tenants. Further, all leases shall be in writing, and a copy thereof shall be provided upon request to the Executive Board, which may require the use of its approved lease form or the insertion of particular provisions. After Notice and an opportunity for hearing, the Board may require an Owner to evict any tenant who has violated any provision of this Declaration, the Articles of Incorporation or the Bylaws. No short-term leases (i.e., for terms less than month-to-month) shall be permitted and no time-sharing or such other forms of interval ownership shall be permitted.

Section 24 – Covenants Run with Land. It is expressly understood and agreed that all covenants, conditions, and restrictions contained herein are intended to and shall run with the land, and the Owners for themselves and their heirs, personal representatives, successors and assigns, agree that such covenants, individually and collectively, touch and concern the land and shall be binding, fully and in all respects, upon their successors in title to the land, regardless of how succession of title may be accomplished.

Section 25 – Flags and Flagpole. The display of the American flag by a Member on that Member's property or in a window or balcony of the Member's residence shall be allowed without pre-approval so long as the flag is displayed in a manner consistent with the Federal Flag Code, 4 U.S.C. 4 to 10. The Association may adopt reasonable policies concerning the location and size of flags and flagpoles.

The display of a service flag bearing a star denoting the service of the Member or that of an immediate family member in the active or reserve military service of the United States during a time of war or armed conflict, on the inside of a window or door

of the Member's residence, shall be allowed without pre-approval so long as the flag is no larger than 9 inches by 16 inches. The Association may adopt reasonable policies concerning the manner and display of service flags.

ARTICLE VII

INSURANCE

Section 1 – Insurance. All insurance, other than title insurance carried in connection with the Common Area, Lots, Living Units, Improvements, and Project shall be governed by the provisions of this Article VII.

Section 2 – Insurance Requirements Generally. The Association shall obtain and maintain in full force and effect at all times certain casualty, liability, and other insurance as hereinafter provided. All such insurance shall be obtained, to the extent possible, from responsible companies duly authorized and licensed to do insurance business in the State of Colorado.

To the extent possible, the casualty, property, and liability insurance shall: (i) provide for a waiver of subrogation by the insurer as to claims against the Association, its directors, officers, employees, agents, and Members; (ii) provide that the insurance cannot be canceled, invalidated, or suspended on account of the conduct of the Association, its officers, directors, employees, and agents; (iii) provide that the policy of insurance shall not be terminated, canceled, or substantially modified without at least thirty (30) days' prior written Notice to the Association; and (iv) provide for a standard Mortgagee's Clause in favor of all First Mortgagees who have an interest within the Project.

Any insurance policy may contain such deductible provisions as the Association deems consistent with good business practice and which shall be consistent with the requirements of any First Mortgagees. Any loss falling within the deductible portion of a policy shall be paid by the Association, but may be recovered from the Lot Owner(s) whom the Association determines to be responsible for the loss. The cost and expense of all insurance obtained by the Association shall be paid out of Association funds collected by Assessments and otherwise as elsewhere provided in this Declaration.

Section 3 – Insurance for Common Area and Fidelity Insurance. The Association shall maintain insurance covering all insurable Improvements located or constructed upon the Common Area. The Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available from a carrier with a Best's Insurance Rating of Class X-B or better:

(a) A policy of property insurance covering all insurable Improvements located on the Common Area, with coverage sufficient to obtain a replacement cost endorsement providing that any claim will be settled on a full replacement cost basis without deduction for depreciation, and including an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement." The Association may also purchase a "Demolition Endorsement," an "Increased Cost of Construction Endorsement," a "Contingent

Liability from Operation of Building Laws Endorsement” or the equivalent, and/or coverage on personal property owned by the Association. Such insurance as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

(1) loss or damage by fire and other hazards covered by the standard all risk form; and

(2) 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, insuring the Association in an amount not less than \$1,000,000 covering bodily injury, personal injury and property damage liability arising out of a single occurrence, such coverage to include protection against liability for non-owned and hired automobile and, if applicable, garagekeeper’s liability, water damage liability, contractual liability, workmen’s compensation insurance for employees of the Association, and such other risks as shall customarily be covered with respect to projects similar in construction, location, and use.

(c) A policy providing adequate 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. Such fidelity coverage or bonds shall meet the following requirements:

(1) all such fidelity coverage or bonds shall name the Association as an obligee;

(2) 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;

(3) the amount of coverage shall not be less in aggregate than two (2) months current Assessments plus reserves, as calculated from the current budget of the Association or such amount that is subsequently required by legislative amendment to C.R.S. Sec. 38-33.3-313.

All policies of insurance in this Section 3 shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Member of the Association and shall provide that the policies may not be canceled or substantially modified without at least thirty (30) days’ prior written Notice to the insured, as well as to the First Mortgagees of Living Units who have requested Notice of cancellation or modification from the Association. Duplicate originals of all policies and renewals thereof, together with proof of payment of premiums, shall be delivered to any First Mortgagee of any Living Unit upon written request. The insurance shall be carried in blanket form naming the Association, as the insured, as trustee and attorney in fact for all Owners, and their respective First Mortgagees and each Owner shall be an insured Person

under such policies with respect to liability arising out of any such Owner's Membership in the Association.

Section 4 – Insurance on Dwellings. Each Owner shall be responsible for obtaining general liability and property insurance for any dwelling owned without participation of the Association. Insurance coverage on the furnishings and other items of personal property belonging to an Owner shall be the Owner's responsibility as well. Any insurance policy obtained by an Owner shall, to the extent possible at reasonable cost, contain a waiver of the right of subrogation by the insurer as to any claims against Trailwood Association, its officers, directors, agents, and employees.

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 Owner's 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 other insurance.

Section 6 – Workmen's Compensation and Employers' Liability Insurance. The Association may obtain and maintain workmen's compensation and employers' liability insurance as may be necessary to comply with applicable laws.

Section 7 – Notice of Loss to First Mortgagees. Provided that a First Mortgagee has, in writing, requested the following information and has furnished the Association with the address to which said First Mortgagee wants the information sent, then in the event there shall be any damage to or destruction of the Common Area which shall be in excess of Ten Thousand Dollars (\$10,000.00), timely written Notice of any such damage or destruction shall be given by the Association to such First Mortgagee.

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

Section 9 – Distribution of Insurance Proceeds by the Association. In the event that the Association is required to distribute any insurance proceeds directly to an Owner for losses to property, any such distribution shall be made jointly payable to the Owner and any First Mortgagee of record, as defined in this Declaration.

Section 10 – Other Insurance. The Association may obtain insurance coverage against such additional risks as it shall determine to be appropriate.

ARTICLE VIII

VARIOUS RIGHTS AND EASEMENTS

Section 1 – Association Easements. The Association, its designees, successors and assigns, shall have the following easements:

(a) Easements over Lots for Maintenance of Exterior Surfaces of Living Units. Easements over and across each Lot and the Living Unit thereon as may be necessary for the maintenance, repair and upkeep of the Exterior Surface, as defined herein, of such Living Unit, and for access, ingress and egress necessary for such maintenance, repair and upkeep.

(b) Easements over Lots for Maintenance of Common Area. Easements over and across Lots as may be necessary or appropriate for the Association to perform duties and functions which it is obligated or permitted to perform under this Declaration, including the use, enjoyment, maintenance, repair, and replacement of any portion of Common Area, or Improvements thereon, and for access, ingress, and egress necessary for such use, enjoyment, maintenance, repair and replacement.

(c) Easements for Association Fences. Easements over and across those Lots, Common Area and private streets and drives as may be reasonable and necessary for the installation, construction, operation, maintenance, repair and replacement of the Association Fences, and for access, ingress and egress necessary for such installation, construction, operation, maintenance, repair and replacement.

(d) Easements over Lots for Snow Removal. Easements over and across the Lots or private streets as may be necessary or appropriate for the Association to remove snow from walks and driveways located on the Lots or private streets, and for access, ingress and egress necessary for such snow removal.

Section 2 – Owner Easements. The Owner of each Lot, shall have the following easements:

(a) Easements for Encroachments. A valid, currently existing easement for any encroachment and for the maintenance of the same, which results from any portion of any Living Unit on a Lot encroaching upon an adjoining Lot or adjoining Common Area, whether as a result of errors in the initial construction of any IOP or Improvements or reconstruction, repair, shifting, settlement, or movement of such Improvements or IOP, which easement shall exist for so long as such Living Units exist.

(b) Easements over Common Area for Use and Maintenance of Living Units. Easements over Common Area as may be necessary or appropriate for the use, enjoyment, maintenance, repair and replacement of the Living Unit constructed on such Lot, and for access, ingress and egress necessary for such use, enjoyment, maintenance, repair and replacement.

(c) Easements over Common Area for Utilities. An easement over, across, under and through Common Area, in the location where such utilities and related facilities were originally installed or in such other location as may be designated from time to time by the Association, for the purpose of installation, operation, maintenance, repair and replacement of underground utilities and related surface facilities necessary for the use, enjoyment and operation of the Living Unit constructed on such Lot, including, but not limited to, water lines, sewer lines, gas lines, electrical power lines, telephone

lines, television cable lines, and all equipment and facilities incidental thereto, and for access, ingress and egress necessary for such installation, operation, maintenance, repair and replacement.

(d) Limitation on Owners' Rights in Common Area. Except as is otherwise specifically provided in this Declaration and except as may be authorized by the Association acting through its Executive Board, Owners and Related Users of Owners shall have no right to use or occupy Common Area.

Section 3 - Easements Deemed Appurtenant. The easements and rights herein above created shall be binding upon and inure to the benefit of the Association or each Lot in the Project and the Owner of each such Lot, as the case may be, and all conveyances of and other instruments affecting title to any such Lot or Common Area shall be deemed to grant and reserve the easements and rights as are provided for herein, even though no specific reference to such easements appears in any such conveyance.

Section 4 – Emergency Access Easement. An easement and right-of-way for ingress, egress and access for service and emergency vehicles is hereby granted to all police, fire protection, ambulance and all other similar emergency agencies or personnel over, across, on and through any and all private roads and ways now or hereafter established in the Project.

Section 5 – Title to Common Area. Title to the Common Area shall be held in the name of the Association.

ARTICLE IX

ARCHITECTURAL REVIEW

Section 1 – Activation of the Association Architectural Review Committee (AARC). The initial AARC and the provisions of this Article shall not be activated or effective until the earlier of (a) the date the Executive Board of the Association elects to activate the AARC; or (b) the date 51% of the Members vote to direct the Executive Board to activate the AARC. Thereafter, the Executive Board shall send Notice to all Members advising the Members of the activation of the AARC and the effectiveness of the provisions of this Article ("Notice of Activation") and shall Record the Notice of Activation. On the date of Recordation of the Notice of Activation all of the provisions of this Article shall become effective and the AARC shall have the powers and duties set forth in this Declaration.

Section 2 – Deactivation and Reactivation of the Association Architectural Review Committee (AARC). The Executive Board of the Association may elect, from time to time, to deactivate a previously activated AARC. Thereafter, the Executive Board shall send Notice to all Members advising the Members of deactivation of the AARC ("Notice of Deactivation") and shall Record the Notice of Deactivation. Thirty (30) days after the date of the Notice of Deactivation the provisions of this Article shall be suspended and the AARC shall no longer have the powers and duties set forth in this Article or as may be provided elsewhere in this Declaration. The AARC may be

reactivated and deactivated, from time to time, in accordance with the provisions set forth in Section 1 above and this Section.

Section 3 – Membership of AARC. Members of the AARC may, but shall not necessarily be, Members of the Association. Members of the AARC shall be appointed within ninety (90) days after the date of the Notice of Activation. Members of the AARC may be removed at any time by the Executive Board of the Association and shall serve for such term as may be designated by the Executive Board of the Association or until resignation or removal by the Board of the Association. The number of members of the AARC shall be designated by the Executive Board of the Association.

Section 4 – Improvement(s) to Owner Property (IOP) Defined. IOP requiring approval of the AARC shall mean and include, without limitation: (a) the construction, installation, erection or expansion of any building, structure or other improvements, including but not limited to Living Units, driveways, walks, porches, patios/decks, utility facilities, etc.; (b) the demolition or destruction, by voluntary action, of any building, structure or other improvements; (c) the grading, excavation, filling or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed; (d) landscaping, planting, clearing or removing of trees, shrubs, grass or plants; and (e) any repair or replacement, change or alteration of any previously approved IOP, including any change of exterior appearance, color or texture, or placement upon the Lot.

Section 5 – Approval of Improvement(s) to Owner Property (IOP) Required. After the activation of the AARC, the approval of the AARC shall be required for any IOP on any Lot within the Project, except as prior approval may have been waived in writing by the AARC or certain IOP may be exempted in writing or under written guidelines or rules promulgated by the AARC.

Section 6 – AARC Guidelines or Rules. The AARC may issue guidelines or rules relating to the procedures, materials to be submitted and additional factors which will be taken into consideration in connection with the approval of any proposed IOP. Such guidelines or rules may specify circumstances under which the strict application of limitations or restrictions under this Declaration will be waived or deemed waived in whole or in part because strict application of such limitations or restrictions would be unreasonable or unduly harsh under the circumstances. Such guidelines or rules may waive the requirement for approval of certain IOP or exempt certain IOP from the requirement for approval, if such approval is not reasonably required to carry out the purposes of this Declaration. Such guidelines or rules may elaborate or expand upon the provisions herein relating to procedures and criteria for approval. Such guidelines or rules may specify rules and restrictions pertaining to the construction of IOP, including, by example and not limitation, the storage of construction materials and hours of construction operations. Such guidelines or rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 7 – Submission of Plans. Prior to commencement of work to accomplish any proposed IOP, the Owner or its duly authorized representative proposing to make

such IOP (the "Applicant") shall submit to the AARC at its offices such descriptions, surveys, plot plans, drainage plans, elevation drawings, construction plans, landscape plans, specifications and samples of materials and colors as the AARC shall reasonably request showing the nature, kind, shape, height, width, color, materials, and location of the proposed IOP, i.e., the "Applicant" shall submit appropriate "Plans" to the AARC. The AARC may require submission of additional Plans or other information prior to approving or disapproving the proposed IOP. Until receipt by the AARC of all required materials in connection with the proposed IOP, the AARC may postpone review of any materials submitted for approval.

Section 8 – Criteria for Approval. The AARC shall approve any proposed IOP only if it deems in its reasonable discretion that the IOP in the location indicated will not be detrimental to the appearance of the Project in the vicinity of the proposed IOP; that the appearance of the proposed IOP will be in harmony with the surrounding areas of the Project; that the IOP will not detract from the beauty, wholesomeness and attractiveness of the Project or the enjoyment thereof by Owners; and that the upkeep and maintenance of the proposed IOP will not become a burden on the Association. The AARC may condition its approval of any proposed IOP upon the making of such changes therein as the AARC may deem appropriate.

Section 9 – Architectural Review Fee. The AARC may, in its guidelines or rules, provide for the payment of a fee to accompany each request for approval of any proposed IOP. The AARC may provide that the amount of such fee shall be uniform for similar types of any proposed IOP or that the fee shall be determined in any other reasonable manner, such as based upon the estimated cost of the proposed IOP.

Section 10 – Decision of AARC. The decision of the AARC shall be made within thirty (30) days after receipt by the AARC of all materials required by the AARC unless such time period is extended by mutual agreement. The decision shall be in writing and, if the decision is not to approve a proposed IOP, the reasons therefor shall be stated. The decision of the AARC shall be promptly transmitted to the Applicant at the address furnished by the Applicant to the AARC.

Section 11 – Appeal to Association Board. If the AARC denies, imposes conditions on, or refuses approval of a proposed IOP, the Applicant may appeal to the Executive Board of the Association by giving written Notice of such appeal to the AARC and the Executive Board within twenty (20) days after such denial or refusal. The Executive Board shall hear the appeal and shall affirm the decision of the AARC unless the Executive Board determines that the decision of the AARC or the conditions imposed by the AARC were arbitrary, capricious or an abuse of discretion.

Section 12 – Failure of AARC to Act on Plans. Any request for approval of a proposed IOP shall be deemed approved, unless disapproval or a request for additional information or materials is transmitted to the Applicant by the AARC within thirty (30) days after the date of receipt by the AARC of all required materials including, in the case of Initial IOP, final working drawings.

Section 13 – Obtaining Governmental Approvals. Applicant shall obtain, prior to commencement of construction of any IOP, all permits, licenses, certificates, consents and any other approvals necessary or required pursuant to any law, ordinance, resolution, order, rule or regulation of any governmental authority having jurisdiction (“Governmental Approvals”) in order for Applicant to construct, operate and maintain the IOP. The Governmental Approvals shall be deemed to include, but not be limited to, building approvals by the Town of Windsor, Colorado.

Section 14 – Prosecution of Work after Approval. After approval of any proposed IOP, the proposed IOP shall be accomplished as promptly and diligently as possible in complete conformity with the description of the proposed IOP, any materials submitted to the AARC in connection with the proposed IOP, any conditions imposed by the AARC and in compliance with the conditions and restrictions of this Declaration.

Section 15 – Notice of Completion. Upon completion of any IOP, the Applicant may give written Notice of Completion to the AARC. Until the date of receipt of such a Notice of Completion, the AARC shall not be deemed to have Notice of Completion of such Initial IOP or subsequent IOP.

Section 16 – Inspection of Work. The AARC or its duly authorized representative shall have the right to inspect any IOP or the Lot itself prior to, during or after completion of any IOP. The AARC’s right of inspection of IOP shall terminate thirty (30) days after the work or IOP shall have been completed and the respective Owner(s) shall have given written Notice to the AARC of such completion. The AARC’s right to inspection shall not be terminated pursuant to this Section in the event plans for the construction of IOP or modification of IOP have not been previously submitted to and approved by the AARC.

Section 17 – Notice of Noncompliance. If, as a result of inspections or otherwise, the AARC finds that any IOP has been done without obtaining the approval of the AARC, or was not done in substantial compliance with the approved Plans or other materials furnished to, and any conditions imposed by, the AARC, or has not been accomplished as promptly and diligently as possible, then the AARC shall notify the Applicant in writing of the noncompliance; which Notice shall be given, in any event, within thirty (30) days after the AARC receives a Notice of Completion from the Applicant. The Notice shall specify the particulars of the noncompliance and shall require the Applicant to take such action as may be necessary to remedy the noncompliance.

Section 18 – Failure of AARC to Act after Completion. If, for any reason other than the Applicant’s act or neglect, the AARC fails to notify the Applicant of any noncompliance within thirty (30) days after receipt by the AARC of written Notice of Completion from the Applicant, the IOP shall be deemed in compliance if the IOP was, in fact, completed as of the date of the Notice of Completion.

Section 19 – Appeal to Association Board of Finding of Noncompliance. If the AARC gives any Notice of Noncompliance, the Applicant may appeal to the Executive

Board of the Association by giving written Notice of such appeal to the Executive Board and the AARC within thirty (30) days after a Notice of Noncompliance to the Applicant. If, after a Notice of Noncompliance, the Applicant fails to commence diligently to remedy such noncompliance, the AARC shall request a finding of noncompliance by the Executive Board of the Association by giving written Notice of such request to the Association and the Applicant within thirty (30) days after delivery to the Applicant of a Notice of Noncompliance from the AARC. In either event, the Executive Board of the Association shall hear the matter and shall decide whether or not there has been such noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same.

Section 20 – Correction of Noncompliance. If the Executive Board of the Association determines that a noncompliance exists, the Applicant shall remedy or remove the same within a period of not more than forty-five (45) days from the date of receipt by the Applicant of the ruling of the Executive Board. If the Applicant does not comply with the Executive Board of the Association ruling within such period the Executive Board, may, at its option, record a Notice of Noncompliance against the Lot on which the noncompliance exists, may assess a fine, or may initiate a civil action seeking injunctive relief against the Owner of the Property and any contractor or subcontractor who is completing the IOP without compliance with the Architectural Control provisions of this Declaration. Should the Association be successful in obtaining injunctive relief against the Owner, any contractor or subcontractor involved in construction of IOP, the Association shall be entitled to receive from the Owner all costs of the action, including reasonable attorney's fees. The right of the Association set forth in this Section shall be in addition to all other rights and remedies which the Association may have at law, in equity, or under this Declaration for breach or violation of this Declaration.

Section 21 – No Implied Waiver or Estoppel. No action or failure to act by the AARC or the Association shall constitute a waiver or estoppel with respect to future action by the AARC with respect to any IOP. Specifically, the approval by the AARC of any IOP shall not be deemed a waiver of any right or an estoppel to withhold approval or consent for any similar IOP or any similar proposals, plans, specifications or other materials submitted with respect to any other IOP.

Section 22 – AARC Power to Grant Variances. The AARC may authorize variances from compliance with any of the provisions of this Declaration for property in the Project when circumstances such as, but not limited to, topography, natural obstructions, hardship, aesthetic or environmental considerations may require. Such variances must be evidenced in writing and shall become effective when signed by at least a majority of the members of the Executive Board or a majority of the members of the AARC. If any such variance is granted, no violation of the provisions of this Declaration for property in the Project shall be deemed to have occurred with respect to the matter for which the variance was granted; provided, however, that the granting of a variance shall not operate to waive any of the provisions of this Declaration for property in the Project for any purpose except as to the particular property and particular provisions covered by the variance, nor shall the granting of a variance affect in any way the Owner's obligation to comply with Restrictions in any deed or lease from Declarant

or to comply with all governmental laws and regulations affecting the property concerned, including, but not limited to, development guides and zoning ordinances and setback lines or requirements imposed by any governmental authority having jurisdiction.

Section 23 – Compensation of Members. Members of the AARC may receive reimbursement of out-of-pocket expenses incurred by them in the performance of their duties hereunder as compensation for the performance of such duties if approved by the Executive Board of the Association.

Section 24 – Meetings of AARC. The AARC shall meet from time to time as necessary to perform its duties hereunder. The AARC may, from time to time, by resolution in writing adopted by a majority of the members designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for or on behalf of the AARC, except the granting of approval to any IOP and granting of variances. The action of such Committee Representative within the authority of such Committee Representative or the written consent or the vote of a majority of the members of the AARC shall constitute action of the AARC.

Section 25 – Records of Actions. The AARC shall report in writing to the Executive Board of the Association all final actions of the AARC and the Executive Board shall keep a permanent record of such reported actions.

Section 26 – Estoppel Certificates. The Association shall, upon the reasonable request of any interested party and after confirming any necessary facts with the AARC, furnish a certificate with respect to the approval or disapproval of any IOP or with respect to whether any IOP was made in compliance herewith. Any Person, without actual Notice to the contrary, shall be entitled to rely on said certificate with respect to all matters set forth therein.

Section 27 – Nonliability for AARC Action. There shall be no liability imposed on the AARC, any member of the AARC, any Committee Representative, the Association, or any member of the Executive Board for any loss, damage or injury arising out of or in any way connected with the performance of the duties of the AARC unless due to the willful misconduct or bad faith of the party to be held liable. In reviewing any matter, the AARC shall not be responsible for reviewing, nor shall its approval of an IOP be deemed approval of the IOP from the standpoint of safety, whether structural or otherwise, or conformance with building codes or other governmental laws or regulations.

ARTICLE X

TERMINATION AND AMENDMENT OF DECLARATION

Section 1 – Termination. This Declaration shall continue in effect until and unless terminated as provided in accordance with the provisions of C.R.S. Sec. 38-33.3-218 as originally enacted or as subsequently amended by the Colorado Legislature.

Section 2 – Amendment. Unless terminated as provided in Section 1, each and every provision of this Declaration shall run with and bind the land in perpetuity. This Declaration may be amended at any time and from time to time by the Owners of sixty-seven percent (67%) or more of the Lots or as otherwise permitted in accordance with the provisions of C.R.S. Sec. 38-33.3-217 as originally enacted or subsequently amended by the Colorado Legislature.

ARTICLE XI

CONDEMNATION, DAMAGE OR DESTRUCTION TO COMMON AREA

Section 1 – Damage or Destruction to Common Area. In the event of damage or destruction to all or a portion of the Common Area due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such Common Area damage or destruction are insufficient to repair and reconstruct the damaged or destroyed Common Area, the Association shall present to the Members a Notice of a Special Assessment for approval by the Membership as provided for in Article V, Section 5 of this Declaration. If such Assessment is approved, the Association shall levy such Assessment and proceed to make such repairs or reconstruction. If such Assessment is not approved, the insurance proceeds may be applied in accordance with the wishes of the Membership as expressed by the written consent of sixty-seven percent (67%) of the Owners, except that the proceeds shall not be distributed to the Owners, unless made jointly payable to Owners and the First Mortgagees of their respective Lots, if any. Such Assessment shall be due and payable as provided by resolution of the Executive Board, but not sooner than sixty (60) days after written Notice thereof. The Assessment provided for herein shall be a debt of each Owner and a lien on the Lot, and may be enforced and collected in the same manner as any Assessment lien provided for in this Declaration.

Section 2 – Owner-Caused Damage. If, due to the act or neglect of an Owner or a Related User of an Owner, whether by virtue of the exercise by such Owner or Related User of any easement or right granted to him (or her) herein or otherwise, loss or damage shall be caused to any property, including the Common Area, and, in the case of damage to property, if such Owner does not promptly repair and restore any such damaged property to the condition it was in prior to such damage at such Owner's sole cost and expense, such Owner shall be liable and responsible for the same except to the extent that such damage or loss is covered by insurance obtained by the Association and the carrier of the insurance has waived its rights of subrogation against such Owner. The amount of such loss or damage may be collected by the Association from such Owner as a Reimbursement Assessment against such Owner, and such amount shall be secured by a lien on the Residential Lot of such Owner as provided elsewhere in this Declaration for Assessments or other charges.

Section 3 – Condemnation Procedure. In the event proceedings are initiated by any government or agency thereof, seeking to take by eminent domain the Common Area, any part thereof or any interest therein, any Improvement thereon, or any interest therein, with a value (including loss of value to the balance of the Common Area and Improvements thereof), as reasonably determined by the Association in excess of \$10,000, the Association shall give prompt Notice thereof, including a description of the part of or interest in the Common Area or Improvement thereon sought to be so condemned, to all First Mortgagees and Members. The Association shall have full power and authority to defend in said proceedings, but the Association shall not enter into proceedings, pursuant to which the Common Area or any part thereof or any interest therein, or any Improvement thereon or any part thereof or interest therein is relinquished without giving all First Mortgagees and Members at least fifteen (15) days' prior written Notice thereof.

In the event, following such proceedings, there is such a taking in condemnation or by eminent domain of a part or all of the Common Area, the award made for such taking shall be payable to the Association, subject to the provisions of C.R.S. Sec. 38-33.3-107 regarding the distribution of eminent domain awards as that section was originally enacted or is subsequently amended by the Colorado Legislature.

ARTICLE XII

MORTGAGEE'S RIGHTS

Section 1 – Notice to Mortgagee. Each holder of a first Mortgage on any Lot shall, upon written request by such holder to the Board, receive any of the following:

(a) Copies of budgets, Notices of Assessments, insurance certificates, or any other Notices or statements provided under this Declaration by the Association to the Owner of the Lot covered by the Mortgage;

(b) Any audited or unaudited financial statements of the Association within ninety (90) days following the end of any fiscal year, which are prepared for the Association and distributed to the Owners subject to the limitation that the Association shall not be required to provide an audited financial statement to any Owner or Mortgagee unless the holder of the First Mortgage requests either an audited or unaudited financial statement from the Association;

(c) Copies of Notices of meetings of the Owners and the right to be represented at any such meetings by designated representative;

(d) Notice of the decision of the Owners or the Association to make any material amendment to this Declaration (as defined in Federal National Mortgage Association Lending Guide), the Bylaws, or the Articles of Incorporation of the Association;

(e) Notice of substantial damage to or destruction of any building or Living Unit, or any part of the Common Area;

(f) Notice of commencement of any condemnation or eminent domain proceedings with respect to any part of the Common Area or any Lot within the Project;

(g) Notice of any default of the holder's Owner which is not cured by the Owner within thirty (30) days after the giving of Notice by the Association to the Owner of the existence of the default;

(h) The right to examine the books and records of the Association at any reasonable time;

(i) Notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

Section 2 – Actions Requiring Both Member and First Mortgagee Approval.

(a) Notwithstanding anything to the contrary set forth in this Declaration, the Association shall not, unless it has obtained the approval of at least sixty-seven percent (67%) of all Members and sixty-seven percent (67%) of First Mortgagees of Lots (based upon one vote for each First Mortgage owned):

(1) by act or omission, change, waive, or abandon any scheme of Architectural Control, or enforcement thereof, as set forth in this Declaration, regarding the design or maintenance of the Lots, or Improvement(s) to Owner Property;

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

(3) use hazard insurance proceeds for Common Area property losses for any purpose other than to repair, replace, or reconstruct such property; or

(4) 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 easements for public utilities or other purposes consistent with the intended use of such common property); or

(5) effectuate any decision to terminate professional management and assume self-management of the Properties when such professional management has been required by a First Mortgagee;

(6) change the voting method;

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

(8) change the method of determining or the amount of reserves for maintenance, repair and replacement of the Common Area;

(9) change or alter in any respect the required insurance coverages or fidelity bonds;

(10) change the Association or Owner responsibility for maintenance and repair of the Common Area, Lots, Lot improvements or Living Units;

(11) seek to expand or contract the Project;

(12) change the boundaries of any Lot;

(13) change the interests in the general Common Areas;

(14) alter this Declaration with respect to leasing of Living Units or the composition of any right of first refusal or similar restructure or the right of any Lot Owner to sell, transfer, or convey a Lot;

(15) alter any provision within the Declaration, Articles of Incorporation, or Bylaws which is for the express benefit of a First Mortgage holder or eligible insurer or guarantor of First Mortgage of a Lot within the Project;

(16) attempt restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in this Declaration;

(17) take any action to terminate the legal status of the Project after substantial destruction or condemnation occurs;

(18) attempt a termination for reasons other than substantial destruction or condemnation.

(b) Whenever this Declaration requires First Mortgagees to approve or consent to amendments of the Declaration, the Association shall send a dated, written Notice and a copy of any proposed amendment by certified mail to each First Mortgagee at its most recent address as shown on the recorded deed of trust or recorded assignment thereof. In addition, the Association shall cause the dated Notice, together with information on how to obtain a copy of the proposed amendment, to be printed in full at least twice, on separate occasions at least one week apart, in a newspaper of general circulation in the county in which the common interest community is located. A First Mortgagee that does not deliver to the Association a negative response within 60 days after the date of the Notice shall be deemed to have approved the proposed amendment.

Section 3 – Rights of First Mortgagees to Pay Assessments, Etc. Any First Mortgagee of a Lot within the Project may jointly or severally pay any tax or other charge which is in default and which may have become a charge or a lien against any common property of the Association, and any First Mortgagee may jointly or severally pay any overdue premium on hazard insurance policies or secure new hazard insurance coverage on the lapse of any such policy upon any Common Area of the Association, and any First Mortgagee(s) making such payments shall be entitled to immediate reimbursement therefor from the Association.

ARTICLE XIII

GENERAL PROVISIONS

Section 1 – Enforcement. The Association or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. If the Association and any Owner are unable between themselves to resolve an issue arising under this Declaration, the Bylaws, or the Rules and Regulations of the Association, the parties shall first make a good-faith attempt to resolve the issue in mediation before seeking court relief. The parties shall share equally in the expense of mediation.

Section 2 – Severability. Invalidity of any of these covenants or restrictions by judgment or court order shall in no way affect or limit any other provisions which shall remain in full force and effect.

Section 3 – Claims. No claim or cause of action shall accrue in favor of any Person in the event of the invalidity of any provision of this Declaration or for failure of the Association to enforce any provision hereof. This Section may be pleaded as a full bar to the maintenance of any suit, action, or arbitration brought in violation of this provision.

Section 4 – Waiver. No provision contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 5 – Conflicts of Provisions. In case of any conflict between this Declaration, the Articles of Incorporation or Bylaws of the Association, this Declaration shall control. In case of any conflict between the Articles of Incorporation and Bylaws of the Association, the Articles of Incorporation shall control.

Section 6 – Owner's Right to Examine. Each Lot Owner shall have a right to examine the books and records of the Association at any reasonable time.

Section 7 – Registration by Owner of Mailing Address. Each Owner shall register a mailing address with the Association.

CERTIFICATION

IN WITNESS WHEREOF, the undersigned, being the President of the Association, hereby certifies and declares that the foregoing Amended and Restated Declaration of Covenants, Conditions, and Restrictions for Trailwood Association was approved and adopted by Owners of sixty-seven percent (67%) or more of the Lots within the Project at a meeting of the Owners duly called and held, proper Notice having been previously given and a quorum being present on February 21, 2012.

2-24-12

Date

Robert Schneider

President

IN WITNESS WHEREOF, being the Secretary of the Trailwood Association, I have hereunto subscribed my name and affixed the seal of the Association on this 24 day of February, 2012.



Marlene Griffith

Secretary

