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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
POTOMAC FARMS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS ("Declaration") is made as of this 28th day of February, 2002, by Adare Homes Potomac Farms, LLC, a Colorado limited liability company.

ARTICLE 1
GENERAL

Section 1.1. Community. Declarant is the owner of that certain parcel of land located in the County of Adams, Colorado, more particularly described on Exhibit A attached hereto and incorporated herein by reference, which, along with the streets and thoroughfares contained therein, is defined in this Declaration as the "Community." Declarant intends to develop the Community as a high quality, Planned Community of single family residential homes in accordance with the terms and provisions of the Colorado Common Interest Ownership Act. The Planned Community is called "Potomac Farms." The maximum number of Units to be created is expected to be approximately 417 unless there are unanticipated changes, in which event the Declarant reserves the right to create up to a maximum number of 450 Units.

Section 1.2. Purposes of Declaration. Property which is made subject to this Declaration in the manner hereinafter provided is referred to as the Community. This Declaration is executed (a) in furtherance of a common and general plan for the Community; (b) to protect and enhance the quality, value, aesthetics, desirability and attractiveness of the Community; (c) to provide for an Association as an entity to enforce the Declaration and any rules and regulations or affecting owners of Units or any common rights on behalf of its members, and to hold, maintain, care for and manage Association Properties, including internal landscaped areas that will benefit all owners of Units; (d) to define the duties, powers and rights of the Association, including, without limitation, performance of certain maintenance obligations with respect to open space, pedestrian ways, Common Area, Common Area Improvements, and such other obligations, whether similar or dissimilar, that the Association elects to undertake in accordance with the provisions hereof, (e) to define certain duties, powers and rights of owners of Units within the Community; and (f) to comply with and effectuate the terms and provisions of the Act.

Section 1.3. Declaration. Declarant, for itself, its successors and assigns, hereby declares that all property that becomes subject to this Declaration in the manner hereinafter provided, and each part thereof, shall, from the date the same becomes subject to this Declaration, 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 servitude and other provisions set forth in this Declaration, for the duration hereof, all of which are declared to be part of, pursuant to, and in furtherance of a common and general plan of development, improvement, enhancement and protection of the Community. The provisions of this Declaration are intended to and shall run with the land and, until their expiration in accordance with the terms hereof, shall bind, be a charge upon and inure to the mutual benefit of (a) all of the property that becomes part of the Community and each part or parcel thereof, (b) Declarant and its successors and assigns, (c) the Association and its successors and assigns, and (d) all Persons having or acquiring any right, title or interest in any property that becomes part of the Community or any part or parcel thereof or any Improvement thereon and their heirs, personal representatives, successors and assigns. This Declaration shall be Recorded in every county in which any portion of the Community is located and shall be indexed in the grantee's index in the name of Potomac Farms Homeowners Association and in the grantor's index in the name of each person or entity executing this Declaration.

ARTICLE 2
DEFINITIONS

Unless otherwise expressly provided herein, the following words and phrases when used in this Declaration shall have the meanings specified in this article.

Section 2.1. Act. "Act" shall mean the Colorado Common Interest Ownership Act as provided in Colorado Revised Statutes §

38-33.3-101, et seq., as the same may be amended from time to time.

Section 2.2. Administrative Functions. "Administrative Functions" shall mean all functions as are necessary and proper under this Declaration and shall include, but not be limited to, providing management and administration of the Association; hiring contractors as required for maintenance of all properties as required of the Association; providing architectural review services under Article 4 hereof; incurring and paying reasonable attorneys' fees and accountants' fees; obtaining errors and omissions insurance for officers, directors, and agents of the Association; obtaining fidelity bonds for any Person handling funds of the Association; paying any taxes levied against the Association Properties or the Association; incurring and paying filing fees, recording costs, and bookkeeping fees; obtaining and maintaining offices and office furniture and equipment; and performing other reasonable and ordinary administrative tasks associated with operation of the Association.

Section 2.3. Approved Builder. "Approved Builder" shall mean and refer to the Owner of a Unit located within the Community who (a) acquires such Unit from Declarant or a previous Approved Builder for the purpose of constructing one or more residential dwelling units for resale to the general public; and (b) has submitted to, and obtained written approval from the Declarant of general plans and specifications for such residential dwelling units.

Section 2.4. Articles of Incorporation. "Articles of Incorporation" shall mean the Articles of Incorporation of Potomac Farms Homeowners Association, Inc., which have been or will be filed in the office of the Secretary of State of the State of Colorado, as the same may be amended from time to time.

Section 2.5. Assessment. "Assessment" shall mean a Common Assessment, Special Assessment, Supplemental Common Assessment, or a Reimbursement Assessment.

Section 2.6. Association. "Association" shall mean the Potomac Farms Homeowners Association, Inc., a Colorado nonprofit corporation, its successors and assigns.

Section 2.7. Association Properties. "Association Properties" shall mean all real and personal property, including Improvements, Landscaping Tracts as defined in Section 8.23, and all Common Areas, now or hereafter owned by the Association and held for the common use and enjoyment of all or certain of its Members as provided herein, or property with respect to which the Association has a right or duty to maintain, and any other property which, to give effect to those requirements and purposes as are set forth in this Declaration, shall be considered "Association Properties". Association Properties may be owned: (a) by the Association; (b) in undivided interests by certain Owners; (c) separately by individual Owners over which the Association may have an easement for maintenance purposes.

Section 2.8. Budget. "Budget" shall mean a written itemized estimate of the expenses to be incurred by the Association in performing its functions under this Declaration, prepared pursuant to Section 9.8 of this Declaration.

Section 2.9. Bylaws. "Bylaws" shall mean the Bylaws of the Association that have been or will be adopted by the Executive Board of the Association, as the same may be amended from time to time.

Section 2.10. County. "County" shall mean Adams County, Colorado and any and all other counties in which the Community or any portion thereof is located.

Section 2.11. Common Area. "Common Area" shall mean any portions of the Community designated as Common Area that are owned or maintained by the Association for the common use and enjoyment of the Owners, including, but not limited to, open space, easements for the use and benefit of the Owners as may be provided in this Declaration, pedestrian trails, detention ponds, certain rights of way pursuant to agreements with the City of Commerce City; and all Improvements located on other open space. The Common Area may be owned: (a) by the Association; (b) in undivided interests by certain Owners; (c) separately by individual Owners over which the Association may have an easement for maintenance purposes; or (d) by the City of Commerce City.

Section 2.12. Common Assessment. "Common Assessment" shall mean the assessments made for the purpose of covering the portion of the annual costs of operating the Association, including expenses incurred in connection with any authorized function of the

Association, that are to be paid by each Owner to the Association for purposes provided herein and charged to such Owner and to the Unit of such Owner.

Section 2.13. Community. "Community" shall mean the real property that is subject to this Declaration, including any property that may be annexed to the Community as hereinafter provided as well as the adjacent public roads and throughfares.

Section 2.14. Declaration. "Declaration" shall mean this instrument as it may be amended from time to time.

Section 2.15. Declarant. "Declarant" shall mean Adare Homes Potomac Farms, LLC, a Colorado limited liability corporation, its successors, assigns, and affiliates. A Person shall be deemed to be a "successor and assign" of Adare Homes Potomac Farms, L.L.C., as Declarant, only if specifically designated in a duly Recorded instrument as a successor or assign of Declarant under this Declaration or as may otherwise be allowed by the Act, and shall be deemed a successor and assign of Declarant only as to the particular rights or interests of Declarant under this Declaration that are specifically designated in the written instrument. However, a successor to Adare Homes Potomac Farms, LLC by consolidation or merger shall automatically be deemed a successor or assign of it as Declarant under this Declaration.

Section 2.16 Declarant Control Period. "Declarant Control Period" means the period of time beginning on the date on which the Declaration is recorded in the records of the Clerk and Recorder of Adams County, Colorado, and ending on the happening of any of the following events, whichever occurs first:

2.16.1 Upon the date sixty (60) days after the date on which Declarant has conveyed seventy-five percent (75%) of the Units that may be created to purchasers other than Declarant or an Approved Builder(s); or

2.16.2 Upon the date two (2) years after the date of Declarant's last conveyance of a Unit in the ordinary course of business;

2.16.3 Upon the date two (2) years after the date on which any right to add new Units to the Project was last exercised by Declarant;

2.16.4 Upon the date twenty (20) years after the effective date of this Declaration; or

2.16.5 On a date certain set forth in a written notice from Declarant to the Secretary of the Association of its intent to terminate this reserved right as of such date; provided, however, that in the event there is more than one Declarant, such notice must be signed by all such Declarants.

Section 2.17. Deed of Trust. "Deed of Trust" shall mean a Mortgage as that term is hereinafter defined.

Section 2.18. Design Review Committee. "Design Review Committee" shall mean the Committee provided for in Article 4 of this Declaration, or the Executive Board to the extent a Design Review Committee has not been appointed or is not for any other reason in operation.

Section 2.19. Development Property. "Development Property" shall mean the real property described in Exhibit B.

Section 2.20. Executive Board. "Executive Board" and "Board" shall both mean the Board of Directors of the Association established in accordance with the Colorado Nonprofit Corporations Act.

Section 2.21. Improvement. "Improvement" shall mean all structures and any appurtenances thereto of every type or kind, including, but not limited to, buildings, outbuildings, swimming pools, tennis courts, patios, patio covers, awnings, windows, additions, walkways, outdoor sculptures or artwork, sprinkler pipes, garages, carports, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, dog runs and dog houses, recreational equipment, fixtures, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, basketball courts or poles, light poles, exterior light fixtures, flag poles, signs, exterior tanks, solar equipment, exterior air conditioning or cooling equipment and water softener fixtures.

Section 2.22. Improvement to Property. "Improvement to Property" shall mean and include, but not be limited to: (a) the construction, installation, erection, modification, replacement, or expansion of any building, structure, or other improvement, including utility facilities, landscaping and fences; (b) the demolition or destruction, by voluntary action, of any building, structure, or other improvement; (c) the grading, excavation, filling, or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, or minor change of drainage pattern (none of which shall be undertaken contrary to the provisions of Section 3.23 of this Declaration); and (d) any change or alteration of any previously approved or otherwise existing Improvement to Property, including any change, however slight, of any exterior appearance, color, surface or texture, including roofs.

Section 2.23. Leases. "Lease" shall mean and refer to any agreement for the leasing or rental of a Unit, and shall specifically include, without limitation, a month-to-month rental.

Section 2.24. Maintenance Funds. "Maintenance Funds" shall mean the accounts into which the Board shall deposit money paid to the Association and from which disbursements shall be made in the performance of the functions of the Association pursuant to Article 8 hereof.

Section 2.25. Member. "Member" shall mean an Owner as hereinafter defined.

Section 2.26. Mortgage. "Mortgage" shall mean any mortgage or deed of trust or other such instrument, given voluntarily by the owner of a Unit, encumbering the Unit to secure the performance of an obligation or the payment of a debt and that is required to be released upon performance of the obligation or payment of the debt. The term "Deed of Trust" when used in this Declaration is synonymous with the term "Mortgage."

Section 2.27. Mortgagee. "Mortgagee" shall mean a mortgagee under a Mortgage or a beneficiary under a Deed of Trust, as the case may be.

Section 2.28. Mortgagor. "Mortgagor" shall mean a Person who mortgages property owned by that Person (i.e., the maker or grantor of a Mortgage) to another. The term "Mortgagor" shall include a maker or grantor of a Deed of Trust.

Section 2.29. Notice and Hearing. "Notice and Hearing" shall mean a written notice and public hearing before the Executive Board, or a tribunal as may be defined in the Bylaws, appointed by the Board, in the manner provided in the Bylaws.

Section 2.30. Notice of Completion. "Notice of Completion" shall mean written notice to the Design Review Committee of the completion of any Improvement to Property pursuant to Article 4 of this Declaration.

Section 2.31. Owner. "Owner" shall mean the Person, including Declarant, or, if more than one, all Persons collectively, who hold fee simple title of Record to a Unit.

Section 2.32. This Section intentionally left blank.

Section 2.33. Person. "Person" shall mean a natural person, corporation, partnership, limited liability company, or any other entity.

Section 2.34. Planned Community. "Planned Community" shall have the same meaning as set forth in the Act.

Section 2.35. Record or Recorded. "Record" and "Recorded" shall mean the filing for record of any document in the office of the Clerk and Recorder of Adams County.

Section 2.36. Reimbursement Assessment. "Reimbursement Assessment" shall mean a charge against a particular Owner and the Unit owned by the Owner for the purpose of reimbursing the Association for expenditures and other costs of the Association in curing any violation, directly attributable to the Owner, of the Declaration or the Rules and Regulations, pursuant to section 9.20 hereof, together with late charges and interest as provided for in this Declaration.

Section 2.37. Rules and Regulations. "Rules and Regulations" shall mean rules and regulations adopted by the Executive Board,