

Section 5. Easement for Maintenance. Each lot and the Common Area shall be subject to an easement for the Association (including its agents, employees and contractors) for providing the maintenance described in Article VII.

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19. Article X is renumbered article XIII; Section 1 is amended by the addition of the following sentence at the end of said Section; and Sections 6 and 7 are added as follows:

Section 3. . . . Provided, however, that no amendment which changes the ratio of assessments against the unit owners shall be permitted without the prior written approval of all first mortgagees.

Section 6. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Veterans Administration: annexation of the additional properties; dedication of Common Area; and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 7. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall not affect any other provisions which shall remain in full force and effect.

20. Articles X, XI and XII as hereinafter set forth are added:

ARTICLE X
INSURANCE

Section 1. Association to Maintain Insurance on Townhouses. The Board of Directors of the Association or its agent shall obtain and maintain at all times insurance of the type and kind herein provided and including for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other townhouse buildings, fixtures, equipment and personal property, similar in construction and design and are issued by responsible insurance companies authorized to do business in the State of Colorado. The insurance shall be carried in blanket policy form naming as insureds the Association and those of the Lot Owners who do not elect to provide their own comparable insurance in companies reasonably satisfactory to the Association. The policy or policies shall identify the interest of each Lot Owner (Owner's name and living unit address and/or lot number designation), and shall contain a standard, non-contributory mortgage clause in favor of each first mortgagee, and a provision that it cannot be cancelled or materially altered by either the insured or the insurance company until ten (10) days prior written notice thereof is given to each Owner and each first mortgagee. If a Lot owner elects not to participate in the blanket policy, he shall furnish evidence of the same coverage in a policy issued by an insurance company reasonably satisfactory to the Association. The policy shall contain a standard non-contributory mortgage clause in favor of the first mortgagee, and a provision that it cannot be cancelled or materially altered by the insured or the insurance company until ten (10) days prior written notice thereof is given to the Owner and the first mortgagee. If the Owner fails to furnish evidence of such policy prior to closing on the purchase of his lot or if the coverage thereafter lapses or is terminated or materially altered for any cause whatever, the Association may acquire the necessary insurance for the Owner through the blanket policy and assess the cost thereof against the Owner and his lot. This assessment shall be the personal

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obligation of the Owner and a lien against his Lot. Said lien may be enforced by foreclosure proceedings in the courts. If the Owner elects not to participate in the blanket policy, he may pay the insurance premiums directly to his chosen insurer or he may elect to pay his premiums through the Association by assessment. The Association shall furnish a certified copy of such blanket policy, the certificate identifying the interest of the mortgagor, to any party in interest upon request. All blanket policies of insurance shall provide that the insurance hereunder shall be invalidated or suspended only in respect to the interest of a particular Owner guilty of a breach of warranty, act, omission, negligence, or non-compliance with any provision of such policy including payment of the insurance premium applicable to that Owner's interest or who permits or fails to prevent the happening of any event whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy as to the interest of all other insured Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect. Anything elsewhere herein to the contrary notwithstanding: (1) the insurance provided for herein with respect to a particular Lot may be allowed to lapse, at the election of the Veterans Administration, during any period of time said Lot is owned by the Veterans Administration succeeds or has succeeded to the rights of the beneficiary under the Deed of Trust on any particular Lot or improvement which is damaged or destroyed, the insurance proceeds, or any part thereof, may be applied by the beneficiary at its option either to the reduction of the indebtedness secured by said Deed of Trust or to the restoration or repair of the property damaged.

Section 2. Other Insurance to be Maintained by Owners. Insurance coverage on the furnishings and other items of personal property belonging to an Owner, and casualty and public liability insurance coverage within each living unit shall be the responsibility of the Owner thereof.

Section 3. Insurance on Common Area. The Association shall maintain insurance covering all improvements located or constructed upon the Common Area. The Association shall maintain the following types of insurance on the improvements located on the Common Area:

A. Fire insurance with extended endorsement coverage insuring each of the improvements for full replacement value.

B. Public liability insurance insuring the Association and its members against all claims for personal injury and/or property damage arising out of the ownership of the Common Areas. Said insurance shall be in an amount of not less than \$1,000,000.00 covering all claims for personal injury and/or property damage arising out of a single occurrence.

C. All policies of insurance 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 cancelled or substantially modified without at least ten (10) days prior written notice to all other insureds, including the mortgagee. Duplicate originals

of all policies and renewals thereof, together with proof of payment of premiums, shall be delivered to all mortgagees at least five (5) days prior to the expiration of the then current policies. The insurance shall be carried in blanket form naming the Association as the insured, an trustee for each of the Owners.

Section 4. Reappraisal. The Association shall, at least every three (3) years, obtain an appraisal for insurance purposes which shall be maintained as a permanent record, showing that the insurance in any year represents one hundred percent (100%) of the full replacement value of the improvements on each Lot and of the insurable Common Area.

Section 5. Notice of Damage. The Association shall notify each first mortgagee of a lot of any damage to any improvement on a Lot which exceeds \$1,000.00 and any damage to the Common Areas and the improvements situated thereon which exceeds \$10,000.00, within twenty (20) days after the event causing the damage; provided, however, that a mortgagee shall have furnished to the Association notice of its encumbrance.

ARTICLE XI

DAMAGE OR DESTRUCTION

Section 1. Destruction of Improvements on Lot. In the event of damage or destruction of lot improvements due to fire or other disaster, the insurance settlement must be satisfactory to both the Owner and the Association. The insurance proceeds and the deductible, if sufficient to reconstruct the improvements, shall be deposited into a bank account which requires, for withdrawals, the signatures of the Owner and an officer of the Association. The Owner and the Association shall then promptly authorize the necessary repair and reconstruction work, and the insurance proceeds and the deductible shall be applied by the Association and the Owner to defray the cost thereof. "Repair and reconstruction" of the improvements, as used herein, means restoring the improvements to substantially the same condition in which they existed prior to the damage, with each unit and multi-family structure having the same boundaries as before.

Section 2. Deductible Amounts. A "deductible" is the sum payable by the Owner of each damaged unit, equal to the amount which, under the terms of the blanket or other applicable policy, is deductible from the amount of the loss payable by the insurer with respect to each damaged unit. This sum is payable to the Association by each such Owner, within thirty (30) days from the date of loss. The deductible shall be a debt of each such Owner and a lien on his lot and the improvements thereon and may be collected and enforced by foreclosure proceedings in the courts.

Section 3. Insufficient Insurance Proceeds. If the insurance proceeds and deductibles are insufficient to repair and reconstruct the improvements, such damage or destruction may be promptly repaired and reconstructed by the Association, using the proceeds of insurance on the improvements which have been damaged or destroyed and the proceeds of an assessment against the owners of the damaged units. Any such assessments shall be equal to the amount by which the cost of reconstruction or repair of the unit exceeds the sum of the insurance proceeds allocable to the unit plus the deductible for the unit.

Such assessment shall be due and payable as provided by resolution of the Board of Directors, but not sooner than thirty (30) days after written notice thereof. No such Owner shall have any right of contribution, or other claim relating to such damage or destruction, against any other Owner. The assessment provided for herein shall be a debt of each Owner and a lien on his Lot and the improvements thereon and may be enforced and collected by foreclosure proceedings in the courts.

Section 4. Damage to Common Area. In the event of damage or destruction to all or a portion of the insurable Common Area due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct or repair the damaged elements, shall be applied by the Association to such reconstruction and repair, unless two-thirds (2/3) of each class of members and all of the first mortgagees of each lot agree otherwise. If the insurance proceeds with respect to such Common Area damage or destruction are insufficient to repair and reconstruct the damaged or destroyed elements, the Association must determine whether an assessment against all of the Owners equal to the deficit in the insurance proceeds can be made in accordance with Article IV, Section 1, above, without a vote of the membership. If such assessment can be made, the Association must make such assessment and proceed to make such repairs or reconstruction. If such amount cannot be so made, the Association must present the question of such assessment for a vote of the membership in accordance with Article IV, Section 4. If such assessment is approved, the Association must make 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 majority vote. The assessment as to each Owner and Lot shall be equal to the assessment against every other Owner and Lot. Such assessment shall be due and payable as provided by resolution of the Board of Directors, but not sooner than thirty (30) days after written notice thereof. The assessment provided for herein shall be a debt of each Owner and a lien on his Lot and the improvements thereon and may be enforced and collected by foreclosure proceedings in the courts.

ARTICLE XII

CONDEMNATION

Section 1. Condemnation. If at any time or times during the continuance of ownership pursuant to this Declaration all or any part of the Common Areas shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the following provisions of this Article shall apply:

- (a) Proceeds. All compensation, damages or other proceeds therefrom the sum of which is hereinafter called the "Condemnation Award" shall be payable to the Association.
- (b) Compelte Taking.
 - (1) In the event that all of the Common Areas are taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the Condemnation Award shall be apportioned among the owners equally and payment of said apportioned amounts shall be made payable to the owner and mortgagees jointly, provided that if a standard different from the value of the property as a whole is employed as the measure of the Condemnation Award

