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Taryn Power - Summit County Recorder

**RESTRICTIVE HOUSING COVENANT AND NOTICE OF LIEN
FOR THE RUNWAY NEIGHBORHOOD,
SUMMIT COUNTY, COLORADO**

THIS RESTRICTIVE HOUSING COVENANT AND NOTICE OF LIEN (the "Covenant") is made and entered into this 13th of Nov. 2025 (the "Effective Date"), by and between the Town of Breckenridge, a Colorado municipal corporation, hereinafter referred to as the "Town" and The Runway Neighborhood, LLC, a Colorado limited liability company, hereinafter referred to as the "Developer" (individually a "Party" and collectively the "Parties").

RECITALS

WHEREAS, the Town is the Owner of certain real property more particularly described in **Exhibit A** attached hereto and incorporated herein by this reference (the "Property"); and

WHEREAS, the Property is subject to the terms of the Runway Neighborhood Project Developer Agreement between the Developer and the Town, which is dated July 17th, 2025 ("Developer Agreement"). Pursuant to that agreement the Town will convey the property via Special Warranty Deed to the Developer for development of the Runway Neighborhood; and

WHEREAS, the Property is also subject to a Master Plan PL2-2025-0034 approved by the Town on May 13th, 2025 which provides for the use of the Property as a planned development of 81 workforce housing units ("Master Plan"); and

WHEREAS, pursuant to the Developer Agreement and the Master Plan, the Parties agree to restrict the 81 units under the terms of this Restrictive Housing Covenant and Notice of Lien ("Covenant"); and

WHEREAS, under this Covenant the Developer intends, declares and covenants that the regulatory and restrictive covenants set forth herein governing the use of the units described and provided for herein shall be and are hereby made covenants running with the land and are intended to be and shall be binding upon the Developer and all subsequent Owners and occupiers of such units for the stated term of this covenant, unless and until this covenant is released and terminated in the manner hereafter described.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
PURPOSE AND INTENT

1.1 The purpose of this covenant is to restrict ownership, occupancy, use and sale of the units in the development in order to provide, on a permanent basis, workforce housing and to help establish and preserve a supply of workforce housing to help meet the needs of the locally employed residents of Summit County. This Covenant is governed by title 9, chapter 16 of the Town municipal code , and the Division of Housing Administrative Rules and Regulations (Workforce Housing Regulations), as amended from time to time, and officially promulgated by the housing division. The municipal code and the Workforce Housing Regulations have the force and effect of law. For the purpose of this Covenant, terms and provisions not otherwise defined herein may be defined in the Workforce Housing Regulations as amended from time to time and located at <https://breckenridge.town.codes/AdminRules>. In the event of conflict between terms specifically defined herein and terms defined in the Workforce Housing Regulations, the terms defined in this Covenant shall prevail; provided, however, all terms and provisions contained herein shall be interpreted, to the maximum extent practicable, in harmony and consistent with the Workforce Housing Regulations.

1.2 Pursuant to the Developer Agreement and the Master Plan, the Property is intended to be developed and sold in phases with Townhomes, Duplexes, Single-Family Units, and Non-Appreciation Limited Units. Each sale phase, referred to herein as a "Sale Phase," will have a different configuration of Townhomes, Duplexes, Single-Family Units and, as described in Section 5.4(E), Non-Appreciation Limited Units. In addition, at the time of the issuance of the first certificate of occupancy for each Sale Phase, the intent is that some of the Single-Family Units and Non-Appreciation Limited Units will be designated as "ADU-Ready" Units. As set forth further in this Covenant, the different unit types have different restrictions, based on the intended uses for those unit types. At or prior to the issuance of the first certificate of occupancy for each Sale Phase, the Town and/or Developer will record a supplement to this Covenant identifying the units and unit types for that Sale Phase and the ADU requirements, if any.

ARTICLE 2
DEFINITIONS

2.1 "Area Median Income" or "AMI" means the median annual income for Summit County (or such next larger statistical area calculated by HUD that includes Summit County, if HUD does not calculate the area median income for Summit County on a distinct basis from other areas), as adjusted for household size, that is calculated and published annually by HUD; or any successor index thereto acceptable to the Town, in its reasonable discretion, including the Consumer Price Index. If AMI data pertaining to the date of sale of a Unit is not yet available as of the date the sale price is calculated, then the most recent data published by HUD shall be used in its place.

2.2 "Authorized Lessee" means any tenant approved by the Town, who shall meet the

definitions of both Qualified Occupant and Eligible Household, and who shall lease a Unit at such rental rates as are specified in the Workforce Housing Regulations.

2.3 "ADU-ready" means a Unit with a garage that has been improved to allow an Owner the opportunity to complete an Accessory Dwelling Unit ("Unit"), and has been designated as "ADU-ready" on the applicable Supplement for the Build Phase in which it was constructed.

2.4 "Dependent" shall mean a person, including a spouse, child, step-child, child in the permanent legal custody, or a parent of a Qualified Occupant, in each case whose principal place of residence is in the same household as such Qualified Occupant, and who is financially dependent upon the support of the Qualified Occupant. Dependent shall also include any person included within the definition of "Familial Status" as defined in 42 U.S.C. § 3602(k), as that act shall from time to time be amended.

2.5 "Eligible Household" means a Household approved by the Town and whose income, where applicable, and work status meet the parameters set for each Unit identified this Covenant.

2.6 "First Mortgage" means a deed of trust or mortgage which is recorded senior to any other deeds of trust or liens against the Unit to secure a loan used to purchase the Unit made by a Mortgagee.

2.7 "Household" means one or more persons, related by blood or otherwise, who intend to live together in a Unit as a single housekeeping unit. Evidence of intention to live as a single housekeeping unit may include but not be limited to paying taxes as a unit, joint ownership of vehicles, and sharing of daily life activities such as eating, sleeping, traveling, etc. A roommate or roommates does not on its own constitute a housekeeping unit. Refer to Section 4.7 for the provisions regarding roommates.

2.8 "HUD" means the U.S. Department of Housing and Urban Development.

2.9 "Maximum Resale Price" means the maximum purchase price that may be paid by any purchaser of a Unit, other than the initial purchaser who acquires the Unit from Declarant, that is determined in accordance with the provisions of this Covenant. The Maximum Resale Price is not a guaranteed price, but merely the highest price an Owner may obtain for the sale of the Unit.

2.10 "Mortgagee" means any bank, savings and loan association, or any other institutional lender which is licensed to engage in the business of providing mortgage financing for residential real property and which is the beneficiary of a deed of trust or mortgage encumbering any Unit.

2.11 "Non-Qualified Owner" or "Non-Qualified Transferee" means an Owner that is not a Qualified Owner.

2.12 "Owner" means the record Owner at any time taking and holding fee simple title to a Unit.

2.13 "Primary Residence" means an individual or Household occupies the deed-restricted property as their principal place of residence at least 9 months of the year. Final determination as to whether the occupancy of an individual or Household meets the intent of this definition shall be made by the Town in its sole discretion and in

accordance with all other provisions of this Covenant.

2.14 "Permitted Capital Improvements" means those improvements to a Unit performed by the Owner which qualify for inclusion within the calculation of Maximum Resale Price, which requirements and specifications are set forth in the Workforce Housing Regulations.

2.15 "Qualified Occupant" means a natural person, along with their Household including Dependents, if any, at all times during Ownership or occupancy of the Unit: (i) is employed within Summit County; and, either (ii) is employed within Summit County an average of at least 30 hours per week on an annual basis or (iii) otherwise meets an exception of the code, this Covenant, or the Housing Division Rules and Regulations.

2.16 "Employed within Summit County," also referred to as "Local Employment", means that the person earns their living from a business or organization operating in and serving Summit County, by working in at such business or organization at least 30 hours per week on an annual basis. In order to qualify under this definition, such employment or self-employment must, as a result of the nature of the work, require the physical presence of the employee in Summit County to complete the task or furnish the service provided.

2.17 "Qualified Owner(s)" means a natural person(s) meeting the income, residency, and all other qualifications set forth in this Covenant.

2.18 "Supplement" means the supplemental covenant that will be recorded at the issuance of the first certificate of occupancy for the first unit in any Sale Phase, which supplemental covenant will at a minimum identify the unit types, price points, and details of ADU-ready units and Non-Appreciation Limited Units, if any, contained in that Sale Phase.

2.19 "Transfer" or "Transferred" means any sale, assignment or transfer that is voluntary, involuntary or by operation of law (whether by deed, contract of sale, gift, devise, trustee's sale, deed in lieu of foreclosure, or otherwise) of any interest in a Unit, including, but not limited to a fee simple interest, a joint tenancy interest, a tenancy in common, a life estate, or any interest evidenced by a land contract by which possession of a Unit is transferred and the Owner obtains title.

2.20 "Unit" means a physical portion of the Property that is to be or has been constructed for purposes of residential use only and is created as a separate transferable real property interest by the filing of subdivision or similar plat(s) or map(s) for some or all of the Property. Townhome, Duplex, Single-Family, ADU-ready, and Non-Appreciation Limited Units shall be as designated on the Supplement.

ARTICLE III **BINDING EFFECT**

This restrictive housing covenant shall constitute covenants running with the land as a burden thereon, for benefit of, and enforceable by the Town. This Covenant shall bind the Developer and all subsequent Owners and occupants of a Unit. Each Owner and Authorized Lessee, upon acceptance of a deed or lease to a Unit, shall be personally

obligated hereunder for the full and complete performance and observance of all covenants, conditions and restrictions contained herein during the Owner's period of ownership or Authorized Lessee's tenancy, as may be appropriate. Each and every transfer or lease of a Unit, for all purposes, shall be deemed to include and incorporate by this reference the terms and conditions contained in this Covenant, even without reference to this Covenant in any document of conveyance.

ARTICLE IV **OWNERSHIP, OCCUPANCY AND USE RESTRICTIONS**

4.1 Ownership. Ownership of a Unit is hereby limited exclusively to Developer, Town and Qualified Owners, which shall include the parties described and approved as set forth in the Workforce Housing Regulations.

4.2 Occupancy. Except as otherwise provided in this Covenant, each Unit shall, at all times, be occupied as a Primary Residence by the Owner (along with their Household and Dependents), or as the case may be an Authorized Lessee, pursuant to the terms of rental in section 4.6 (along with Dependents). Notwithstanding anything contained herein to the contrary, all occupants must meet and continue to meet the definition of Qualified Occupant for the entire period of their occupancy of the Unit. The only exceptions to the occupancy criteria are those exceptions provided for in the Workforce Housing Regulations.

4.3 Ownership Interest in Other Residential Property. Additional Ownership in other developed residential properties is deemed to include entities, partnerships, trusts and the like in which the Owner is either a party to the entity in any part or a trustee and/or beneficiary of a trust ("Additional Ownership"). In the event said other property has not been sold within ninety (90) days of its listing or offered for sale as required hereunder, then the Owner shall immediately list his or her Runway Neighborhood Unit for sale pursuant to the provisions of this Covenant. It is understood and agreed between the parties hereto that, in the case of an Owner whose business is the construction and sale of residential properties, the properties which constitute inventory in such Owner's business shall not constitute "other developed residential property" as that term is used in this section, so long as such inventory is either under construction or actively being offered for sale.

- A. Townhome Units. If at any time an Owner of a Townhome Unit has any Additional Ownership in any other developed residential property within Summit County, Colorado, the Owner shall immediately disclose such ownership to the Town, and promptly list or otherwise offer through sale by Owner such other property interest for sale.
- B. Duplex and Single Family Units. If at any time an Owner of a duplex or single family owns more than one Additional Ownership interest in any other developed residential property within Summit County, Colorado, the Owner shall

immediately disclose such ownership to the Town, and promptly list or otherwise offer through sale by Owner such other property interest for sale.

4.4 Maintenance Responsibilities. The Owner(s) is responsible for maintaining the Unit in good working order and good repair throughout the length of the Owner's ownership of the Unit, and adhering to all homeowner's association requirements for maintenance, upkeep, and appearance during such tenure of ownership.

4.5 Vacancy. In the event that a Qualified Owner ceases to occupy a Unit as his or her Primary Residence for a period of ninety (90) consecutive days (as reasonably determined by the Town), the Town may, in its sole discretion and in addition to any other remedies the Town may have hereunder, determine that the Unit shall be offered for sale pursuant to the provisions of this Covenant.

4.6 Rentals. Units shall not be rented for any period of time without the prior written approval of the Town. Owners are permitted one 12 month cumulative period of rental during their ownership of the unit. Any tenancy approved by the Town shall be to a natural person meeting the definition of Authorized Lessee. No tenancy period shall be less than three (3) months or longer than twelve (12) months. No Unit or portion of a Unit may be rented for periods of time of less than three (3) months. The maximum rental fee for such approved rentals shall be at a rental rate established by the Town. In the event that any Unit, or any portion thereof, is leased or rented without compliance with this covenant, the Town shall have the remedies set forth by law, including but not limited to the rights set forth in this Covenant.

4.7 Roommates. The requirements of this article shall not preclude a Qualified Owner from sharing occupancy of the Unit with other natural persons on a rental basis provided the Owner continues to meet the obligations, including primary residency, set forth in this Covenant. All roommates charged rent by the Owner are required to have written approval by the Town, and shall meet the definition of Qualified Occupant. The maximum rental fee for such approved roommates shall be at a rental rate established by the Town in the Workforce Housing Regulations. Initial leases for roommates must be for a minimum of three (3) months.

4.8 Refinance Restriction. An Owner shall not encumber a Unit with debt, exclusive of interest, in any form which exceeds, at any time the Maximum Resale Price as determined in accordance with this Covenant.

4.9 Owner Insurance Requirements. Each Owner shall, in conjunction with the purchase or acquisition of a Unit, keep the Unit and its improvements now existing or hereafter erected, insured against loss or casualty by fire or hazards included within the term "extended coverage" in an amount equal to the replacement costs of returning the Unit to its condition prior to loss (property insurance). The insurance carrier providing the insurance shall be qualified to write property insurance in Colorado and shall be chosen by Owner. The Town shall have the right, but not the obligation, to request proof of insurance and/or continued coverage limits from Owner by written request, at any

such time(s) as the Town deems appropriate. In the event of loss, Owner shall give prompt notice to the insurance carrier and the Town. Insurance proceeds shall be applied to the restoration or repair of the Unit damaged, provided such restoration or repair is economically feasible and the security of any existing deed of trust or mortgage is not thereby impaired. If such restoration or repair is not economically feasible or if the security of an existing deed of trust would be impaired, the insurance proceeds shall be applied to the sums secured by the deed of trust, with the excess, if any, paid to the Owner. If the total Unit insurance payment in such case exceeds the Maximum Resale Price at the date of loss, the excess above the Maximum Resale Price shall be paid by the Owner to the Town, excluding all compensation for personal property, ancillary compensation for casualty such as rent stipends, and other such proceeds not related to the value of the Unit itself.

ARTICLE V **SALE OF A UNIT**

5.1 Notice of Sale and Lottery Requirement. In the event that an Owner shall desire to transfer a Unit, or in the event that an Owner shall be required to transfer such Unit pursuant to the terms of this Covenant, the Owner shall notify the Town in writing of the Owner's intention to transfer such Unit. Units shall be sold pursuant to a lottery as provided in the Workforce Housing Regulations. The Unit shall not be transferred: (i) to any person, entity, or entities other than a Qualified Owner, and (ii) for consideration to be paid by such Qualified Owner that exceeds the Maximum Resale Price.

- A. Right of First Refusal for Summit School District Employees. All Units are subject to a right of first refusal ("ROFR") for Summit School District Employees ("SSD Employees"). Such ROFR shall operate to ensure that at least 35 Units across the Property are owned by current SSD Employees, including when necessary the operation of a separate lottery. Specific rules and process regarding the SSD Employee ROFR shall be as set forth in the Workforce Housing Regulations.

5.2 Income Testing (Townhome Units only). A Household's income for purposes of determining whether such Household meets this definition of eligibility shall be determined at the time of purchase. Income testing shall be done only at the time a person enters into a contract to purchase a Unit. Additional income obtained by persons in an eligible Household after purchasing the Unit shall not have any effect on the Household's qualifications or income classification under this Covenant. At the time of entering into any purchase contract for a Townhome Unit, individuals or Households, as applicable, shall be subject to a 100% AMI income cap.

5.3 Initial Sale of a Unit. Upon completion of construction of each Unit by the Developer the Unit shall be sold to a Qualified Owner at a purchase price as set forth in the applicable Supplement.

5.4 Resale. No Unit shall be transferred subsequent to the initial sale from the

Developer, except upon full compliance with the procedures set forth in this article.

- A. Maximum Resale Price. The Maximum Resale Price may not exceed the sum of: (i) the purchase price paid by the Owner of the Unit, plus (ii) an increase of 3% of such purchase price per year (pro-rated at the rate of 1/12 for each whole month for any part of a year, but not compounded annually) from the date of the Owner's purchase of the Unit to the date of the Owner's execution of the listing contract, plus (iii) Permitted Capital Improvements subject to the limitations in sub-section B below, plus (iv) maintenance items as allowed by the Workforce Housing Regulations, plus (v) a maximum of one percent (1%) of the sum of items (i), (ii), and (iii) of this sub-section C below to provide the selling Owner with assistance in paying any sales commissions to a licensed real estate broker, attorney's fees, and closing costs incurred by the Owner in connection with the sale of the Unit. Nothing herein shall be construed to constitute a representation or guarantee by the Town or the Developer that upon resale the Owner shall obtain the maximum resale price.
- B. Allowance for Permitted Capital Improvements. Subject to the limitations of this section, for the purpose of determining the Maximum Resale Price in accordance with this Covenant, the Owner may add to the amount specified in Section 5.4 A, a portion of their cost of approved and Permitted Capital Improvements as set forth in the schedule contained in the Workforce Housing Regulations, as amended from time to time.
- C. Real Estate Sales Commission. The Owner of a Unit may list the Unit with any private real estate broker licensed according to the laws of the State of Colorado. The Owner may add the amount paid in sales commission to a licensed real estate broker, up to 1%, to the Maximum Resale Price, as described in Section 5.4 A. This Covenant does not mandate what commissions and sales fees an Owner may pay, it merely specifies the maximum amount that may be added to the resale price of the Unit. All real estate commissions and other sale-related costs shall be paid by the Owner of a Unit, and shall not be transferred to the buyer by including these costs in the resale calculation, with the exception stated above for a maximum of 1% to be added to the maximum resale price. The ability to increase the Maximum Resale Price by the allowable sales commission amount does not apply to Units for sale by Owner unless Owner is a real estate broker licensed according to the laws of the State of Colorado.
- D. Closing Costs, No Additional Consideration. Owner shall not permit any prospective buyer to assume any or all of the Owner's customary closing costs, including but not limited to, title insurance, sales fee, prorated taxes attributed to the property prior to the date of sale, homeowner's dues, existing obligations for special assessments, including any installments due and owing prior to the date of closing, etc.; nor shall Owner accept any other consideration which would cause an increase in the purchase price above the bid price so as to induce the Owner to sell to such prospective buyer.

E. Non-Appreciation Limited Units. Units identified in the Supplement as Non-Appreciation Limited Units are not subject to the resale provisions of this Subsection 5.4. Such Non-Appreciation Limited Units are subject to all other requirements of this Covenant.

5.5 Condition of Unit at Resale. Each Owner shall be responsible for ensuring that the Unit is in good condition at the time of resale, with reasonable wear and tear acceptable. This obligation includes all matters which are in the control and responsibility of an Owner, and includes but is not limited to: cleaning the Unit; making necessary improvements to repair and maintain plumbing and mechanical fixtures, appliances, carpets, flooring, roofs, walls and other similar items in good working order and condition; and ensuring that there are no health and safety violations regarding the Unit. If the Unit is not in good condition, the Town has the right to bring the Unit into saleable condition and collect the costs of taking such efforts, by means of a lien upon the property, and the accordant right to collect upon such lien through appropriate means, including the right to deduct the cost of any expenses incurred from the Owner's proceeds at closing for the sale of the Unit. In order to determine whether a Unit is in "good condition" as required under this Section 5.5, the Town may, if it has reason to believe that the Unit is not in good condition, require an inspection and Owner will make the Unit available for inspection in a reasonable amount of time after receiving notice of the inspection from the Town.

5.6 Non-Qualified Transferees. In the event that title to a Unit vests in a party that is not a Qualified Owner (a "Non-Qualified Transferee") by descent, by foreclosure and/or redemption by any lien or mortgage holder (except any holder of a HUD-insured First Mortgage), or by operation of law or any other event, the Town will notify the Non-Qualified Transferee that it must either attain Qualified Occupant status or sell the Unit within a specific period of time. The Non-Qualified Transferee(s) shall not: (i) occupy the Unit; (ii) rent all or any part of the Unit; (iii) engage in any business activity on or in the Unit; (iv) sell or otherwise transfer the Unit, except in accordance with this Covenant; or (v) sell or otherwise transfer the Unit for use in trade or business.

ARTICLE VI

COMPLIANCE AND REQUIRED DOCUMENTATION

6.1 Memorandum of Acceptance and Notice of Lien. Along with the recorded instrument of conveyance evidencing a Transfer of a Unit, any such Transfer shall include a completed copy of the "Memorandum of Acceptance of Residential Housing Covenant and Notice of Lien for the Runway Neighborhood" attached hereto as **Exhibit B**, which copy is executed by the transferee and acknowledged by a notary public.

6.2 Appreciation Limiting Promissory Note and Deed of Trust.

- A. At the time of each sale of a Unit, beginning with the first such sale by the Developer to a Unit Owner, the purchaser(s) of each Unit shall execute an Appreciation Limiting Promissory Note, together with a form of Appreciation Limiting Deed of Trust in substantially the same form as attached hereto as **Exhibit C**.

- B. At the time of closing of each transfer of title to a Unit subsequent to the first transfer by Developer, the Town shall determine whether the transfer complies with the requirements of this Covenant. If the transfer complies with the requirements of this Covenant, the Town shall mark the selling Unit Owner's Appreciation Limiting Promissory Note as paid and execute a request for release of the Appreciation Limiting Deed of Trust upon verification to the Town, by the title company or other independent agent responsible for closing on the transfer of title to a Unit, that the amount paid for the purchase of the Unit does not exceed the Maximum Resale Price or that, if the price exceeds the Maximum Resale Price, the amount of such excess will be paid to the Town.

- C. At the time of each subsequent closing of the transfer of title to a Unit, the standing Note and Deed of Trust shall be extinguished, and a new Appreciation Limiting Promissory Note shall be executed by the purchaser(s) and delivered to the Town, and a new Appreciation Limiting Deed of Trust shall be executed by the purchaser(s) and recorded at the Summit County Clerk and Recorder's office.

- D. If title to a Unit is transferred without obtaining the release of the applicable Appreciation Limiting Deed of Trust securing the applicable Appreciation Limiting Promissory Note in favor of the Town, and/or a new such Note and Deed of Trust is not obtained and recorded, such Transfer is considered to be a Non-Qualified Transfer and the Town, among all other rights available to it at law or in equity, shall have the right to foreclose said Appreciation Limiting Deed of Trust.

ARTICLE VII
TOWN'S LIEN

7.1. Town Lien Priority. Town shall have, and is hereby granted, a lien against the Unit ("Town Lien") to secure payment of any amounts due and owing the Town pursuant to this Covenant including without limitation all sales proceeds over and above the Maximum Sales Price, amounts due to the Town in the event of a foreclosure of a first mortgage, and to secure Owner's obligations to the Town hereunder. The Town's lien on the respective Unit shall be superior to all other liens and encumbrances, except the following:

- A. Liens and encumbrances recorded prior to the recording of this Covenant;
- B. Real property ad valorem taxes and special assessment liens duly imposed by Colorado governmental or political subdivision or special taxing districts;

- C. Liens given superior priority by operation of law; and
- D. The lien of any first mortgage against such Unit, when subordination is requested.

7.2. Rights of Town Lien. Recording of this Covenant in Summit County constitutes record notice and perfection of the Town's lien. No further recordation of any claim of lien is required. By virtue of the Town's lien, the Town shall have all of the rights that a mortgage holder may have against a Unit, including, but not limited to, the right to judicially foreclose upon a Unit. The Town shall be entitled to file such notices and other information necessary to preserve its rights, as a lienor, and to cure and redeem in foreclosure of a Unit, as provided by C.R.S. § 38-38-101, *et seq.*, and any other applicable law. The recordation date of the promissory note and deed of trust required in Section 6.2 above shall not alter the priority date of the Town's lien as established herein.

7.3. Binding Effect of Lien. The sale or other transfer of a Unit shall not affect the Town's lien. No sale or deed in lieu of foreclosure shall relieve the Owner from continuing personal liability for payment of their obligations hereunder. The Town's lien does not prohibit actions or suits to recover sums due pursuant to this Covenant, or to enforce the terms of this Covenant, or to prohibit the Town from taking a deed in lieu of foreclosure.

7.4. Subordination of Town Lien. Upon request, the Town shall agree to subordinate the Town's lien to a bona fide first mortgage or deed of trust provided that the total principal indebtedness secured by those mortgages or deeds of trust with priority over the Town's lien shall not exceed the current allowed Maximum Resale Price under this Covenant as of the date of subordination. To the extent that **Exhibit B** is inconsistent with this provision, the provisions of this section shall control.

ARTICLE VIII

FORECLOSURE

8.1 Release. Notwithstanding anything herein to the contrary, this Covenant shall be deemed released as to a Unit in the event of the issuance of a public trustee's confirmation deed, sheriff's confirmation deed, or similar conveyance of the Unit in connection with a foreclosure by the holder of a HUD-insured first mortgage. If the Town chooses to terminate this Covenant with respect to a particular Unit, the Town shall record a document referencing such termination in the real property records of the County. Any and all claims of the Town available hereunder against the Owner personally shall survive any release or termination of this Covenant.

8.2 Notice of Default to the Town. Within ten (10) days after Owner's receipt of any notice of default from a mortgagee or any applicable governmental entity or homeowner's association, the Owner shall give written notice of such default to the Town.

8.3 The Town's Option to Redeem.

A. Foreclosure/Town Option to Redeem. In the event of any foreclosure of a first mortgage or other lien, the Town or its authorized agent shall be entitled to receive notice of the foreclosure proceedings as is required by law to be given by the public trustee or the sheriff, as applicable, to lienors of a Unit that are junior to the first mortgage (as provided in C.R.S. § 38-38-101, *et seq.*, as amended). The Town shall have a right of redemption, purchase, and such other rights as a lienor and holder of deed of trust in foreclosure, as its interest appears, in accordance with Colorado law governing foreclosure.

B. Upon Exercising Option. If the Town obtains title to a Unit, the Town may sell such Unit to a Qualified Owner, or rent such Unit to an Authorized Lessee until such time that such Unit can be sold to a Qualified Owner.

ARTICLE IX **ENFORCEMENT**

9.1 Notification of Breach. It shall be a breach of this Covenant for any Owner or Qualified Occupant to violate any provision of this Covenant. Upon violation of this Covenant, the Town shall inform the Owner or Qualified Occupant by written notice and provide a reasonable period of time in which to correct such violation. If such violation is not corrected to the satisfaction of the Town within the time period, the Town may without further notice declare a breach of this Covenant.

9.2 Violations Triggering Sale and Town Option to Buy

A. In the event a Unit is occupied, transferred, or leased in violation of this Covenant, the Town may, at its sole discretion, require the Owner to immediately list the Unit for sale. The highest bid from a Qualified Owner for not less than ninety-five percent (95%) of the Maximum Resale Price shall be accepted by the Owner; provided, however, if the Unit is listed for a period of at least one hundred and eighty (180) days and all bids are below ninety-five percent (95%) of the Maximum Resale Price, the Unit shall be sold to a Qualified Owner that has made the highest offer after such one hundred and eighty (180) day period.

B. In the case of such an uncured violation, if required by the Town, the Owner shall: (i) consent to any sale, conveyance, or transfer of such Unit to a Qualified Owner; (ii) execute any and all documents necessary to do so; and (iii) otherwise reasonably cooperate with the Town to take actions needed to accomplish such sale, conveyance, or transfer of such Unit. For this purpose, each Owner hereby constitutes and appoints the Town as its true and lawful attorney-in-fact with full power of substitution to complete or undertake any and all actions required under this section or as set for elsewhere in this Covenant. It is further understood and agreed that this power of attorney, which shall be deemed to be a power coupled with an interest,

cannot be revoked. Owner specifically agrees that all power granted to the Town under this Covenant may be assigned by it to its successors or assigns.

C. Town shall also have and is hereby granted the right and option to purchase a Unit, exercisable within a period of fifteen (15) calendar days after notice is sent by the Town to the Owner that requires the Owner to sell the Unit pursuant to this section. Thereafter, the Town shall complete the purchase of such Unit within thirty (30) calendar days after exercising its option hereunder for a price equal to the lesser of the appraised market value of the Unit, as determined by the Town in its reasonable good faith judgment, or the Maximum Resale Price. The Town may assign its option to purchase hereunder to an eligible purchaser that, for the purpose of this section, shall be a Qualified Owner.

D. In all situations in which the provisions of this section apply, the Town may alternatively require the Owner to lease or rent a Unit to an Authorized Lessee in accordance with the requirements of this Covenant.

9.3 Right to Review and Compliance. The Developer and each Owner hereby grants and assigns to the Town the right to review and enforce compliance with this Covenant. Compliance may be enforced by the Town by any lawful means, including without limitation, seeking any equitable relief (including, without limitation, specific performance and other equitable relief as set forth in Section 9.6 below), as well as a suit for damages; provided, however, in the event a Unit is financed by a HUD-insured First Mortgage and is sold in violation of this Covenant, such enforcement shall not include:

- A. Acceleration of a mortgage;
- B. Voiding a conveyance by an Owner;
- C. Terminating an Owner's interest in a Unit; or
- D. Subjecting an Owner to contractual liability.

Notwithstanding the foregoing, in no event shall the Town have any equitable remedies (including, but not limited to, the right to sue for specific performance or seek other equitable relief as set forth herein) or the right to sue for damages if the Owner of a Unit that was financed with a HUD-insured first mortgage breaches or violates the terms, covenants and other provisions of the Covenant and if to do so would violate any existing or future requirement of HUD; it being understood, however, that in such event, the Town shall retain all other rights and remedies hereunder for enforcement of any other terms and provisions hereof, including, without limitation: (i) the right to sue for damages to reimburse the Town, or its agents, for its enforcement costs and to require an Owner to repay with reasonable interest (not to exceed ten percent (10%) per annum) any assistance received in connection with the purchase of the Unit; (ii) the right to prohibit an Owner from retaining sales or rental proceeds collected or received in violation of this Covenant; and (iii) the option to purchase granted to the Town in section 9.2 herein. Venue for a suit enforcing compliance shall be proper in

Summit County, Colorado and service may be made or notice given by posting such service or notice in a conspicuous place on the applicable Unit. As part of any enforcement action on the part of the Town, the applicable Owner shall pay all court costs and reasonable legal fees incurred by the Town, or its agents, in connection with these claims, actions, liabilities or judgments, including an amount to pay for the time, if any, of Town or its agents, or attorney spent on such claims at the rates generally charged for similar services by private practitioners within the County.

9.4 Enforcement. Except as otherwise provided herein, the Town, the Developer, or any Owner shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, and reservations imposed by the provisions of this Covenant and shall be entitled to specific enforcement of the same. Failure by any party described in this paragraph to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right by such party or any other party to do so thereafter.

9.5 Expenses of Enforcement. In the event that any party entitled to enforce the terms of this Covenant shall be required to bring any action as the result of any breach of the terms of this Covenant by any Owner, the party bringing such action shall be entitled to recover from and against the Owner in breach of this Covenant, in addition to any and all other remedies available at law or in equity, reasonable attorney's fees and costs incurred in the enforcement of this Covenant and in the bringing of such action, and the party against whom such fees and costs are awarded shall be personally liable for the payment of such fees and costs, and such award and judgment shall constitute a lien against the Unit owned by the party in breach of this Covenant which lien may be enforced by foreclosure of the defaulting Owner's Unit in the manner for foreclosing a mortgage on real property under the laws of the State of Colorado or elimination of Owner's resale gain on the Unit.

9.6 Injunctive and other Equitable Relief. Developer and each Owner agree that in the event of Developer's or Owner's default under or non-compliance with the terms of this Covenant, the Town shall have the right to seek such equitable relief as it may deem necessary or proper, including, without limitation, the right to: (a) seek specific performance of this Covenant; (b) obtain a judgment from any court of competent jurisdiction granting a temporary restraining order, preliminary injunction and/or permanent injunction; and (c) set aside or rescind any sale of a Unit made in violation of this Covenant. Any equitable relief provided for in this section may be sought singly or in combination with such legal remedies as the Town may be entitled to, either pursuant to this Covenant, under the laws of the State of Colorado or otherwise.

9.7 Price Freeze. Any violation of this Covenant shall cause the Maximum Resale Price to freeze and remain fixed until the date such violation is fully cured.

9.8 Relief in Extraordinary Circumstances. Requests for an exception to the provisions of this Covenant shall be made and considered as follows:

- A. The Owner requesting an exception must submit to the Town a written narrative explaining the need for the exception as well as documentary evidence confirming the reason and circumstances for the request. The Housing Department may request any additional information or documentation that may be needed, in its sole reasonable discretion and as allowable by law, to determine compliance with the criteria below.
- B. An application for an exception must, as determined by the Housing Department, meet all of the following criteria to determine if the stated circumstance qualifies for an exception:
 - a. The qualifying circumstance(s) justifying the grant of an exception to this Covenant is a circumstance that has transpired subsequent to the Owner occupying the Unit and/or is outside the control or ability of the applicant to correct;
 - b. Strict application of the terms and requirements of the Covenant would result in a significant hardship on the Owner;
 - c. The grant of the requested exception is limited to the scope necessary to grant reasonable relief to the applicant, is consistent with the intent and purpose of the Covenant, and will not have an adverse effect on the community, the surrounding neighborhood, or the ability of the Town to meet the purpose and intent of the housing program.
- C. The Housing Department shall issue a written decision regarding the request for an exception to the requirements of this Covenant within thirty (30) days of receiving a complete request, including the required supporting documentation.
- D. The Housing Department may impose specific conditions of approval in order to make the required findings of subsection B, above.

9.9 Records and Inspection. An Owner's records with respect to the Owner's use and occupancy of a Unit shall be subject to examination, inspection and copying by the Town upon reasonable advance notice. The Town shall also have the right to enter into or upon a Unit for the sole purpose of determining compliance with the provisions of this Covenant; provided, however, that the Town shall first attempt to secure the permission of any occupants of the Unit at least fourteen days in advance prior to making entry. An Owner shall submit any information, documents or certificates requested from time to time by the Town with respect to the occupancy and use of the Owner's Unit which the Town reasonably deems necessary to substantiate the Owner's continuing compliance with the provisions of this Covenant. Documents may include, but are not limited to: Federal and State Income Tax Returns, W2s, 1099s, bank statements, and invoices for utility payments. Such information shall be submitted to the Town within such reasonable time period as the Town may establish. All lessees of a Unit shall be bound by the terms of this section and shall cooperate with all requirements herein. The Town shall maintain confidentiality of financial information as provided by law.

ARTICLE X
PERIODIC REVIEW AND AMENDMENT

10.1 Town's Right to Periodically Review and Amend Certain Provisions of this Restriction and Provisions of the Workforce Housing Regulations. In recognition of the changing nature of the housing market in the County, and the Town's desire to keep this Covenant current for the benefit of all interested parties, this Covenant is subject to periodic review by the Town, and may be amended from time to time by virtue of changes to provisions in the Workforce Housing Regulations without invalidating or affecting the enforceability of this Covenant; provided, however, that such amendments may not operate to:

A. Retroactively to render an Owner no longer qualified to own the Property;

B. Reduce the Maximum Resale Price.

Amendments made to this Covenant by the Town pursuant to this Section shall be effective upon the effective date of the amendment to the Workforce Housing Regulations.

10.2 Amendment. This Covenant may additionally be amended by an instrument recorded in the records of Summit County, Colorado executed by the Town and the then-Owner of a Unit.

10.3 Supplement to Covenant. Prior to the first CO of any Unit in each Sale Phase, the Town will record a Supplement to the Covenant identifying the type of Units in that phase, the sales price for each Unit, whether any Units are designated as ADU-ready, and, for such ADU-ready Units outlining the details regarding occupancy, rental restrictions, capital improvement allowance, and other related matters.

ARTICLE XI GENERAL PROVISIONS

11.1 Equal Housing Opportunity. Pursuant to the Fair Housing Act, Developer, and the Town shall not discriminate on the basis of race, creed, color, sex, national origin, familial status or disability in the lease, sale, use or occupancy of the property.

11.2 Waiver of Exemptions. Every Owner, by taking title to a Unit, shall be deemed to have subordinated to this Covenant any and all right of homestead and any other exemption in, or with respect to, such Unit under state or federal law presently existing or hereafter enacted.

11.3 Perpetuities Savings Clause. If any of the terms, covenants, conditions, restrictions, uses, limitations, obligations, or options created by this Covenant are held to be unlawful or void for violation of: (i) the rule against perpetuities or some analogous statutory provision; (ii) the rule restricting restraints on alienation; or (iii) any other statutory or common law rules imposing like or similar time limits, then such provision shall continue only for the shorter of: (x) the term of this Covenant, or (y) the period of the lives of the current duly elected and seated members of the Town Council of the Town of Breckenridge, Colorado, their now living descendants, if any, and the survivor of them, plus twenty-one (21) years.

11.4 Severability. Invalidation of any one of the covenants or restrictions contained herein by judgment or court order shall in no way affect any other provisions, it being the intent of the Developer, the Town, and its designee that such invalidated provision be severable.

11.5 Term. This Covenant shall run with the land and bind the property and the Units in perpetuity. The Parties agree that the Town's rights and interests under this Covenant are vested immediately and that this Covenant shall be binding and in full force and effect for the full term as set forth herein.

11.6 No Third Party Beneficiaries. There are no intended third-party beneficiaries to this Covenant.

11.7 Non-Liability and Governmental Immunity. The Town, its designee, and their respective employees, members, officers, elected officials, and agents shall not be liable to any Owner or third party by virtue of the exercise of their rights or the performance of their obligations under this Covenant. The Parties understand and agree that they are relying on, and do not waive or intend to waive by any provision of this Covenant, the monetary limitations or any other rights, immunities or protections afforded by the Colorado Governmental Immunity Act, CRS § 24-10-101, et seq., as they may be amended, or any other limitation, right, immunity or protection otherwise available to the Parties.

11.8 Exhibits. All exhibits attached hereto are incorporated herein and by this reference made part hereof.

11.9 Personal Liability. Each Owner shall be personally liable for any of the transactions contemplated herein, jointly and severally with his or her co-Owners.


11.10 Further Actions. The Owner and Owner's successors and assigns agree to execute such further documents and take such further actions as may be reasonably required to carry out the provisions and intent of this Covenant or any agreement or document relating hereto or entered into in connection herewith.

11.11 Notices. Any notice under this Covenant shall be in writing, and shall be deemed sufficient when directly presented or sent pre-paid, first class United States Mail to the Party at the Party's last known address.

11.12 No Joint Venture. Notwithstanding any provision hereof, the Town shall never be a joint venture in any private entity or activity which participates in this Covenant, and the Town shall never be liable or responsible for any debt or obligation of any participant in this Covenant.

IN WITNESS WHEREOF, the Parties have executed this Deed Restriction on the Effective Date.

TOWN OF BRECKENRIDGE, COLORADO



Shannon Haynes, Town Manager

STATE OF Colorado)
COUNTY OF Summit) ss.

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 11th day of November, 2025, by Shannon Haynes as Town Manager of the Town of Breckenridge.

My commission expires:


(SEAL)

KELLEE LYNN CARLILE
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20204002999
MY COMMISSION EXPIRES JANUARY 22, 2028



Notary Public

DEVELOPER



The Runway Neighborhood, LLC
By: Neighborhood Crafters, LLC, Its Manager
By: Suzanne Allen Sabo, Manager

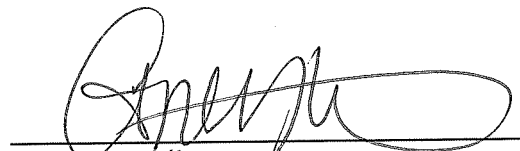
STATE OF Colorado)
COUNTY OF Summit) ss.

The foregoing instrument was subscribed, sworn to, and acknowledged before me this 5th day of November, 2025, by Suzanne Allen Sabo as Manager of Neighborhood Crafters, LLC, Manager for The Runway Neighborhood, LLC.

My commission expires:

(SEAL)

AMY IVERSON
NOTARY PUBLIC - STATE OF COLORADO
NOTARY ID 20114007452
MY COMMISSION EXPIRES SEP 15, 2029



Notary Public

**EXHIBIT A
LEGAL DESCRIPTION**

TRACTS B, C, AND D, RUNWAY SUVDIVISION FILING #2, A
CORRECTION PLAT OF RUNWAY SUBDIVISION, RECORDED
SEPTEMBER 19, 2025 AT RECEPTION NO. 1359693, A RESUBDIVISION
OF TRACT A, FRACTION SUBDIVISION AND TRACT C, BLOCK 11,
BRECKENRIDGE AIRPORT SUBDIVISION ACCORDING TO THE PLAT
THEREOF RECORDED NOVEMBER 6, 2025, AT RECEPTION NO. 1363722,
COUNTY OF SUMMIT, STATE OF COLORADO.

EXHIBIT B

**MEMORANDUM OF ACCEPTANCE OF
RESIDENTIAL HOUSING COVENANT AND NOTICE OF LIEN
FOR THE RUNWAY NEIGHBORHOOD
SUMMIT COUNTY, COLORADO**

WHEREAS, _____ [Buyer Name] _____, the "Buyer" is purchasing from _____ [Seller Name] _____, the "Seller", at a price of \$ _____ [purchase price amount] _____, real property described as _____ [Legal Description] _____ according to the plat recorded under Reception No. _____, in the real property records of the County of Summit, Colorado (the "Unit"); and

WHEREAS, the Seller of the unit is requiring, as a prerequisite to the sale transaction, that the Buyer acknowledge and agree to the terms, conditions, and restrictions found in that certain instrument entitled "Residential Housing Covenant and Notice of Lien for the Runway Neighborhood, Summit County, Colorado," recorded on _____, 2025, under Reception No. _____, in the real property records of the County of Summit, Colorado (the "Covenant").

NOW, THEREFORE, as an inducement to the Seller to sell the unit, the Buyer:

1. Acknowledges that Buyer has carefully read the entire covenant; has had the opportunity to consult with legal and financial counsel concerning the covenant prior to signing it; and fully understands the terms, conditions, provisions, and restrictions contained in the covenant.

2. Agrees to be bound by and to comply with the terms, conditions, and requirements of the Covenant.

4. States that the Notice to Buyer should be sent to:

5. Directs that this memorandum be placed of record in the real estate records of the County of Summit, Colorado, and a copy provided to the Town of Breckenridge.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the ____ day of _____, 20__.

BUYER(S):

By: _____

Printed Name:

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, _____, by _____.

Witness my hand and official seal.

Notary Public

My commission expires: _____

EXHIBIT C
Appreciation Limiting Promissory Note (Runway Neighborhood)
(the "Note")

Date

FOR VALUE RECEIVED, Buyer Name (the "Maker"), jointly and severally if more than one, promises to pay to the order of the TOWN OF BRECKENRIDGE, P.O. Box 168, Breckenridge, CO 80424 ("Town"), upon demand ("Due Date"), all sums that become due to Town from Maker after the date of this Note, under the Restrictive Housing Covenant and Notice of Lien for Runway Neighborhood, Summit County, Colorado, dated _____ and recorded _____ under Reception No. _____ of the records of the Clerk and Recorder of Summit County, Colorado.(the "Covenant").

This Note shall not bear interest until the Due Date. If this Note is not paid on or before the Due Date, it shall thereafter bear interest at the rate of eighteen percent (18%) per annum from the Due Date until fully paid.

The Maker and any surety, guarantor and endorser of this Note, jointly and severally, hereby waive notice of, and consent to any and all extensions of this Note or any part thereof without notice and each hereby waives demand, presentment for payment, notice of nonpayment and protest, and any and all notice of whatever kind or nature.

The Maker agrees to pay all costs of collection, including reasonable attorney's fees, incurred by Holder in the collection of this Note or any part thereof. If the Deed of Trust securing this Note is foreclosed, the undersigned also agrees to pay all costs and attorney's fees as provided therein.

No waiver by the Holder of any one or more of the terms and conditions herein contained shall be deemed a waiver of the other terms and conditions herein contained; nor shall any such waiver be considered for any reason as continuing or perpetual in nature.

This Note is secured by a deed of trust on the Residential Unit described as Legal Description of Property.

Also known as: Physical Address, Breckenridge, CO 80424

THE MAKER'S INITIAL PURCHASE PRICE FOR THE RESIDENTIAL UNIT, AS DESCRIBED IN THE COVENANT, IS \$_____.

(Maker's Initial(s): _____)

For Amounts Collected by Maker in Excess of Adjusted Price Limit

_____ (the "Maker") promises to pay to the order of the TOWN OF BRECKENRIDGE, PO Box 168, Breckenridge, CO 80424, upon Sale of the Property an amount equal to the Gross Proceeds in excess of the Adjusted Price Limit, based upon the calculation as follows.

As used in this Note the terms set forth below shall have the meanings provided:

"Residential Unit" means the property subject to the Deed of Trust securing compliance with this Note.

"Sale" means the sale or transfer of the Residential Unit or any interest therein.

"Gross Proceeds" means the total value of all consideration given Purchaser in connection with a Sale. "Adjusted Price Limit" means an amount determined in accordance with the following:

The total consideration paid by Maker for the purchase of the Residential Unit	_____
Adjustment to Price Limit as provided for in Subsection titled 'Resale of a Unit' or 'Resale Restrictions' of the Employee Housing Restrictive Covenant and Agreement (appreciation formula)	x _____
The Price Limit	= _____
Permitted Improvements (including capital improvements and Maintenance) as provided for in the Employee Housing Restrictive Covenant and Agreement	+ _____
Adjusted Price Limit	= _____

The undersigned hereby acknowledges receipt of a true copy of this Note.

Maker

Maker

Approved: Town of Breckenridge

IF THIS FORM IS USED IN A CONSUMER CREDIT TRANSACTION, CONSULT LEGAL COUNSEL

THIS IS A LEGAL INSTRUMENT IF NOT UNDERSTOOD, LEGAL, TAX, OR OTHER COUNSEL SHOULD BE CONSULTED BEFORE SIGNING

DEED OF TRUST
(Due on Transfer – Strict)

THIS DEED OF TRUST is made this _____ day of _____, 20____ between _____ (Borrower), whose address is _____ and the Public Trustee of the County in which the Property (see paragraph 1) is situated (Trustee); for the benefit of TOWN OF BRECKENRIDGE (Lender), whose address is P.O. Box 168, Breckenridge, CO 80424.

Borrower and Lender covenant and agree as follows:

1. **Property is Trust.** Borrower, in consideration of the indebtedness herein recited and the trust herein created, hereby grants and conveys to Trustee in trust, with power of sale, the following described property located in the County of Summit, State of Colorado: See Exhibit A attached hereto and incorporated herein by this reference
which has the address of *Physical Address*, Breckenridge, Colorado 80424, together with all its appurtenances (Property).
2. **Note; Other Obligations Secured.** This Deed of Trust is given to secure to Lender Borrower's obligations as set forth in the Appreciation Limiting Promissory Note of even date herewith.
3. **Title.** Borrower covenants that Borrower owns and has the right to grant and convey the Property, and warrants title to the same, subject to general real estate taxes for the current year, easements of record or in existence, and recorded declarations, restrictions, reservations and covenants, if any, as of this date and except those matters set forth in Exhibit B attached hereto and incorporated herein by this reference.
4. **Payment of Principal and Interest.** Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, and late charges as provided in the Note and shall perform all of Borrower's other covenants contained in the Note.
5. **Prior Mortgages and Deeds of Trust; Charges; Liens.** Borrower shall perform all of Borrower's obligations under any prior deed of trust and any other prior liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property which may have or attain a priority over this Deed of Trust by Borrower making payment when due, directly to the payee thereof. Despite the foregoing, Borrower shall not be required to make payments otherwise required by this paragraph if Borrower, after notice to Lender, shall in good faith contest such obligation by, or defend enforcement of such obligation in, legal proceedings which operate to prevent the enforcement of the obligation or forfeiture of the Property or any part thereof, only upon Borrower making all such contested payments and other payments as ordered by the court to the registry of the court in which such proceedings are filed.
6. **Preservation and Maintenance of Property.** Borrower shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Deed of Trust is on Leasehold. Borrower shall perform all of Borrower's obligations under any declarations, covenants, by-laws, rules, or other documents governing the use, ownership or occupancy of the Property.
7. **Protection of Lender's Security.** Except when Borrower has exercised Borrower's rights under paragraph 6 above, if the Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if a default occurs in prior lien, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, then Lender, at Lender's option, with notice to Borrower if required by law, may make

such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to:

- (a) any general or special taxes or ditch or water assessments levied or accruing against the Property;
- (b) the premiums on any insurance necessary to protect any improvements comprising a part of the Property;
- (c) sums due on any prior lien or encumbrance on the Property;
- (d) if the Property is a leasehold or is subject to a lease, all sums due under such lease;
- (e) the reasonable costs and expenses of defending, protecting, and maintaining the Property and Lender's interest in the Property, including repair and maintenance costs and expenses, costs and expenses of protecting and securing the Property, receiver's fees and expenses, inspection fees, appraisal fees, court costs, attorney fees and costs, and fees and costs of an attorney in the employment of the Lender or holder of the certificate of purchase;
- (f) all other costs and expenses allowable by the evidence of debt or this Deed of Trust, and
- (g) such other costs and expenses which may be authorized by the court of competent jurisdiction.

Borrower hereby assigns to Lender any right Borrower may have by reason of any prior encumbrance on the Property or by law or otherwise to cure any default under said prior encumbrance.

Any amounts disbursed by Lender pursuant to this paragraph 7, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Such amounts shall be payable upon notice from the Lender to Borrower requesting payment thereof, and Lender may bring suit to collect any amounts so disbursed plus interest. Nothing contained in this paragraph 7 shall require Lender to incur any expense or take any actions hereunder.

8. **Borrower Not Released.** Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower, nor Borrower's successors in interest, from the original terms of this Deed of Trust. Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower nor Borrower's successors in interest.
9. **Forbearance by Lender Not a Waiver.** Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by law, shall not be a waiver or preclude the exercise of any such right or remedy.
10. **Remedies Cumulative.** Each Remedy provided in the Note and this Deed of Trust is distinct from and cumulative to all other rights or remedies under the Note and this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively.
11. **Successors and Assigns Bound; Joint and Several Liability; Captions.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Paragraph 18 Transfer of the Property; Assumption. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs in this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.
12. **Notice.** Except for any notice required by law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust shall be in writing and shall be given and be effective upon (1) delivery to Borrower or (2) mailing such notice by first-class mail, addressed to Borrower at Borrower's address stated herein or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be in writing and shall be given and be effective upon (1) delivery to Lender or (2) mailing such notice by first-class mail, addressed to Lender at Lender's address stated herein or at such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower and Lender when given in any manner designated herein.
13. **Governing Law; Severability.** The Note and this Deed of Trust shall be governed by the law of Colorado. In the event that any provision or clause of this Deed of Trust or the Note conflicts with the law, such conflict shall not affect other provisions of the Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and Note are declared to be severable.

14. **Acceleration: Foreclosure: Other Remedies.** Except as provided in paragraph 18 Transfer of Property; Assumption, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, or upon any default in a prior lien upon the Property, (unless Borrower has exercised Borrower's rights under paragraph 5 above), at Lender's option, all of the sums secured by this Deed of Trust shall be immediately due and payable (Acceleration). To exercise this option, Lender may invoke the power of sale and any other remedies permitted by law. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Deed of Trust, including, but not limited to, reasonable attorney's fees. If Lender invokes the power of sale, Lender shall give written notice to Trustee of such election. Trustee shall give notice to Borrower of Borrower's rights as provided by law. Trustee shall record a copy of such notice as required by law. Trustee shall advertise the time and place of the sale of the Property, for not less than four weeks in a newspaper of general circulation in each county for which the Property is situated, and shall mail copies of such notice of sale to Borrower and other persons as prescribed by law. After the lapse of such time as may be required by law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place (which may be on the Property or any part thereof as permitted by law) in one or more parcel as Trustee may think best and in such order as Trustee may determine. Lender or Lender's designee may purchase the Property at any sale. It shall not be obligatory upon the Purchaser at any such sale to see to the application of the purchase money. Trustee shall apply the proceeds of the sale in the following order; (a) to all reasonable costs and expenses of the sale, including but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence e; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto.
15. **Borrower's Right to Cure Default.** Whenever foreclosure is commenced for nonpayment of any sums due hereunder, the owners of the Property or parties liable hereon shall be entitled to cure said defaults by paying all delinquent principal and interest payment due as of the date of cure, costs, expenses, late charges, attorney's fees and other fees all in the manner provided by law. Upon such payment, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as though no Acceleration had occurred, and the foreclosure proceedings shall be discontinued.
16. **Release.** Upon payment of all sums secured by this Deed of Trust, Lender shall cause Trustee to release this Deed of Trust and shall produce for Trustee the Note. Borrower shall pay all costs of recordation and shall pay the statutory Trustee's fees. If Lender shall not produce the Note as aforesaid, the Lender, upon notice in accordance with paragraph 12 (Notice) from Borrower to Lender, shall obtain, at Lender's expense, and file any lost instrument bond required by Trustee or pay the cost thereof to effect the release of this Deed of Trust.
17. **Waiver of Exemptions.** Borrower hereby waives all right of homestead and any other exemptions in the Property under state or federal law presently existing or hereafter enacted.
18. **Transfer of Property; Assumption.** The following events shall be referred to herein as a "Transfer" : (1) a transfer or conveyance of title (or any portion thereof, legal or equitable) of the Property (or any part thereof or interest therein), (ii) the execution of a contract or agreement creating a right to title (or any portion thereof, legal or equitable) in the Property (or any part thereof or interest therein), (iii) or an agreement granting a possessory right in the Property (or any portion thereof), in excess of three (3) years, (iv) a sale or transfer of, or the execution of a contract or agreement creating a right to acquire or receive, more than fifty percent (50%) of the controlling interest or more than fifty percent (50%) of the beneficial interest in the Borrower, (v) the reorganization, liquidation or dissolution of the Borrower. Not to be included as a Transfer are (1) the creation of the lien or encumbrance subordinate to this Deed of Trust, (ii) the creation of a purchase money security interests for household appliances, or (iii) a transfer by devise, descent or by operation of the law upon the death of a joint tenant. At the election of Lender, in the event of each and every transfer:
- (a) All sums secured by this Deed of Trust shall become immediately due and payable (Acceleration).
 - (b) If a Transfer occurs and should Lender not exercise Lender's option pursuant to this paragraph 18 to Accelerate, Transferee shall be deemed to have assumed all of the obligations of Borrower under this Deed of Trust including all sums secured hereby whether or not the instrument evidencing such conveyance, contract or grant expressly so provides. This covenant shall run with the Property and remain in full force and effect until said sums are paid in full. The Lender may without notice to the Borrower deal with Transferee in the same

