

**VILLAGE LOT OWNERS ASSOCIATION, INC.
RULES AND REGULATIONS**

RULE #1

– Second Amended and Restated –

[Second Amended and Restated, dealing with the location and design of wells & septic systems, the maximum size of buildings, limiting the number of bedrooms on a lot, adding requirements for the placement of electrical pedestals and amending and restating in its entirety Rule #1 recorded July 28, 2005 at Reception Number 2005-008065 of the records of the Grand County Clerk and Recorder. This Second Amended and Restated Rule adds section 4.5, regarding annual inspections and section 6, Regarding Placement of Electrical Meters on Pedestals. There are no other substantive changes to sections 1 – 5.]

1. INTRODUCTION & PURPOSE

The Protective Covenants and Restrictions for both filings of Val Moritz Village contemplate regulation of wells and septic tanks by the Association. Given the size of the lots it is both essential and critical that the Association exercise that authority at this time, with various infrastructure improvements about to begin in 2004, or the unplanned and unregulated installation could and likely would result in some lots being left with no legally permissible location for well and septic. This could result from the legal requirements for spacing between wells and septic systems. Sections 12 and 21 of the Covenants address this issue. Section 12.b. provides that each sewage disposal system be approved in advance of construction by the Association. Section 12.c. provides that the placement and operation of wells be governed and approved by the Association and section 21 requires that the plans for any "structure whatsoever" be pre-approved in writing by the Association. Bylaw 4.21 authorized the Board of Directors of the Association "To establish, make and enforce compliance with such reasonable rules and regulations as may be necessary to carry out the functions of the Association."

2. EFFECT ON VAL MORITZ VILLAGE DESIGN GUIDELINES AND ADDITIONAL REGULATIONS

The Val Moritz Village Design Guidelines and Additional Regulations were recorded the 18th day of June 2001 at Reception Number 2001-005537 of the records of the Grand County Clerk and Recorder. The section entitled "Other Governing Documents" on page 2 thereof provides:

These Guidelines are primarily intended to guide the development of the buildings and site in an aesthetic manner. They shall not be construed to be the only standards that must be followed. **In the event of any conflict among governing documents the more stringent shall control.**

THIS RULE #1 CONSTITUTES A MORE STRINGENT DOCUMENT WITH RESPECT TO THE ITEMS DEALT WITH HEREIN. ALL OWNERS OF REAL PROPERTY WITHIN VAL MORITZ VILLAGE ARE PUT ON NOTICE THAT THE CONTENTS HEREOF CONTROLS LESS STRINGENT PROVISIONS IN THE VAL MORITZ VILLAGE DESIGN GUIDELINES AND ADDITIONAL REGULATIONS!

3. ENGINEERING BACKGROUND

An engineering analysis obtained by the Association indicates that the number of bedrooms and maximum size of homes should be controlled in order to ensure that all septic systems will function properly. Both the size of the overall structure and the number of bedrooms within are factors in establishing wastewater loading. Traditional septic systems will not work adequately given the constraints of the Village and systems based on advanced technology must be used.

4. REQUIREMENTS, PROVISIONS AND LIMITATIONS OF THIS RULE; ANNUAL INSPECTIONS

4.1 The maximum area which may be contained in all floors of all buildings on any lot, including any garage and outbuildings, is 4,200 square feet, no more than 3,500 feet of which may be included in the Dwelling (as defined by the zoning regulations of Grand County).

4.2 All buildings on any lot may contain not more than four bedrooms as determined by the Grand County building department or other agency with jurisdiction over the issuance of building permits.

4.3 All well and septic systems may only be constructed within the footprint established for same by the Association. A site plan or map showing such footprint will be made available to any owner upon request. No building plans whatsoever will be approved for any lot which do not locate the well and septic systems within the proper footprint.

4.4 All septic systems must employ an advanced technology wastewater treatment system equal or superior to the AdvanTex filtrate system. Such systems require an annual inspection as does Grand County; the Association must be provided with a copy of the report resulting from each annual inspection.

4.5 As required by Grand County's "Sewage Disposal System Permit," which is recorded against each lot by the County upon issuance of a building permit, an annual inspection, performed by authorized personal, is required for all septic systems and every lot owner with such a system in place must provide a copy of each inspection report upon receipt and, in no event, later than September 30th each year. If an owner fails to provide such copy it may be reported to the appropriate Grand County authorities and the Association may also take such other actions as it may deem appropriate including but not limited to filing suit against the offending owner.

5. VARIANCES

5.1 A variance from the requirements of sections 4.2 and 4.3 may be granted for individual lots or groups of lots provided that no variance will be granted for more than one additional bedroom on a lot. In order to have a variance request processed, the applicant must provide an engineering report from the Association's project engineer or other appropriate engineer licensed in the State of Colorado, addressed to the applicant, the Association and the owners of any potentially affected lots, which establishes, in the professional opinion of the engineer, that the variance requested will not adversely affect any existing well or septic system or the well and septic system footprint of any other lots. The applicant must also pay the then current variance application fee which will be established from time to time and which will cover Association expenses including the cost of obtaining an independent engineering report from the project engineer or from some other engineer chosen by the Association. Upon receipt of the report from the second engineer the Board of Directors, or a committee thereof if one has been appointed, will determine in its sole and absolute discretion whether to grant the variance. If the applicant chooses the project engineer, who will be identified on request, to prepare the initial report then no second report will be required. Prior to making a decision the Board or committee may provide notice and an opportunity to be heard to any potentially affected lot owners.

5.2 Prior to a variance being granted the applicant must indemnify the Association and the owner of any lot against any loss or damage caused to other lots if, as a result of the variance, another lot is harmed or its value reduced. Variances should not be lightly applied for and will not be casually granted. If a variance is granted and the engineering report turns out to be incorrect then it is a possible result that other lots may be rendered unusable for residential purposes and, in that event, the indemnification liability would encompass the difference in value between the affected lot(s), as that value would have been if well and septic systems could be installed, and the value thereof, presumed to be zero, if one or both of such systems could no longer be properly installed because of the variance. The indemnity will be in a written, notarized document on a form provided by the Association. No variance may or will be granted without a proper indemnity.

6. REGARDING PLACEMENT OF ELECTRICAL METERS ON PEDESTALS

6.1 This section provides an alternative to the placement of the electrical meter on a home. If a meter is to be placed on a pedestal then the pedestal MUST be located in the road right of way and NOT within the boundaries of a lot. The meter pedestal must be placed in the road right of way but outside the driving area. In general, placement should be two feet to six feet behind and to the side of the power

company's (Mountain Parks Electric) electrical cabinet (vault or junction box) in the direction of the communication pedestals (phone and cable pedestals) so screening will not only conceal the meter pedestal but the communications pedestals as well. In some circumstances, in order to better utilize existing vegetation for screening, the location may vary. However, the Review Board, on a case-by-case basis will determine all locations. Since Mountain Parks Electric has available dual meter pedestals, when the Review Board evaluates a request to install a pedestal the Board will also evaluate whether the pedestal should be of the dual meter type.

6.2 The number of shrubs, bushes or trees to be used for screening will be determined on a case-by-case basis with the major factor being the vegetation existing in the area where the pedestal will be located. A no planting zone, slightly wider than the power company electrical cabinet, commencing at the front of the cabinet and extending to the road driving surface must be maintained.

6.3 The owner must utilize evergreen vegetation that is appropriate for the area (i.e. the planting zone) that must be a minimum of three feet in height above the ground on planting and grow to a minimum of six feet in height. It will be the owner's responsibility to nurture the vegetation until it is self-sustaining. The Owner will also be responsible for maintaining the vegetation thereafter and for replacing any that is dead, diseased or dying, and trimming when necessary.

6.4 Any owner wishing to install electrical meter pedestals shall inform the Review Board of the owner's intent to do so, request an on site meeting and provide the Review Board with an accurate diagram drawn to scale and illustrating the locations of the electrical cabinet and communication pedestals, and including on the face of the diagram a description of the proposed vegetation and a brief statement of its characteristics. A sample layout is available at no charge from the Association.

6.5 The Review Board representatives will meet on site with the owner and determine the best location for the meter pedestal, whether the pedestal should be designed to house one or two meters, and the placement and quantity of screening vegetation. After such locations and quantities have been determined by the Review Board, in consultation with the owner, they will be set forth in a "Architectural Review Board Application Worksheet" that illustrates and describes same and will be signed by both the Review Board representatives and the owner. If no such agreement can be reached then there will be no Review Board permission to locate the pedestal in the right of way and it must be located on the home. Once signed the Architectural Review Board Application Worksheet will be the basis for the eventual final inspection by the Review Board. The Review Board representative at this on site meeting will set a stake where the pedestal is to be placed.

6.6 Screening must be in place prior to the return of the construction and re-vegetation deposits or the Association will cause the work to be performed and will invoice the owner for the cost as well as a \$100 fine for failure to comply with these requirements. This fine will also cover the Association's administrative expense for dealing with the situation. It will be the sole responsibility of the Owner to notify the Association in writing when a final inspection is needed and to request return of the construction or re-vegetation deposit. The Association will have no obligation to return a deposit until after a satisfactory final inspection confirming substantial compliance with the Final Plan and a request for return of the deposit. If a final inspection reveals deficiencies in compliance the deposit will be retained by the Association until there has been compliance as confirmed by a follow up inspection. If there has been no satisfactory follow up inspection within 30 calendar days of the initial inspection then the Association may use the deposit to complete the work, after which it will return any unused portion of the deposit to the Owner.

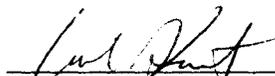
6.7 The Owner is responsible for coordinating and obtaining pedestal location approval from Mountain Parks Electric and Owners are forewarned that this may not be an easy or fast process. If for any reason MPE does not approve of the location decided upon by the Owner and the Review Board then Owner must submit a revised diagram and proceed as above to the preparation of a revised Architectural Review Board Application Worksheet. If the Review Board does not consent to the location required by MPE then the meter must be placed on the home and not on a pedestal.

WARNING!

ALL UNDERGROUND UTILITY LINES MUST BE LOCATED PRIOR TO SCHEDULING THE ON-SITE MEETING. OWNER IS RESPONSIBLE FOR LOCATING SUCH LINES AND FOR ALL WORK PERFORMED AND WILL BE SOLELY RESPONSIBLE FOR ANY DAMAGE. THE SCREENING WILL BE PLANTED IN AN AREA THAT INCLUDES HIGH VOLTAGE LINES AND IT IS STRONGLY RECOMMENDED THAT THE OWNER EXERCISE EXTREME CAUTION AND PLANT THE VEGETATION BY CAREFUL HAND DIGGING RATHER THAN BY USING POWER EQUIPMENT.

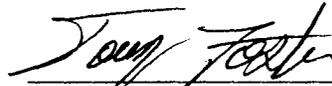
The foregoing Second Amended and Restated Rule #1 was adopted by the Board of Directors by Minutes of Action, unanimously adopted.

Approved the 19 day of August, 2010:



Carl Hurst, Director

Approved the 19 day of AUGUST, 2010:



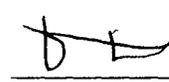
Doug Foster, Director

Approved the 19 day of August, 2010:



Richard Messer, Director

Approved the 19 day of AUGUST, 2010:



Stephan Playter, Director

Approved the ___ day of _____, 2010:

Jeff Rozean