

**DECLARATION  
FOR  
ECHO CANYON RANCH**

This DECLARATION FOR ECHO CANYON RANCH (this "Declaration") is made this \_\_\_\_\_ day of \_\_\_\_\_ 1995, by ECHO CANYON RANCH LIMITED PARTNERSHIP, a Colorado limited partnership ("Declarant"), to govern the real property located in Archuleta County, Colorado, which is described on the attached Exhibit A (the "Property").

**ARTICLE I  
STATEMENT AND PURPOSE AND IMPOSITION OF COVENANTS**

**Section 1.1. Imposition of Covenants.** By executing this Declaration, Declarant makes, declares and establishes the following covenants, conditions, restrictions and easements (collectively, these "Covenants"), which will affect all the Property. From and after the day this Declaration is recorded in the real property records of Archuleta County, Colorado, the Property will constitute a planned community known and referred to in this document as "Echo Canyon Ranch" under the Colorado Common Interest Ownership Act, Colo. Rev. Stat. § 38-33.3-101 through 38-33.3-319, as amended and supplemented from time to time, and the Property will be held, sold and conveyed subject to these Covenants. These Covenants will run with the land and will be binding on all persons (including Declarant) having any right, title or interest in all or any part of the Property and their heirs, successors and assigns and their tenants, employees, guests and invitees. These Covenants will inure to the benefit of each owner of the Property.

**Section 1.2. Declarant's Purposes.** The purpose of Declarant in making this Declaration is to provide for the operation, administration, use and maintenance of the Common Area (defined below) and other areas within the Property; to preserve, protect and enhance the values and amenities of the Property; and to promote the health, safety and welfare of the Members (defined below) of the Association (defined below) established pursuant to this Declaration.

**Section 1.3. Development and Use.** Upon completion, Echo Canyon Ranch will consist of a maximum of 25 Parcels (defined below) for residential use. No Parcels in excess of that number may be established on the Property by the subdivision of existing Parcels or any other method.

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**ARTICLE II  
DEFINITIONS**

The following terms, as used in this Declaration, are defined as follows:

Section 2.1. "**Act**" is defined as the Colorado Common Interest Ownership Act, Colo. Rev. Stat. § 38-33.3-101 through 38-33.3-319, as amended and supplemented from time to time, or any successor legislation to these statutes.

Section 2.2. "**Articles**" or "**Articles of Incorporation**" means the Articles of Incorporation of the Association which have been filed with the Secretary of State of Colorado to create the Echo Canyon Ranch Association, as such Articles may be amended and supplemented from time to time.

Section 2.3. "**Annual Assessments**" means the Assessments levied annually pursuant to Section 8.3.

Section 2.4. "**Assessments**" means the Annual, Special and Default Assessments levied pursuant to Article VIII below to meet the estimated cash requirements of the Association.

Section 2.5. "**Association**" means the Echo Canyon Ranch Association, a Colorado nonprofit membership corporation, or any successor to the Echo Canyon Ranch Association by whatever name, charged with the duties and obligations set forth in this Declaration, the Articles, the Bylaws and the Act.

Section 2.6. "**Board of Directors**" or "**Board**" means the Board of Directors of the Association, which is the executive board, as defined in the Act, designated in this Declaration to act on behalf of the Association in all matters not reserved to the Members by the Echo Canyon Ranch Documents or by law.

Section 2.7. "**Bylaws**" means the bylaws of the Association, which establish the methods and procedures of its operation, as such bylaws may be amended and supplemented from time to time.

Section 2.8. "**Common Area**" means any real property in which the Association owns an interest for the common use, benefit and enjoyment of some or all of the Members and such other persons as may be permitted to use the Common Area under the terms of this Declaration or any contract with the Association. Such interest owned by the Association may include, without limitation, estates in fee, estates for terms of years, or easements.

Section 2.9. "**Common Expense**" means (i) premiums for the insurance carried by the Association under Article XI; (ii) all other expenses incurred by the Association in administering, servicing, conserving, managing, maintaining, repairing or replacing the Common Area and any

Improvements located on it; (iii) all expenses expressly declared to be Common Expenses by the Echo Canyon Ranch Documents; (iv) all expenses lawfully determined to be Common Expenses by the Board of Directors; and (v) all expenses to be allocated among the Owners as provided in Article VIII.

Section 2.10. "Declarant" means Echo Canyon Ranch Limited Partnership, a Colorado limited partnership, or its successors or assigns, including any Successor Declarant to the extent the rights of Declarant are assigned to the Successor Declarant, as provided in Section 19.7 below.

Section 2.11. "Default Assessment" means the Assessment levied by the Association pursuant to Section 8.7.

Section 2.12. "Default Rate" means the lesser of (i) the annual rate of two points above the prime rate charged by the Association's bank, or such other rate as shall have been established by the Board of Directors, and (ii) the maximum rate allowed by applicable law.

Section 2.13. "Design Guidelines" means the guidelines and rules published and amended and supplemented from time to time by the Design Review Committee.

Section 2.14. "Design Review Committee" or "Committee" means the committee formed pursuant to Article V to maintain the quality and architectural harmony of Improvements in Echo Canyon Ranch.

Section 2.15. "Development Rights" is defined in Section 9.1.2 below.

Section 2.16. "Director" means a member of the Board.

Section 2.17. "Echo Canyon Ranch" means the planned community created by this Declaration, consisting of the Property and all of the Improvements. Echo Canyon Ranch is a common interest community under the definitions of the Act.

Section 2.18. "Echo Canyon Ranch Documents" means the basic documents creating and governing Echo Canyon Ranch, including, but not limited to, this Declaration, the Articles of Incorporation and Bylaws, the Design Guidelines, the Echo Canyon Ranch Rules and any other procedures, rules, regulations or policies adopted under such documents by the Association, acting through the Members of the Board.

Section 2.19. "Echo Canyon Ranch Rules" means the rules and regulations adopted by the Association as provided in Section 4.9 below.

Section 2.20. "Eligible Mortgage Holder" means a First Mortgagee or any insurer or guarantor of a First Mortgage which has notified the Association in writing of its name and

address and status as a holder, insurer or guarantor of a First Mortgage. Such notice will be deemed to include a request that the Eligible Mortgage Holder be given the notices and other rights described in Article XV below, regardless of whether such Article requires notice to such party.

Section 2.21. "First Mortgage" means any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

Section 2.22. "First Mortgagee" means the holder of record of a First Mortgage.

Section 2.23. "Improvement(s)" is defined as all buildings, parking areas, fences, walls, hedges, plantings, lighting, poles, driveways, roads, trails, hot springs, ponds, lakes, signs, changes in any exterior color or shape, changes in any interior color or shape on the Property that may be viewed from outside (including without limitation shades or other window coverings in a residence, on a lot), excavation and all other site work, including, without limitation, grading, road construction, utility improvements, removal of trees or plantings and any new exterior construction or exterior improvement which may not be included in the foregoing. "Improvement(s)" does not include turf, shrub or tree repair or replacement of a magnitude which does not change exterior colors or exterior appearances. The term "Improvement(s)" does include both original improvements and all later changes and improvements.

Section 2.24. "Manager" means such person retained by the Board of Directors to perform certain functions of the Board pursuant to this Declaration or the Bylaws.

Section 2.25. "Map" means any engineering survey or surveys of all or part of the Property, together with such other diagrammatic plans and information regarding the Property as may be required by the Act or other applicable law, or as may be included in the discretion of Declarant, as each such survey may be amended and supplemented from time to time, and all as recorded in the office of the Clerk and Recorder of Archuleta County, Colorado.

Section 2.26. "Member" means any person holding membership in the Association.

Section 2.27. "Mortgage" means any mortgage, deed of trust or other document which is recorded in the office of the Clerk and Recorder of Archuleta County, Colorado, and which encumbers any portion of the Property or interest in it as security for the payment of a debt or obligation.

Section 2.28. "Mortgagee" means any person named as a beneficiary or mortgagee under a Mortgage, or any successor to the interest of any such person under such Mortgage.

Section 2.29. "Owner" means the owner of record (including Declarant, and including a contract seller, but excluding a contract purchaser), whether one or more persons, of fee simple title to any Parcel, but shall not mean or refer to any person who holds such interest merely as security for the performance of a debt or other obligation, including a Mortgage, unless and until

such person has acquired fee simple title pursuant to foreclosure, a deed in lieu of foreclosure or other proceedings.

Section 2.30. "Parcel" means a parcel of land designated as a lot on any Map and reserved for any purpose other than use as streets, roads or Common Area. A Parcel includes the Improvements, if any, located on it. Further, a Parcel is a "unit" as defined in the Act.

Section 2.31. "Period of Declarant Control" means the period during which Declarant (or a Successor Declarant) may appoint and remove Directors and officers of the Association as permitted under the Act. The Period of Declarant Control will begin on the date this Declaration is first recorded in the office of the Clerk and Recorder of Archuleta County, Colorado, and will end no later than (i) 60 days after conveyance of 75% of the Parcels that may be created within the Property to Owners other than Declarant (or any Successor Declarant), (ii) two years after the last conveyance of a Parcel by Declarant (or any Successor Declarant) in the ordinary course of business, or (iii) the date on which Declarant (or any Successor Declarant) voluntarily terminates the Period of Declarant Control by recording a notice to that effect in the office of the Clerk and Recorder of Archuleta County, Colorado, whichever of the foregoing dates or events occurs first. Notwithstanding the foregoing, the Period of Declarant Control will be extended at the option of Declarant (y) if the Act is amended to allow for such extension beyond the limiting dates outlined in this Section above, or (2) if the Period of Declarant Control is reinstated or extended by agreement between Declarant and the Association. After the termination of the Period of Declarant Control, Declarant, if still an Owner, will have all the rights and duties ordinarily given to Members under this Declaration.

Section 2.32. "Person" (whether or not in capitalized form) means a natural person, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or combination of any of the foregoing.

Section 2.33. "Property" means and include the property described on Exhibit A and initially subjected to this Declaration and any additional real property from time to time made subject to these Covenants pursuant to the provisions of this Declaration.

Section 2.34. "Special Assessment" means an Assessment levied pursuant to Section 8.4.

Section 2.35. "Special Declarant Rights" is defined in Section 9.1 below.

Section 2.36. "Special Declarant Rights Period" means the period beginning the date this Declaration is first recorded in the office of the Clerk and Recorder of Archuleta County, Colorado, and ending the date on which Declarant shall have conveyed to parties (other than a Successor Declarant) all units, as defined in the Act, originally owned by Declarant in Echo Canyon Ranch.

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Section 2.37. "Successor Declarant" means any person to whom Declarant assigns any or all of its rights, obligations or interest as Declarant, as permitted by Section 19.7 and evidenced by an assignment or deed of record in the office of the Clerk and Recorder of Archuleta County, Colorado, designating such party as a Successor Declarant, signed by the transferor and the transferee, and otherwise complying with the requirements of the Act. Upon such recording, Declarant's rights and obligations under the Declaration shall cease and terminate to the extent provided in such document.

Section 2.38. "Supplemental Covenants" means additional or further restrictive covenants imposed on a portion or portions of the Property from time to time.

### ARTICLE III ECHO CANYON RANCH

Section 3.1. Declaration of Parcel Boundaries. The boundaries of each Parcel are designated on the Map, and each Parcel is identified by the number or address noted on the Map.

Section 3.2. Map. The Map shall conform to the requirements of the Act and shall be filed for record in the office of the Clerk and Recorder of Archuleta County, Colorado. The Map may be filed as a whole or as a series of Maps from time to time. Any Map filed subsequent to the first Map shall be termed a supplement to the Map, and the numerical sequence of each supplement shall be shown on it.

Section 3.3. Recorded Easements and Licenses. The recording information for recorded easements and licenses appurtenant to or included in the Property is set forth on the attached Exhibit B.

Section 3.4. Compliance with Echo Canyon Ranch Documents. Each Owner shall abide by and benefit from the provisions, covenants, conditions and restrictions contained in the Echo Canyon Ranch Documents.

### ARTICLE IV THE ASSOCIATION

Section 4.1. Association Management Duties. Subject to the rights and obligations of Declarant as set forth in the Act and in this Declaration and the rights and obligations of the Owners, the Association shall be responsible for the administration and operation of the Property. In addition, the Association may undertake contractual responsibilities relating to other property that may be used by or available to the Owners in Echo Canyon Ranch.

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The Board of Directors shall exercise for the Association all powers, duties and authority vested in or required to be taken by the Association and not reserved to Declarant or the other Owners by this Declaration, the other Echo Canyon Ranch Documents, the Act or other applicable law.

**Section 4.2. Common Area.** Declarant may convey to the Association from time to time, by one or more written instruments recorded with the Clerk and Recorder of Archuleta County, Colorado, certain parcels of the Property chosen by Declarant, which parcels may include property depicted and designated as Common Area on the Map, including the Improvements located on and the rights and easements appurtenant to such property.

The Common Area generally is designated by this Declaration for the common use, benefit and enjoyment of the Owners and their families, tenants, employees, guests and invitees, and such other persons as may be permitted to use the Common Area, as Declarant may specify in this Declaration or in any grant of the Common Area to the Association. Nothing in this Declaration or the other Echo Canyon Ranch Documents shall be construed as a dedication to public use, or a grant to any public municipal or quasi-municipal authority or utility, or an assumption of responsibility for the maintenance of any Common Area by such authority or utility, absent an express written agreement to that effect.

**Section 4.3. Association's Responsibility for Common Area.** The Association, subject to the rights and obligations of the Owners set forth in this Declaration, shall be responsible for the management and control of the Common Area conveyed pursuant to Section 4.2 above and all Improvements on the Common Area (including furnishings and equipment related to those Improvements), and the Association shall keep the Common Area in good, clean and attractive condition and repair, subject to the terms and conditions of this Declaration.

Any use of the Common Area by Owners and their families, tenants, guests and other persons permitted access to the Common Area shall be subject to any applicable Echo Canyon Ranch Rules governing the Common Area.

The Association, acting through the Board of Directors, may grant easements, rights-of-way, leases, licenses and concessions through or over the Common Areas without the independent approval by the Owners, subject, however, to the right of Declarant and the Owners to use the Common Area as provided in this Declaration. Without limiting the generality of the foregoing, the Association may grant such rights to suppliers of utilities serving the Property or property adjacent to the Property and to developers or owners of property adjacent to the Property to accommodate minor encroachments onto the Common Area or for other purposes that do not unreasonably interfere with the use and enjoyment of the Common Area by the Owners.

**Section 4.4. Membership.** Every Owner, by virtue of being an Owner, and for so long as he is an Owner, shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Parcel. No Owner, whether one or more persons,

shall have more than one membership per Parcel owned, but all of the persons owning each Parcel shall be entitled to rights of membership and of use and enjoyment appurtenant to such ownership. An Owner shall not transfer, pledge or alienate his membership in the Association in any way except upon the sale or encumbrance of a Parcel, and then only to the purchaser or Mortgagee of the Parcel.

**Section 4.5. Classes of Membership.** Initially, the Association shall have at least one class of voting membership composed of all Owners, including Declarant. The Bylaws may set forth additional classifications of membership from time to time.

**Section 4.6. Voting Rights.** All Members shall be entitled to vote on Association matters on the basis of one vote for each Parcel, as each Parcel is originally platted by Declarant. The number of votes shall be determined by reference to the Map for the Parcel in question recorded by Declarant.

When more than one person is an Owner of any Parcel, all such persons shall be Members. The vote for such Parcel may be exercised by one person or alternative persons as the Owners themselves determine. If more than one of the multiple Owners are present at a meeting in person or by proxy, the vote allocated to their Parcel may be cast only by agreement of a majority in interest of the Owners. There is a majority agreement if any one of the multiple Owners casts the vote allocated to the Parcel without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Parcel.

Any Owner of a Parcel which is leased may assign his voting right to the tenant, provided that a copy of the instrument of assignment is furnished to the Secretary of the Association two business days prior to any meeting in which the tenant exercises the voting right.

Any party, on becoming a Member, shall furnish to the Secretary of the Association a photocopy or certified copy of the recorded instrument, or a copy of the lease or sublease, or such other evidence as may be specified by the Board under the Bylaws or the Echo Canyon Ranch Rules, to entitle the party to membership or voting rights in the Association. At the same time, the party shall provide the Association with the single name and address to which the Association shall send any notices given pursuant to the Echo Canyon Ranch Documents. The Member (or tenant) shall state in such notice the number of votes in the Association to which the Member (or tenant) believes he is entitled and the basis for that determination. In the event of any change in the facts reported in the original written notice, including any change of ownership, the Member (or tenant) shall give a new written notice to the Association containing all of the information required to be covered in the original notice. The Association shall keep and preserve the most recent written notice received by the Association with respect to each Member (or tenant).

**Section 4.7. Appointment of Officers and Directors by Declarant.** Until the expiration of the Period of Declarant Control and subject to the limitations of the Act, Declarant shall retain the exclusive powers to appoint and remove the Board of Directors and officers of the Association.



Notwithstanding the foregoing, Declarant may voluntarily surrender the right to appoint and remove the Board of Directors and officers of the Association before the end of the Period of Declarant Control by providing a notice to that effect to the Association and otherwise complying with the procedures for termination of this Special Declarant Right, as set forth in the Bylaws. However, upon voluntarily terminating this Special Declarant Right in advance of the expiration of the Period of Declarant Control, Declarant may require that specified actions of the Association or the Board, as described in an instrument executed and recorded by Declarant in the office of the Clerk and Recorder of Archuleta County, Colorado, be approved by Declarant before those actions become effective.

After the Period of Declarant Control, the Directors and the officers of the Association will be elected as provided in the Bylaws.

**Section 4.8. Owner's and Association's Addresses for Notices.** All Owners of each Parcel shall have one and the same registered mailing address to be used by the Association or other Owners for notices, demands and all other communications regarding Association matters. The Owner or Owners of a Parcel shall furnish the registered address to the Secretary of the Association within five days after receiving title to the Parcel. The registration shall be in written form and signed by all of the Owners of the Parcel or by such persons as are authorized by law to represent the interests of all Owners of the Parcel.

If no address is registered or if all of the Owners cannot agree, then the address of the Parcel shall be deemed the registered address until another registered address is furnished as required under this Section.

If the address of the Parcel is the registered address of the Owners, then any notice shall be deemed duly given if delivered to any person occupying the Parcel or sent to the Parcel by any other means specified for a particular notice in any of the Echo Canyon Ranch Documents, or if the Parcel is unoccupied, if the notice is held and available for the Owners at the principal office of the Association. All notices and demands intended to be served upon the Board of Directors shall be sent to the address of the Association or such other address as the Board may designate from time to time by a notice delivered to all Owners in accordance with this Section.

Unless any Section of this Declaration or the Act expressly provides otherwise, all notices given under this Declaration shall be sent by personal delivery, which shall be effective upon receipt; by overnight courier service, which shall be effective one business day following timely deposit with a courier service; or regular, registered or certified mail, postage prepaid, which shall be effective three days after deposit in the U.S. mail.

**Section 4.9. Rules and Regulations.** The Association, from time to time and subject to the provisions of the Echo Canyon Ranch Documents, may adopt, amend and repeal rules and regulations, to be known as the "Echo Canyon Ranch Rules," governing, among other things and without limitation:

4.9.1. The use of the Common Area; and

4.9.2. The use of the private roads within Echo Canyon Ranch.

A copy of the Echo Canyon Ranch Rules in effect shall be distributed to each Member, and any change in the Echo Canyon Ranch Rules shall be distributed to each Member within a reasonable time following the effective date of the change. The Board of Directors shall provide for the enforcement of the Echo Canyon Ranch Rules, as set forth in the Bylaws. Without limiting the generality of the foregoing, the Board may suspend voting rights of a Member after notice and hearing as provided in the Bylaws for an infraction of the Echo Canyon Ranch Rules.

**Section 4.10. Cooperation with Local Government.** The Association will reasonably cooperate with local governmental and quasi-governmental authorities to enable the Association and such authorities to efficiently and economically provide their respective services to the Owners. It is contemplated that from time to time either the Association or any of those authorities may use the services of the other in furthering their respective obligations, and they may contract with each other to better provide for such cooperation. Without limiting the generality of the provisions in this Section above, the Association may enter into contracts relating to the use, operation and maintenance of property owned or otherwise held by local governments or quasi-governmental authorities, but available to the Owners for purposes such as parks, trails and street right-of-ways. The expenses of performing under such contracts will be Common Expenses.

**Section 4.11. Manager.** The Association may employ or contract for the services of a Manager to act for the Association, the Board and the officers of the Association according to the powers and duties delegated to the Manager under the Bylaws or a resolution of the Board, provided that no such employment shall be by a contract having a term of more than three years, and each such contract shall be subject to cancellation by the Association on 90 days' or less prior notice without cause and without payment of a termination fee. The Manager shall not have the authority to make expenditures for additions or improvements to the Property except upon specific prior approval and direction by the Board. The Board or any officer of the Association shall not be liable for any omission or improper exercise by a Manager of any such duty, power or function so delegated by written instrument executed by or on behalf of the Board.

**Section 4.12. Delegation by Association.** The Association may delegate any of its rights, duties or responsibilities to any committee or other entity which it may choose to form. Any delegation by the Board under this Section is subject to compliance with the Act and the Bylaws and the requirement that the Board, when so delegating, shall not be relieved of its responsibilities under the Echo Canyon Ranch Documents or the Act.

**Section 4.13. Ownership of Personal Property and Real Property for Common Use.** The Association, through action of the Board of Directors, may acquire, hold and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association,

shall accept any real or personal property, leasehold or other property interests within Echo Canyon Ranch which are conveyed to the Association by Declarant.

**Section 4.14. Roads and Streets.** If Declarant elects to include the roads or streets within the legal description of the Common Area from time to time, the Association shall be responsible for them, subject to any shared use agreements or other arrangements that may be established between the Association and any third parties permitted to use the Common Area, as provided in any document conveying the Common Area to the Association or in such third party agreements or arrangements recorded or memorialized by filing with the Clerk and Recorder of Archuleta County. In any case, such maintenance shall include periodic maintenance of the surface and regular snow, ice and trash removal from all roads and streets. The Board shall cooperate with the applicable traffic and fire control officials to post public and private roads and streets with traffic control, fire lane and parking regulation signs.

**Section 4.15. Books and Records.** The Association shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to Owners and Mortgagees, current copies of the Echo Canyon Ranch Documents, and the books, records and financial statements of the Association prepared pursuant to the Bylaws. Any Owner or Mortgagee may make a written request to the Association for a copy of the financial statements for the preceding year. The Association may charge a reasonable fee for copying such materials.

**Section 4.16. Reserve Account.** The Association shall establish and maintain an adequate reserve fund from Annual Assessments levied pursuant to Article VIII below for maintenance, repair or replacement of those Common Areas and Improvements located within such areas that must be replaced on a periodic basis.

**Section 4.17. Working Capital Account.** In order to provide the Association with adequate working capital funds, the Association shall collect at the time of the sale of each Parcel an amount equal to two months' installments of the Annual Assessments at the rate in effect at the time of the sale. The Association shall maintain such funds in a segregated account to meet unforeseen expenditures or to acquire additional equipment or services for the benefit of the Members. Such payments to this fund shall not be considered advance payments of Annual Assessments.

**Section 4.18. Implied Rights and Obligations.** The Association shall perform (x) all the duties and obligations imposed on it expressly by the Echo Canyon Ranch Documents, together with (y) every other duty or obligation reasonably to be implied from the express provisions of the Echo Canyon Ranch Documents or reasonably necessary to satisfy any such duty or obligation. The Association may exercise any other right or privilege (i) given to it expressly by the Echo Canyon Ranch Documents, or (ii) reasonably to be implied from the existence of any right or privilege given expressly by the Echo Canyon Ranch Documents or (iii) reasonably necessary to effectuate any such right or privilege.

**ARTICLE V  
DESIGN REVIEW COMMITTEE**

**Section 5.1. Committee and Guidelines.** There is hereby established a Design Review Committee, which shall be responsible for the establishment and administration of Design Guidelines to facilitate the purposes and intent of this Declaration. The Committee may amend, vary, repeal and augment the Design Guidelines from time to time, in the Committee's sole discretion based on concerns for good planning and design, the aesthetic, architectural and environmental harmony of Echo Canyon Ranch or other factors as necessary or desirable to fulfill the intent of the Design Guidelines. However, no such amendment, variance, repeal or augmentation of the Design Guidelines shall operate to revoke or otherwise impair any approval issued by the Design Review Committee with respect to any Improvements before the date of the amendment, variance, repeal or augmentation. The Design Guidelines shall be binding on all Owners and other persons governed by this Declaration.

The Design Guidelines may include, among other things, those restrictions and limitations set forth below:

5.1.1. Standards establishing an architectural theme and requirements pertaining to building style and design, construction materials and site planning.

5.1.2. Procedures for making application to the Committee for design review and approval, including the documents to be submitted and the time limits in which the Committee must act to approve or disapprove any submission.

5.1.3. Time limitations for the completion, within specified periods after approval, of the Improvements for which approval is required under the Design Guidelines.

5.1.4. Designation of a building site or "building envelope" on a Parcel, establishing the maximum developable area of a Parcel within which all Improvements must be contained, set-back or view corridor requirements, and limitations on the size and configuration of corrals or pens.

5.1.5. Minimum and maximum square foot areas of living space that may be developed on any Parcel.

5.1.6. Limitations on the height of any building or other Improvement.

5.1.7. Designation of approved utility suppliers and utility connections.

5.1.8. Specifications for the location, dimensions and appearance or screening of any fences, accessory structures, antennae or other such Improvements.

5.1.9. Requirements applicable to Parcels adjacent to Echo Lake or other bodies of water in or around Echo Canyon Ranch for preservation of the shorelines.

5.1.10. Landscaping regulations and time limitations within which all landscaping must be completed; limitations and restrictions prohibiting the removal or requiring the replacement of existing trees; guidelines encouraging the use of plants indigenous to the locale and compatible with the design theme of Echo Canyon Ranch; requirements for the restriction of the Parcel, following completion of construction on it, to conform, to the greatest extent possible, to the condition of the Parcel before construction; and other practices benefitting the protection of the environment, aesthetics and architectural harmony of Echo Canyon Ranch.

5.1.11. General instructions for the construction, reconstruction, refinishing or alteration of any improvement, including any plan to excavate, fill or make any other temporary or permanent change in the natural or existing surface contour or drainage or any installation of utility lines or conduits on the Property, addressing matters such as loading areas, waste storage, trash removal, equipment and materials storage, grading, transformers and meters.

Section 5.2. Committee Membership and Organization. The Committee shall be composed of one to three persons. The Committee need not include any Members, and one or more professional design consultants may be tapped to serve. Declarant, in its sole discretion, shall appoint, remove and replace all members of the Committee until the earlier of (i) the date Declarant has waived this right to appoint the Committee by notice to the Association recorded in the office of the Clerk and Recorder of Archuleta County, Colorado, or (ii) the date Declarant has conveyed all of its right, title and interest in the Property to a third party without transferring the right to appoint the Committee to a Successor Declarant. At that time the Board of Directors shall succeed to Declarant's right to appoint, remove or replace the members of the Committee.

Section 5.3. Purpose and General Authority. The Committee shall review, study and either approve or reject proposed Improvements, all in compliance with this Declaration and as further set forth in the Design Guidelines and such rules and regulations as the Committee may establish from time to time to govern its proceedings. No Improvement shall be erected, placed, reconstructed, replaced, repaired or otherwise altered, nor shall any construction, repair or reconstruction be commenced until plans for the Improvements shall have been approved by the Committee. All Improvements shall be constructed only in accordance with approved plans.

5.3.1. Committee Discretion. The Committee shall exercise its reasonable judgment to see that all Improvements conform and harmonize with any existing structures as to external design, quality and type of construction, seals, materials, color, location on the Parcel, height, grade and finished ground elevation, and the schemes and aesthetic considerations set forth in the Design Guidelines and the other Echo Canyon Ranch Documents. The Committee, in its sole discretion based on concerns for good planning and design, the aesthetic, architectural and environmental interests of Echo Canyon Ranch, or other factors as necessary or desirable to fulfill

the intent of the Design Guidelines, may excuse compliance with such requirements in specific situations and may permit compliance with different or alternative requirements.

Without limiting the generality of the foregoing, in the Committee's exercise of its powers under Section 5.1.4 above to designate the building site or "building envelope" in any Parcel, the Committee may establish that developable area by methods including, among others, reference to monuments or other points depicted on the Map which mark the center of a circular area, defined with a specified radius distance, to which all Improvements in the Parcel must be restricted. At the same time, consistent with the purposes stated in this Section above, the Committee may permit variances from such building area restrictions on a case-by-case basis as necessary or appropriate, in the committee's discretion, to preserve the views, landscaping features and other aesthetic qualities of Echo Canyon Ranch.

No variance or other allowance granted by the Committee will excuse the particular Owner receiving the grant as any other Owner from compliance with the Design Guidelines in all other instances.

**5.3.2. Binding Effect.** The actions of the Committee in the exercise of its discretion by its approval or disapproval of plans and other information submitted to it, or with respect to any other matter before it, shall be conclusive and binding on all interested parties.

**Section 5.4. Organization and Operation of Committee.**

**5.4.1. Term.** The term of office of each member of the Committee, subject to Section 5.2, shall be one year, commencing January 1 of each year, and continuing until his successor shall have been appointed. Should a Committee member die, retire or become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed by the party entitled to designate the Committee, as provided in Section 5.2.

**5.4.2. Chairman.** So long as Declarant appoints the Committee, Declarant shall appoint the chairman. At such time as the Committee is appointed by the Board of Directors, the chairman shall be elected annually from among the members of the Committee by a majority vote of the members. In the absence of a chairman, the party responsible for appointing or electing the chairman may appoint or elect a successor, or if the absence is temporary, an interim chairman.

**5.4.3. Operations.** The Committee chairman shall take charge of and conduct all meetings and shall provide for reasonable notice to each member of the Committee prior to any meeting. The notice shall set forth the time and place of the meeting, and notice may be waived by any member.

**5.4.4. Voting.** The affirmative vote of a majority of the members of the Committee shall govern its actions and be the act of the Committee.

5.4.5. Expert Consultation. The Committee may avail itself of other technical and professional advice and consultants as it deems appropriate, and the Committee may delegate its plan review responsibilities, except final review and approval, to one or more of its members or to consultants retained by the Committee. Upon that delegation, the approval or disapproval of plans and specifications by such member or consultant shall be equivalent to approval or disapproval by the entire Committee.

Section 5.5. Expenses. Except as provided in this Section below, all expenses of the Committee shall be paid by the Association and shall constitute a Common Expense. The Committee shall have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the Committee from time to time, and such fees shall be collected by the Committee and remitted to the Association to help defray the expenses of the Committee's operation.

Section 5.6. Other Requirements. Compliance with the Echo Canyon Ranch design review process is not a substitute for compliance with the Archuleta County or local building, zoning and subdivision regulations, and each Owner is responsible for obtaining all approvals, licenses and permits as may be required prior to commencing construction of Improvements.

Further, the establishment of the Design Review Committee and procedures for architectural review shall not be construed as changing any rights or restrictions upon Owners to maintain and repair their Parcels and Improvements as otherwise required under the Echo Canyon Ranch Documents.

Section 5.7. Limitation of Liability. The Committee shall use reasonable judgment in accepting or disapproving all plans and specifications submitted to it. Neither the Committee nor any individual Committee member shall be liable to any person for any official act of the Committee in connection with submitted plans and specifications, except to the extent the Committee or any individual Committee member acted with malice or wrongful intent. Approval by the Committee does not necessarily assure approval by the appropriate governmental board or commission for Archuleta County or any municipal government having jurisdiction in such matters. Notwithstanding that the Committee has approved plans and specifications, neither the Committee nor any of its members shall be responsible or liable to any Owner, developer or contractor with respect to any loss, liability, claim or expense which may arise by reason of such approval of the construction of the Improvements. Neither the Board, the Design Review Committee, nor any agent thereof, nor Declarant, nor any of its partners, employees, agents or consultants shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the Echo Canyon Ranch Documents, nor for any structural or other defects in any work done according to such plans and specifications. In all events the Committee shall be defended and indemnified by the Association in any such suit or proceeding which may arise by reason of the Committee's decision. The Association, however, shall not be obligated to indemnify each member of the Committee to the extent any such member of the Committee is adjudged to be liable for gross negligence or willful misconduct in the performance

of his duty as a member of the Committee, unless and then only to the extent that the court in which such action or suit may be brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

**Section 5.8. Enforcement.**

**5.8.1. Inspection.** Any member or authorized consultant of the Design Review Committee, or any authorized officer, Director, employee or agent of the Association may enter upon any Parcel at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect Improvements constructed or under construction on the Parcel to determine whether the Improvements have been or are being built in compliance with the Echo Canyon Ranch Documents and the plans and specifications approved by the Design Review Committee.

**5.8.2. Completion of Construction.** Before any Improvements on a Parcel may be occupied, the Owner of the Parcel shall be required to obtain a temporary certificate of compliance issued by the Design Review Committee indicating substantial completion of the Improvements in accordance with the plans and specifications approved by the Committee, and imposing such conditions for issuance of a final certificate of compliance as the Committee may determine appropriate in its reasonable discretion. If the conditions are not satisfied as scheduled, the Committee may apply the deposit to cover the cost of completing the work and enforce such other remedies as are available to the Association for the failure of the Owner to comply with these covenants, including without limitation the remedies set forth in Section 5.9.

**5.8.3. Certificate of Compliance.** Upon payment of a reasonable fee established from time to time by the Design Review Committee, and upon written request of any Owner or his agent, an existing or prospective Mortgagee, or a prospective grantee, the Committee shall issue an acknowledged certificate, in recordable form, setting forth generally whether, to the best of the Committee's knowledge, the Improvements on a particular Parcel are in compliance with the terms and conditions of the Design Guidelines. Unless the Committee responds to such request within 30 days after receipt of the request, it shall be conclusively presumed that the Owner and the Owner's Improvements are in conformance with all the terms and conditions subject to the control of the Committee.

**5.8.4. Deemed Nuisances.** Every violation of these Covenants is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed for such violation by law or equity against a Member shall be applicable. Without limiting the generality of the foregoing, these Covenants may be enforced as provided below.

**(a) Fines for Violations.** The Committee may adopt a schedule of fines for failure to abide by the Committee rules and the Design Guidelines, including fines for failure to obtain any required approval from the Committee.



(b) Removal of Nonconforming Improvements. The Association, upon request of the Committee and after reasonable notice to the offender and, if different, to the Owner, may enter upon any Parcel at any reasonable time after notice to the Owner, without being deemed guilty of trespass or theft, and remove any Improvement constructed, reconstructed, refinished, altered or maintained in violation of these Covenants. The Owner of the Improvement shall immediately reimburse the Association for all expenses incurred in connection with such removal. If the Owner fails to reimburse the Association within 30 days after the Association gives the Owner notice of the expenses, the sum owed to the Association shall bear interest at the Default Rate from the date of the advance by the Association through the date of reimbursement in full, and all such sums and interest shall be a Default Assessment enforceable as provided in Article VIII.

Section 5.9. Continuity of Construction. All Improvements commenced on the Property shall be prosecuted diligently to completion and shall be completed within 12 months after commencement, unless an exception is granted in writing by the Committee. If an Improvement is commenced and construction is then abandoned for more than 90 days, or if construction is not completed within the required 12-month period, then after notice and opportunity for hearing as provided in the Bylaws, the Association may impose a fine of not less than \$100 per day (or such other reasonable amount as the Association may set) to be charged against the Owner of the Parcel until construction is resumed, or the Improvement is completed, as applicable, unless the Owner can prove to the satisfaction of the Board of Directors that such abandonment is for circumstances beyond the Owner's control. Such charges shall be a Default Assessment and lien as provided in Article VIII.

Section 5.10. Reconstruction of Common Area. The reconstruction by the Association after destruction by casualty or otherwise of any Common Area that is accomplished in substantial compliance with "as built" plans for such Common Area shall not require compliance with the provisions of this Article or the Design Guidelines.

#### ARTICLE VI PROPERTY USE RESTRICTIONS

Section 6.1. General Restriction. The Property shall be used only for the purposes set forth in this Declaration, as permitted by the applicable ordinances of Archuleta County, and the laws of the State of Colorado and the United States, and as set forth in the Echo Canyon Ranch Documents or other recorded covenants affecting all or any part of the Property.

Section 6.2. Use of Residential Parcels. Each Parcel designated on a Map, other than common area parcels or tracts conveyed to the Association shall be used for residential purposes and developed by the construction of a single family residence. No business or commercial building may be erected on any Parcel so designated for residential use, and no business or commercial enterprise or other non-residential use may be conducted on any part of such a Parcel.

Section 6.3. Motorized Vehicles. No trucks, trail bikes, recreational vehicles, motor homes, motor coaches, snowmobiles, campers, trailers, boats or boat trailers or similar vehicles (other than passenger automobiles or pickup or utility trucks with a capacity of one ton or less) or any other motorized vehicles which are not in use shall be parked, stored or in any manner kept or placed on any portion of the Property except in an enclosed garage. Any vehicles that are not required to be parked within enclosed garages pursuant to this Section shall be parked otherwise only on driveway areas (located on each Parcel in accordance with Design Guidelines regarding setback requirements). This restriction, however, shall not be deemed to prohibit commercial and construction vehicles, in the ordinary course of business, from making deliveries or otherwise providing services to the Property for Declarant or the other Owners.

Section 6.4. Excavation. No excavation shall be made except in connection with Improvements approved as provided in these Covenants. For purposes of this Section, "excavation" means any disturbance of the surface of the land which results in a removal of earth, rock, or other substance a depth of more than 18 inches below the natural surface of the land.

Section 6.5. Electrical, Television, Natural Gas, Propane and Telephone Service. All electrical, television, natural gas, propane and telephone service installations shall be placed underground.

Section 6.6. Water and Sanitation. Each structure designed for occupancy shall connect with water and sanitation facilities available from time to time through the municipal or county government or the water and sanitation district, if any, having jurisdiction over the Property or any other utility supplier, which during the Special Declarant Rights Period, has been approved by Declarant, and after the Special Declarant Rights Period, has been approved by the Board of Directors.

Section 6.7. Wells. No well from which water, oil or gas is produced shall be dug, nor shall storage tanks, reservoirs, or any installation of power, telephone or other utility lines (wire, pipe, or conduit) be made or operated anywhere on the Property except in connection with water wells and works operated by public agencies or duly certified public utility companies; provided, however, that the foregoing shall not prevent the drilling of or installation of additional water wells by Declarant or its assigns.

Section 6.8. Signs. No signs of any kind shall be displayed to the public view on or from any portion of the Property except, (i) during the Special Declarant Rights Period, signs of Declarant or its affiliates or assigns (which shall be approved by the Committee), (ii) signs required by law, and (iii) "For Sale" or "For Rent" signs, the size, number, design and location of which shall comply with the Design Guidelines.

Section 6.9. Animals and Pets. No animals, livestock or poultry of any kind shall be kept, raised, or bred on any portion of the Property, except (i) dogs, cats or other interior confined household pets, (ii) horses, cattle, llamas, sheep, goats and other grazing animals, and (iii) turkeys,

chickens, pigs and other penned animals. The Echo Canyon Ranch Rules may regulate the kind and number of all animals permitted on the Property.

**6.9.1. Containment.** Household pets, such as dogs and cats, and penned animals such as pigs and poultry must be contained within fenced yards in the developed area of the Owner's Parcel, as limited under the Design Guidelines, and such animals may not be permitted to run at large at any time. Grazing animals must be confined to the Owner's Parcel.

**6.9.2. Leashes.** Pedestrians within the Property who are accompanied by household pets permitted under this Declaration must have the pets under the pedestrians' direct control by use of a leash not to exceed 10 feet in length.

**Section 6.10. Drainage.** No Owner shall do or permit any work, place any landscaping or install any other improvements or allow the existence of any condition whatsoever which shall alter or interfere with the drainage pattern for the Property, except to the extent such alteration and drainage pattern is approved in writing by the Committee, and except for rights reserved to Declarant to alter or change drainage patterns.

**Section 6.11. Trash.** No trash, ashes, building materials, firewood or other unsightly items may be thrown, dumped or stored on any land or area within the Property. The Association shall cooperate in and encourage programs to recycle trash and other refuse. Each Owner shall provide suitable receptacles for the temporary storage and collection of refuse, and all such receptacles shall be enclosed and screened from the public view and from the wind and protected from animal and other disturbance.

**Section 6.12. Construction Regulations of the Design Guidelines.** All Owners and contractors shall comply with the portions of the Design Guidelines regulating construction activities. Such regulations may affect, without limitation, the following: trash and debris removal; sanitary facilities; parking areas; outside storage; restoration of damaged property; conduct and behavior of builders, subcontractors and Owners' representatives on the Property at any time; the conservation of landscape materials; and fire protection.

**Section 6.13. Blasting.** If any blasting is to occur, the Committee and Declarant shall be informed far enough in advance to allow them to make such investigation as they deem necessary to confirm that appropriate protective measures have been taken prior to the blasting. Notwithstanding the foregoing, no approval of any blasting by Declarant or the Committee shall in any way release the person conducting the blasting from all liability in connection with the blasting, nor shall such approval in any way be deemed to make Declarant or the Committee liable for any damage which may occur from blasting, and the person doing the blasting shall defend and hold harmless and hereby indemnifies Declarant and the Committee from any such expense or liability. Declarant or the Committee may impose any reasonable conditions and restrictions, including time and date restrictions, on all blasting.

Section 6.14. Temporary Structures. No temporary structures shall be permitted except as may be determined to be necessary during construction and as specifically authorized by the Committee, and except as necessary for the exercise by Declarant of the Special Declarant Rights.

Section 6.15. Compliance with Laws. Subject to the rights of reasonable contest, each Owner shall promptly comply with the provisions of all applicable laws, regulations, ordinances and other governmental or quasi-governmental regulations with respect to all or any portion of the Property.

Without limiting the generality of the foregoing, each Owner shall abide by any wildlife regulations imposed by the Association or any agency or authority having jurisdiction over the Property. Further, no Owner shall dispose or allow any person under the Owner's control or direction to release, discharge or emit from the Property or dispose of any material on the Property that is designated as hazardous or toxic under any federal, state or local law, ordinance or regulation.

Section 6.16. No Outside Clotheslines. No laundry or wash shall be dried or hung outside any building.

Section 6.17. Auto Repair. All work on automobiles or other vehicle repair shall be performed in an enclosed garage except in emergencies.

Section 6.18. Abandoned or Inoperable Vehicles. No abandoned or inoperable vehicles of any kind shall be stored or parked on any portion of the Property, except as provided below. "Abandoned or inoperable vehicle" is defined as any vehicle which has not been driven under its own propulsion for a period of three weeks or longer; provided, however, this shall not include vehicles parked by Owners while on vacation or residing away from Echo Canyon Ranch. A written notice describing the "abandoned or inoperable vehicle" and requesting its removal may be personally served upon the Owner or posted on the unused vehicle. If such vehicle has not been removed within 72 hours after notice has been given, the Association shall have the right to remove the vehicle without liability and the expense of removal shall be a Default Assessment charged against the Owner as provided in Section 6.7.

Section 6.19. Antennae. No exterior radio, television, microwave or other antenna or antenna dish or signal capture and distribution device shall be permitted without the prior written consent of the Committee, and appropriate screening as required by the Design Guidelines.

Section 6.20. Outside Burning. Without first receiving the consent of the Committee, there shall be no exterior fires, except barbecues, outside fireplaces and braziers contained within facilities or receptacles and in areas designated and approved by the Committee. No Owner shall permit any condition upon its portion of the Property which creates a fire hazard or is in violation of fire prevention regulations.

Section 6.21. **Lighting.** All exterior lighting of the Improvements and grounds on the Property shall be subject to regulation by the Design Review Committee.

Section 6.22. **Obstructions.** There shall be no obstruction of any walkways or bike paths or interference with the free use of those walkways and paths except as may be reasonably required in connection with repairs. The Owners, their families, tenants, guests and invitees are granted nonexclusive easements to use the walkways and paths within the Property. That use shall be subject to the Echo Canyon Ranch Rules adopted by the Board from time to time.

Section 6.23. **Camping and Picnicking.** No camping or picnicking shall be allowed within the Property except in those areas designated for those purposes. The Board, in its discretion, may ban or permit public assemblies and rallies within the Property.

Section 6.24. **House Numbers.** Each residence on a Parcel shall have a house number with a design and location established by the Committee.

Section 6.25. **Nuisance.** No obnoxious or offensive activity shall be carried on within the Property, nor shall anything be done or permitted which shall constitute a public nuisance.

Section 6.26. **Noise.** No exterior horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of the Property or Improvements, shall be placed or used on any portion of the Property.

Section 6.27. **Snowmobiles and Dirt Bikes.** Without limiting the generality of Sections 6.25 and 6.26 above, snowmobiles, dirt bikes and similar recreational vehicles shall be subject to regulation, including hours and areas of permitted operation, under the Echo Canyon Ranch Rules.

Section 6.28. **General Practices Prohibited.** The following practices are prohibited at Echo Canyon Ranch:

6.28.1. allowing construction suppliers and contractors to clean their equipment other than at a location designated for that purpose by the Committee;

6.28.2. removing any rock, plant material, top soil or similar items from any property of others;

6.28.3. discharging firearms on the Property;

6.28.4. hunting by any method;

6.28.5. use of surface water for construction;

6.28.6. careless disposition of cigarettes and other flammable materials; or

6.28.7. violation of any state, federal, or local law, ordinance, rule or regulation.

**Section 6.29. Use of Property During Construction.** It shall be expressly permissible and proper for Declarant and any Owner acting with the prior written consent of the Committee, and their respective employees, agents, independent contractors, successors and assigns involved in the construction of Improvements on, or the providing of utility service to, the Property or other real property owned by Declarant, to perform such activities and to maintain upon portions of the Property as they deem necessary, such facilities as may be reasonably required, convenient, necessary or incidental to such construction and development of the Property. This permission specifically includes, without limiting the generality of the foregoing, maintaining storage areas, construction yards and equipment and signs. However, no activity shall be performed and no facility shall be maintained on any portion of the Property in such a way as to unreasonably interfere with or disturb any purchaser or Owner of a Parcel, or to unreasonably interfere with the use, enjoyment of or access to a Parcel by such Owner or his tenants, employees or guests. If any Owner's use under this provision is deemed objectionable by the Design Review Committee, then the Design Review Committee, as applicable, in its sole discretion, may withdraw this permission.

Notwithstanding the foregoing, this Section shall not operate to prevent the exercise of any Special Declarant Rights.

**Section 6.30. Leasing.** The Owner of a Parcel shall have the right to lease his Parcel, subject to the condition that the Owner shall be liable for any violation of the Echo Canyon Ranch Documents committed by the Owner's tenant, without prejudice to the Owner's right to collect from his tenant any sums paid by the Owner on behalf of the tenant.

**Section 6.31. Enforcement.** The Association, or the Design Review Committee acting on behalf of the Association, may take such action as it deems advisable to enforce these Covenants as provided in this Declaration. In addition, the Association and the Design Review Committee shall have a right of entry on any part of the Property for the purposes of enforcing this Article. Any costs incurred by the Association or the Design Review Committee in connection with such enforcement which remain unpaid 30 days after the Association has given notice of the cost to the Owner and otherwise complied with the Act shall be subject to interest at the Default Rate from the date of the advance by the Association or the Design Review Committee through the date of payment in full by the Owner, and shall be treated as a Default Assessment enforceable as provided in Article VIII.

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**ARTICLE VII**  
**OWNER'S OBLIGATIONS FOR MAINTENANCE**

Section 7.1. Owner's Responsibility for Parcel. Except as provided in the Echo Canyon Ranch Documents or by written agreement with the Association, all maintenance of a Parcel and the Improvements located on it shall be the sole responsibility of the Owner of the Parcel. Each Owner shall maintain his Parcel in accordance with the community-wide standard of Echo Canyon Ranch. The Association acting, in the discretion of the Board, shall assume the maintenance responsibilities of such Owner if, in the opinion of the Board, the level and quality of maintenance being provided by such Owner does not satisfy such standard. Before assuming the maintenance responsibilities, the Board shall notify the Owner in writing of its intention to do so, and if the Owner has not commenced and diligently pursued remedial action within 30 days after the mailing of such written notice, then the Association shall proceed. The expenses of the maintenance by the Board shall be reimbursed to the Association by the Owner within 30 days after the Association notifies the Owner of the amount due, and any sum not reimbursed within that 30 day period shall bear interest at the Default Rate from the date of the expenditure until payment in full. Such charges shall be a Default Assessment enforceable as provided in Article VIII.

Section 7.2. Owner's Negligence. If the need for maintenance, repair or replacement of any portion of the Common Area (including Improvements located on it) arises because of the negligent or willful act or omission of an Owner or his family member, guest, invitee or tenant, then the expenses incurred by the Association for the maintenance, repair or replacement shall be a personal obligation of that Owner. If the Owner fails to repay the expenses incurred by the Association within 30 days after the notice to the Owner of the amount owed, then those expenses shall bear interest at the Default Rate from the date of the advance by the Association until payment by the responsible Owner in full, and all such expenses and interest shall become a Default Assessment enforceable in accordance with Article VIII.

**ARTICLE VIII**  
**COVENANT FOR MAINTENANCE ASSESSMENTS**

Section 8.1. Creation of the Lien and Personal Obligation for Assessments. Declarant, for each Parcel owned within the Property, hereby covenants, and each Owner of any Parcel, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed, are deemed to covenant and agree to pay to the Association: (1) Annual Assessments or charges as provided in this Declaration to generally carry out the functions of the Association; (2) Special Assessments for capital improvements and other purposes as stated in this Declaration, such Annual and Special Assessments to be fixed, established and collected from time to time as provided below; and (3) Default Assessments which may be assessed against a Parcel pursuant to the Echo Canyon Ranch Documents for the Owner's failure to perform an obligation under the Echo Canyon Ranch

Documents or because the Association or the Committee has incurred an expense on behalf of the Owner under the Echo Canyon Ranch Documents.

The Annual, Special, and Default Assessments, together with fines, interest, costs and reasonable attorneys' (and legal assistants') fees and other charges allowed under the Act, shall be a charge on the land and shall be a continuing lien upon the Parcel against which each such Assessment is made until paid.

Each such Assessment, together with fines, interest, costs and reasonable attorneys' (and legal assistants') fees and other charges allowed under the Act, shall also be the personal and individual obligation of the Owner of such Parcel as of the time the Assessment falls due, and two or more Owners of a Parcel shall be jointly and severally liable for such obligations. No Owner may exempt himself from liability for any Assessments by abandonment of his Parcel or by waiver of the use or enjoyment of the Common Area. Suit to recover a money judgment for unpaid Assessments and related charges as listed above may be maintained without foreclosing or waiving the Assessment liens provided in this Declaration.

**Section 8.2. Purpose of Assessments.** The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and occupants of Echo Canyon Ranch, to improve and maintain the Common Area by actions including, but not limited to, the payment of taxes and insurance on the Common Area; payment for repair, replacement and additions to any Improvements on the Common Area; establishment of reserve accounts; and payment of the cost of labor, equipment, materials, management and supervision and the salary or fee of the Manager.

**Section 8.3. Calculation and Apportionment of Annual Assessments and Common Expenses.** The Board of Directors shall prepare a budget before the closing of each fiscal year of the Association and submit the budget to the Association as required by the Act. Annual Assessments for Common Expenses shall be based upon the estimated net cash flow for the Association to cover items including, without limitation, the cost of routine maintenance, repair and operation of the Common Area; expenses of management; premiums for insurance coverage as deemed desirable or necessary by the Association; snow removal, landscaping, care of grounds and common lighting within the Common Area; wages; common water and utility charges for the Common Area; legal and accounting fees; management fees; taxes and capital improvements; expenses and liabilities incurred by the Association under or by reason of this Declaration; payment of any deficit remaining from a previous Assessment Period; and the supplementing of the Association's funds for general, routine maintenance, repairs and replacement of Improvements within the Common Area on a periodic basis, as needed.

Each Owner shall be responsible for that Owner's share of the Common Expenses, which, except as specifically provided in this Declaration, shall be divided equally among the Parcels included in the Property under this Declaration from time to time. Accordingly, at any given time, an Owner's share of Common Expenses shall be determined as a fraction, the numerator of which



is the number of Parcels owned by the Owner, and the denominator of which is the number of Parcels in the Property. The foregoing is subject to the qualifications of Section 6.30, Article VII and the following. First, any Common Expenses or portion thereof benefitting fewer than all of the Parcels shall be assessed exclusively against the Parcels benefitted. Second, the costs of insurance may be assessed in proportion to risk, and the costs of utilities may be assessed in proportion to usage.

**Section 8.4. Special Assessments.** In addition to the Annual Assessments authorized by Sections 8.1 and 8.3 above, and subject to the budget procedures required by the Act, the Board of Directors may levy in any fiscal year one or more Special Assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, or to make up any shortfall in the current year's budget. Special Assessments shall be allocated with the same formula as utilized for Annual Assessments.

Notice of the amount and due dates for such Special Assessments must be sent to each Owner at least 30 days prior to the due date.

If any of the Special Assessments levied pursuant to this Section shall be used for the construction of new facilities (as opposed to repair and reconstruction of existing facilities) in Echo Canyon Ranch and if the total amount of Special Assessments levied for such construction exceeds 10% of the gross annual budget for the Association for that year, then the use of Special Assessments for such construction shall require the approval of the Owners representing at least 67% of the votes in each class of Association membership. The use of Special Assessments pursuant to this Section for constructing any Common Area shall not apply to the construction of any Common Area to be completed by Declarant as part of its development of Echo Canyon Ranch.

**Section 8.5. Collection and Refunds.** Assessments shall be collected on a periodic basis as the Board of Directors may determine from time to time, but until the Board directs otherwise, Assessments shall be payable in advance on the first day of each calendar quarter.

The Association will have the right, but not the obligation, to make pro rata refunds of any Assessments in excess of the actual expenses incurred in any fiscal year. Any such excess funds not refunded will be applied to the next installment(s) of Annual Assessments due.

**Section 8.6. Failure to Assess.** The omission or failure of the Board to fix the Assessment amounts or rates or to deliver or mail to each Owner an Assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay Assessments. In such event, each Owner shall continue to pay Annual Assessments on the same basis as for the last year for which an Assessment was made until a new Assessment is made, at which time any shortfalls in collections may be assessed retroactively by the Association in accordance with any budget procedures as may be required under the Act.

**Section 8.7. Default Assessments.** All monetary fines, penalties, interest or other charges or fees assessed against an Owner pursuant to the Echo Canyon Ranch Documents, or any expense of the Association which is the obligation of an Owner or which is incurred by the Association on behalf of the Owner pursuant to the Echo Canyon Ranch Documents and any expense (including, without limitation, attorneys' and legal assistants' fees) incurred by the Association as a result of the failure of an Owner to abide by the Echo Canyon Ranch Documents, shall be a Default Assessment and shall become a lien against such Owner's Parcel which may be foreclosed or otherwise collected as provided in this Declaration and in accordance with the Act.

**Section 8.8. Effect of Nonpayment of Assessment; Lien; Remedies of Association.** Any installment of an Annual, Special or Default Assessment which is not paid within 30 days after its due date shall be delinquent, provided, however, that any interest accruing at the Default Rate and constituting a Default Assessment under this Declaration will be due immediately in accordance with the specific provisions of this Declaration, without 30 days' grace otherwise allowed by this Section above. In the event that an Assessment installment becomes delinquent, the Association, in its sole discretion, may take any or all of the following actions:

8.8.1. assess a late charge for each delinquency at uniform rates set by the Board of Directors from time to time;

8.8.2. assess an interest charge from the date of delinquency at the Default Rate;

8.8.3. suspend the voting rights of the Owner during any period of delinquency;

8.8.4. accelerate all remaining Assessment installments for the fiscal year in question so that unpaid Assessments for the remainder of the fiscal year shall be due and payable at once;

8.8.5. bring an action at law against any Owner personally obligated to pay the delinquent installments; and

8.8.6. file a statement of lien with respect of the Parcel, and foreclose as set forth in more detail below.

The remedies provided under this Declaration shall not be exclusive, and the Association may enforce any other remedies to collect delinquent Assessments as may be provided by law.

Any Assessment chargeable to a Parcel shall constitute a lien on the Parcel, effective the due date of the Assessment. To evidence the lien, the Association may, but shall not be obligated to, prepare a written lien statement with respect to the Parcel, setting forth the name of the Owner,

the legal description of the Parcel, the name of the Association, and the delinquent Assessment amounts then owing. Any such statement shall be duly signed and acknowledged by the President or a Vice-President of the Association or by the Manager, and shall be served upon the Owner of the Parcel by mail to the address of the Parcel or at such other address as the Association may have in its records for the Owner. At least 10 days after the Association mails the statement to the Owner, the Association may record the statement in the office of the Clerk and Recorder of Archuleta County, Colorado. Thirty days following the mailing of such notice to the Owner, the Association may proceed to foreclose the statement of lien in the same manner as provided for the foreclosure of mortgages under the statutes of the State of Colorado. Such lien shall be in favor of the Association and shall be for the benefit of all other Owners. In either a personal action or foreclosure action, the Association shall be entitled to recover as a part of the action, the interest, costs and reasonable attorneys' fees (including legal assistants' fees) with respect to the action. The Association shall have the power to bid on a Parcel at foreclosure sale and to acquire, hold, lease, mortgage and convey the Lot.

Section 8.9. Successor's Liability for Assessment. In addition to the personal obligation of each Owner to pay all Assessments and the Association's perpetual lien for such Assessments, all successors to the fee simple title of a Parcel, except as provided in Section 8.11 below, shall be jointly and severally liable with the prior Owner or Owners thereof for any and all unpaid Assessments, interest, late charges, costs, expenses and attorneys' fees and legal assistants' fees against such Parcel without prejudice to any such successor's right to recover from any prior Owner any amounts paid by such successor. This liability of a successor shall not be personal and shall terminate upon termination of such successor's fee simple interest in the Parcel. In addition, such successor shall be entitled to rely on the statement of status of Assessments given by or on behalf of the Association under Section 8.12 below.

Section 8.10. Waiver of Homestead Exemption; Subordination of the Lien. The lien of the Assessments shall be superior to and prior to any homestead exemption provided now or in the future by any federal law or the laws of the State of Colorado. The Association's perpetual lien on a Parcel for Assessments shall be superior to all other liens and encumbrances except the following:

8.10.1. liens and encumbrances recorded before the date of the recording of this Declaration;

8.10.2. liens for real estate taxes and other governmental assessments or charges duly imposed against the Parcel by a Colorado governmental or political subdivision or special taxing district, or any other liens made superior by statute; and

8.10.3. the lien for all sums unpaid on a First Mortgage recorded before the date on which the Assessment sought to be enforced became delinquent, including any and all advances made by the First Mortgagee and notwithstanding that any of such advances may have

been made subsequent to the date of attachment of the Association's lien; all subject, however, to the limitations of the Act.

With respect to subpart 8.10.3 above, any First Mortgagee who acquires title to a Parcel by virtue of foreclosing the First Mortgage or by virtue of a deed or assignment in lieu of such a foreclosure, or any purchaser at a foreclosure sale of the First Mortgage, shall take the Parcel free of any claims for unpaid Assessments, interest, late charges, costs, expenses and attorneys' (and legal assistants') fees against the Parcel which accrue prior to the time such First Mortgagee or purchaser acquires title to the Parcel, except as provided in the Act. All other persons who hold a lien or encumbrance not described in subpart 8.10.1 through 8.10.3 above shall be deemed to consent that any such lien or encumbrance shall be subordinate to the Association's future liens for Assessments, interest, late charges, costs, expenses and attorneys' (and legal assistants') fees, as provided in this Article VIII, whether or not such consent is specifically set forth in the instrument creating any such lien or encumbrance.

Sale or transfer of any Parcel to enforce any of the liens to which the lien for Assessments is subordinate shall extinguish the lien of such Assessments as to installments which became due prior to such sale or transfer to the extent provided in the Act. The amount of such extinguished lien may be reallocated and assessed to all Parcels as a Common Expense at the direction of the Board of Directors. However, no such sale or transfer shall relieve the purchaser or transferee of a Parcel from liability for, or the Parcel from the lien of, any Assessments made after the sale or transfer.

Section 8.11. Exempt Property. The following portions of the Property shall be exempt from the liens for Assessments created under this Declaration:

8.11.1. all properties to the extent of any easement or other interest therein dedicated to and accepted by the authorities of Archuleta County or a municipality and devoted to public use;

8.11.2. all utility lines and easements; and

8.11.3. Common Area.

Section 8.12. Statement of Status of Assessments. The Association shall furnish to an Owner or his designee or to any Mortgagee a statement setting forth the amount of unpaid Assessments then levied against the Parcel in which the Owner, designee or Mortgagee has an interest. The Association shall deliver the statement personally or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party within 14 calendar days after the registered agent of the Association receives the request by personal delivery or by certified mail, first class postage prepaid, return receipt requested or as otherwise required by the Act. The information contained in such statement, when signed by the Treasurer of the Association or the Manager, shall

be conclusive upon the Association, the Board, and every Owner as to the person or persons to whom such statement is issued and who rely on it in good faith.

**ARTICLE IX  
SPECIAL DECLARANT RIGHTS  
AND ADDITIONAL RESERVED RIGHTS**

Section 9.1. General Provisions. Until the expiration of the Special Declarant Rights Period, Declarant shall have the following Special Declarant Rights with respect to all of the Property:

9.1.1. Completion of Improvements. The right to complete Improvements as indicated on any Map filed with respect to the Property;

9.1.2. Development Rights. The right to exercise all "development rights," as defined from time to time in the Act (and so referred to here as "Development Rights"), including without limitation the right or combination of rights hereby reserved by Declarant, as follows:

(a) the right to create Parcels or other units, as defined in the Act, and Common Area on the Property; and

(b) the right to subdivide Parcels and convert Parcels into Common Area on any part of the Property.

9.1.3. Sales Activities. The right to maintain one sales office, one management office, three signs, and two model residences on the Parcels owned by Declarant. The offices, signs, and model residences will be of sizes and styles governed by the Design Guidelines and may be relocated by Declarant from time to time. At all times, the offices, signs, and model residences will remain the property of Declarant and may be removed from the Property by Declarant at any time during or promptly after the expiration of the Special Declarant Rights Period.

9.1.4. Easements. The right to use easements through the Common Area on the Property for the purpose of making Improvements on the Property.

9.1.5. Association Directors and Officers. The right to appoint any officer or director of the Association, as provided in this Declaration and the Bylaws, subject to the limitations of the Act.

Section 9.2. Disclaimer Regarding Exercise of Declarant's Rights. The fact that Declarant may exercise one or more of Declarant's Development Rights or other Special Declarant Rights on one portion of the Property shall not operate to require Declarant to exercise a

Development Right or other Special Declarant Right with respect to or any other portion of the Property.

Section 9.3. Supplemental Provisions Regarding Declarant's Rights. Without limiting the generality of the foregoing, certain of these Special Declarant Rights are explained more fully in this Article below. Further, Declarant reserves the right to amend this Declaration and any Map in connection with the exercise of any Development Right or any other Special Declarant Right to the extent permitted by the Act, and Declarant also reserves the additional rights retained for the benefit of Declarant in this Article and in other provisions of this Declaration.

Section 9.4. Reservation for Expansion. Declarant hereby reserves for itself and its successors and assigns and for Owners in all future phases of Echo Canyon Ranch a perpetual easement and right-of-way for access over, upon and across the Property for construction, utilities, drainage, ingress and egress, and for use of the Common Area. The location of these easements and rights-of-way may be made certain by Declarant or the Association by instruments recorded in Archuleta County, Colorado.

Declarant further reserves the right to establish from time to time, by dedication or otherwise, utility and other easements, and to create other reservations, exceptions and exclusions convenient or necessary for the use and operation of any other property of Declarant, as long as such action does not hamper the enjoyment of Echo Canyon Ranch, as built or expanded by the Owners.

Section 9.5. Reservation of Easements, Exceptions, and Exclusions for Utilities, Infrastructure, and Access. Declarant reserves for itself and its successors and assigns and hereby grants to the Association, acting through the Board of Directors, the concurrent right to establish from time to time, by declaration or otherwise, utility and other easements, permits, or licenses over the Common Area for purposes including but not limited to roads, trails, paths, walkways, drainage, recreation areas and parking areas, and to create other reservations, exceptions and exclusions in the best interest of the Owners and the Association, in order to serve all the Owners within Echo Canyon Ranch as initially built and expanded.

Section 9.6. Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance and all other similar emergency agencies or persons to enter upon all streets and upon the Property in the proper performance of their duties.

Section 9.7. Declarant's Rights Incident to Construction. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress over, in, upon, under and across the Common Area and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the Improvements on the Property or other real property owned by Declarant; provided, however, that no such rights shall be exercised by Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment or access to an Owner's Parcel by that Owner or his family, tenants, employees, guests, or invitees.

Section 9.8. Association Easements. Any paths, hiking trails or other recreation areas that are located in easements within the boundary of a Parcel will be insured by the Association pursuant to Article XI in the same manner as the Common Area is insured by the Association.

Section 9.9. Easements Deemed Created. All conveyances of Parcels made after the date of this Declaration, whether by Declarant or otherwise, shall be construed to grant and reserve the easements contained in this Article IX, even though no specific reference to such easements or to this Article IX appears in the instrument for such conveyance.

**ARTICLE X**  
**PROPERTY RIGHTS OF OWNERS**

Section 10.1. Owners' Easements of Access and Enjoyment. Every Owner has a perpetual, nonexclusive easement for access to and from his Parcel and for the use and enjoyment of the Common Area, which easement is appurtenant to and shall pass with the title to every Parcel, subject to the provisions set forth in this Article.

Section 10.2. Delegation of Use. Any Owner may delegate, in accordance with the Echo Canyon Ranch Documents (including specifically, but without limitation, the Echo Canyon Ranch Rules), his rights of access and enjoyment described in Section 10.1 above to his tenants, employees, family, guests or invitees.

Section 10.3. Easements of Record and of Use. The Property shall be subject to all easements shown on any recorded Map affecting the Property and to any other easements of record or of use as of the date of recordation of this Declaration.

Section 10.4. Partition or Combination of Parcels. No part of a Parcel may be partitioned or separated from any other part of the Parcel, and no Parcels may be combined, except as provided in this Section and the requirements of the Act, and except as provided in Section 9.1.2 A Parcel may be subdivided into two or more Parcels, or two or more Parcels may be combined into one, only with (i) the written consent of Declarant (during the Special Declarant Rights Period) or the Board of Directors (after the Special Declarant Rights Period) and (ii) full compliance with all applicable state and county zoning and subdivision regulations, the Act and all applicable Echo Canyon Ranch Documents. Declarant's consent shall be conditioned upon payment by the Owner or Owners concerned of all expenses incident to giving the consent, including legal and accounting fees. Every agreement and recorded instrument for partition or combination of Parcels shall make adequate provision for the preservation of easements previously reserved with respect to the Parcels, and the adjustment of voting rights and liability for payment of Assessments appurtenant to or imposed on such Parcels.

Whether partitioned, combined or unchanged, each Parcel shall be conveyed, transferred, gifted, devised, bequeathed, encumbered or otherwise disposed of, as the case may be,

with all appurtenant rights and interests created by law or by this Declaration, including the Owner's membership in the Association and the right to use the Common Area, and with the appropriate allocation of voting rights, as provided in Section 4.6 above, and liability for Assessments as established by the Board of Directors.

Section 10.5. No Partition of Common Area. The Common Area shall be owned by the Association, and no Owner shall bring any action for partition or division of the Common Area. By acceptance of a deed or other instrument of conveyance or assignment, each Owner shall be deemed to have specifically waived such Owner's rights to institute or maintain a partition action or any other action designed to cause a division of the Common Area, and this Section may be pleaded as a bar to any such action. Any Owner who shall institute or maintain any such action shall be liable to the Association, and hereby agrees to reimburse the Association for its costs, expenses and reasonable attorneys' (and legal assistants') fees in defending any such action.

## ARTICLE XI INSURANCE AND FIDELITY BONDS

Section 11.1. Authority to Purchase. All insurance policies relating to the Common Area shall be purchased by the Board of Directors or its duly authorized agent. The Board of Directors, the Manager and Declarant shall not be liable for failure to obtain any coverage required by this Article XI or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverage from reputable insurance companies, or if such coverage is available only at demonstrably unreasonable costs. Notwithstanding the foregoing, if the insurance described in Sections 11.3 and 11.4 below is not reasonably available, or if any policy of such insurance is cancelled or not renewed without a replacement policy having been obtained, the Association promptly shall cause notice of that fact to be hand delivered or otherwise delivered to all Owners by such methods as required by the Act.

Section 11.2. General Insurance Provisions. All such insurance coverage obtained by the Board of Directors shall conform to any minimum requirements of the Act, and to the extent not inconsistent with the Act, the following provisions:

11.2.1. As long as Declarant owns any Parcel, Declarant shall be protected by all such policies in the same manner as any other Owner. The coverage provided to Declarant under the insurance policies obtained in compliance with this Article XI shall not be deemed to protect or be for the benefit of any general contractor engaged by Declarant, nor shall such coverage be deemed to protect Declarant for (or waive any rights with respect to) warranty claims against Declarant as the developer of Echo Canyon Ranch.

11.2.2. The deductible, if any, on any insurance policy purchased by the Board of Directors may be treated as a Common Expense payable from Annual Assessments or Special Assessments allocable to all of the Parcels or to only some of the Parcels, if the claims or



damages arise from the negligence of particular Owners, or if the repairs benefit only particular Owners) or as an item to be paid from working capital reserves established by the Board of Directors.

**Section 11.3. Physical Damage Insurance on Common Area.** The Association shall obtain insurance for all insurable Improvements, if any, on the Common Area in an amount equal to the full replacement value (i.e., 100% of the current "replacement cost" exclusive of land, foundation, excavation, depreciation on personal property, and other items normally excluded from coverage), which shall include all building service equipment and the like, common personal property and supplies, and any fixtures or equipment within the Common Area. In addition, such policy shall afford protection against at least the following:

11.3.1. loss or damage by fire and other hazards covered by the standard extended coverage endorsement with the standard "all-risk" endorsement covering sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage;

11.3.2. in the event the Common Area contains a steam boiler, a broad form policy of repair and replacement boiler and machinery insurance in the lesser of (i) the amount of the insurable value of the building housing the boiler, or (ii) \$2,000,000 (or such other amount as the Board deems advisable); and

11.3.3. such other risks as shall customarily be covered with respect to projects similar in construction, location, and use to Echo Canyon Ranch.

In contracting for the insurance coverage obtained pursuant to this Section above, the Board of Directors shall be required to make reasonable efforts to secure coverage which provides the following:

(i) a waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to this Declaration not to do so; and

(ii) the following endorsements (or equivalent): (a) "cost of demolition;" (b) "contingent liability from operation of building laws or codes;" (c) "increased cost of construction;" (d) "agreed amount" or elimination of co-insurance clause; and (e) "inflation guard" (if available).

Prior to obtaining any policy of physical damage insurance or any renewal thereof, and at such other intervals as the Board of Directors may deem advisable (but in any event, at least once every three years), the Board of Directors shall obtain an appraisal from a general contractor or such other source as the Board may determine of the then current replacement cost of the Property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage) subject to insurance carried by the Association, without deduction for depreciation, for

the purpose of determining the amount of physical damage insurance to be secured pursuant to this Article.

**Section 11.4. Liability Insurance.** The Association shall obtain a comprehensive policy of commercial general liability insurance (including bodily injury, libel, slander, false arrest, and invasion of privacy coverage) and property damage insurance with such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Association, its officers, the Manager, each Owner and the respective employees, agents and all persons acting as agents of the Association against any liability to the public or the Owners (and their guests, invitees, tenants, agents, and employees) arising in connection with the ownership, operation, maintenance, or use of the Common Area and streets and roads within Echo Canyon Ranch and any other areas under the control of the Association. Declarant shall be included as an additional insured in Declarant's capacity as an Owner or Director. The Owners shall be included as additional insureds, but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area.

Such comprehensive policy of public liability insurance shall include the following:

11.4.1. coverage for contractual liability, liability for non-owned and hired automobiles, and, if applicable, host liquor liability, employer's liability, and such other risks as shall customarily be covered with respect to developments similar to Echo Canyon Ranch in construction, location, and use;

11.4.2. a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to an action against another insured; and

11.4.3. a "severability of interest" endorsement which shall preclude the insurer from denying liability coverage to an Owner because of the negligent acts of the Association or another Owner.

The Board of Directors shall review the coverage limits at least once every two years, but, generally, the Board shall carry such amounts of insurance usually required by private institutional mortgage lenders on projects similar to Echo Canyon Ranch and in no event shall such coverage be less than \$1,000,000 for all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained in an amount not less than \$2,000,000.

**Section 11.5. Fidelity Insurance.** Fidelity bonds shall be maintained by the Association to protect against dishonest acts on the part of its officers, Directors, trustees, and employees, and on the part of all others who handle or are responsible for handling the funds of or administered by the Association. In addition, if responsibility for handling funds is delegated to a Manager, such bonds shall be required for the Manager and its officers, employees, and agents, as

applicable. Such fidelity coverage shall name the Association as an obligee and shall be written in such an amount as the Board may determine appropriate, and in any event in the minimum amount, if any, prescribed by the Act. Such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. Such bonds shall cover the maximum funds that will be in the custody of the Association or any management agent at any time while the bond is in force.

**Section 11.6. Flood Insurance.** If any part of the Improvements, if any, on the Common Area are located in a Special Flood Hazard Area, which is designated A, AE, AH, AO, A1-30, A-99, V, VE or V1-30 on a Flood Insurance Rate Map, the Association shall obtain a policy of flood insurance in an amount equal to 100% of the insurable value of the Improvements or the maximum coverage available under the appropriate National Flood Insurance Administration program. The maximum deductible amount shall be the lesser of \$5,000 or 1% of the policy face amount.

**Section 11.7. Provisions Common to Physical Damage Insurance, Liability Insurance, Fidelity Insurance and Flood Insurance.** Any insurance coverage obtained by the Association under the provisions of this Article above shall be subject to the following provisions and limitations:

11.7.1. the named insured under any such policies shall include Declarant, until all of the Parcels in Echo Canyon Ranch have been conveyed, and the Association, as attorney-in-fact for the use and benefit of the Owners, or the authorized representative of the Association (including any trustee with whom the Association may enter into an insurance trust agreement, or any successor trustee, each of which is sometimes referred to in this Declaration as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under such policies;

11.7.2. each Owner shall be an insured person with respect to liability arising out of the Owner's interest in the Common Area or membership in the Association;

11.7.3. in no event shall the insurance coverage obtained and maintained pursuant to this Article be brought into contribution with insurance purchased by the Owners or their Mortgagees;

11.7.4. the policies shall provide that coverage shall not be prejudiced by (i) any act or neglect of any Owner (including an Owner's family, tenants, servants, agents, invitees, and guests) when such act or neglect is not within the control of the Association, or (ii) any act or neglect or failure of the Association to comply with any warranty or condition with regard to any portion of the Property over which the Association has no control; or (iii) conduct of any kind on the part of an Owner (including the Owner's family, tenants, servants, agents and guests) or any Director, officer, employer, or Manager of the Association, without prior demand to the Association and a reasonable opportunity to cure the matter;

11.7.5. the policies shall contain the standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Property is located, and provide that coverage may not be cancelled in the middle or at the end of any policy year or other period of coverage or substantially modified or reduced (including cancellation for nonpayment of premiums) without at least 30 days' prior written notice mailed to the Association and to each Owner and First Mortgagee to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses;

11.7.6. the policies shall contain a waiver by the insurer of any right to claim by way of subrogation against Declarant, the Board of Directors, the Association, the Manager, and any Owner and their respective agents, employees, or tenants, and in the case of Owners, members of their households, and of any defenses based upon co-insurance; and

11.7.7. the policies described in Sections 11.3 and 11.4 above shall provide that any "no other insurance" clause shall expressly exclude individual Owners' policies from its operation so that the physical damage policy or policies purchased by the Board shall be deemed primary coverage, and any individual owners' policies shall be deemed excess coverage.

Section 11.8. Personal Liability Insurance of Officers and Directors. To the extent obtainable at reasonable cost, appropriate officers' and directors' personal liability insurance shall be obtained by the Association to protect the officers and Directors from personal liability in relation to their duties and responsibilities in acting as such officers and Directors on behalf of the Association.

Section 11.9. Workmen's Compensation Insurance. The Association shall obtain workmen's compensation or similar insurance with respect to its employees, if any, in the amounts and forms as may now or hereafter be required by law.

Section 11.10. Other Insurance. The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it deems appropriate with respect to the Association's responsibilities and duties.

Section 11.11. Insurance Obtained by Owners. Each Owner shall have the right to obtain insurance for such Owner's benefit, at such Owner's expense, covering the Owner's personal property and personal liability (except to the extent any Owner's Parcel is encumbered by an easement conveyed to the Association as Common Area). In addition, each Owner may obtain such other and additional insurance coverage on and in relation to his Parcel as such Owner concludes to be desirable; provided, however, that no insurance coverage obtained by an Owner shall operate to decrease the amount which the Board of Directors, on behalf of all Owners, may realize under any policy maintained by the Board or otherwise affect any insurance coverage obtained by the Association or cause the diminution or termination of that coverage. Any such insurance obtained by an Owner shall include a waiver of the particular insurance company's right of subrogation against the Association and other Owners.