

ARTICLE XII
ASSOCIATION AS ATTORNEY-IN-FACT

Each and every Owner hereby irrevocably constitutes and appoints the Association as such Owner's true and lawful attorney-in-fact in such Owner's name, place, and stead for the purpose of dealing with the Improvements on the Common Area upon damage or destruction as provided in this Article or a complete or partial taking as provided in Article XIV below. Acceptance by any grantee of a deed or other instrument of conveyance from Declarant or from any Owner shall constitute appointment of the Association as attorney-in-fact as provided in this Article. As attorney-in-fact, the Association shall have full and complete authorization, right, and power to make, execute, and deliver any contract, assignment, deed, waiver, or other instrument with respect to the interest of any Owner which may be necessary or appropriate to exercise the powers granted to the Association as attorney-in-fact.

ARTICLE XIII
DAMAGE OR DESTRUCTION

Section 13.1. Estimate of Damage or Destruction. As soon as practical after an event causing damage to or destruction of any part of the Common Area, the Association shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction of that part of the Common Area so damaged or destroyed. "Repair and reconstruction" as used in this Article shall mean restoring the damaged or destroyed Improvements to substantially the same condition in which they existed prior to the damage or destruction.

Section 13.2. Repair and Reconstruction. As soon as practical after obtaining estimates, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Improvements. As attorney-in-fact for the Owners, the Association may take any and all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary. Assessments of the Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

Section 13.3. Funds for Repair and Reconstruction. The proceeds received by the Association from any hazard insurance shall be used for the purpose of repair, replacement, and reconstruction. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Association may, pursuant to Section 8.4 above, levy, assess, and collect in advance from all Owners, without the necessity of a special vote of the Owners, except as provided in Section 8.4, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair and reconstruction.

Section 13.4. Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for in Section 8.4 above constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as a Special Assessment to the Association under Section 8.4 above, or, if no Special Assessments were made, then on the basis of the allocation to the Owners of Common Expenses under Section 8.3 above, first to the Mortgagees and then to the Owners, as their interests appear.

Section 13.5. Decision Not to Rebuild. If Owners representing at least 80% of the votes in the Association, including the vote of every Owner of Improvements that will not be restored and including, during the Special Declarant Rights Period, the vote of Declarant, and any other votes required by the Act, agree in writing not to repair and reconstruct and no alternative Improvements are authorized, then and in that event the Property shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition. Any remaining insurance proceeds shall be distributed in accordance with the Act.

Section 13.6. Damage or Destruction Affecting Parcels. In the event of damage or destruction to the Improvements located on any of the Parcels, the Owner thereof shall promptly repair and restore the damaged Improvements to their condition prior to such damage or destruction. If such repair or restoration is not commenced within 180 days from the date of such damage or destruction, or if repair and reconstruction is commenced but then abandoned for a period of more than 90 days, then the Association may, after notice and hearing as provided in the Bylaws, impose a fine accruing at the rate of \$100 per day or such other rate imposed by the Board in compliance with the Act, charged against the Owner of the Parcel until repair and reconstruction is commenced, unless the Owner can prove to the satisfaction of the Association that such failure is due to circumstances beyond the Owner's control. Such fine shall be a Default Assessment and lien against the Parcel as provided in Section 8.7 above.

ARTICLE XIV CONDEMNATION

Section 14.1. Rights of Owners. Whenever all or any part of the Common Area shall be taken or conveyed in lieu of and under threat of condemnation by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking, but the Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 14.2. Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which Improvements have been constructed, then within 60 days after such taking, Owners representing at least 67% of the votes in the Association, including during the Special Declarant Rights Period, the vote of Declarant, shall otherwise agree, the Association shall restore or replace such Improvements so taken on the remaining land included in the Common Area to the extent lands are available therefor, in accordance with plans approved by the Committee. If such Improvements are to be repaired or restored, the provisions in Article XI above regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any Improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be distributed on the basis of the Common Expenses allocated to the Owners under Section 8.3 above, first to the Mortgagees and then to the Owners, as their interests appear.

Section 14.3. Complete Condemnation. If all of Echo Canyon Ranch is taken, condemned, sold, or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Common Area shall be distributed as provided in Section 14.2 above.

ARTICLE XV MORTGAGEE PROTECTIONS

Section 15.1. Introduction. This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain Mortgages. This Article is supplemental to, and not in substitution for, any other provisions of this Declaration, but in the case of any conflict, this Article shall control.

Section 15.2. Percentage of Eligible Mortgage Holders. Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgage Holders is required, it shall mean the approval or consent of Eligible Mortgage Holders under Mortgages encumbering Parcels which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all Parcels then subject to Mortgages held by Eligible Mortgage Holders.

Section 15.3. Notice of Actions. The Association shall give prompt written notice to each Eligible Mortgage Holder of the following:

15.3.1. any condemnation loss or any casualty loss which affects a material portion of the Common Area or any Parcel in which an interest is held by the Eligible Mortgage Holder;

15.3.2. any delinquency which remains uncured for 60 days in the payment of Assessments by an Owner whose Parcel is encumbered by a Mortgage held by such Eligible Mortgage Holder;

15.3.3. any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;

15.3.4. any proposed action which would require the consent of Eligible Mortgage Holders as required in Section 15.4 below; and

15.3.5. any judgment rendered against the Association.

Section 15.4. Consent Required.

15.4.1. Document Changes. No amendment of any material provision of this Declaration described in this Section 15.4.1. may be effective without the vote of at least 67% of the Owners in the Association (subject to Section 18.3 below) and the approval in writing of at least 51% of the Eligible Mortgage Holders. "Material" provisions include any provision affecting the following:

- of Assessment liens; (a) assessments, Assessment liens, or subordination or the priority
- (b) voting rights;
- (c) reserves for maintenance, repair and replacement of Common Area;
- (d) responsibility for maintenance and repairs;
- (e) rights to use the Common Area;
- (f) expansion or contraction of Echo Canyon Ranch, or the addition, annexation or withdrawal of property to or from Echo Canyon Ranch;
- (g) insurance or fidelity bonds;
- (h) imposition of any restrictions on an Owner's right to sell or transfer his Parcel;

(i) restoration or repair of the Property after hazard damage or partial condemnation in a manner other than that specified in this Declaration;

(j) termination of this Declaration after the occurrence of substantial destruction or condemnation; and

(k) the benefits of Eligible Mortgage Holders.

15.4.2. Actions. The Association may not take any of the following actions, except as such rights have been specifically reserved by Declarant under the provisions of this Declaration, without the approval of at least 51% of the Eligible Mortgage Holders:

(a) conveyance or encumbrance of the Common Area (provided, however, that the granting of easements for public utilities, for construction and maintenance of roads within Echo Canyon Ranch, or for other public purposes not inconsistent with the use of the Common Area by the Owners shall not be deemed a transfer within the meaning of this clause);

(b) restoration or repair of the Property (after hazard damage or partial condemnation) in a manner other than that specified in this Declaration;

(c) termination of this Declaration for reasons other than substantial destruction or condemnation, as permitted with the approval percentages specified in Articles XIII and XIV above;

(d) merger of Echo Canyon Ranch with any other common interest community;

(e) the granting of easements, leases, licenses or concessions through or over the Common Area (excluding, however, any such grants for public utilities or other public purposes not inconsistent with the use of the Common Area by the Owners);

(f) the assignment of the future income of the Association, including its right to receive Assessments; and

(g) any action not to repair or replace the Common Area except as permitted under Articles XIII and XIV above.

Section 15.5. Notice of Objection. Unless an Eligible Mortgage Holder provides the Secretary of the Association with written notice of its objection, if any, to any proposed amendment or action outlined above within 30 days following the receipt of notice delivered by certified or registered mail, return receipt requested, of such proposed amendment or action, the Eligible Mortgage Holder shall be deemed conclusively to have approved the proposed amendment or action.

Section 15.6. First Mortgagees' Rights.

15.6.1. Payment of Taxes and Insurance. First Mortgagees, jointly or singly, may pay taxes or other charges which are in default and which may or have become a charge against any of the Common Area or Improvements thereon, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area. First Mortgagees making such payments shall be owed immediate reimbursement from the Association.

15.6.2. Payment of Assessments. Eligible Mortgage Holders shall be entitled to cure any delinquency of the Owner of the Parcel encumbered by the Eligible Mortgage Holder in the payment of Assessments of which the Eligible Mortgage Holder has received notice under Section 15.3.2. above. In that event, the Eligible Mortgage Holder shall be entitled to obtain a release from the lien imposed or perfected by reason of such delinquency.

Section 15.7. Title Taken by First Mortgagee. Any First Mortgagee who obtains title to the Parcel pursuant to the remedies provided in the First Mortgage, including foreclosure of the First Mortgage, shall be liable for all Assessments due and payable as of the date title to the Parcel vests in the First Mortgagee under the statutes of Colorado governing foreclosures. Except as provided in the Act, such First Mortgagee shall not be liable for any unpaid dues and charges attributable to the Lot which accrue prior to the date such title vests in the First Mortgagee.

ARTICLE XVI
ENFORCEMENT OF COVENANTS

Section 16.1. Violations Deemed a Nuisance. Every violation of this Declaration or any other of the Echo Canyon Ranch Documents is deemed to be a nuisance and is subject to all the remedies provided for the abatement or correction of the violation. In addition, all public and private remedies allowed at law or equity against anyone in violation of these Covenants shall be available.

Section 16.2. Compliance. Each Owner or other occupant of any part of the Property shall comply with the provisions of the Echo Canyon Ranch Documents as the same may be amended from time to time.

Section 16.3. Failure to Comply. Failure to comply with the Echo Canyon Ranch Documents shall be grounds for an action to recover damages or for injunctive relief to cause any such violation to be remedied, or both. Reasonable notice and an opportunity for a hearing as provided in the Bylaws shall be given to the delinquent party prior to commencing any legal proceedings.

Section 16.4. Who May Enforce. Any action to enforce the Echo Canyon Ranch Documents may be brought by Declarant, the Board, the Design Review Committee, or the Manager in the name of the Association on behalf of the Owners. If, after a written request from an aggrieved Owner, none of the foregoing persons or entities commences an action to enforce the Echo Canyon Ranch Documents, then the aggrieved Owner may bring such an action.

Section 16.5. Remedies. In addition to the remedies set forth above in this Article, any violation of the Echo Canyon Ranch Documents shall give to the Board, the Manager, the Design Review Committee or Declarant, on behalf of the Owners, the right to enter upon the offending premises or take appropriate peaceful action to abate, remove, modify, or replace, at the expense of the offending Owner, any structure, thing or condition that may exist thereon contrary to the interest of the Owners and meaning of the Echo Canyon Ranch Documents. If the offense occurs on any easement, walkway, Common Area or the like, the cure shall be at the expense of the Owner or other person responsible for the offending condition.

Section 16.6. Nonexclusive Remedies. All the remedies set forth herein are cumulative and not exclusive.

Section 16.7. No Waiver. The failure of the Board of Directors, Declarant, the Design Review Committee, the Manager, or any aggrieved Owner to enforce the Echo Canyon Ranch Documents shall not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any other part of the Echo Canyon Ranch Documents at any future time.

Section 16.8. No Liability. No member of the Board of Directors, Declarant, the Design Review Committee, the Manager or any Owner shall be liable to any other Owner for the failure to enforce any of the Echo Canyon Ranch Documents at any time.

Section 16.9. Recovery of Costs. If legal assistance is obtained to enforce any of the provisions of the Echo Canyon Ranch Documents, or in any legal proceeding (whether or not suit is brought) for damages or for the enforcement of the Echo Canyon Ranch Documents or the restraint of violations of the Echo Canyon Ranch Documents, the prevailing party shall be entitled to recover all costs incurred by it in such action, including reasonable attorneys' fees (and legal assistants' fees) as may be incurred, or if suit is brought, as may be determined by the court.

ARTICLE XVII RESOLUTION OF DISPUTES

If any dispute or question arises between Members or between Members and the Association or relating to the interpretation, performance or nonperformance, violation, or enforcement of the Echo Canyon Ranch Documents, such dispute or violation may be subject to a hearing and determination by the Board in accordance with the procedures set forth in the Bylaws.

ARTICLE XVIII
DURATION OF THESE COVENANTS AND AMENDMENT

Section 18.1. Term. This Declaration and any amendments or supplements hereto shall remain in effect from the date of recordation until the 21st anniversary of the date this Declaration is first recorded in the office of the Clerk and Recorder of Archuleta County, Colorado. Thereafter these Covenants shall be automatically extended for successive periods of 10 years each, unless otherwise terminated or modified as provided below.

Section 18.2. Amendment. Except as otherwise provided in this Article XVIII, this Declaration, or any provision of it, may be terminated, extended, modified, or amended, or revoked as to the whole or any portion of the Property, upon the written consent of Owners holding 67% or more of the votes in the Association, allocated pursuant to Section 4.6 above, and upon compliance with Article XV above, as appropriate. Amendments made pursuant to this Section shall inure to the benefit of and be binding upon all Owners of any part of the Property, their family, tenants, guests, invitees and employees, and their respective heirs, successors and assigns. A certificate of a licensed abstract or title company showing record ownership of the Property and a certificate of the Secretary of the Association documenting votes held and voting rights exercised on the basis of such ownership records shall be evidence of such ownership and voting representation for the purposes of any such amendment.

Section 18.3. Requirement for Declarant's Approval Generally. Notwithstanding the provisions of Section 18.2, (i) no termination, extension, modification, amendment or restatement of this Declaration shall be effective in any event during the Period of Declarant Control, unless the written approval of Declarant is first obtained; and (ii) no termination, extension, modification, amendment or restatement of this Declaration may be made during the Special Declarant Rights Period affecting (x) the right of Declarant to appoint the Design Review Committee, (y) any Special Declarant Right or other right expressly reserved to Declarant under this Declaration or (z) the protection of Declarant's rights under this Article XVIII, without Declarant's written consent.

Section 18.4. Notice of Amendment. No amendment or revocation of this Declaration shall be effective unless a written notice of the proposed amendment is sent to every Owner reasonably in advance of any action taken or purported to be taken and such Owner has been given the opportunity to vote or give its consent thereto.

Section 18.5. Effective on Recording. Any modification, amendment or revocation shall be immediately effective upon recording in Archuleta County, Colorado, a copy of such amendment, modification, or revocation executed and acknowledged by the necessary number of Owners (and by Declarant, as required), accompanied by a certificate of a licensed abstract or title company as to ownership, or alternatively, upon the recording in Archuleta County, Colorado, of a copy of the amendment, modification or revocation together with a duly authenticated certificate of the Secretary of the Association stating that the required number of consents of Owners were

obtained, as evidenced by a certificate of a licensed title or abstract company or other authoritative evidence of compliance with the requirements of this Declaration regarding amendments, which shall be placed on file in the office of the Association.

ARTICLE XIX MISCELLANEOUS PROVISIONS

Section 19.1. Severability. This Declaration, to the extent possible, shall be construed or reformed so as to give validity to all of its provisions. Any provision of this Declaration found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof.

Section 19.2. Construction. In interpreting words in this Declaration, unless the context shall otherwise provide or require, the singular shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.

Section 19.3. Headings. The headings are included only for purposes of convenient reference, and they shall not affect the meaning or interpretation of this Declaration.

Section 19.4. Waiver. No failure on the part of the Association or the Board to give notice of default or to exercise or to delay in exercising any right or remedy shall operate as a waiver, except as specifically provided above in the event the Board fails to respond to certain requests. No waiver shall be effective unless it is in writing and signed by the President or Vice President of the Board on behalf of the Association.

Section 19.5. Limitation of Liability. Neither the Association nor any officer or member of the Board shall be liable to any party for any action or for any failure to act with respect to any matter arising by, through or under the Echo Canyon Ranch Documents if the action or failure to act was made in good faith. The Association shall indemnify all of the officers and Board members with respect to any act taken in their official capacity to the extent provided in this Declaration and by law and in the Articles of Incorporation and Bylaws.

Section 19.6. Conflicts Between Documents. In case of conflict between this Declaration and the Articles of Incorporation or the Bylaws, this Declaration shall control. In case of conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control.

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Section 19.7 Assignment. Subject to the requirements and limitations of the Act, Declarant may assign all or any part of the Special Declarant Rights or any of Declarant's other rights and reservations hereunder to any successor who takes title to all or part of the Property in a bulk purchase for the purpose of development and sale. Such successor shall be identified, the particular rights being assigned shall be specified, and, to the extent required, concomitant obligations shall be expressly assumed by such successor, all in a written instrument duly recorded in the records of the Clerk and Recorder of Archuleta County, Colorado.



ECHO CANYON RANCH LIMITED PARTNERSHIP, a Colorado limited partnership

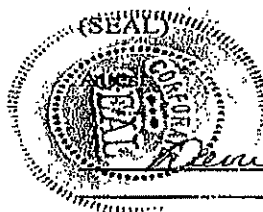
By: Pagosa Land Company, a Colorado corporation, General Partner

By: _____

Title: _____

J. R. P.
MRC. PC

Secretary



By: Knoll Enterprises, Inc., a Colorado corporation, General Partner

By: _____

Title: _____

W. A. C.
PRESIDENT

Secretary

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EXHIBIT B
TO
DECLARATION
FOR
ECHO CANYON RANCH

Recorded Easements and Licenses

1. Ditches and ditch rights.
2. All interest in oil, gas, coal and other mineral rights, being either express or implied associated with or incidental to the ownership or exercise of rights under any oil, gas, coal or mineral reservation, grant or lease, and all rights, privileges and easements with respect thereto, and any and all assignments thereof or interests therein.
3. Reservation of right of proprietor of any penetrating vein or lode to extract his ore, in U.S. Patent recorded April 25, 1903 in Book 6 at Page 605 and April 25, 1903 in Book 6 at page 610.
4. Reservation of right of proprietor of any penetrating vein or lode to extract his ore; and right of way for any ditches or canals constructed by authority of United States, in U.S. Patent recorded April 4, 1908 in Book 24 at Page 87.
5. An undivided 1/2 interest in all oil, gas and other minerals as reserved by Montezuma Lumber Company in Deed to Richard J. Tibbits and Evelyn F. Tibbits, recorded July 17, 1959 in Book 101 at Page 181, and any and all assignments thereof or interests therein.
6. An undivided 1/2 interest in all remaining oil, gas and other minerals as conveyed to Lena E. Tibbits by Richard J. Tibbits and Evelyn F. Tibbits in Deed recorded February 14, 1961 in Book 102 at Page 549, and any and all assignments thereof or interests therein.
7. An undivided 1/2 interest in all oil, gas and other minerals as reserved by Earl G. Snook, Gladys Potter, Allie Carter, Marvin B. Snook and Loren G. Snook in Deed to E. G. Hall, Ethel M. Hall, Donald E. Hall and Doris E. Hall, recorded May 8, 1961 in Book 97 at Page 459, and any and all assignments thereof or interests therein.
8. All timber as conveyed to Pagosa Lumber Company by the New Mexico Lumber Company in instrument recorded August 11, 1909 in Book 13 at Page 335 and recorded April 4, 1908 in Book 13 at Page 273.

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9. All oil, gas and other minerals as expected by W.S. Eoff and Zoe L. Eoff in Deed to Frank E. Griffiths and Gladys M. Griffiths, recorded August 22, 1984 as Reception No. 125286 and 125287, and any and all assignments thereof or interest therein.
10. Terms, agreements, provisions, conditions, obligations and easements as contained in Easement Dedication, recorded June 30, 1994 as Reception No. 1994004599.
11. Any tax, assessment, fees or charges, by reason of the inclusion of the subject property in the Pagosa Area Water and Sanitation District.

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AMENDMENTS TO THE DECLARATION FOR ECHO CANYON RANCH

ARTICLE V DESIGN REVIEW COMMITTEE

Section 5.1. Committee and Guidelines. There is hereby established a Design Review/*Environmental* 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....

[Amendment Adopted on 12-15-98]

Section 5.2. Committee Membership and Organization. The Committee shall be composed of *three to five persons*. The Committee need not include any

[Amendment Adopted on 12-15-98]

ARTICLE VI PROPERTY USE RESTRICTIONS

Section 6.3. Motorized Vehicles. No trucks, trail bikes, recreational vehicles, motor homes, motor coaches, snowmobiles, campers, *large utility* trailers, boats or boat trailers or similar vehicles (other than *horse trailers, tractors, ranch implements*, 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. *Horse trailers, ranch implements, and tractors may be parked outside, being placed as close as possible to a barn or building. Effort to shield them from view is strongly encouraged.*

[Amendment Adopted on 02-07-01]

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. *Propane tanks shall be placed underground except when the owner provides evidence to the Design Review/Environmental Committee that solid bedrock precludes underground placement and no suitable alternative sites exist. If above-ground placement is approved, based on the above criteria, the propane tank must be out of view from the public, the Common Areas, the roads, and all other Parcels within Echo Canyon Ranch.*

[Amendment Adopted on 02-07-01]

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

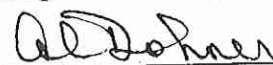
6.28.1.

6.28.2. ...

6.28.3. Discharging firearms on the Property, *provided, however, if the Association determines that various animal populations should be controlled or restrained (including but not limited to prairie dogs and porcupines), the Association may control, trap, remove or kill such animals by the use of firearms or other means.*

[Amendment Adopted on 02-07-01]

My signature, as Secretary of the Echo Canyon Ranch Association, certifies that these changes to the Declaration have been ratified by at least 67% of the total membership of Echo Canyon Ranch Association.



Al Dohner, Secretary

Echo Canyon Ranch Assoc. 81147

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AMENDMENTS TO THE BYLAWS FOR ECHO CANYON RANCH ASSOCIATION

ARTICLE VII

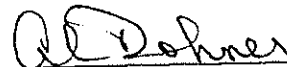
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.03.

(a). the Manager will maintain fidelity insurance coverage or a bond providing the same type of insurance as described in Section 11.7 of the Declaration in an amount not less than the greater of (i) \$5,000, (ii) the amount equal to the maximum funds.....

[Amendment Adopted on 12-15-98]

My signature, as Secretary of the Echo Canyon Ranch Association, certifies that this change to the Bylaws have been ratified by at least 67% of the total membership of Echo Canyon Ranch Association.



Al Dohner, Secretary



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AMENDMENT TO ECHO CANYON RANCH DESIGN GUIDELINES

The Design Review/ Environmental Committee does hereby augment the Design Guidelines for Echo Canyon Ranch as follows:

SECTION IV. SITE PLANNING DESIGN GUIDELINES, page 13 of the Design Guidelines, paragraph one, shall be augmented to state the following:

The development of a single-family residence is permitted within the Building Envelope of each lot in Echo Canyon Ranch. The minimum size requirement for each residence is 2,500 square feet of enclosed heated space. In addition, the development of a guest house (or caretaker unit) is also permitted on each lot. The maximum size permitted for the guest house is 1,500 square feet. The guest house may be integrated into the main residence, be designed as part of a free-standing garage or be a free-standing building. While the guest house may serve as a residence independent of the main residence, it cannot be subdivided or sold separately from the main residence. *In all cases, the main residence shall be the first structure constructed upon a lot. Accessory structures including, but not limited to, guest houses, garages, combination guest house and garage, barns, and other accessory buildings may be constructed concurrently with, or subsequent to, a main residence. In no case shall any structure of any type be constructed upon a lot prior to the construction of a main residence. Guest houses constructed concurrently with a main residence shall not be inhabited or occupied until such time that the main residence is certified for occupancy.*

This augmentation to the Echo Canyon Ranch Design Guidelines shall become effective upon the adoption date indicated below.

Adopted on the 20th day of the month of February, in the year 2001, by the Design Review/ Environmental Committee of the Echo Canyon Ranch Association.

AMENDMENT TO ECHO CANYON RANCH DESIGN GUIDELINES

The Design Review/ Environmental Committee does hereby amend the Design Guidelines for Echo Canyon Ranch as follows::

SECTION IV. SITE PLANNING DESIGN GUIDELINES, page 17 of the Design Guidelines, paragraph one, BUILDING HEIGHT, shall be amended to state the following:

Generally, building heights up to thirty-five feet are permitted on wooded lots and open lots are permitted building heights up to twenty-eight feet. Generally, the maximum building height on all parcels in Echo Canyon Ranch is twenty-eight (28) feet. Under certain conditions, building heights up to thirty-five (35) feet may be permitted. An owner may petition the Design Review/ Environmental Committee to exceed the twenty-eight-foot building height when the owner can demonstrate to the Design Review/ Environmental Committee that the building envelope and site contain sufficient natural native forestation to mitigate the effects of additional building height on adjacent properties. Each parcel's unique characteristics and setting shall be evaluated when determining the maximum allowable building height appropriate for a building site. Consideration shall also be given to the views from all locations in Echo Canyon Ranch including Echo Canyon Ranch Lane. Skylining or silhouetting by a structure on a ridge, mesa, knoll, or promontory is to be avoided. The design goal is to insure that structures built in Echo Canyon Ranch blend in with the natural features of the property.

This amendment to the Echo Canyon Ranch Design Guidelines shall become effective upon the adoption date indicated below.

Adopted on the 29th day of the month of August, in the year 2001, by the Design Review/ Environmental Committee of the Echo Canyon Ranch Association.

Echo Canyon Ranch ASSOCIATION
P.O. Box 2031
Pagosa Springs, CO 81147

AMENDMENTS TO THE DECLARATION FOR ECHO CANYON RANCH

ARTICLE V DESIGN REVIEW COMMITTEE

Section 5.1 Committee and Guidelines. (Paragraph 2)

The Design Guidelines ~~may~~ *shall* include, among other things, those restrictions and limitations set forth below...

(The various provisions of Sections 5.1.1 through 5.1.11 follow, without change.)
(Amendment Adopted 1-15-04)

Section 5.3.1 Committee Discretion. (Paragraph 2, Sentence 1)

"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 the developed area (sic) by methods including, among others, reference to monuments or other points depicted on the Parcel Map which ~~mark the center of a circular area, defined with a specific radius distance~~ locate the "Building Envelope" to which all Improvements in the Parcel must be restricted." (Amendment Adopted 1-15-04)

Section 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, *except as provided in Section 5.3.3.*

Section 5.3.3 Review of DR/EC Decision. *(a) Any owner who disagrees with a decision of the DR/EC may seek a review of said decision by the Board of Directors of the Association by requesting such a review in writing, stating the grounds for objecting to the decision of the DR/EC and delivering that request to the President or Manager of the Association on or before 5:00 p.m. on the thirtieth (30th) day following decision of the DR/EC.*

(b) Upon receipt of a timely request for a review of a decision of the DR/EC, the Board or its delegate will serve all owners who took part in the DR/EC process which is the subject of the requested review with a notice containing:

(i) The time and place of the hearing, which time will not be less than 10 days from the giving of the notice; and

(ii) A copy of the written request for reievew; and



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Section 4.02. Annual Meetings. The first annual meeting of the Members will be held within one year after the date of the adoption of these Bylaws. Each subsequent annual meeting of the Members will be held on a date and at a time set by the Board of Directors. The purpose of the annual meetings is for the election of the Board and the transaction of such other business of the Association as may properly come before the meeting.

Section 4.03. Special Meetings. Special meetings of the Members may be called at any time by the President of the Association, or by a majority of the Board of Directors, or upon written request of Members who are collectively entitled to vote at least 20% of all of the votes in the Association.

Section 4.04. Notice of Meetings. Written notice stating the place, day and hour of the meeting and the agenda for the meeting will be delivered not less than 10 nor more than 50 days before the date of the meeting, personally or by mail or otherwise as permitted by the Act, by or at the direction of the President, or the Secretary or the persons calling the meeting, as provided in these Bylaws, to the registered mailing address for notice (as provided in the Declaration) of each Member entitled to vote at such meeting.

Section 4.05. Quorum. A quorum is deemed present throughout any meeting of the Association if Members entitled to cast (or proxies entitled to cast) 20% of the votes of the Association are present at the beginning of the meeting. If, however, such quorum is not present or represented at the meeting, the Members entitled to vote at the meeting will have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented by proxy.

Section 4.06 Actions Binding on Members. A majority of votes intended to be cast by Members constituting a quorum in person or by proxy will be sufficient to make decisions binding on all Owners, unless a different number or method of voting is expressly required by statute or by the Declaration, the Articles or these Bylaws.

Section 4.07. Majority of Owners. As used in these Bylaws, the term "majority" will mean those votes, Owners or other groups as the context may indicate totaling more than 50 percent of the total number.

Section 4.08. Voting by Mail. Voting by mail is permitted for election of the Board of Directors, amendment of the Articles, adoption of a proposed plan of merger, consolidation or dissolution pursuant to the provisions of the Act and the Colorado Nonprofit Corporation Act, each as amended from time to time, or other questions that come before the Association. In the case of a vote by mail, the Secretary of the Association will give written notice to all Members, which notice will include a proposed written resolution setting forth a description of the proposed action, a statement that the Members are entitled to vote by mail for or against such proposal, a statement of a date not less than 20 days after the date such notice will have been given by which all votes must be received, and the specified address of the office to which all votes must be sent. Votes received after that date will not be effective. Delivery of a vote in writing to the designated office will be equivalent to receipt of a vote by mail at such address for the purpose of this section.

Section 4.09. Proxies. Any Member may cast such Member's vote in person or by proxy, but no proxy will be valid if it is not dated or if it purports to be revocable without notice. Further, no proxy will be valid after 11 months from the stated date of its execution unless otherwise provided in the proxy or



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unless voluntarily revoked upon notice, amended, or sooner terminated by operation of law. Finally, no proxy will be valid unless filed with the Secretary of the Association at or before the appointed time of the meeting at which the proxy will be voted.

Section 4.10. Designation of Voting Representative by Non-Individual Owners-Requirement for Proxy. If title to a Parcel is held in whole or in part by a firm, corporation, partnership, association, limited liability company, trust or other legal entity or any combination thereof, the voting privilege appurtenant to that ownership may be exercised only by a proxy executed on behalf of such party or parties, filed with the Secretary of the Association, and appointing and authorizing one person or alternate persons to attend all annual and special meetings of the Members and to cast the vote allocated to that Parcel at the meeting.

Section 4.11. Designation of Voting Representative by Multiple Owners-Use of Proxy. If title to a Parcel is held by more than one Owner, each Owner may vote or register protest to the casting of votes by the other Owners of the Parcel through a duly executed proxy. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association.

Section 4.12. Waiver of Notice. Waiver of notice of a meeting of the Members will be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, will be deemed waiver by such Member of notice of the time, date and place of the meeting unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting will also be deemed waiver of notice of all business transacted at the meeting unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 4.13. Action Without a Meeting. Any action which may be taken by the vote of the Members at a regular or special meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Members.

ARTICLE V BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 5.01. Number, Qualification and Initial Board. The affairs of the Association will be managed by a Board of not less than three and no more than nine Directors. Except as provided below regarding Directors appointed by Declarant during the Period of Declarant Control, the Directors will be Members or the delegates of Members appointed by proxy under Article IV above. The number of the Board of Directors will be established from time to time by amendment to these Bylaws.

The number of members on the first Board of Directors will be three. The names and addresses of the three persons who are to serve on the initial Board until their successors are appointed are listed below:

J. R. Ford
452 Pagosa Street, Suite D
Pagosa Springs, Colorado 81147

Gary W. Reese
452 Pagosa Street, Suite D
Pagosa Springs, Colorado 81147

W. Robert Cotham
452 Pagosa Street, Suite D
Pagosa Springs, Colorado 81147

Section 5.02. Directors During Declarant Control. During the Period of Declarant Control the Board of Directors will be selected by Declarant and will serve at the sole discretion of Declarant, subject, however, to the provisions of Section 38-33.3-303 of the Act (providing for gradual transition of control of the Board as Parcels in Echo Canyon Ranch are sold by Declarant). The Directors selected by Declarant need not be Members.

Section 5.03. Election of Directors as Parcel Sales Close. From time to time as sales of Parcels in Echo Canyon Ranch proceed, Declarant will yield control of one or more seats on the Board of Directors as necessary to comply with Section 38-33.3-303 of the Act. . Each time that Declarant is required to transfer control of a Director's position, a special meeting of the Association will be called for the purpose of electing a new Director to take the place of the Director designated by Declarant as resigning.

Section 5.04. Election of Directors After Period of Declarant Control. Upon termination of the Period of Declarant Control in accordance with the Declaration, a special meeting of the Association will be called, at which Declarant will turn control of the Association over to the other Members as provided in the Act. The Members will elect a new Board of Directors, and any terms of Directors appointed by Declarant that have not expired will terminate at that time. Subsequently, Directors will be elected by the Members at each annual meeting of the Members.

Section 5.05. Voting Procedures Generally. At the election of any person to the Board by vote of the Members, the Members may cast as many votes as they are entitled to exercise under the provisions of Section 3.06 above. Voting for Directors will be by secret written ballot.

Section 5.06. Term of Office of Directors After Period of Declarant Control. The term of office for the initial full slate of Directors elected by the Members will be fixed at the time of their election as they themselves will determine in order to establish a system of three-year terms in which at least one-third of the Board is elected each year, and the Board will identify in which year the directorships for each category of representation are subject to election. For example, if the number of Directors on the initial Board is set at three pursuant to Section 5.01 above, one Director will serve for a one-year term, one Director will serve for a two-year term, and one Director will serve for a three-year term. At the expiration of the initial term of office of each respective Director, a successor will be elected to serve three years. Each Director will hold office until such Director's successor is elected by the Members and qualified to take over the office.

Section 5.07. Removal of Directors. Any Director other than one appointed by Declarant may be removed, with or without cause, at any regular or special meeting of the Members by two-thirds of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any Director removed may be elected at such meeting to fill the vacancy created by



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removal of the Director. A Director whose removal is proposed by the Members will be given notice of the proposed removal at least 10 days prior to the date of such meeting and will be given an opportunity to be heard at such meeting.

Section 5.07.1 Director Attendance at Board Meetings. Upon the unexcused absence of a Director at 3 Board meetings within a calendar year, the Board may request that the Director resign. (Amended November 11, 2004.)

Section 5.08. Vacancies.

(a) During Period of Declarant Control. During the Period of Declarant Control, if a Director appointed by Declarant dies, becomes disabled or resigns, Declarant will appoint a new Director to serve the balance of the term of the resigning, disabled or deceased Director; and if a Director elected by the Members dies, becomes disabled or resigns, the remaining Directors will appoint a new Director from among the Members other than Declarant to serve the remainder of the term of the replaced Director.

(b) Following Period of Declarant's Control. After the expiration or termination of the Period of Declarant Control, any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. The term of the Director so elected will be coincident with the term of the replaced Director.

Section 5.09. Compensation. No Director will receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his duties as a Director.

ARTICLE VI MEETINGS OF DIRECTORS

Section 6.01. Regular Meetings. Regular meetings of the Board of Directors will be held at such regular times as set by the Board of Directors, at such place and hour as may be fixed from time to time by resolution of the Board. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting will be held at the same time on the next day which is not a legal holiday.

Section 6.02. Special Meetings. Special meetings of the Board of Directors will be held when called by the President of the Association, or by any two Directors, after not less than three days' notice to each Director.

Section 6.03. Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast 50% of the votes on the Board are present at the beginning of the meeting.

Section 6.04. Actions Binding on Directors. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present will be regarded as the act of the Board.

Section 6.05. Waiver of Notice. Attendance of a Director at any meeting will constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Before, at, or after any meeting of the Board of Directors, any member of the Board may waive in writing notice of

such meeting, and such waiver will be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the waiver of notice of such meeting.

Section 6.06. Action Taken Without a Meeting. The Directors will have the right to take any action which they could take at a meeting in the absence of a meeting by obtaining the written approval of all the Directors. Any action so approved will have the same effect as though taken at a meeting of the Directors.

Section 6.07. Meeting Via Communications Equipment. The Board of Directors or the DR/EC may permit up to three (3) Directors or committee members to participate in a regular or special meeting by, or conduct the meeting through the use of any means of communication by which all Directors or committee members participating may simultaneously hear each other during the meeting. A director or committee member participating in a meeting by this means is deemed to be present in person at the meeting. (amendment adopted January 10, 2008, revised May 17, 2010)

ARTICLE VII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.01. General. The Board of Directors will have the powers and duties necessary for the administration of the affairs of the Association. Except as provided by these Bylaws, the Declaration or the Act, the Board of Directors may do all such acts and things which are not specifically required to be done by the Members and may otherwise act in all instances on behalf of the Association.

Section 7.02. Specific Powers and Duties. Without limiting the generality of powers and duties set forth in Section 7.01 above, the Board of Directors will have the following powers and duties, in each case subject only to applicable requirements of the Act:

- (a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration.
- (b) To establish, make, amend from time to time and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of Echo Canyon Ranch, subject to the provisions of the Declaration. A copy of such rules and regulations will be delivered or mailed to each Member promptly after adoption.
- (c) To keep in good order, condition and repair all the Common Area and all items of personal property, if any, used in the enjoyment of the Common Area. No approval of the Members is required for expenditures for these purposes, except as otherwise required by the Declaration or these Bylaws.
- (d) To fix, determine, levy, and collect the prorated Annual Assessments to be paid by each of the Members towards the gross expenses of Echo Canyon Ranch, and to adjust, decrease or increase the amount of the Assessments, and to credit any excess of Assessments over expenses and cash reserves to the Members against the next succeeding Assessment period.
- (e) To levy and collect Special Assessments whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital



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expenses, or because of emergencies. All Special Assessments will be in statement form and will set forth in detail the various expenses for which the Special Assessments are being made.

(f) To levy and collect Default Assessments for violation of the Echo Canyon Ranch Documents or because the Association has incurred an expense on behalf of a Member under the Echo Canyon Ranch Documents.

(g) To collect delinquent Assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and these Bylaws; and to exercise other remedies for delinquent Assessments as set forth in the Declaration.

(h) To fix, determine, levy and collect the working capital funds to be paid by each of the Members towards the working capital account of the Association, and to adjust, decrease or increase the amount of working capital funds collected from each Member as provided in the Declaration.

(i) To borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration and these Bylaws and to authorize the appropriate officers to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary; provided, however, that the Board will not borrow more than \$10,000 or cause the Association to be indebted for more than \$10,000 at any one time without the prior approval of a majority of votes of Members present and voting in person or by proxy on the Issue.

(j) To enter into contracts within the scope of their duties and powers.

(k) To establish one or more bank accounts for the operating account of the Association and for all separate funds as required or deemed advisable by the Board of Directors.

(l) To cause to be kept and maintained full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination of the books and records by Members or their Mortgagees during convenient weekday business hours.

(m) To cause any and all access roads, parking areas and roadways in, to and across the Property to be maintained to the extent those facilities are within the jurisdiction or control of the Association, subject to the provisions of the Declaration..

(n) To cause the maintenance of the lawn, trees, shrubs and other vegetation, and the sprinkler or other irrigation systems located on the Common Area for the benefit of the Members.

(o) To cause to be maintained the insurance coverage (including without limitation fidelity insurance, or in its place, a bond covering the Manager, the Board, the Officers and any other persons charged with handling Association funds) as may be necessary to comply with the requirements of the Declaration, these Bylaws and the Act.

(p) To prepare a budget before the close of each fiscal year of the Association and submit the budget to the Association as required by the Act

(q) To delegate to the Manager or any other person or entity such of the Association's duties or responsibilities as may be more conveniently or efficiently performed by someone other than by the

Association, and to agree to assess the Members for a reasonable fee for such services, except that the duties set forth in subparagraphs (d), (e), (f), (h) and (q) of this Section 7.02 and duties reserved to the Board by law will not be so delegated.

Section 7.03. Manager. The Board of Directors may employ a professional management agent or agents as Manager for Echo Canyon Ranch, for compensation established by the Board to perform such duties and services as authorized by the Board. The Board of Directors may delegate to the Manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (d), (e), (f), (h) and (q) of Section 7.02 of this Article and duties reserved to the Board by law. Declarant, or an affiliate or employee of Declarant, may be employed as Manager, subject to the limitations of the Act if the Board delegates powers of the Board or officers of the Association relating to collection, deposit, transfer or disbursement of Association funds to the Manager (other than Declarant).

(a) the Manager will maintain fidelity insurance coverage or a bond providing the same type of insurance as described in Section 11.7 of the Declaration in an amount not less than the greater of (i) \$5,000, (amended December 15, 1998) (ii) (y) the amount equal to the maximum funds that will be in the custody of the Association or the Manager, or (z) the amount of three months' current Assessments plus reserves, as calculated from the current budget of the Association, on all Parcels in Echo Canyon Ranch, or (iii) such higher amount as the Board may require;

(b) the Manager will maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Manager and will maintain all reserve accounts of each association so managed separate from operational accounts of the Association, each with appropriate access controls, and the bank where the accounts are located must send copies of monthly bank statements directly to the Association, and the Manager will not have authority to draw checks on, or to transfer funds from the Association's reserve account; and

(c) an annual accounting for Association funds and a financial statement will be prepared and presented to the Association by anyone of the following: the Manager, a public accountant, or a certified public accountant.

If a professional manager is employed, the management agreement must be for a specified term (not to exceed three years) and must contain specific termination provisions. Such termination provisions may not require the payment of any penalty for termination or require advance notice of termination in excess of 90 days. Declarant may enter into a management agreement before the expiration of the Period of Declarant Control, but the management agreement must provide that the Association has the right to terminate the management agreement without cause and such right may be exercised by the Association at any time after the expiration of the Period of Declarant Control.

Section 7.04. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) A segregation of accounting duties should be maintained, and disbursements by check in any amount greater than \$1,000 will require two signatures. Cash disbursements will be limited to amounts of \$200 or less.

(b) Cash accounts of the Association will not be commingled with any other accounts.



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(c) No remuneration will be accepted by the Board of Directors or the Manager from vendors, independent contractors or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts or otherwise (except that such persons may be employees of Declarant during the Period of Declarant Control). Anything of value received will be for the benefit of the Association.

(d) Any financial or other interest that the Manager or a member of the Board of Directors may have in any firm (other than Declarant) providing goods or services to the Association will be disclosed promptly to the Board of Directors.

(e) Commencing at the end of the calendar quarter in which the first Parcel is sold by Declarant and closed, and continuing on a quarterly basis, financial reports will be prepared for the Board of Directors containing the following activity for the preceding three months

(i) An income statement reflecting all income and expense

(ii) A balance sheet as of the last day of the quarter,

(iii) A delinquency report listing all Owners who have been delinquent during the preceding three-month period in paying the periodic installments of Assessments and who remain delinquent at the time of the report, and describing the status of any action to collect such installments which remain delinquent.

(f) A balance sheet as of the last day of the Association's fiscal year and an operating statement for the fiscal year will be distributed to the Members. At the written request of an Owner or First Mortgagee, such statements will be audited at the requesting party's expense. Any such audited statements will be delivered to any Owner requesting the report and to the Association upon payment of a reasonable fee for copying.

(g) An account status report reflecting the status of all accounts in an "actual" versus "approved" budget format with a budget report reflecting any actual or pending obligations that are in excess of budgeted amounts by an amount exceeding the operating reserves or 10% of a major budget category (as distinct from a specific line item in an expanded chart of accounts) will be prepared for the Board periodically upon the Board's request and will be made available to all Members.

Section 7.05. Hearing Procedure. The Board will not impose a fine, suspend voting, or suspend any rights of a Member or other occupant of Echo Canyon Ranch for violations of rules and regulations or of the provisions of the Echo Canyon Ranch Documents unless and until the procedure below is followed:

(a) Demand. Written demand to cease and desist from the alleged violation will be served upon the alleged violator specifying:

(i) the alleged violation;



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(ii) the action required to abate the violation; and

(iii) a time period of not less than 10 days during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violation may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.

(b) Notice. At any time within 12 months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the , same rule is subsequently violated, the Board or its delegate will serve the violator with written notice of a hearing to be held by the Board. The notice will contain the following:

- (i) the nature of the alleged violation;
- (ii) the time and place of the hearing, which time will not be less than 10 days from the giving of the notice;
- (iii) an invitation to attend the hearing and produce any statement, evidence and witness on the Member's behalf; and
- (iv) the proposed sanction to be imposed.

(c) Hearing. The hearing will be held pursuant to the notice, affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction under these Bylaws, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director or agent who delivered such notice. The notice requirement will be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction, if any, imposed. Written and oral evidence may be presented. The presenting party will provide copies of any written evidence to the other party or parties. The decision of the Board will be final.

(d) Appeal. The Board may in its discretion appoint a Hearing Committee to hear the matter. In such event the procedure outlined above will apply except that either party may appeal the decision of the Hearing Committee to the Board by written notice to the Hearing Committee, the other party and the Board. The Board will consider the minutes of the hearing and report the decision of the Board within a reasonable period of time not exceeding 60 days after receipt of the notice. The decision of the Board will be final.

These procedures will not be necessary in order to impose any sanction or penalty for nonpayment of a delinquent Assessment.

ARTICLE VIII OFFICERS AND THEIR DUTIES

Section 8.01. Enumeration of Officers. The officers of the Association will be a President, Vice-President, Secretary and Treasurer, and such other officers as the Board may from time to time create by resolution.



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Section 8.02. Election of Officers. The election of officers will take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 8.03. Term. The officers of the Association will be elected annually by the Board, and each will hold office for one year or until his successor is duly elected and qualified, unless he sooner resigns; or is removed, or is otherwise disqualified to serve.

Section 8.04. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom will hold office for such period, have such authority and perform such duties as the Board may determine from time to time.

Section 8.05. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation will take effect on the date of receipt of such notice or at any later time specified in the notice, and unless otherwise specified in the notice, the acceptance of such resignation will not be necessary to make it effective.

Section 8.06. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy will serve for the remainder of the term of the officer replaced.

Section 8.07. Multiple Offices. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 8.08. Duties. The duties of the officers are as follows:

(a) **President.** The President will preside at all meetings of the Association and the Board of Directors; see that orders and resolutions of the Board are carried out; sign all leases, mortgages, deeds and other written instruments; will co-sign all promissory notes; cause to be prepared and execute, certify and record amendments to the Declaration on behalf of the Association; and exercise and discharge such other duties as may be required of the President by the Board.

(b) **Vice-President.** The Vice-President will act in the place and stead of the President in the event of his absence, inability or refusal to act, and will exercise and , discharge such other duties as may be required by the Board.

(c) **Secretary.** The Secretary will record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and place it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records listing the Members together with their addresses; and perform such other duties as required by the Board.

(d) **Treasurer.** The Treasurer will receive and deposit in appropriate bank accounts all monies of the Association and will disburse such funds as directed by resolution of the Board of Directors; sign all checks of the Association unless the Board specifically directs otherwise, and co-sign all promissory notes of the Association; keep proper books of account; at the direction of the Board, cause an annual audit of the Association books to be made by a public accountant at least once in every three fiscal years; and prepare an annual budget and a statement of income and expenditures to be presented to



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the Members at their regular annual meeting, and deliver or make copies available to each of the Members.

ARTICLE IX COMMITTEES

The Board of Directors may appoint a Hearing Committee as described in Article VII above, and other committees as the Board deems appropriate in carrying out its purposes. Following the Period of Declarant Control provided in the Declaration, the Board will also appoint the Design Review Committee.

ARTICLE X INDEMNIFICATION

To the extent permitted by law and consistent with the Articles of Incorporation, the Association will indemnify every member of the Board of Directors, and every officer, employee and agent of the Association and every person who serves at the request of the Association as a director, officer, employee, fiduciary or agent of any other foreign or domestic corporation or of any partnership, joint venture, trust or other enterprise or employee benefit plan against liability asserted against or incurred by such person in such capacity or arising out of that person's capacity as such. The indemnification permitted under this Article will not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

In the event of a settlement, indemnification will be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of such actions or omissions in the performance of such person's duties for the Association. The foregoing rights will not be exclusive of other rights to which such member of the Board of Directors or officer or other person may be entitled. All liability, loss, damage, cost and expense arising out of or in connection with the foregoing indemnification provisions will be treated and handled by the Association as a Common Expense.

ARTICLE XI NONPROFIT CORPORATION

The Association is not organized for profit. No Member of the Association, member of the Board of Directors, or person from whom the Association may receive any property or funds will receive or will be lawfully entitled to receive any pecuniary profit from the operations of the Association, and in no event will any part of the funds or assets of the Association be paid as a dividend or be distributed to, or inure to the benefit of, any member of the Board of Directors. Notwithstanding the foregoing, (i) reasonable compensation may be paid to any Member or Director acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, (ii) any Member or Director may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association, and any Director may be reimbursed for actual expenses incurred in the performance of his duties.



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ARTICLE XII AMENDMENTS

These Bylaws may be amended, at a regular or special meeting of the Board, by a vote of a majority of a quorum of Directors present in person or by proxy, but amendment of Article V, X, XII or any portion of those Articles will require approval of all Directors.

ARTICLE XIII MISCELLANEOUS

Section 13.01. Fiscal Year. The fiscal year of the Association will begin on the first day of January and end on the 31st day of December every year, except that the first fiscal year will begin on the date of incorporation.

Section 13.02. Corporate Seal. The Association will have a seal in circular form having within its circumference the words: "Echo Canyon Ranch Association."

Section 13.03. Conflicts of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles will control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration will control.