

**MASTER DECLARATION  
OF COVENANTS, CONDITIONS AND RESTRICTIONS  
OF FOUNDERS VILLAGE IN  
THE VILLAGES AT CASTLE ROCK**

THIS MASTER DECLARATION of Covenants, Conditions and Restrictions of Founders Village in the Villages at Castle Rock (“Founders Village”) is made this 9<sup>th</sup> day of August, 1985, by the owners of the property described in Exhibit A and by Founders Village, Inc., as assignee of certain rights of the owners of the property described in Exhibits A and B referred to herein as the “Grantor”.

**R E C I T A L S**

A. The owners of the real property in the County of Douglas, State of Colorado, which is more particularly described on Exhibit “A” attached hereto and by this reference incorporated additional lands, as hereinafter provided, are collectively referred to herein as “Founders Village”, “the Village” or “the Property”, desire to establish a uniform set of requirements and conditions pursuant to this Declaration.

B. The Owners of the property described in Exhibits A and B are willing to assign, convey and relinquish to Founders Village, Inc., all rights given to the Grantor in and under this Master Declaration. Principal Owners desire to assign such rights to the Grantor in order to ensure the orderly development of Founders Village without the involvement of the several Principal Owners in the development of Founders Village or the sale of individual lots to ultimate owners and users.

C. Founders Village is an area of unique natural beauty, featuring distinctive terrain. It is the desire and intent of Grantor to create a community in which such beauty shall be substantially preserved and, for the enjoyment and convenience of the persons living in the Village, enhanced by the installation and operation of recreational and limited business and commercial facilities. These covenants, conditions and restrictions, all of which are hereinafter included in the term “Master Declaration”, are intended to secure such objectives for all of Founders Village whether submitted to this Declaration pursuant to the recording of this Master Declaration or pursuant to a Supplemental Declaration recorded subsequent to the recording of this Master Declaration.

**D E C L A R A T I O N**

NOW, THEREFORE, the Owners of the property described in Exhibits A and B hereby assign, relinquish and convey to Founders Village, Inc., all right, power and

authority to act in their stead as Grantor under this Master Declaration in order to expedite and enhance the ability of Major Developers and other parties to develop and sell parcels of Land in Founders Village and to burden such Owners' Property with the covenants, conditions, restrictions and equity servitudes set for the in this Master Declaration; and

FURTHER, Grantor hereby declares that the property described in Exhibit A Founders Village is and shall henceforth be owned, held, conveyed, encumbered, leased, improved, used, occupied, and enjoyed subject to the following uniform covenants, conditions, restrictions and equitable servitudes in furtherance of, and the same shall constitute, a general plan for the subdivision, ownership, improvement, sale, use and occupancy of the Village, and to enhance the value, desirability and attractiveness of the Village. This Master Declaration shall run with the Property and all parts thereof; shall be binding upon all persons having or acquiring any interest in the Property or any part thereof; shall inure to the benefit of and be binding upon every part of the Property and every interest therein; and shall inure to the benefit of, be binding upon, and be enforceable by Grantor, its successors in interest, each Owner and his successors in interest, and the Master Association and its successors in interest.

## **ARTICLE I**

### **DEFINITIONS**

Unless the context otherwise specifies or requires, the following words and phrases when used in this Master Declaration shall have the following meanings

1.01 APARTMENT BUILDING shall mean any building (including all improvements and fixtures contained therein) located within the Property within which are located one or more separate apartment units which may be offered for rental or lease by the Owners thereof and which has not been created as a Condominium Unit pursuant to a Supplemental Declaration.

1.02 ARCHITECTURAL COMMITTEE or MASTER ARCHITECTURAL COMMITTEE (hereinafter sometimes "Committee") shall mean the committee created pursuant to Article VIII hereof.

1.03 ARCHITECTURAL COMMITTEE RULES (hereinafter sometimes "Committee Rules") shall mean the rules and guidelines adopted by the Master Architectural Committee pursuant to Section 8.03 hereof.

1.04 ARTICLES shall mean the Articles of Incorporation of the Founders Village Master Association, which have been or will be filed in the office of the Secretary of State of the State of Colorado, as the same from time to time may be amended.

1.05 ASSESSMENTS shall mean assessments of the Master Association and includes both regular and special assessments. An ASSESSMENT shall have the meaning set forth in Section 6.06A hereof.

1.06 ASSESSMENT UNIT shall mean a Lot, a Condominium Unit, a Townhouse, an apartment unit within an Apartment Building or any 1,800 square feet of net rentable space in a Commercial Site. With respect to property included in the Class F membership in the Master Association, on Assessment Unit shall be allocated for each vote allocated to such property.

1.07 ASSOCIATION PROPERTY or MASTER ASSOCIATION PROPERTY shall mean all real and personal property now or hereafter owned by the Master Association, including the real property described in Exhibit C attached hereto.

1.08 BOARD shall mean the Board of Directors of the Master Association.

1.09 BYLAWS shall mean the Bylaws of the Master Association, which may be adopted by the Board, as such Bylaws may be amended from time to time.

1.10 COMMERCIAL SITE shall mean any parcel of land, whether or not improved, which is designated for Commercial Use. If such COMMERCIAL SITE is shown on a recorded Subdivision plat, its size and dimensions shall be as shown thereon and if such COMMERCIAL SITE is not shown on a recorded Subdivision plat, its size and dimensions shall be established by the legal description in the deed of record when such property is first subjected to this Master Declaration. A COMMERCIAL SITE may also be established as such by a recorded instrument wherein the Owner thereof and Grantor designate a parcel of land as a COMMERCIAL SITE.

1.11 COMMERCIAL USE shall mean any governmental, professional, office, business, business park, eleemosynary, trace or industrial use, including any activity involving the offering of goods or services.

1.12 A CONDOMINIUM BUILDING shall mean a building containing Condominium Units.

1.13 CONDOMINIUM UNIT shall mean only a residential condominium unit as defined in Section 38-33-101, et seq., C.R.S. 1973 (as amended), unless this Declaration or any Supplemental Declaration specifically identifies a Condominium Unit as a commercial Condominium Unit.

1.14 CONSUMER PRICE INDEX shall mean the Consumer Price Index for All Urban Consumers for Denver – Boulder, Colorado. All Items, 1967 – 100, as published by the U.S. Department of Labor, Bureau of Labor Statistics, or if said index should ever cease being published, such reasonably similar index as may be designated by the Board.

1.15 FOUNDERS VILLAGE IN THE VILLAGES AT CASTLE ROCK or FOUNDERS VILLAGE shall mean all that real property described on Exhibit “A” to this Master Declaration. FOUNDERS VILLAGE IN THE VILLAGES AT CASTLE ROCK or FOUNDERS VILLAGE shall also mean such additional lands as are now described on Exhibit “B” hereto and which, in either case, have been subjected to this Master Declaration by Grantor or by other Persons with Grantor’s written consent pursuant to Section 2.02.

1.16 FIRST MORTGAGE shall mean any unpaid and outstanding mortgage, deed of trust or other security instrument recorded in the records of the office of the Clerk and Recorder of the County of Douglas, Apartment Building or Commercial Site having priority of record over all other recorded liens except those governmental liens made superior by stature (such as general ad valorem tax liens and special assessments). “First Mortgage”, for the purposes of Section 6.06A(9) and with respect to notice of termination, subordination or modification of certain insurance policies, as provided in Section 10.08, shall also mean and refer to any executors land sales contract wherein the Administrator of Veterans Affairs, an Officer of the United States of America, is the seller, whether such contract is recorded or not, and whether such contract is owned by the said Administrator or has been assigned by the said Administrator and is owned by the Administrator’s assignee, or a remote assignee, and the records in the Office of the Clerk and Recorder of the County of Douglas, Colorado, show the said Administrator as having the record title to the real property described in such contract.

1.17 FIRST MORTGAGEE shall mean any person named as a mortgagee or beneficiary under any First Mortgage and any successor to the interest of any such person under such First Mortgage, and including, for purposed of Section 6.06A(9) and with respect to notice of termination, subordination or modification of certain insurance policies, as provided in Section 10.08, the Administrator of Veterans Affairs, and Officer of the United States of America, and his assigns under any executory land sales contract wherein the said Administrator is identified as the contract wherein the said Administrator is identified as the seller, whether such contract is recorded or not and the records of the Clerk and Recorder of the County of Douglas, Colorado, show the said Administrator as having the record title to the real property in such contract.

1.18 FOUNDERS VILLAGE MAINTENANCE FUND shall mean the fund created for the receipts and disbursements of the Master Association, pursuant to Section 9.01 hereof.

1.19 FOUNDERS VILLAGE RESTRICTIONS shall mean this Master Declaration together with any and all Supplemental Declarations which may be recorded pursuant to Article II hereof, as this Master Declaration or said Supplemental Declaration may be amended from time to time, together with the Founders Village Rules from time to time in effect, and the Articles and Bylaws of the Master Association from time to time in effect.

1.20 FOUNDERS VILLAGE RULES shall mean the rules adopted by the Board pursuant to Section 6.05F hereof, as they may be amended from time to time.

1.21 GRANTOR shall mean Founders Village, Inc., a Colorado corporation, and its successors and assignees designated by recorded instrument.

1.22 IMPROVEMENT shall mean every structure and all appurtenances thereto of every type and kind, including but not limited to buildings, outbuildings, patios, tennis courts, swimming pools, garages, doghouses, mailboxes, aerials, antennas, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, planting, planted trees and shrubs, poles, signs, exterior air conditioning, water softener fixtures or equipment, and poles, pumps, walls, tanks, reservoirs, pipes, lines, meters, towers and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

1.23 LOCAL COMMON AREA shall mean any portion Founders Village, other than Master Association Property designated by the Owner thereof as a common area for the primary benefit of the Owners and occupants of a particular area. It may be owned by such Owners, or by a nonprofit corporation or an unincorporated association in which all such Owners shall be entitled to membership.

1.24 LOT shall mean any parcel of land which is designated on any recorded Subdivision plat, whether or not improved, as a separate parcel of land, whether for commercial or residential use.

1.25 MAJOR DEVELOPER shall mean any person or persons designated as such by Grantor in an instrument, including a Supplemental Declaration, recorded in the real property records of the County of Douglas, State of Colorado.

1.26 MANAGER shall mean the person, firm or corporation employed by the Master Association pursuant to Section 6.06E and delegated the duties, powers or functions of the Association pursuant to said Section.

1.27 MASTER ASSOCIATION (hereinafter sometimes "Association") shall mean Founders Village Master Association, the Colorado nonprofit corporation described in Article VI hereof, and its successors.

1.28 MASTER DECLARATION (herein sometimes "Declaration") shall mean this instrument as it may be amended from time to time.

1.29 MEMBER shall mean any person who is a member of the Master Association pursuant to Section 6.02 hereof.

1.30 MORTGAGE shall mean any mortgage or deed of trust given to secure the payment of a debt and encumbering any Lot, portion of a Multi-Family Site,

Condominium Unit, Townhouse, Apartment Building or Commercial Site, or any Improvements located on any of the above.

1.31 MORTGAGEE shall mean any person named as a mortgagee or beneficiary under any Mortgage, under which the interest of any Owner is encumbered, or any successor to the interest of any such mortgagee or beneficiary under such Mortgage, and specifically includes the Administrator of veterans Affairs of the Veterans Administration under any executory land sales contract wherein the Administrator of Veterans Affairs of the Veterans Administration is seller (whether owned by the said Administrator or assigned to another, and whether or not the executory land sales contract is recorded), and any assignee of said Administrator under any executory land sales contract.

1.32 MULTI-FAMILY SITE shall mean any parcel of land, including a Lot, whether or not shown on a recorded subdivision plat and whether or not improved, which is designated for Apartment Buildings, Condominiums or Townhouses.

1.33 NONDEVELOPER VOTES shall mean those votes, as determined pursuant to Section 6.03A, which are not owned or controlled by Grantor or any Major Developer.

1.34 NOTICE AND HEARING shall mean ten days' written notice given as in Section 10.03 provided and a public hearing at which the person to whom the notice is directed shall have the opportunity to be heard in person or by counsel at his expense.

1.35 OWNER shall mean (1) the person or persons, including Grantor, Major Developer or Principal Owner holding an aggregate fee simple interest in a Lot, Townhouse, other parcel of land within the Property, Commercial Site or a Condominium Unit, or, as the case may be, (2) the purchaser of an aggregate fee simple interest in a Lot, Townhouse, other parcel of land, Commercial Site, or a Condominium Unit under an executory sales contract.

1.36 PERIOD OF GRANTOR CONTROL shall mean the period of time during which the Grantor has the right to appoint the Members of the Board of the Master Association.

1.37 PERMITTED USERS shall mean any Member and any Member's lessee, guest, invitee and member of the family of any Member.

1.38 PERSON shall mean a natural individual or any entity with the legal right to hold title to real property.

1.39 PLANS AND SPECIFICATIONS shall mean any and all documents designed to guide or control an Improvement or other use of property, including but not limited to those indicating size, shape, configuration or materials, all site plans, excavation and grading plans, foundation plans, drainage plans, landscaping and fencing

plans, elevation drawings, floor plans, specifications on all building products and construction techniques, samples of exterior colors, plans for utility services, and all other documentation or information relevant to the Improvement or proposed use of property.

1.40 PRINCIPAL OWNER shall mean the Owners of the real property described in Exhibits A and B which have executed this Master Declaration and assigned to Founders Village, Inc., their rights, power and authority to act as Grantor under this Master Declaration, but shall not include any Owner designated by Grantor as a Major Developer.

1.41 PROPERTY shall mean all of the real property described on Exhibit A, together with any or all of the real property described in Exhibit B if and when such real property is made subject to this Master Declaration pursuant to Section 2.02.

1.42 RECORD, RECORDED, and RECORDATION shall mean, with respect to any document, the recordation of such document in the office of the Clerk and Recorder of the County of Douglas, State of Colorado.

1.43 RESIDENTIAL AREA shall mean any part of the Property zoned or otherwise designated or limited by the Grantor for development and use for residential purposes, including single-family detached houses, apartments, townhouses and condominiums.

1.44 RESIDENTIAL LOT shall mean a Lot which is designated for single-family, detached residence use.

1.45 SUBASSOCIATION shall mean any Colorado nonprofit corporation or unincorporated association and its successors, organized and established by Grantor or by Grantor and a Major Developer pursuant to or in connection with a Supplemental Declaration recorded by Grantor or by Grantor and a Major Developer, as provided in Sections 2.01 and 6.01.

1.46 SUBDIVISION shall mean a parcel of land, which has been shown, on a recorded final subdivision plat approved pursuant to the applicable ordinances of Castle Rock, Colorado.

1.47 SUPPLEMENTAL DECLARATION shall mean any declaration of covenants, conditions and restrictions, which may be hereafter recorded by Grantor or Grantor and a Major Developer.

1.48 TOWNHOUSE shall mean an attached dwelling unit for single-family use which is designated as a townhouse on any recorded final subdivision plat approved pursuant to the applicable ordinances of Castle Rock, Colorado.

# **ARTICLE II**

## **DEVELOPMENT OF FOUNDERS VILLAGE: ANNEXATION**

SECTION 2.01 SUBDIVISION AND DEVELOPMENT. Founders Village will be divided into several areas which will be developed by Grantor or through Major Developers. At Grantor's option, some of said areas will be dedicated as Local Common Areas, Association Property, or for other purposes for the benefit of the developed areas, in accordance with a master plan for Founders Village. It is contemplated that the Village will be developed pursuant to such master plan, as it may from time to time be amended or modified, as a unified planned development district in which the development of, and restrictions upon, each portion there of will benefit each other portion and the whole thereof. As each area is developed or dedicate, Grantor, or if the area is owned by a Major Developer, Grantor and such Major Developer, may record one or more Supplemental Declarations with respect thereto which will refer to this Master Declaration and designate the use classification for such area, and which may supplement the Master Declaration with such additional covenants, conditions, and restrictions as Grantor or Grantor and such Major Developer may deem appropriate for that area. Such Supplemental Declaration may, but need not, provide for the establishment of a Subassociation to be comprised of Owners within the area subject thereto. Any Supplemental Declaration may prove its own procedure for the amendment of any provisions thereof, subject to Grantor consent. All lands, Improvements and uses in each area so developed shall be subject to both this Master Declaration and the Supplemental Declaration, if any, for that area. In the even of any conflict between any such Supplemental Declaration and this Master Declaration, the terms and provisions of this Master Declaration shall govern.

SECTION 2.02 ANNEXATION. Grantor, and other Persons with Grantor's written consent, may at any time and from time to time add to the lands which are subject to this Declaration all or any portion of the lands described in Exhibit "B" attached hereto. Except as may be provided otherwise in paragraph D of this Section 2.02 (which Notice may be contained within any supplemental Declaration affecting such land), the covenants, conditions, and restrictions contained in this Declaration shall apply to the added land in the same manner as if it had been originally subject to this Declaration; and thereafter the rights, privileges, duties and liabilities of the Persons subject to his Declaration shall be the same with respect to the added land as with respect to the lands originally covered by this Declaration.

Improvement installed within areas to be added to this Master Declaration shall be consistent in quality with the overall development plan for Founders Village and shall be of such quality and character as will serve the purposes and objectives for which this Master Declaration has been established, as determined by Grantor in its sole discretion. Any lien arising from ownership or construction upon land added to this Master Declaration shall appertain only to such land and improvements located thereon and shall not affect the rights of existing Owners or the priority of Mortgages on Lots, Condominium Units, Townhouses, Apartment Buildings, Commercial Sites, Master Association Property or Local Common Areas within the Property theretofore subject to this Master Declaration.

The Notice of Addition of Land referred to hereinabove shall contain the following provisions:

- A. A reference to this Declaration, which reference shall state the date of Recordation hereof and the book and page numbers wherein this Declaration is recorded;
- B. A statement that the provisions of this Declaration shall apply to the Added land as set forth herein;
- C. An adequate legal description of the added land;
- D. Grantor's written consent if the added land is not then owned by Grantor;
- E. Written consent of the Owner or Owners of the added land; and
- F. Written approval of the Veteran's Administration or Federal Housing Administration, as determined by the Grantor, pursuant to Section 10.07, if the annexation is to be effective during the Period of Grantor Control. No consent of other Owners or Mortgages shall be required.

**SECTION 2.03 LANDS OWNED BY MAJOR DEVELOPER.** If an area has been sold to a Major Developer, any Supplemental Declaration with respect thereto shall be executed by both Grantor and such Major Developer.

# **ARTICLE III**

## **GENERAL RESTRICTIONS**

All real property within Founders Village shall be owned, held, conveyed, encumbered, leased, used, occupied and enjoyed subject to the following limitations and restrictions:

**SECTION 3.01 ANTENNAS.** Except for any which may, at Grantor's option, be erected by Grantor or Grantor's designated representative, no exterior antenna or aerial for reception of radio, television or other electronic signal, or satellite dishes shall be erected or maintained in Founders Village without the prior written approval of the Master Architectural Committee.

**SECTION 3.02 INSURANCE RATES.** Nothing shall be done or kept in Founders Village which will increase the rate of insurance on any Association Property without the approval of the Board, nor shall anything be done or kept in Founders Village which would result in the cancellation of insurance on any Association Property or which would be in violation of any law.

**SECTION 3.03 NO FURTHER SUBDIVIDING.** No part of the Property shall be further divided or subdivided, nor may any easement or other interest herein less than the whole be conveyed by the Owner thereof (including any Subassociation) without the prior written approval of the Master Architectural Committee; provided, however, that when Grantor, a Major Developer, or a Principal Owner is the Owner thereof, a Major Developer, or a Principal Owner may further divide and subdivide any part of the Property and convey any easement or other interest less than the whole, all without the approval of the Master Architectural Committee, provided that the Master Architectural Committee sign any subdivision plat for such further subdivision if the number of lots or permitted density is changed; and provided further that nothing herein shall be deemed to require the approval of the Master Architectural Committee for the transfer or sale of any Lot or other parcel of land, including Improvements thereon, or Condominium Unit to more than one person to be held by them as tenants in common or joint tenants, or for the granting of any Mortgage.

**SECTION 3.04 SIGNS.** No sign of any kind shall be displayed to the public view without the approval of the Master Architectural Committee; provided, however, that signs not more than three feet by two feet may be displayed on or from a residence advertising the residence for sale or lease. No flashing or moving signs shall be permitted in Founders Village.

**SECTION 3.05 NUISANCES.** No rubbish or debris of any kind shall be placed or permitted to accumulate upon any property within Founders Village and no odors shall be permitted to rise therefrom so as to render any such property or any portion thereof

unsanitary, unsightly, offensive or detrimental to any other property or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any such property so as to be offensive or detrimental to any other property or to its occupants. Without limiting the generality of any of the forgoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on any such property without the prior written approval of the Board.

SECTION 3.06 REPAIR OF BUILDING. No Improvement hereafter constructed upon any land within Founders Village shall be permitted to fall into disrepair, and each such Improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished by the Owner (including the Master Association and any Subassociation) thereof.

SECTION 3.07 IMPROVEMENTS AND ALTERATIONS. There shall be no construction, other than repairs pursuant to Section 3.06 above, excavation or alteration which in any way alters the exterior appearance of any Improvement or results in the removal of any Improvement without the prior approval of the Master Architectural Committee.

SECTION 3.08 VIOLATION OF FOUNDERS VILLAGE RULES. There shall be no violation of the Founders Village Rules once adopted by the Board and made available to the Persons affected thereby. If any Owner or his family or any guest, licensee, lessee or invitee of such Owner or his family violates the Founders Village Rules, the Board may invoke any one or more of the following remedies: (a) impose a special charge upon such owner of not more than Fifty Dollars for each violation; (b) suspend the right of such Owner and his family, guests, licensees, lessees and invitees to use Association Property under such conditions as the Board may specify, for a period not to exceed thirty days for each violation; (c) cause the violation to be cured and charge the cost thereof to such Owner; and (d) obtain injunctive relief against the continuance of such violation. Before invoking any such remedy, the Board shall give such Owner Notice and Hearing except that the Board may suspend the right of any Owner and his family, guests, licensees, lessees and invitees without Notice and Hearing for any period during which any Assessment owed by such Owner is past due and unpaid. Any assessment or charge imposed under this Section 3.08 which remains unpaid for a period of ten days or more, shall become a lien upon the Owner's land or Condominium Unit upon its inclusion in a recorded notice thereof and may be collected as provided in Article IX below for the collection of other Assessments. The duties and powers of the Board pursuant to this section may be delegated in a committee of Members, Directors, or both.

SECTION 3.09 DRAINAGE. There shall be no interference with the established drainage patterns over any property within Founders Village, except by Grantor or a Principal Owner, unless adequate provision is made for proper drainage and approved by the Master Architectural Committee.

SECTION 3.10 NO HAZARDOUS ACTIVITIES. No activities shall be conducted on any property and no Improvements constructed on any property which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any property except in portions of Master Association Property that may be designated for skeet shooting or rifle or pistol range purposes by Grantor or by the Master Association; and no open fires shall be lighted or permitted on any property except in a contained barbecue unit while attendee and in use for cooking purposes or within a safe and well-designed interior fireplace or except such campfires or picnic fires in the portions of Master Association Property designated for such use by Grantor or the Master Association or in portions of Local Common Areas designated for such use by the appropriate Subassociation.

SECTION 3.11 NO TEMPORARY STRUCTURES. No tent or shack or other temporary building, improvement or structure shall be placed on any property, except that, subject to the Founders Village Rules, tents may be used for overnight recreational camping on portions of Master Association Property or Local Common Areas designated by either the Master Association or Subassociation as appropriate, and except that temporary structures, including but not limited to construction trailers, necessary for storage of tools and equipment and for office space for architects, builders and foremen during actual construction may be maintained with the prior approval of Grantor, such approval to include the nature, size and location of such structure.

SECTION 3.12 NO MINING AND DRILLING. No property shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate or earth, except that (a) Grantor or the Master Association may, by appropriate written permit, grant, license or easement, allow the drilling of wells and the installation of infiltration galleries and other improvements for the extraction of water; and (b) the Master Association, with the prior written consent of all the votes entitled to be cast and, during the Period of Grantor Control, with the prior written consent of Grantor, may, by appropriate written permit, grant, license or easement, allow any of the foregoing activities not referred to in (a) above to the extent permitted by applicable zoning and other ordinances, regulations and statutes, local, state or federal. Any of the activities permitted under paragraphs (a) and (b) of this Section 3.12 shall not be conducted in such a manner as to cause subsidence on adjacent portions of the Property or so as to interfere with any Improvements previously constructed on portions of the Property adjacent to such activities.

SECTION 3.13 VEHICLES. The use of all vehicles, including but not limited to helicopters, gliders, trucks, automobiles, graders, boats, tractors, pickups, mobile homes, trailers, buses, campers, recreational vehicles, bicycles, motorcycles, motor scooters, wagons, sleighs and snowmobiles, shall be subject to the Founders Village Rules, which may prohibit or limit the use thereof within specified parts of Founders Village, and which may also provide parking regulations and adopt other rules regulating the same.

SECTION 3.14 CONSTRUCTION ACTIVITIES. This Master Declaration shall not be construed so as to unreasonably interfere with or prevent normal construction activities during the construction of Improvements by any Owner (including Grantor or any Major Developer or Principal Owner) upon property within Founders Village, provided that when completed such Improvements shall in all ways conform to this Master Declaration. Specifically, no such construction activities shall be deemed to constitute a nuisance or a violation of this Master Declaration by reason of noise, dust, presence of vehicles or construction machinery, posting of signs or similar activities, provided that such construction is pursued to completion with reasonable diligence, is in compliance with applicable federal, state and local laws and ordinances and any rules and regulations adopted pursuant thereto, and conforms to usual construction practices in the area. In the event of any dispute, a temporary waiver of the applicable provision, including but not limited to any provision prohibiting temporary structures, may be granted by the Master Architectural Committee, provided that such waiver shall be only for the reasonable period of such construction. Such waiver may, but need not, be recorded or in recordable form. No construction activities shall be carried on in such a way as to create a health hazard or unreasonably interfere with the use and enjoyment by any Owner or his family of any Residential Lot, Condominium Unit, Townhouse or apartment unit. No portion of the Property may be stripped of natural vegetation unless in connection with construction of Improvements or installation of landscaping within such portion of the Property. If such construction or installation has not commenced within a reasonable time after the natural vegetation has been stripped, the Owner of such portion of the Property shall take appropriate steps to prevent the erosion or blowing of soil from the Property.

SECTION 3.15 EASEMENTS GRANTED BY GRANTOR. Notwithstanding anything in this Master Declaration to the contrary, Grantor may grant easements over, under, in and across any part of Founders Village for electric, transmission lines, telephone lines, gas lines, water and sewer lines and facilities, cable television lines and facilities, drainage and all other utilities, provided that such easements which are granted after construction of permanent Improvements upon any Lot, Condominium Unit, Apartment Building, Townhouse or Commercial Site shall not unreasonably interfere with the use of such Improvements. If such easements are granted by Grantor, the costs of installing and maintaining any improvements pursuant to such easement shall be paid by either the Grantor or the grantee under the easement, as Grantor may determine, and the party responsible for such costs shall restore the ground disturbed by such improvements to its conditions immediately prior to such construction or installation and shall be responsible for any other damages caused by such construction or installation.

SECTION 3.16 ASSIGNMENT BY GRANTOR. Any other provision of this Master Declaration to the contrary notwithstanding, Grantor may assign in whole or in part any of its privileges, exemptions, rights and duties under this Master Declaration to any other rights and duties under this Master Declaration to any other Person and may permit the participation in whole or in part by any other Person in any of its privileges, exemptions, rights and duties hereunder. Without in any way limiting and generality of the preceding sentence, Grantor may permit any Principal Owner, any Major Developer,

or any assignee or successor in interest of all or substantially all of Grantor's or any Principal Owner's interests, rights, and responsibilities in and to the Property, to exercise any or all powers and duties of the Master Architectural Committee.

# **ARTICLE IV**

## **PERMITTED USES AND RESTRICTIONS – RESIDENTIAL AREAS**

**SECTION 4.01 RESIDENTIAL AREAS AND LOCAL COMMON AREAS.** All property within any Residential Area (excluding any Master Association Property or Local Common Area in such residential area) shall be improved and used solely for residential use; except that any Local Common Areas in such residential area may be improved and used for active and passive recreational purposes for the primary benefit of the Owners and occupants of Lots and Multi-Family sites in such Residential Area. The Supplemental Declaration recorded for a Residential Area shall designate such area to be either a single-family residential area or a multi-family residential area, and may further designate such residential use for that area to be attached or detached single-family residences or any combination thereof in the case of a single-family residential area, or one or more Apartment Buildings, Condominium Buildings or Townhouses or any combination thereof in the case of a multi-family residential area. The Supplemental Declaration may designate an area as a planned unit development combining both single-family and multi-family residences where permitted by the applicable zoning and other development ordinances and the Founders Village Restrictions.

**SECTION 4.02 IMPROVEMENTS AND USE.**

A. No Residential Lot shall be improved or used except by a dwelling or structure designed to accommodate no more than a single family and its servants and occasional guests, plus a garage, fencing and such other Improvements as are necessary or customarily incident to a single-family residence; provided, however, that separate guest houses, servants' quarters, and barns, stables and corrals may be erected on any Lot if permitted by the appropriate Supplemental Declaration and the applicable zoning and other development ordinances.

B. No Multi-Family Site shall be improved or used except by an Apartment building, Condominium Building, or Townhouse, or any combination thereof, except that a Multi-Family Site may also be used for single-family residential purposes to the extent permitted by applicable zoning and other development ordinances and the Founders Village Restrictions.

**SECTION 4.03 RESIDENTIAL USE: RENTALS.** No residence on any Lot or Multi-Family Site shall be used for any purpose other than single-family residential

purposes. However, nothing in this Declaration shall prevent the rental of property within a residential area by the Owner thereof for residential purposes, on either a short or long-term basis subject to all the provisions of the Founders Village Restrictions. No commune or similar type living arrangement shall be permitted anywhere within Founders Village.

SECTION 4.04 ANIMALS. No kennel or other facility for raising or boarding dogs or other animals for commercial purposes shall be kept in any portion of the Property except Commercial Sites upon which such use has been approved by the Master Architectural Committee. No animals of any kind shall be raised, bred or kept on any Lot or Multi-Family Site or within any Condominium Unit, Townhouse or Apartment Building except dogs, cats or other ordinary household pets; provided, however, that horses may be raised, bred and kept on any Lot to the extent permitted by applicable zoning and other development ordinances and the Founders Village Restrictions. No poultry may be kept on any part of the Property.

SECTION 4.05 UNSIGHTLY ARTICLES. No unsightly article shall be permitted to remain on any part of the Property so as to be visible from adjoining property or public or private thoroughfares. Without limiting the generality of the foregoing trailers, mobile homes, recreation vehicles, graders, trucks other than pickups, boats, tractors, campers, wagons, buses, sleighs, motorcycles, motor scooters, snowmobiles, snow removal equipment and garden and maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure or screened from view and no repair or maintenance work shall be done on any of the foregoing, or on any automobile or pickup truck other than minor emergency repairs, except in an enclosed garage or other structure; refuse, garbage and trash shall be kept at all times in a covered, noiseless container and any such container shall be kept within an enclosed structure or appropriately screened from view; service areas, storage areas, compost piles and facilities for hanging, drying or siring clothing or household fabrics shall be appropriately screened from view; no lumber, grass, plant waste, shrub or tree clippings, metals, bulk materials or scrap, refuse or trash shall be kept, stored or allowed to accumulate on any part of the Property except within an enclosed structure or appropriately screened from view; and liquid propane gas, oil and other exterior tanks shall be kept within an enclosed structure or permanently screened from view.

# ARTICLE V

## **PERMITTED USES AND RESTRICTIONS – OTHER AREAS**

SECTION 5.01 MASTER ASSOCIATION PROPERTY. Any other provision of this Master Declaration to the contrary notwithstanding, no land within any part of the Property, including Master Association Property shall be improved by any Improvement, used or occupied except in such manner as shall have been approved by the Master Architectural Committee. Such required approval shall extend to the nature and type of use, occupancy, and Improvement, and if such approval is given, evidence of such approval shall be given by recorded Supplemental Declaration. The Master Architectural Committee may delegate its right to grant such approvals to the Board or any Architectural committee established under a Supplemental Declaration. No approval shall be granted which would be in contravention of the zoning or other development ordinances then in effect for the area in question.

SECTION 5.02 COMMERCIAL AREAS. Notwithstanding the applicable zoning and other development ordinances, no noxious or offensive trades, services, activities, or businesses shall be conducted on any Commercial Site, nor shall anything be done thereon which be or become an annoyance or nuisance to other Owners or to other occupants of lands within Founders Village, by reason of unsightliness, or excessive emissions of fumes, exhaust, odors, glare, vibration, gases, air, wind, radiation, dust, liquid waste, solid waste, heat, smoke, noise or otherwise. Each Owner and each occupant of a Commercial Site shall keep such Site and the Improvements thereon in a safe, clean, neat and wholesome condition, and shall comply in all respects with all applicable governmental requirements and the Founders Village Restrictions. All uses of property within any commercial Site shall require the prior approval of the Grantor, unless the Grantor specifically waives right of approval in a Supplemental Declaration for a Commercial Site.

# ARTICLE VI

## **FOUNDERS VILLAGE MASTER ASSOCIATION**

SECTION 6.01 ORGANIZATION. The Master Association is a Colorado nonprofit corporation created for the purposes, charged with the duties, and invested with the powers prescribed by law or set forth in its Articles and Bylaws or in this Master Declaration. Neither the Articles nor Bylaws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Master Declaration. In case of conflict between the Master Declaration and the Articles of Incorporation and Bylaws, the Master Declaration shall control, and in case of conflict between the Articles of Incorporation and Bylaws, the Articles of Incorporation shall control. Nothing in this Master Declaration shall prevent the creation, by provision therefore in Supplemental

Declarations executed and recorded by Grantor, or, as to lands owned by a Major Developer, by Grantor and such Major Developer, of Subassociations to own, assess, regulate, operate, maintain or manage the portions of Founders Village subject to such Supplemental Declarations or to own or control portions thereof for the common benefit of Owners and occupants of any portions of the real property or Condominium Units in the portion of Founders Village subject to such Supplemental Declarations. In case of conflict between the Master Declaration and Articles of Incorporation of the Master Association on the one hand and the Supplemental Declaration and other organizational documents of any Subassociation on the other hand, the Master Declaration and Articles of Incorporation of the Master Association shall control.

SECTION 6.02 MEMBERSHIP. Only the Owners defined in Section 6.03A below and Grantor shall be Members of the Master Association; provided, however, that no Person shall be a Member by reason of ownership of lands used for public school or governmental or quasi-governmental purposes, or by reason of ownership of any park, public land, road, easement, right of way, mineral interest or Mortgage. Each Owner as defined in the preceding sentence shall automatically be a Member of the Master Association without the necessity of any further action on his part, and Master Association membership shall be appurtenant to and shall run with the property interest, ownership of which qualifies the Owner thereof to membership. Membership may not be severed from, or in any way transferred, pledged, mortgaged, or alienated, except together with the title to the property interest, ownership of which qualifies the Owner thereof to membership, and then only to the transferee of title to said property interest, and except that such membership may be assigned to a First Mortgagee in connection with the financing of a Member's property. Any attempt to make a prohibited severance, transfer, pledge, mortgage or alienation shall be void.

#### SECTION 6.03 VOTING RIGHTS.

A. The Association shall have the following six classes of voting membership:

1. 1. Class A: Class A Members shall be all of the Owners of Residential Lots, including Grantor, Principal Owners and Major Developers. Each Class A Member shall be entitled to one (1) vote per Residential Lot for each Residential Lot in the Property owned by said Class A Members. When more than one person owns any Residential Lot, all such Persons shall be Members, but the vote appurtenant to such Residential Lot shall be exercised as the several Owners among themselves determine and in no event shall more than one (1) vote be cast with respect to any Residential Lot.
2. 2. Class B: Class B members shall be all of the Owners of Townhouses, including Grantor, Principal Owners and Major Developers. Each Class B Member shall be entitled to one (1) vote per Townhouse for each Townhouse in the Property owned by said Class B Members. When more than one person owns any Townhouse, all such Persons shall be Members,

but the vote appurtenant to such Townhouse shall be exercised as the several Owners among themselves determine and in no even shall more than (1) vote be cast with respect to any Townhouse.

3. 3. Class C: Class C members shall be all of the Owners of Condominium Units, including Grantor, Principal Owners and Major Developers. Each class C Member shall be entitled to one (1) vote per Condominium Unit for each Condominium Unit in the Property owned by said Class C Members. When more than one person owns any Condominium Unit, all such Persons shall be Members, but the vote appurtenant to such Condominium Unit shall be exercised as the several Owners among themselves determine and in no even shall more than one (1) vote be cast with respect to any condominium Unit.
4. 4. Class D: Class D members shall be all of the Owners of Apartment Buildings, including Grantor, Principal Owners and Major Developers. Each Class D Member shall be entitled to one (1) vote for each 1,800 net rentable square feet of living space within such Apartment Building (referred to herein as "Apartment Unit"). When more than one person holds and interest in an Apartment Building, all such Persons shall be Members, but the vote appurtenant to such Apartment Building shall be exercised as the several Owners among themselves determine and in no event shall more than one (1) vote be cast with respect to any Apartment Unit. In the event any Apartment building is converted to Condominium ownership during the term of the Master Declaration, all Class D memberships within such Apartment Building shall be converted to Class C memberships with each Condominium Unit receiving a Class C membership on the effective date of such conversion. In the event all Apartment Buildings within the Property are converted to Condominium Ownership, the Class D membership shall terminate.
5. 5. Class E: Class E Members shall be all of the Owners of Commercial Sites, including Grantor, Principal Owners and Major Developers. Each Class E Member shall be entitled to one (1) vote for each 1,800 square feet of net rentable area within such Commercial Site. When more than one Person holds an interest in a commercial Site, all such Persons shall be Members, but the vote appurtenant to such Commercial Site shall be exercised as the several Owners among themselves determine and in no event shall more than (1) vote be cast with respect to any 1,800 square feet of net rentable area within such Commercial Site.
6. 6. Class F: class F Members shall be all of the Owners of parcels of land within Founders Village not included within classes A through E, including Grantor, Principal Owners and Major Developers. Each Class F Member shall be entitled to one (1) vote for each residential development unit approved for such property by the Town of Castle Rock, one (1) vote for each 2,5/0 gross square feet of land area within any such property approved for Neighborhood Business commercial use by the Town of Castle Rock, and one (1) vote for each 1,715 gross square feet of land area within any such property approved for Integrated Business commercial

use by the Town of Castle Rock. When more than one Person holds and interest in such property, all such Persons shall be Members, but the vote appurtenant to such property shall be exercised as the several Owners among themselves determine and in no event shall more than (1) vote be cast with respect to each residential development unit approved for such property or the number of gross square feet of area approved for commercial use as set forth above. Property included within the Class F membership shall be obligated to pay assessments on the bases of one Assessment Unit for each vote allocated to such property.

B. JOINT OR COMMON OWNERSHIP. If any property interest, ownership of which entitles the Owner thereof to vote, is held jointly or in common by more than one Person, the vote or votes to which such property interest is entitled shall also be held jointly or in common in the same manner. However, the vote or votes for such property interest shall be cast, if at all, as a unit, and neither fractional votes nor split votes shall be allowed. In the even that such joint or common owners are unable to agree among themselves as to how their vote or votes shall be cast as a unit, they shall lose their right to cast their votes on eh matter in question. Any joining or common Owner shall be entitled to cast the vote or votes belonging to the joint or common Owners unless another joint or common Owner shall have delivered to the Secretary of the Master Association prior to the election a written statement to the effect that the Owner wishing to cast the vote or votes has not been authorized to do so by the other joint or common Owner or Owners, in which even no vote may be cast for such joining or common Owners.

C. PROXY VOTING. Any Owner, including Grantor, any Principal Owner and any Major Developer may give a revocable written proxy to any person authorizing the latter to cast the Owner's votes on any matter. Such written proxy shall be in such form as may be prescribed by the Bylaws of the Master Association.

D. CUMULATIVE VOTING. The cumulative system of voting shall not be used for any purpose.

E. APPOINTMENT OF DIRECTORS DURING PERIOD OF GRANTOR CONTROL. Notwithstanding the provisions of Section 6.03A of this Master Declaration, Grantor shall have the right, at Grantor's option, to appoint all the officers and directors of the Master Association prior to termination of the Period of Grantor Control. The Board of Directors shall appoint the officers of the Master Association and direct the business of the Master Association in accordance with Articles of Incorporation and By-Laws of the Master Association and the Founders Village Restrictions. After termination of the Period of Grantor Control, the Board of Directors shall be elected by Delegates representing Delegate Districts within the Property, as described below. Delegates shall be elected by the Owners within each Delegate District, acting in their capacity as members of the Master Association.

F. TERMINATION OF PERIOD OF GRANTOR CONTROL. The Period of Grantor Control shall terminate upon the first to occur of the following events:

1. 120 days following the date when seventy-five percent (75%) of the Lots, Condominium Units, Townhouses, Apartment Buildings and Commercial Sites and property representing 75% of the votes allocated to parcels of land within the Class F Membership, within the Property have been conveyed by Grantor, a Principal Owner or a Major Developer to the first owner thereof (other than Grantor, a Principal Owner or a Major Developer); provided, however, that if, during such 120-day period, additional real property is annexed to the Property pursuant to Section 2.02 above, so that Grantor, Principal Owners and all Major Developers again own at least twenty-five percent (25%) of the Lots, the Condominium Units, Townhouses, Apartment Buildings, Commercial Sites or property in the Class F Membership within the Property, the Period of Grantor Control shall not be deemed to have been terminated;
2. Fifteen (15) years from the date upon which this Master Declaration is recorded in the office of the Clerk and Recorder for the County of Douglas, Colorado; or
3. On a date certain set forth in a written notice from the Grantor to the Secretary of the Master Association stating Grantor's intent to terminate the Period of Grantor Control as of such date.

#### SECTION 6.04 MEETINGS OF MEMBERS.

A. There shall be an annual regular meeting of the Members of the Master Association on the first Tuesday in January of each year at 10:00 a.m. at the principal office of the Master Association. Except as provided in the next sentence, no notice need be given of said annual regular meeting. Said annual regular meeting may be held at such other reasonable place or time (not more than thirty days before or after the aforesaid date) as may be designated by notice of the Board given to the members not less than ten nor more than fifty days prior to the date fixed for said regular meeting. Special meetings of the Members may be called at any reasonable time and place by notice by the Board or by Notice by Members having one-fifth of the total votes, delivered not less than ten or mailed not less than fifteen days prior to the date fixed for said special meeting, to all Members if given by the Board and to all other Members if given by said Members. All notices of meetings shall be addressed to each Member as his address appears on the books of the Master Association. Participation of Members in all meetings of the Master Association shall be through Delegate Districts for voting purposes, but any Member may attend and observe any meeting of the Master Association or the Board.

B. The presence at any meeting, in person or by proxy, of Delegates entitled to vote at least a majority of total votes outstanding shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Delegates present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours nor more than thirty days from the time set for the original meeting, at which adjourned meeting the quorum requirement shall be the Delegates entitled to vote 25% of the total votes.

C. The Chairman of the Board of Directors, or in his absence the Vice Chairman, shall call meetings to order and act as chairman of such meetings. In the absence of both of said officers, any Member entitled to vote thereat or any proxy of any such member may call the meeting to order, and a chairman of the meeting shall be elected. The Secretary of the Master Association, or in his absence the Assistant Secretary, shall act as Secretary of the meeting. In the absence of both the Secretary and the Assistant Secretary, a secretary shall be selected in the manner aforesaid for selecting a chairman of the meeting.

D. Except as provided otherwise in this Master Declaration, any action may be taken at any legally convened meeting of the Members upon the affirmative vote of the Delegates representing a majority of the total votes present at such meeting in person or by proxy.

E. The Property shall be divided into Delegate Districts, as hereinafter described, and each Delegate District shall elect one (1) Delegate to the Master Association to exercise the voting power of all the Members in such Delegate District. If a Subassociation is created pursuant to a Supplemental Declaration, then all of the Property within the jurisdiction of the Subassociation shall constitute a Delegate District. In the event that no Subassociation is created for any portion of the Property, then the Delegate District(s) for such portion shall be established by a Supplemental Declaration for such Property. Such Supplemental Declarations or other instruments shall contain legal descriptions of the portions of the Property, which shall be or become part of a Delegate District and a statement that such real property described therein shall be or become part of a designated Delegate District for purposes of this Master Declaration.

F. Each Member shall have the right to cast votes for the election of the Delegate to the Association to exercise the voting power of the Delegate District in which the Member's property is located. The Member shall have the same voting rights for the election of the Delegate from that Delegate District as area provided in paragraph 6.03A above. The Bylaws of the Master Association shall provide for the manner, time, place, conduct, and voting procedures for Member meetings for the purpose of electing a Delegate.

G. Each Delegate may cast one (1) vote for each vote allocated to all the Members within the Delegate District under paragraph 6.03A above. Each Delegate shall cast the votes which he or she represents in such manner as the Delegate, in his or her sole discretion, deems appropriate, acting on behalf of all the Members in the Delegate District; provided, however, that in the event that a least a majority in interest of the Members in any Delegate District shall determine at any duly constituted meeting of the Members in such Delegate District to instruct their Delegate as to the manner in which he or she is to vote on any issue, then the Delegate representing such Delegate District shall cast all of the voting power in such Delegate District in the same proportion, as nearly as possible without counting fractional votes, as the Members in such Delegate District shall have cast their votes "for" and "against" such issue in person or by proxy. A Delegate shall have the authority, in his or her sole discretion, to call a special meeting of the

Members of the Delegate's Delegate District in the manner provided in the Bylaws of the Master Association, for the purpose of obtaining instructions as to the manner in which to vote on any issue to be voted on by the Delegates. When a Delegate is voting without instruction from the Members represented by such Delegate, then all of the votes may be cast as a unit, or the Delegate may apportion some of such votes in favor of a given proposition and some of such votes in opposition to such proposition. It will be presumed for all purposes of Association business that any Delegate casting votes will have acted with the authority and consent of all of the Members of the Delegate District of such Delegate. All agreements and determinations lawfully made by the Master Association in accordance with the voting procedures established herein, and in the Bylaws of the Master Association, shall be binding on all Members and their successors and assigns.

SECTION 6.05 DUTIES OF THE MASTER ASSOCIATION. Subject to and in accordance with the Founders Village Restrictions, the Master Association shall have and perform, through the Board, each of the following duties of the benefit of the Members of the Master Association:

A. MASTER ASSOCIATION PROPERTY. To accept, own, operate and maintain all Master Association Property which may be conveyed to it by Grantor or any other person or entity, together with all Improvements of whatever kind and for whatever purposes which may be located in said areas; and to accept, own, operate and maintain all other property, real and personal, conveyed to the Master Association by Grantor or any other person or entity.

B. TITLE TO PROPERTY UPON DISSOLUTION. To pay over or convey, upon dissolution of the Master Association, the assets of the Master Association to one or more exempt organizations of the kind described in Section 501(c) of the Internal Revenue Code of 1954, as amended from time to time.

C. REPAIR AND MAINTENANCE OF ASSOCIATION PROPERTY. To maintain in good repair and condition all lands, Improvements, and other Association Property owned by the Master Association.

D. PAYMENT OF TAXES. To pay all real and personal property taxes and other taxes and assessments levied upon or with respect to any property owned by or leased to the Master Association, to the extent that such taxes and assessments are not levied directly upon the Members. The Master Association shall have all rights granted by law to contest the legality and the amount of such taxes and assessments.

E. INSURANCE. The Master Association shall maintain insurance covering all insurable improvements located or constructed upon the Master Association Property. The Master Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance.

1. A policy of property insurance covering all insurable improvements located on the Master Association Property, with a “Replacement Cost Endorsement” providing that any claim shall be settled on a full replacement cost basis without deduction for depreciation, and including an “Inflation Guard Endorsement” and “Agreed Amount Endorsement.” The Master Association may also purchase a “Demolition Endorsement”, and “Increased Cost of Construction Endorsement”, a “Contingent Liability from Operation of Building Laws Endorsement” or the equivalent, and/or coverage on personal property owned by the Master Association. Such insurance as maintained by the Master Association pursuant to this subsection shall afford protection against at least the following:
  - i. Loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and
  - ii. Such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard all risk endorsement, where such is available.
2. A comprehensive policy of public liability insurance covering all of the Master Association Property, insuring the Master Association in an amount not less than \$1,000,000 covering bodily injury, including death of persons, personal injury and property damage liability arising out of a single occurrence. Such coverage shall include, without limitation, legal liability of the insured for property damage, bodily injuries and death of persons in connection with the operation, maintenance or use of the Master Association Property, legal liability arising out of law suits related to employment contracts of the Master Association, and protection against liability for non-owned and hired automobile; such coverage may also include, if applicable, garagekeeper’s liability, liability for property of others, host liquor liability, water damage liability, contractual liability, workmen’s compensation insurance for employees of the Master Association, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use.
3. A policy providing adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees and employees of the Master Association and all others who handle or are responsible for handling funds of the Master Association. Such fidelity coverage or bond shall meet the following requirements:
  - i. all such fidelity coverage or bonds shall name the Master Association as an obligee;
  - ii. such fidelity coverage or bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of “employee” or similar expression.
4. If the Master Association Property or any portion thereof is located within an area identified by the Federal Emergency Management Agency as

having special flood hazards, and flood insurance coverage on the Master Association Property has been made available under the National Flood Insurance Program, then such a policy of flood insurance on the Master Association Property in an amount at least equal to the lesser of:

- i. the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or
  - ii. one hundred percent (100%) of current replacement cost of all buildings and other insurable property located within a designated floor hazard area.
5. A policy providing coverage from errors and omissions of officers and directors of the Master Association, in such amounts and containing such provisions as may from time to time be deemed necessary or desirable by the Board of Directors of the Master Association.
6. The following provisions shall apply to all insurance policies of the Master Association:
- i. All such policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Member of the Master Association and shall provide that the policies may not be cancelled or substantially modified without at least thirty days prior written notice to the insured, as well as to the First Mortgagees of each Lot, Townhouse, Condominium Unit or other parcel of land within the Property. Duplicate originals of all policies and renewals thereof, together with proof of payment of premiums, shall be delivered to any First Mortgagee of a Lot, Condominium Unit, Townhouse or other parcel of land within the Property upon written request. The insurance shall be carried in blanket forms naming the Master Association, as the insured, as trustee and attorney in fact for all Owners, and each Owner shall be an insured person under such policies with respect to liability arising out of any such Owner's membership in the Association.
  - ii. If at the time of any loss under any policy which is in the name of the Master Association, there is other insurance in the name of any Owner and such Owner's policy covers the same property or loss, or any portion thereof, which is covered by such Master Association policy, such Master Association policy shall be primary insurance not contributing with any of such other insurance.
  - iii. All insurance policies carried by the Master Association shall be reviewed at least by the Board of Directors of the Master Association to ascertain that the coverage provided by such policies adequately covers those risks insured by the Master Association.

F. FOUNDERS VILLAGE RULES. To make, establish and promulgate, and in its discretion to amend, repeal and reenact, such Founders Village Rules, not in contradiction of this Master Declaration, as it deems proper covering any and all aspects of its functions, including the use and occupancy of Association Property. Without limiting the generality of the foregoing sentence, such Rules may set dues and fees and prescribe the regulations governing the operation of Association Property. Each Member shall be entitled to examine such Rules at any time during normal working hours at the principal office of the Association.

G. MASTER ARCHITECTURAL COMMITTEE. To appoint and remove members of the Master Architectural Committee as provided in Section 8.02 hereof, and to ensure that at all reasonable times there is available a duly constituted and appointed Master Architectural Committee, except that the Grantor shall have the sole right to appoint and remove members of the Master Architectural Committee until such time as neither the Grantor, and Major Developer, nor any Principal Owner owns any Lots, Condominium Unit, Townhouse, or other parcel of land within the Property.

H. ENFORCEMENT HEREOF. To enforce by any proceeding at law or in equity, in its own behalf and in behalf of all Owners, all of the covenants, conditions, restrictions, reservations, liens and charges now or hereafter set forth in this Master Declaration, under an irrevocable agency (hereby granted) coupled with an interest, as beneficiary of sold covenants, conditions, restrictions, reservations, liens and charges, and as assignee of Grantor; and to perform all other acts, whether or not anywhere expressly authorized, as may be reasonably necessary to enforce any of the provisions of the Founders Village Restrictions or of the Master Architectural Committee Rules. Additional enforcement provisions are contained in Section 10.05 of this Master Declaration. Any Owner also may enforce any of the covenants, conditions, restrictions, liens and charges now or hereafter set forth in this Master Declaration.

I. LONG-TERM FINANCING. Subject, during the Period of Grantor Control, to the prior written consent of a majority of the Nondeveloper Votes and of the Veterans Administration or Deferral Housing Administration, and subject, after the Period of Grantor Control, to the prior written consent of a majority of all the votes entitled to be cast, to execute of a majority of all the votes entitled to be cast, to execute mortgages and deeds of trust, both construction and permanent, for construction of facilities, including Improvements, on Master Association Property. Such financing may be effected through conventional mortgages or deeds of trust, the issuance and sale of conventional mortgages or deeds of trust, the issuance and sale of development or other bonds, or in any other form or manner as may be deemed appropriate. The mortgage, deed of trust, or other security interest given to secure repayment of such debt may consist of a first lien or a second or other junior lien, as shall be deemed appropriate, on the Improvement or other facility to be constructed, together with such underlying and surrounding lands within the Association Property as the Master Association deems appropriate. The debt secured by such mortgage, deed of trust or other security instrument may be retired from revenues generated by dues, use fees, assessment of the

Members of the Master Association, or otherwise, or any combination thereof as may be deemed appropriate, but subject to the limitations imposed by this Master Declaration.

J. AUDIT. The Master Association may, but shall not be required to by this Master Declaration, provide an annual audit by an independent certified public accountant of the accounts of the Master Association and to and to make a copy of such audit available to each Member during normal business hours at the principal office of the Master Association. Any Member may at any time and at his own expense cause an audit of inspection to be made of the books and records of the Master Association by a certified public accountant provided that such audit or inspection is made during normal business hours and without unnecessary interference with the operations of the Master Association.

K. AVAILABILITY OF RECORDS. To make available to any Member at the principal office of the Master Association during normal business hours, copies of the Master Declaration, the Articles of Incorporation and Bylaws of the Master Association, where copies may be purchased at a reasonable cost.

L. OTHER. To carry out all duties of the Master Association set forth in the Founders Village Restrictions, or the Articles or Bylaws of the Master Association.

SECTION 6.06 POWERS AND AUTHORITY OF THE MASTER ASSOCIATION. The Master Association shall have all of the powers of a Colorado nonprofit corporation, subject only to such limitations upon the exercise of such power as are expressly set forth in this Master Declaration. It shall further have the power to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers granted to it by the laws of Colorado or by this Master Declaration. Without in any way limiting the generality of the two preceding sentences, the Master Association shall have the following power and authority at all times:

A. ASSESSMENTS. To levy Assessments as provided in this Section 6.06A. An Assessment is defined for the purposes of this Section 6.06A as that sum which must be levied in the manner and against the property set forth below in this Section 6.06A in order to raise the total amount for which the levy in question is being made, and each individual Assessment shall be equal to each other individual Assessment, except as provided otherwise in this Master Declaration. The following provisions shall govern Assessments of the Master Association:

1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, including Grantor, any Principal Owner and any Major Developer, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Master Association: (a) annual assessments to be established and collected as hereinafter such

assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, late charges, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, against which each such assessment is made. The lien may be enforced by foreclosure of the defaulting Owner's Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property by the Master Association in like manner as a mortgage on real property. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, including reasonable attorney's fees. The board of Directors or managing agent of the Master Association may prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of this Lot, Condominium unit, Townhouse, Apartment Building, Commercial Site or other parcel of land, and a description of the Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property. Such a notice shall be signed by one of the Directors of the Association or by the managing agent of the Master Association and may be recorded in the office of the Clerk and Recorder of the County of Douglas, Colorado. The lien for each unpaid assessment shall attach to each Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, at the beginning of each assessment period and shall continue to be a lien against such Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, until paid. The costs and expenses for filing any notice of lien shall be added to the assessment for the Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, against which it is filed or collected as part and parcel thereof. Each assessment, together with interest, late charges, costs, and reasonable attorney's fees, shall also be the personal obligation of each Person who was the Owner of such Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to such Owner's successors in title unless expressly assumed by them. The Association's lien on each Lot, condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property, for assessments shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Colorado or any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against said assessment lien.

2. **PURPOSE OF ASSESSMENTS.** The assessments levied by the Master Association shall be used exclusively to promote the recreation, health and

safety of the residents of the Property, for the repair, replacement, and maintenance of any landscaped right-of way and medians within or adjacent to public or private streets within or abutting the Property which may be the responsibility of the Master Association to maintain, and for the improvement, repair, replacement and maintenance of the Master Association Property and the appurtenances and improvements thereto and thereon, including without limitation, maintenance of landscaping and other improvements located on the Master Association Property, maintenance of greenbelt areas within the Master Association Property, maintenance of bike paths and trails within the Master Association Property, maintenance of any well site and/or the irrigation system within the Master Association Property, pruning trees and hedges located upon the Master Association Property and maintaining all fences, lighting facilities and masonry entryway signs located within the Master Association Property.

3. MAXIMUM ANNUAL ASSESSMENT. Until commencement of the second annual assessment, the maximum annual assessment shall be five Hundred Dollars (\$500.00) per Assessment Unit. The assessment rate on certain Lots, Condominium Units, Townhouses, commercial Sites or other parcels of land within the property, owned by Grantor, any Principal Owner or any Major Developer may be reduced as provided in paragraph (5) of this Section 6.06A. The assessment rate on Commercial Sites owned by any Owner may be reduced as provided in Section 6.08.
4. The following provisions shall govern increases in the maximum annual assessment:
  - i. Effective with commencement of the second and each subsequent annual assessment period, the maximum annual assessment shall be increased effective each annual assessment year by five percent (5%), or in an amount equal to the increase, if any, of the Consumer Price Index for the one-year period ending with the preceding month of December, whichever is greater. This annual increase in the maximum annual assessment shall occur automatically upon the commencement of each annual assessment year without the necessity of any action being taken with respect thereto by the Master Association. In the event the aforesaid Consumer Price Index is not published for whatever reason, then the increase in the maximum annual assessment, as provided herein, shall be calculated by using a substantially comparable index designated by the Board of Directors of the Master Association.
  - ii. Effective with commencement of the second and each subsequent annual assessment period, the maximum annual assessment may be increased above that established by the Consumer Price Index formula, for the next succeeding annual assessment year and at the end of each such annual assessment period, for each succeeding annual assessment year, provided that any such increase shall have

the assent of two-thirds (2/3) of each class of Members who are voting by Delegates at a meeting duly called for this purpose, written notice of which shall be sent to all Members not less than thirty days nor more than sixty days in advance of such meeting setting forth the purpose therefore.

- iii. Subject to the provisions of paragraph (5) of this Section 6.06A relating to the obligation of Grantor, Major Developers and Principal Owners to subsidize the Master Association for certain shortfalls in assessments, the Board of Directors of the Master Association may, at any time and from time to time, after consideration of the projected maintenance costs and other financial needs of the Master Association, and upon written notification to each Owner of the amount of the actual assessment to be levied, fix the actual assessment per each Assessment Unit at an amount less than the maximum, that the rate of assessment then in effect is less than may be necessary to adequately fund all maintenance costs and other financial needs of the Master Association, then the Board of Directors of the Master Association may increase the actual assessment per each Assessment Unit upon written notification thereof to each Owner, provided that the amount of the actual assessment per each Assessment Unit shall not be increased to an amount in excess of the maximum annual assessment for that annual assessment period.
  - iv. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as incident to a merged or consolidation in which the Master Association is authorized to participate under its Articles of Incorporation.
  - v. The Master Association shall maintain an adequate reserve fund out of the assessments for the maintenance, repair and replacement of those elements or portions of the Master Association Property that must be maintained, repaired or replaced on a periodic basis.
5. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER PARAGRAPHS (3), (B) AND (4) OF THIS SECTION. In addition to the Assessments authorized in this Section 6.06A, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of any capital improvement upon Master Association Property, including fixtures and personal property related thereto, or for the funding of any operating deficit incurred by the Master Association. Any such assessment shall have the assent of two-thirds (2/3) of the votes being exercised by Delegates at a meeting duly called for this purpose and shall be levied equally against each Assessment Unit, subject to the reduced assessments permitted under paragraph (5) of this Section 6.06A and under Section 6.08.

6. **UNIFORM RATE OF ASSESSMENT.** Annual and special assessments must be fixed at a uniform rate for all Assessment Units sufficient to meet the expected needs of the Master Association, subject to reduced assessments permitted under this paragraph (5) and Section 6.08 of this Master Declaration. Notwithstanding anything to the contrary contained in this Master Declaration, the rate of annual and special assessments set for any Assessment Unit owned by Grantor, and Principal Owner, and/or Major Developers which are neither leased, shall be fixed at one-quarter (1/4) of the assessment rate for the other Assessment Units. In the event that, prior to the termination of the Period of Grantor Control, assessments for annual common expenses, exclusive of those amounts held by the Master Association during any particular annual assessment period because of such partial Grantor, Principal Owner and/or Major Developer assessment, then Grantor, Principal Owners and all Major Developers shall collectively pay, on a pro rata basis as provided below, a sufficient amount up to the amount of full parity on such assessment, to the Master Association to meet any such shortfall. Such obligation to meet a shortfall shall continue after the end of the Period of Grantor control so long as written notice of such shortfall is given by the Master Association within sixty (60) days following the termination of the then current fiscal year of the Master Association at the time of the termination of the Period of Grantor control, but in no event shall such obligation continue for more than one (1) year following the termination of the Period of Grantor Control. In no event shall Grantor, any Principal Owner or any Major Developer have any obligation for any such shortfall caused by expenditures for capital improvements, or by any decrease in assessments, including without limitation, the levying of any assessment in an amount less than the maximum for any common expense assessment period, which amount is established subsequent to the termination of the Period of Grantor unless the same has previously been approved in writing by Grantor. At the time any property which constitutes or is part of an Assessment Unit which is owned by Grantor, a Principal Owner and/or a Major Developer is lease, rented or otherwise residentially or commercially occupied, that Assessment Unit shall be assessed at the uniform rate of assessment for other Assessment Units. Subject to the conditions hereinabove stated, Grantor, each Principal Owner and/or each Major Developer shall pay a pro rate share of the amount necessary to meet each such shortfall in association assessments, up to the amount of full parity on such assessments, such pro rata share to be based on the amount of assessments due at parity for the Assessment Units owned by Grantor, each Principal Owner and each Major Developer, compared with the amount of assessments due at such lesser rate from Grantor, each Principal Owner and each Major Developer during the applicable annual assessment period.
7. **DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS.** The initial annual assessment shall commence on the first day of the month

following the leasing, renting or other residential occupancy of the first residence within the Property and the second and each subsequent annual assessment period shall correspond with the fiscal year of the Master Association. The Assessments may be made due and payable in monthly or quarterly installments per annum on such dates as determined by the Board of Directors of the Master Association, provided that the first annual assessment shall be adjusted according to the number of months in the first annual assessment year. Any Owner purchasing a Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property between installment due dates shall pay a pro rata share of the last installment due.

8. **EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION.** Any assessment of portion thereof which is not paid when due shall be delinquent. Any assessment or portion thereof which is not paid within ten (10) days after the due date shall bear interest from the due date at the rate of eighteen percent (18%) per annum and the Master Association may assess a monthly late charge thereon in such reasonable amounts as determined from time to time by the Master Association. The Master Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, Condominium Unit, Townhouse, Apartment Building, commercial Site or other parcel of land within the Property, and in the event a judgment is obtained, such judgment shall induce interest and late charges on the assessment, as above provided, and a reasonable attorney's fee to be fixed by the court, together with the costs of the action. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Master Association Property or abandonment of his Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land within the Property.
9. **WORKING CAPITAL.** The Grantor, Principal Owner or Major Developer shall require the first Owner of each Lot, Townhouse and condominium Unit (other than Grantor, and Principal Owner or a Major Developer) who purchases that Lot, Townhouse or condominium Unit from Grantor, a Principal Owner or a Major Developer, to make a non – refundable working capital contribution to the Master Association in an amount equal to two (2) times the monthly installment of the annual common expenses assessment effective a there time of conveyance of the Lot, Townhouse or condominium Unit; provided, however, that the Owner of any Apartment Building, Commercial Site or other parcel of land within the Property (other than Grantor, any Principal Owner or a Major Developer) shall make such contribution for each Assessment Unit within such Apartment Building, Commercial Site or other parcel of land IS ANNEXED TO THE Property, whichever occurs last. All such contributions shall be held in a segregated account by the Master Association for its use and benefit as it deems desirable, including but not

limited to ensuring that the Board of Directors of the Master Association will have cash available to meet unforeseen expenditures, or to acquire additional equipment or services deemed necessary or desirable by the Board. Such deposit shall not relieve an Owner from making the regular payment of assessments as the same become due. Upon the transfer of his Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other parcel of land, an Owner shall be entitled to a credit from his transferee in an amount equal to the unused portion of the first private Owner's payment into the working capital fund which remains in the fund.

10. **SUBORDINATION OF THE LIEN TO MORTGAGES.** The lien of the assessments provided for herein, including without limitation, any fees, costs, late charges or interest which may be levied by the Master Association in connection with unpaid assessments, shall be subordinate to the lien of any First Mortgage. Sale or transfer of any Lot, Townhouse, Condominium Unit, Apartment Building, Commercial Site or any other parcel of land within the Property shall not affect the liens for said assessment charges except that sale or transfer of any Lot, Townhouse, condominium Unit, Apartment Building, Commercial Property or an other parcel of land within the Property, pursuant to foreclosure of any such First Mortgage, including any executor land sales contract, or any proceeding in lieu thereof, including deed in lieu of foreclosure, shall extinguish the lien of assessment charges which became due prior to any such sale, transfer, or foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure; provided, however, that any such delinquent assessment charges, including interest, late charges, costs and reasonable attorneys' fees which are extinguished as provided herein may be reallocated and assessed to all Assessment Units as a common expense. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, shall relieve any Lot, Townhouse, Condominium Unit, Apartment Building, commercial Site or other parcel of land within the Property from liability for any assessment charges thereafter becoming due, nor from the lien thereof; provided, however, that in the event of foreclosure of a First Mortgage or the taking of a deed in lieu thereof, such First Mortgagee shall not be liable for unpaid assessments or other charges which accrue prior to the acquisition of title to the particular Lot, Townhouse, condominium Unit, Apartment Building, Commercial Site or other parcel of land within the Property by such First Mortgagee.

B. **RIGHT OF ENTRY AND ENFORCEMENT.** To enter, after 24 hours written notice, without being liable to any Owner, upon any Lot or Commercial Site or into any Improvement, including any Condominium Unit, Townhouse, and Apartment Building dwelling unit, or onto any Local Common Area or Master Association Property, for the purpose of enforcing by peaceful means the Founders Village Restrictions or for the purpose of maintaining or repairing any area. Improvement or other facility, if for any reason whatsoever the Owner thereof fails to maintain or repair any such area as

required by the Founders Village Restrictions. The Master Association shall also have the power and authority from time to time in its own name and on its own behalf, or in the name of and on behalf of any Owner who consents thereto, to commence and maintain actions and suits to enforce by mandatory injunction or otherwise, or to restrain and enjoin any breach or threatened breach of, the Founders Village Restrictions.

C. CONVEYANCES. To grant and convey to any person real property and interests therein, including fee title, easements, rights of way, mortgages and deeds of trust, out of, in, on, over, or under any Master Association Property for the purpose of constructing, erecting, operating or maintaining thereon, therein, or thereunder:

1. Parks, parkways, campgrounds, or other recreational facilities;
2. Roads, streets, walks, driveways, trails, and paths;
3. Lines, cables, wires, conduits, pipelines or other devices for utility purposes;
4. Sewers, water systems, storm water drainage systems, sprinkler systems, and pipelines; and
5. Any similar public, quasi-public, or private improvements or facilities.

Nothing above contained, however, shall be construed to permit use or occupancy of any land, Improvements or other facility in a way which would violate applicable zoning or other development ordinances or use and occupancy restrictions imposed thereon by other provisions of this Master Declaration.

D. SECURITY SERVICES. To provide watchmen and guards at points of entry onto Founders Village, for Association Property and at such other places and for such other purposes as the Board shall determine.

E. MANAGER. To retain and pay for the services of a person or firm (the "Manager") to manage and operate the Master Association, including its Property, to the extent deemed advisable by the board, together with such other personnel as the Board shall determine advisable for the operation of the Master Association, the conduct of its business, and the management of its Property. Such personnel may be employed directly by the Master Association or may be furnished by the Manager. The Owners release the Master Association and the members of the Board from liability for any omission or improper exercise by the Manager of any such duty, power or function so delegated.

Each and every independent contract with a Manager, for comprehensive management services by or under the direction of said Manager, which is entered into by or otherwise made binding upon the Master Association, shall be terminable by the Master Association with or without cause, in the Board's sole and absolute discretion, and upon no more than thirty days' prior written notice, and shall have a term no longer

then one year, subject to renewal at the option of the Board. Any such contract shall also require approval of the Veterans Administration or Federal Housing Administration pursuant to Section 10.07, and shall specifically state that notwithstanding any other provision contained in the contract, it shall be subject to this second paragraph of this Section 6.06E of this Master Declaration. The provisions of this paragraph are not intended to apply to any contract of employment between Master Association and its own employees, nor to any contract between the Master Association and its own employees, nor to any contract between the Master Association and any independent contractor for the provision of legal, accounting, special consulting, or other management-related services which are not comprehensive in nature.

During the period of Grantor Control, Grantor may not act as Manager for the Master Association.

F. LEGAL AND ACCOUNTING SERVICES. To retain and pay for legal and accounting services necessary or proper in the operation of the Master Association, the operation and management of its Property, the enforcement of the Founders Village Restrictions, or in the performance of any other duty, right, power or authority of the Master Association.

G. ASSOCIATION PROPERTY SERVICE. To pay for water, sewer, garbage removal, electricity, telephone, gas, snow removal, landscaping, gardening, and all other utilities, services and maintenance for the Master Association Property.

H. OTHER AREAS. To maintain and repair easements, roads, roadways, rights of way, parks, parkways, median strips, sidewalks, paths, trails, ponds, lakes, entry details, guardhouses, and other areas of Founders Village owned by the Master Association, and to maintain and repair any Property within Founders Village owned by or leased to the Town of Castle Rock or any Special District, provided that a written agreement to perform such maintenance or repair work has been executed between the Master Association Board and wither the Town of Castle Rock or a Special District, as applicable. The Master Association may also contribute toward the cost of operation and maintenance of private roads and any other Improvements or other facilities owned by Subassociations within Founders Village but used in part by persons who are Members of the Master Association but not members of the Subassociation.

I. RECREATIONAL FACILITIES. It is contemplated that all recreational facilities will be owned and operated by either the Town of Castle Rock or special districts. However, the Master Association may own and operate any and all types of facilities for both active and passive recreation on Master Association Property. All Members and Permitted Users shall have the right to use any recreational property owned by the Master Association subject to rules and regulations adopted by the Board and subject to the right of the Board and restrict such use by Owners of Commercial Sites.

J. OTHER SERVICES AND PROPERTIES. To obtain and pay for any other property and services, and to pay any other taxes or assessments which the Master

Association or the Board is required to secure or to pay for pursuant to applicable law, the terms of the Founders Village Restrictions, this Master Declaration, or the Articles and Bylaws of the Master Association.

K. CONSTRUCTION ON ASSOCIATION PROPERTY. To construct new Improvements or additions to Master Association properties, or demolish existing Master Association Improvements, subject to the approval of the Master Architectural Committee as required in this Master Declaration.

L. COLLECTION FOR SUBASSOCIATION. To collect on behalf of and for the account of any Subassociation (but not to levy) any assessment made by a Subassociation created pursuant to this Master Declaration, provided that such Subassociation has delegated the right, authority and power to the Master Association to make such collections on its behalf.

M. CONTRACT. To enter into contracts and leases to perform any functions or exercise any rights, duties or responsibilities of the Master Association contained in this Master Declaration on such terms and provisions as the Board shall determine.

N. LICENSES. To obtain and hold any and all types of permits and licenses necessary or expedient for the performance of the Master Association's powers and duties.

O. REAL AND PERSONAL PROPERTY. To acquire and own and to dispose of all manner of real and personal property, whether by grant, gift or otherwise.

P. MERGE, CONSOLIDATE OR DISSOLVE. To merge, consolidate, or dissolve the Master Association, but, during the Period of Grantor Control, only with the consent of the Grantor, the Veterans Administration or Federal Housing Administration, as determined by the Grantor and three-fourths of the Nondeveloper Votes, and, after the Period of Grantor Control, only with the consent of three-fourths of all votes.

## SECTION 6.07 INDEMNIFICATION

A. THIRD PARTY ACTIONS. The Master Association may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Master Association) by reason of the fact that he is or was a director, officer, employee, servant or agent of the Master Association, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Master Association, and, with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a proceeding by judgment, order, settlement,

conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that he person did not act in good faith or in a manner which he reasonably believe to be in or not opposed to the best interests of the Master Association, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

B. DERIVATEVE ACTIONS. The Master Association may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by or in the right of the Master Association to procure a judgment in its favor by reason of the facts that he is or was a director, officer, employee, servant or agent of the Master Association, against expenses (including attorneys' fees), actually and reasonably incurred by him in connection with the defense of such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Master Association, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Master Association unless and only to the extent that the court in which such action, proceeding or suit was brought shall determine upon application that, despite the adjudication of liability and in view of all the circumstances of the case, such person is fairly and reasonable entitled to indemnity for such expenses which such court shall deem proper.

C. DETERMINATION. Any indemnification which the Master Association has elected to provide under paragraph A or B of this Section 6.07 (unless ordered by a court) shall be made by the Master Association only as authorized in the specific case upon a determination that indemnification of the officer, director, employee, servant or agent is proper in the circumstances because he has me the applicable standard of conduct set forth in paragraph A or B of this Section 6.07. Such determination shall be made (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suite or proceeding, or (b) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; provided, however, that if a director, officer, employee, servant or agent of the Master Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph A or B of this Section 6.07, or in defense of any claim, issue or matter therein, then, to the extent that the Master Association has elected to provide indemnification, he shall automatically be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith without the necessity of any such determination that he has met the applicable standard of conduct set forth in paragraph A or B of this section 6.07.

D. PAYMENT IN ADVANCE. Expenses incurred in defending a civil action, suit or proceeding may, in the discretion of the Board, be paid by the Master Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board as provided in paragraph C of this Section 6.07 upon receipt of an undertaking by or on behalf of the director, officer, employee, servant or agent to

repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Master Association as authorized in this Section 6.07.

E. INSURANCE. The Board may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, servant, or agent of the Master Association, against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Master Association would have the power to indemnify him against such liability hereunder or otherwise; provided, however, that the Board shall purchase and maintain such insurance as provided in Section 6.05E(5).

F. OTHER COVERAGE. The indemnification provided by this Section 6.07 shall not be deemed exclusive of any other rights to which anyone seeking indemnification may be entitled under this Master Declaration, any agreement, vote of the Members, vote of disinterested directors, Colorado law, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and may continue as to a person who has ceased to be a director, officer, employee, servant or agent and may inure to the benefit of the heirs and personal representatives of such person.

SECTION 6.08 REDUCED ASSESSMENTS FOR COMMERCIAL SITES. Notwithstanding any other provision of this Master Declaration, the Board shall have the authority to levy Assessments upon all Owners of Commercial Sites anywhere within Founders Village in the event that such Owners of Commercial Sites are not permitted to use some or all Master Association Property. Such reduced Assessments may be either mandatory or optional to the affected Owners, but in either case, Assessment reduction shall be accompanied by loss of the right to use such Association Property as the Board, in its sole discretion, may from time to time specify. Reduced Assessments thus levied shall bear a reasonable relationship, as determined by the Board in its sole discretion and based upon the budget adoption by the Board, to those expenses of the Master Association properly shared even by those Owners who have lost the right to use said specified Association Property. Payment of full Assessments by the Owner of a Commercial Site shall entitle the Owner, its lessees, and their employees to the use of Association Property in a manner and to the extent determined by the Board in its sole discretion; provided, however, that the manner and extent of such use may in no case exceed the equivalent of one family or five individual memberships per full Assessment paid by the Owner of each Commercial Site. For purposes of this subsection a "family membership" shall entitle one designated person and the members of his family who reside with him to the use of Association Property as though such family resided on Founders Village, and an "individual membership" shall entitle one designated person to the use of Association Property as though he resided on Founders Village.

SECTION 6.09 DISEASED TREES. The Master Association may enter upon any part of Founders Village at any time to inspect for, prevent and control diseased trees and other plant life and insect infestation of trees and other plant life. If any diseased or insect infested trees or other plant life are found, the Master Association may spray or

remove diseased trees and other plant life, and take such other remedial measures as it deems expedient. The cost thereof applicable to privately owned property may be levied by the Master Association as a special assessment against such property pursuant to Section 6.06 hereof.

SECTION 6.10 SPECIAL DISTRICTS. The construction of various public improvements, facilities and areas within Founders Village will be accomplished by one or more special districts. The improvements constructed by the special districts will be paid by the owners through property tax assessments collected from the Owners as tax payments and through various rates, fees, tolls and charges set by districts. Any assessments paid by Owners to the Association will not be levied for the construction costs of improvements, facilities or other areas for which a special district has levied tax assessments, even if a special district has conveyed such improvements, facilities or areas to the Association for operation and/or maintenance. Any such assessment by the Association would be only for operation and/or maintenance expenses incurred by the Association. It is contemplated that the facilities, improvements and areas constructed by special districts will be conveyed to the Town of Castle rock for ownership, operation and maintenance. Notwithstanding the foregoing, however, the Association is hereby authorized to accept, own, operate and maintain real and personal property conveyed or transferred to the Association by a special district.

## **ARTICLE VII**

### **ASSOCIATION PROPERTY**

SECTION 7.01 USE. Except as provided in Section 6.08, each Member of the Master Association who resides in Founders Village and each Permitted User, and each lessee of a Lot, a Condominium Unit, a Townhouse or a dwelling unit in an apartment house who, in each of these instances, resides in Founders Village and the members of his family who reside with him, shall be entitled to use the Property of the Master Association, subject to the following:

- A. The provisions of the Founders Village Restrictions, and each person who uses Property of the Association, in using the same, shall be deemed to have agreed to comply therewith;
- B. The right of the Association to charge reasonable dues and use and other fees;
- C. The right of the Association to suspend the rights to the use of any Property of the Association by any Member or Permitted User for any period during which any Assessment against the Member's property remains past due and unpaid; and, after Notice and Hearing by the Board, the right of the

Association to invoke any remedy set forth above in Section 3.08 for any other infraction of the Founders Village Restrictions.

- D. The right of the Association to require that security deposits be made and kept with the Association to secure all sums, and to guarantee performance of all duties, due and owing or to become due and owing to the Association; and
- E. Such covenants, conditions, and restrictions as may have been imposed by the Association or prior owners on Property of the Association.

SECTION 7.02        DAMAGE. Each Member and lessee described above in Section 7.01 shall be liable to the Master Association for any damage to Property of the Association which may be sustained by reason of the negligent or intentional misconduct of such person or his family, guest or invitees. If the property, the ownership or leasing of which entitles the Owner or lessee thereof to use Association Property, is owned or leased jointly or in common, the liability of all such joint or common Owners or lessees shall be joint and several. The amount of such damage may be assessed against such person's real and personal property on or within the Founders Village as provided in Section 6.06, including the Leasehold estate of any lessee, and may be collected as provided in Article IX below for the collection of Assessments.

SECTION 7.03        DAMAGE AND DESTRUCTION. In the case of destruction of or damage to Association Property by fire or other casualty:

A.        RECONSTRUCTION – MINOR. If the destruction of or damage to Association Property is not more than seventy-five percent (75%) of the replacement value of the Association Property so damaged or destroyed, such insurance proceeds shall be paid to the Association, which thereupon shall contract to repair or rebuild the Association Property so damaged; and if the insurance proceeds are insufficient to pay all of the costs of repairing or rebuilding the damage, the Master Association may levy a special Assessment to make good any deficiency.

B.        RECONSTRUCTION – MAJOR. If the destruction of or damage to Association Property is more than seventy-five percent (75%) of the replacement value of the Association Property so damaged or destroyed, then:

1. The insurance proceeds shall be paid to such bank or trust company as may be designated by the Board, to be held in separate trust for the benefit of the Members, as their respective interests shall appear. The Association is authorized to enter, on behalf of the Members, into an agreement with such insurance trustee relating to its powers, duties and compensation, on such terms as the Board may approve consistent herewith.
2. The Association shall obtain firm bids from two or more responsible contractors to repair and rebuild any or all portions of the Association Property and shall call a special meeting of the Members to consider such bids. At such special meeting, the Members may, by three-fourths of the

votes cast at such meeting, elect to reject such bids and, thus, elect not to rebuild. Failure to so reject such bids shall be deemed acceptance of such bid or bids as may be selected by the Board. If a bid is accepted, the Association may levy special Assessments on the Members to make up the deficiency between the total insurance proceeds and the contract price of repairing or rebuilding the Association Property and such Assessments and all insurance proceeds shall be paid to said insurance trustee to be used for such rebuilding. Such Assessments may be made due on such dates as the Association may designate, and the Association may borrow money to pay the aforesaid deficiency and may secure Assessments, by a pledge of or mortgage on any personal property owned by the Association or held by it in trust for the Members or by a mortgage or deed of trust on the facility to be rebuilt or on any other real property owned by the Association. If the Members elect not to rebuild, the proceeds, after payment for demolition of damaged structures and clean-up of the premises, shall be retained by the Master Association for use in performing its functions under the Founders Village Restrictions.

C. DECISION NOT TO RECONSTRUCT. If the Board determines not to rebuild any Association Property so destroyed or damaged, or to build facilities substantially different from those which were destroyed or damaged, it shall call a special meeting of the Delegates to consider such decision. If the Delegates, by three-fourths of the votes represented at such meeting, elect to ratify such decision, the Board shall act accordingly; but if the Delegates do not by such percentage elect to ratify such decision, the Board shall proceed to repair or rebuild the damaged or destroyed facility pursuant to paragraph A or B, as the case may be, of this Section 7.03.

SECTION 7.04 COVEYANCE TO MASTER ASSOCIATION. Where any real or personal property, improved or otherwise, is conveyed to the Master Association by Grantor, Major Developer, or any other Person, it shall be conveyed in fee simple with marketable title, free and clear of all liens, encumbrances, and prior grants, reservations or exceptions, except those contained in any deed conveying the property so conveyed to any Person owning Property within Founders Association on the date this Master Declaration is first recorded, this Declaration and any other conditions, covenants, restrictions, easements or rights-of-way, if any, as are not inconsistent with and will not materially interfere with the intended use of such Property. No land or improvements located thereon may be leased by Grantor or any Major Developer or Principal Owner to the Master Association.

SECTION 7.05 EASEMENTS FOR ENCROACHMENTS. If any building or other Improvement located on Association Property encroaches or shall hereafter encroach upon a Lot or other parcel of land within Founders Village, an easement for such encroachment and for the maintenance of the same shall and does exist. If any building or other Improvement located on a Lot or other parcel of land within Founders Village encroaches or shall hereafter encroach upon any Association Property, or upon an adjacent Lot or parcel of land, the Owner of that Lot or parcel shall and does have an

easement for such encroachment and for the maintenance of the same. Such encroachment shall not be considered to be an encumbrance either on the Association Property, the Lot or other parcel of land. Encroachments referred herein include, but are not limited to, encroachments caused by error in the original construction of the building or other Improvement, by error in the recorded plate of the Property, by overhangs as designed, or by settling, rising or shifting of the earth, or by changes in position caused by repair or reconstruction of the Property or any part thereof.

SECTION 7.06 EASEMENTS DEEMED CREATED. All conveyances of Lots, Condominium Units, Townhouses, Commercial Sites or other parcels of land hereafter made, shall be construed to grant and reserve such reciprocal easements, uses and rights as are provided in this Master Declaration, even though no specific reference to such easements, uses or rights appears in such conveyance.

## **ARTICLE VIII**

# **ARCHITECTURAL COMMITTEE**

SECTION 8.01 MEMBERS OF COMMITTEE. The Master Architectural Committee shall consist always of not less than three members nor more than nine members. The Board may reduce the number of members of the Committee to three and increase it up to nine as often as it wishes, provided that the Committee shall have an odd number of members at all times. Each member of the Committee shall hold office until such time as he has resigned or has been removed or his successor has been appointed, as provided herein. Members of the Committee may be removed at any time without cause.

SECTION 8.02 APPOINTMENT AND REMOVAL OF COMMITTEE MEMBERS. The Board shall have the right to appoint and remove all members of the Committee, except that Grantor shall appoint and remove all members of the Committee as provided in Section 6.05G.

SECTION 8.03 REVIEW OF PROPOSED CONSTRUCTION. Whenever in this Master Declaration or in any Supplemental Declaration the approval of the Master Architectural Committee is required, the Committee shall have the right to consider all of the Plans and Specifications for the Improvement or proposal in question and all other facts which the Committee, in its sole discretion deems relevant. Committee approval shall be obtained for all Improvements on Founders Village, including, but not limited to general site design and layout; interior road systems; location of driveways and other points of access to public and private roads, streets, ways and highways; street lights; perimeter fencing; mailbox design and location; and the location, size and design of all structures. Except as provided in Section 3.15 and 3.16 above, prior to commencement of any construction or installation of any Improvement on Founders Village, the Plans

and Specifications thereof shall be submitted to the Master Architectural Committee, and construction thereof may not commence unless and until the Committee has approved such Plans and Specifications in writing. The Committee shall consider and act upon any and all Plans and Specifications in writing and shall give its approval or disapproval within such thirty (30) days shall be deemed approval of the Plans and Specifications being reviewed. The Committee shall consider and act upon any and all Plans and Specifications submitted for its approval pursuant to this Master Declaration, and perform such other duties assigned to it by this Master Declaration, and perform such other duties assigned to it by this Master Declaration or as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with Plans and Specifications approved by the Committee. The Committee shall approve Plans and Specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the surrounding area of Founders Village as a whole, and that the appearance of any structure affected thereby will be in harmony with the surrounding structures and area. The Committee may require its prior approval of individual structures and improvements, or may approve Plans and Specifications for building types, as it may determine in its sole discretion. The Committee may condition its approval of Plans and Specifications on such changes therein as it deems appropriate, and may require submission of additional Plans and Specifications or other information prior to approving or disapproving the material submitted.

The Committee may also issue Rules or guidelines regarding anything relevant to its functions, including by not limited to minimum standards and procedures for the submission of Plans and Specifications for approval. The Committee may require a reasonable fee to accompany each application for approval not to exceed \$250.00 per applications. The committee may require such detail in Plans and Specifications submitted for its review and such other information as its deems proper, including without limitation, environmental impact statements and engineering certifications, reports or studies. Until receipt by the Committee of all required Plans and Specifications and other information, the Committee may postpone review of anything submitted for approval. The Committee may record additional restrictions on some or all of the Property subject to this Master Declaration consistent with the Committee's authority under this Master Declaration.

**SECTION 8.04 MEETINGS OF THE COMMITTEE.** The Committee shall meet from time to time as necessary to perform its duties hereunder. The Committee may from time to time by resolution unanimously adopted in writing designate one of its members to take any action or perform any duties for and on behalf of the Committee, except the granting of variances pursuant to Section 8.09. In the absence of such designation, the vote of a majority of all of the members of the Committee, or the written consent of a majority of all of the members of the Committee taken without a meeting, shall constitute an act of the Committee.

**SECTION 8.05 NO WAIVER OF FUTURE APPROVALS.** The approval or consent of the Committee to any Plans or Specifications for any work done or proposed

or in connection with any other matter requiring the approval or consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any Plans or Specifications or other matter whatever subsequently or additionally submitted for approval or consent by the same or a different Person.

SECTION 8.06            COMPENSATION OF MEMBERS.    The members of the Committee shall be entitled to reasonable compensation from the Association for services rendered, together with reimbursement for expenses incurred by them in the performance of their duties hereunder. Such compensation shall be determined by Grantor while it has the right to approve or disapprove the members of the Committee pursuant to Section 8.02 above and thereafter by the Board.

SECTION 8.07            INSPECTION OF WORK.

A.     COMPLETED WORK.    Inspection of completed work and correction of defects therein shall proceed as follows:

1.            Upon the completion of any Improvement for which approved Plans or Specifications are required under this Master Declaration, the Owner shall give written notice of completion to the Committee.
2.            Within such reasonable time as the Committee may set in its Rules but not to exceed fifteen days thereafter, the Committee or its duly authorized representative may inspect such Improvement. If the Committee finds that such work was not done in strict compliance with all approved Plant and specifications submitted for its prior approval, it shall notify the Owner in writing of such noncompliance within such period, specifying in reasonable detail the particulars of noncompliance, and shall require the Owner to remedy the same.
3.            If upon the expiration of thirty days from the date of such notification the Owner shall have failed to remedy such noncompliance, the Committee shall notify the Board in writing of such failure. Upon Notice and Hearing, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five days from the date of announcement of the Board ruling. If the Owner does not comply with the Board's ruling within such period, the Board, at its option, may either remove the noncomplying Improvement or remedy the noncompliance, and the Owner shall reimburse the Master Association upon demand for all expenses incurred in connection therewith. If such

expenses are not promptly repaid by the Owner to the Master Association, the Board shall levy an assessment against such Owner and the Improvement in question and the land upon which the same is situated for reimbursement and the same shall constitute a lien upon such land and Improvement and be enforced as provided in this Master Declaration.

4. If for any reason after receipt of said written notice of completion from the Owner, the Committee fails to notify the Owner of any noncompliance within the period provided above in subparagraph (2) of Section 8.07A, the Improvement shall be deemed to be in accordance with said approved Plans and Specifications, unless such noncompliance constitutes a threat to public health or safety, in which event, the Committee's failure to provide a notice of noncompliance within such period shall not prevent the Committee from taking all steps necessary to require the correction of such noncompliance. The authority of the Committee to require corrections of work which constitute a threat to public health and safety shall not be construed as imposing upon the Committee any obligation or duty to review, approve and inspect Improvements for health and safety or for any reason not specified in Section 8.08.

B. WORK IN PROGRESS. The Committee may inspect all work in progress and give notice of noncompliance as provided above in subparagraph (2) and (3) of Section 8.07A. If the Owner denies that such noncompliance exists, the procedures set out in subparagraph (3) of Section 8.07A shall be followed, except that no further work shall be done, pending resolution of the dispute, which would hamper correction of the noncompliance if the Board shall find that such noncompliance exists.

SECTION 8.08 NONLIABILITY OF VARIOUS PARTIES. Neither the Committee nor any member thereof, nor the Board or any member thereof, nor the Grantor or any member thereof shall be liable to the Association or to any Owner, Major Developer or any other Person for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's, Board's or Grantor's respective duties under this Master Declaration unless due to the willful misconduct or bad faith of the Committee or its members, the Board or its members, or the Grantor or its members, as the case may be. Except insofar as its duties may be extended with respect to a particular area by a Supplemental Declaration filed by Grantor or by Grantor and a Major Developer, as the case may be, the Committee shall review and approve or disapprove all Plans and Specifications submitted to it for any proposed Improvement, including the construction, alteration or addition thereof or thereto, on the bases of aesthetic considerations, the overall benefit or detriment which would result to the surrounding area and Founders Village generally, and other factors which the Committee deems

relative to assuring compliance with the terms and purposes of this Declaration and any Supplemental Declaration which encumbers said property. The committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features, but shall not be responsible for reviewing, nor shall its approval of any Plans or Specifications be deemed approval thereof from the standpoint of structural safety, engineering soundness, or conformance with building codes or other codes, ordinances, regulations or statutes.

SECTION 8.09 VARIANCES. The Committee may authorize variances from compliance with any of the architectural provisions of this Master Declaration or any Supplemental Declaration, including restrictions upon height, bulk, size, shape, floor area, land area, placement of structures, set-backs, building envelopes, colors, materials, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations may, in the Committee's sole discretion, warrant. Such variances must be evidenced in writing and must be signed by at least a majority of all of the members of the Master Architectural Committee. If such a variance is granted, no violation of the covenants, conditions or restrictions contained in this Master Declaration or any Supplemental Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Master Declaration, or of any Supplemental Declaration for any purpose except as to the particular property and particular provision and in the particular instance covered by the variance.

SECTION 8.10 OBLIGATIONS WITH RESPECT TO ZONING AND SUBDIVISIONS. The Master Architectural Committee shall require all Persons to comply fully with applicable development approvals given by the Town Council of Castle Rock as the same may be amended from time to time. Prior to the submission to the Town of Castle Rock of any matter governed or meant to be governed by the zoning or other development ordinances of Castle Rock, such matters shall first be reviewed and approved by the Master Architectural Committee. Such approval shall be set forth upon any submission to the Town of Castle Rock. Failure to obtain such prior approval shall constitute a violation of this Master Declaration. The Committee may file of record a document specifying development approvals, such as building permits, for specifically described property, with respect upon which the written approval of the Committee need not be set forth.

SECTION 8.11 RELINQUISHMENT OF ARCHITECTURAL CONTROL TO SUBASSOCIATION. During the Period of Grantor Control, Grantor may relinquish to any Subassociation or Architectural committee established pursuant to a Supplemental Declaration under Section 2.01 and 6.01 above the right to appoint its own architectural committee for the area which is subject to such Supplemental Declaration. After termination of the Period of Grantor Control, the Board of the Master Association may make such relinquishment. No such relinquishment shall be effective, however, without the written acceptance of such relinquishment by the Subassociation or by the other Architectural Committee if no Subassociation has been created. If such relinquishment is

made and accepted, then the Architectural Committee of such Subassociation shall have all rights, powers, functions, duties and obligations with respect to the area subject to the Supplemental Declaration as are granted to the Master Architectural Committee by Sections 8.01 through 8.11 of this Article VIII or by any other sections of this Master Declaration and which have not been reserved by the Grantor or Board of the Master Association, and the Subassociation shall have all rights, powers, functions, duties and obligations with respect to such Subassociation architectural committee as are granted to the Master Association with respect to the Master Architectural Committee by said Section 8.01 through 8.11 or by any other sections of this Master Declaration which have not been reserved by the Grantor or Board of the Master Association. Notwithstanding the foregoing provision, the Grantor or the Board of the Master Association may reserve certain rights, powers, functions, duties or obligations to the Master Architectural Committee, in which event, the Master Architectural Committee shall continue to exercise such reserved rights, powers, duties or obligations.

SECTION 8.12 ALL ACTIONS IN WRITING. All approvals, denials, variances and other actions which the Master Architectural Committee is obligated or authorized to take pursuant to this Master Declaration or any Supplemental Declaration shall be in writing signed by at least one duly authorized member of the Master Architectural Committee. Any approval, denial, variance or other actions of the Master Architectural Committee not so taken in writing shall be null and void and of no force or effect.

## **ARTICLE IX**

### **FUNDS AND ASSESSMENTS**

SECTION 9.01 FOUNDERS VILLAGE MAINTENANCE FUND. The Board shall establish a fund (the "Founders Village Maintenance Fund") into which shall be deposited all money paid to the Master Association and from which disbursements shall be made in performing the functions of the Master Association under the Founders Village Restrictions. The Founders Village Maintenance Fund shall be divided into separate funds for current expenses, reserves and working capital and the accounting for the Fund shall reflect such separate funds. The funds of the Master association must be used solely for purposes related to the area and Improvements owned by the Association, or subjected by the Founders Village Restrictions and maintenance and operation by the Association, for the Master Architectural Committee, or otherwise for purposes authorized by the Founders Village Restrictions as they may from time to time be amended. No funds of the Master Association may be used to maintain or improve any lands or Improvements owned by Grantor, a Principal Owner or a Major Developer. Nothing contained herein shall limit, preclude or impair the establishment of other maintenance funds by any Subassociation pursuant to any Supplemental Declarations.

SECTION 9.02 REGULAR ANNUAL ASSESSMENTS. Prior to the beginning of each fiscal year, the Board shall estimate the expenses to be incurred by the Master

Association during such year in performing its functions under the Founders Village Restrictions, including a reasonable provision for contingencies and appropriate replacement reserves, less any expected income and any surplus from the prior year's fund. Uniform and equal Assessment sufficient to pay such estimated net charges shall then be levied as provided in Section 6.06A. If the sums collected prove inadequate for any reason, including nonpayment of any individual Assessment, the Association may at any time and from time to time levy further Assessments in the same manner as aforesaid. All such regular Assessments shall be due and payable to the Master Association during the fiscal year in equal monthly installments on or before the first day of each month, or in such other reasonable and uniform manner as the Board may determine; subject, however, to the limitations of Section 6.06A.

**SECTION 9.03 SPECIAL ASSESSMENTS.** In addition to the regular annual Assessments provided for above in Section 9.02, the Board shall levy special Assessments, upon the property and in the manner set forth in Section 6.06A.

**SECTION 9.04 LATE CHARGES.** If any Assessment, whether regular or special, is not paid within fifteen (15) days after it is due, or within such longer period of time after due as the Board may determine, the Owner may be required by the Board to pay a late charge of ten percent of the unpaid Assessment.

**SECTION 9.05 UNPAID ASSESSMENTS AS PERSONAL LIABILITIES AND LIENS.** The amount of any delinquent Assessment, whether regular or special, assessed against any property and any late payment charge attributable thereto, plus interest on such Assessment and charge at a rate of eighteen percent (18%) per Annum Simple interest, and the costs of collecting the same, including reasonable attorneys' fees, shall be both a personal liability of the Owner, enforceable in any court of competent jurisdiction, and a lien upon the property of the defaulting Member and the Improvements thereon. Such lien shall be prior to any homestead exemption. Such lien may be foreclosed in the same manner as it provided in the laws of Colorado for the foreclosure of mortgages on real property. A certificate executed and acknowledged by any two members of the Board stating the indebtedness secured by such lien shall be conclusive upon the Master Association as to the amount of such indebtedness as of the date of the certificate, in favor of all Persons who rely thereon in good faith, and such certificate shall be furnished to any Owner upon request at a reasonable fee, not to exceed Ten Dollars (\$10.00).

**SECTION 9.06 MORTGAGE PROTECTION.** Notwithstanding any other provision of the Founders Village Restrictions, any lien created under this Article IX of under any other Article of this Master Declaration or under any provisions of the Articles of Incorporation of the Master Association, or under any of the organizational documents for any Subassociation, shall be subordinate to any First Mortgage of record, or first Deed of Trust of record, or executory land sales contract wherein the Administrator of Veterans Affairs of the Veterans Administration is seller (whether owned by the said Administrator, or assigned to another, and whether the said executory land sales contract is recorded or not), upon a Lot, Condominium Unit, Townhouse, Apartment Building,

Commercial Site or other parcel of land made in good faith and for value. However, after the foreclosure of any such Deed of Trust or executory land sales contract, or after cancellation of any such land sales contract, or after any conveyance in lieu of foreclosure, such Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or parcel of land shall remain subject to the Founders Village Restrictions and shall be liable for all regular Assessments and all special Assessments levied subsequent to completion of such foreclosure, or cancellation or forfeiture, or delivery of such conveyance in lieu of foreclosure, but falling due after such completion, cancellation, forfeiture, or delivery. Nothing contained herein shall extinguish, toll, or otherwise affect the personal obligation of an Owner to pay all Assessments.

SECTION 9.07 EFFECT OF AMENDMENTS ON MORTGAGES. No amendment of any provision of this Master Declaration nor of any other instrument of the Master Association shall in any way affect the priority of any lender or holder of any recorded First Mortgage or recorded first Deed of Trust, or of any executory land sales contract wherein the Administrator of Veterans Affairs of the Veterans Administration is named seller, whether the said contract is recorded or not, except upon the express written consent of such lender or holder; provided, however, that after the foreclosure of any such First Mortgage, first Deed of Trust, or executory land sales contract, or after cancellation or forfeiture of any such executory land sales contract, or after any conveyance in lieu of foreclosure, the property which was subject to such Mortgage or Deed of Trust, or executory land sales contract shall be fully subject to such amendment.

## **ARTICLE X**

### **MISCELLANEOUS**

SECTION 10.01 TERM. This Master Declaration, including all of the covenants, conditions and restrictions hereof, shall run until January 1, 2006, this Master Declaration, including all such covenants, conditions and restrictions shall be automatically extended for successive periods of ten years each, unless amended or extinguished by a written instrument executed by at least three-fourths of the Owners in Founders Village and recorded in the Douglas County real property records.

SECTION 10.02 AMENDED. This Master Declaration may be amended as hereinafter indicated. During the Period of Grantor Control, amendment shall require the written approval of Grantor, of at least two-thirds of the Nondeveloper Votes (but only if such approval is required under Section 10.07 below), and of the Veterans Administration or Federal Housing Administration, as determined by the Grantor. The amendment shall be effected by recordation of an instrument setting forth the amendment and recordation of an instrument setting forth the amendment and recordation of an instrument setting for the amendment and including a statement of Grantor's consent, executed and acknowledged by Grantor; a statement executed and acknowledged by the president and secretary of the Master Association certifying that such amendment has been approved in

writing by at least two-thirds of the Nondeveloper Votes entitled to be cast (but only if such approval is required under Section 10.07 below); and a statement of consent by either the Veterans Administration or the Federal Housing Administration, as determined by the grantor. After termination of the Period of Grantor Control, amendment shall require the approval of at least two-thirds of the total votes (including Grantor's) as defined in Section 6.03A. Amendment shall be effected by recordation of an instrument setting for the amendment and including a statement executed and acknowledged by the president and secretary of the Master Association certifying that such amendment has been approved in writing by at least two-thirds of the total votes entitled to be cast. Evidence sufficient to establish the truth of the Master Association certification on any recorded amendatory instrument shall be retained by the Master Association in its permanent files. Notwithstanding any other provisions of this Master Declaration, amendments of this Master Declaration to conform to the requirements of the Veterans Administration, Federal Housing Administration, Federal National Mortgage Corporation, Federal Home Loan Mortgage Corporation, Government National Mortgage Association or any other governmental agency or any other public, quasi-public or private entity which performs (or may perform in the future) functions similar to those currently performed by such entities and/or to induce any of such agencies or entities to make, purchase, sell, insure or guarantee Deeds of Trust or Mortgages encumbering Lots, Townhouses, Condominium Units, Apartment Buildings, Commercial Sites, or other parts of Founders Village, may be made by the Grantor without the consent of any of the Owners, Members, Mortgages, or Major Developers. Any restriction placed of record by the Master Architectural Committee pursuant to its authority under this Master Declaration shall not be considered an amendment to this Master Declaration and shall not require any additional consents. Grantor hereby reserves and is granted the right and power to record, without any other consents, technical amendments to this Master Declaration at any time prior to termination of the Period of Grantor Control for the purposes of correcting spelling, grammar, dates or as is otherwise necessary to clarify the meaning of the provisions of this Master Declaration.

SECTION 10.03 NOTICES. Any notice permitted or required to be given by the Master Declaration shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered on the third day (other than a Sunday or a legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the Person at the address given by such Person to the Master Association for the purpose of service of notices, or to the residence of such Person if no address has been given to the Master Association. Such address may be changed from time to time by notice in writing given by such Person to the.

SECTION 10.04 INTERPRETATION. The provisions of this Master Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development and operation of Founders Village and of promoting and effectuating the fundamental concepts of Founders Village as set forth in the RECITALS and DECLARATION of this Master Declaration. This Declaration shall be construed and governed under the laws of the State of Colorado.

SECTION 10.05 ENFORCEMENT AND WAIVER.

A. RIGHT OF ENFORCEMENT. Except as otherwise provided herein, any Owner, at his own expense, Grantor, and the Board shall have the right to enforce all of the provisions of the Founders Village Restrictions against any property within Founders Village and the Owners thereof. Such rights of enforcement shall include both damages for an injunctive relief against the breach of any such provision. The right of any Owner to so enforce such provisions shall be equally applicable without regard to whether the land (or other interest) of the Owner seeking such enforcement or the land (or other interest) whereon or with respect to which a violation of such provisions is alleged is initially set forth in Exhibit A or is hereafter subjected to this Declaration pursuant to Section 2.02 above.

B. VIOLATION A NUISANCE. Every act or omission whereby any provision of the Founders Village Restrictions is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated by any Owner at his own expense, by the Grantor or the Board, whether or not the relief sought is for negative or affirmative action. However, only Grantor, the Board and the duly authorized agents of either of them may enforce by self-help any of the provisions of the Founders Village Restrictions, and then only if such self-help is preceded by reasonable notice to the Owner in question.

C. VIOLATION OF LAW. Any violation of any federal, state or local law, ordinance or regulation pertaining to the ownership, occupancy or use of any property within Founders Village is hereby declared to be a violation of Founders Village Restrictions and subject to all of the enforcement procedures set forth in said Restrictions.

D. REMEDIES CUMULATIVE. Each remedy provided by the Restrictions is cumulative and not exclusive.

E. NONWAIVER. The failure to enforce any provision of the Founders Village Restrictions at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision of said Restrictions.

SECTION 10.06 CONSTRUCTION.

A. RESTRICTIONS SEVERABLE. Notwithstanding the provisions of the foregoing Section 10.04, each of the provisions of the Founders Village Restrictions shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provisions.

B. SINGULAR INCLUDES PLURAL. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each induce the masculine, feminine and neuter.

C. CAPTIONS. All captions and titles used in this Master Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any of the paragraphs, Sections or Articles hereof.

SECTION 10.07 FEDERAL HOUSING ADMINISTRATION/VETERANS ADMINISTRATION APPROVAL. During the Period of Grantor Control, the following actions shall require approval of either the Veterans Administration or the Federal Housing Administration as determined by the Grantor: (a) annexation pursuant to Section 2.02; (b) conveyance of Master Association Property by the Master Association; (c) amendment of this Master Declaration; (d) merger, consolidation or dissolution of the Master Association; and (3) mortgaging of Association Property by the Master Association.

SECTION 10.08 MORTGAGEE'S RIGHTS. The following provisions are for the benefit of holders, insurers and guarantors of First Mortgages. To the extent applicable, necessary, or proper, the provisions of this Section 10.08 shall apply to both this Declaration and to the Articles and Bylaws of the Master Association.

A. NOTICES OF ACTION. A holder, insurer, or guarantor of a First Mortgage, who provides written request to the Master Association (such request to state the name and address of such holder, insurer, or guarantor and identification of the property encumbered thereby) shall be an "eligible holder" and shall be entitled to timely written notice of:

1. Any condemnation loss or casualty loss which affects a material portion for the property or which affects any Lot, condominium Unit, Townhouse, Apartment Building, Commercial Site or other properties on which there is a First Mortgage held, insured, or guaranteed by such eligible holder;
2. Any delinquency in the payment of assessments or charges owed by an Owner of a Lot, Condominium Unit, Townhouse, Apartment Building, Commercial Site or other property subject to a First Mortgage held, insured, or guaranteed by such eligible holder (or any First Mortgagee) for a period of sixty days;
3. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Master Association; or

Any proposed action which would require the consent of a specified percentage of First Mortgagees, as required in paragraph B of this Section 10.08.

B. OTHER PROVISIONS FOR THE BENEFIT OF ELIGIBLE HOLDERS. To the extent permitted under Colorado law, the approval of at least fifty-one percent of the First Mortgagees shall be obtained before taking the following actions:

1. Restoration or repair of Master Association Property or Local Common Areas, after a partial condemnation or damage due to an

insurable hazard, which will not be performed substantially in accordance with the original plans and specifications.

2. Any election to terminate the legal status of any portion of Master Association Property or Local Common Area after substantial destruction or a substantial taking in condemnation of such portion of Master Association Property or Local Common Area; or
3. Any decision to terminate professional management of the Master Association or any Subassociation.

C. AMENDMENTS TO DOCUMENTS. The following provisions do not apply to the addition of land in accordance with Section 2.02 or amendments permitted to be made solely by Grantor or restrictions that may be recorded by the Master Architectural committee under Section 10.02 above. If consent of any First Mortgagee is requested in writing pursuant hereto and a negative response is not received by the Master Association within thirty days after such First Mortgagee's receipt thereof, then such First Mortgagee shall be deemed to have given its consent.

1. The consent of at least sixty-seven percent of the Owners, approval of the Grantor during the Period of Grantor Control, and the approval of at least 67 percent of the First Mortgagees shall be required to terminate the Master Association.
2. The consent of at least sixty-seven percent of the Owners, approval of the Grantor during the Period of Grantor Control, and the approval of at least fifty-one percent of the First Mortgagees shall be required to add to or amend any material provisions of the Founders Village Restrictions which establish, provide for, govern, or regulate any of the following (an addition or amendment shall not be deemed material if it is for the purpose of correcting technical errors, for clarification or if such addition or amendment may be made solely by Grantor under Section 10.02 above):
  - (i) Voting;
  - (ii) Assessments, assessment liens, or subordination of such liens;
  - (iii) Reserves for maintenance, repair, amend replacement of Master Association Property or Local Common Areas;
  - (iv) Insurance or fidelity bonds;
  - (v) Right to use of Master Association Property or Local Common Areas;
  - (vi) Responsibility for maintenance and repair of Master Association Property or Local Common Areas;
  - (vii) Expansion or contraction of the Property or the addition, annexation, or withdrawal of property to or from this Master Declaration;
  - (viii) Boundaries of any Lots;
  - (ix) Convertibility of Lots, Condominium Units, Townhouses, Apartment Buildings or Commercial Sites into Master

- Association Property or Local Common Area, or convertibility of Master Association Property or Local Common Areas into Lots, Condominium Units, Townhouses, Apartment Buildings or Commercial Sites;
- (x) Leasing of Lots, Condominium Units, Townhouses, Apartment Units within Apartment Buildings or Commercial Sites;
  - (xi) Imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey a Lot, Condominium Unit, Townhouse, Apartment Building or Commercial Site; or
  - (xii) Any provisions which are for the express benefit of First Mortgagees.

D. FNMA/FHLMC APPROVAL REQUIREMENTS. Unless at least sixty-seven percent of the First Mortgagees (based on one vote for each First Mortgage owned) and sixty-seven percent of the Owners have given their prior written approval, the Master Association or any Subassociation shall not be entitled to:

1. By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer all or part of the Master Association Property or Local Common Area (the granting of easements for public utilities or for other public purposes consistent with the intended use of such Master Association Property or Local Common Area shall not be deemed a transfer within the meaning of this clause);
3. Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner;
4. By act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Improvements on any part of the Property or the exterior maintenance of Improvements on any part of the Property, including Master Association Property and Local Common Areas;
5. Fail to maintain fire and extended coverage on insurable Property in an amount not less than one hundred percent of current replacement cost; or
6. Use hazard insurance proceeds for losses to Master Association Property or Local Common Areas for other than the repair, replacement, or reconstruction of such Master Association Property or Local Common Areas, except as provided in Section 7.03.

IN WRITTEN WHEREOF, Grantor and the Owners of the Property have executed this Master Declaration the day and year first above written.