

ARTICLE VIIAgricultural Lands -- Agricultural Water Rights

1. Agricultural Lands. The Agricultural Lands described on the recorded plat of the Lazy O Ranch shall be restricted to open space, agricultural and passive recreational purposes. As used herein, agricultural purposes shall include agricultural structures and uses necessary for the operation of the ranch and agricultural lands. Permitted passive recreational purposes shall include but not be limited to horseback riding, bicycling, cross-country skiing, hiking and other uses not requiring structures or improvements. All proposed improvements and uses shall be approved by the Association. Improvements and uses shall receive design approval by the Architectural Committee under those procedures outlined in Article IV of these Covenants.

It is the intent of LOCC to preserve the agricultural lands and agricultural operations within the Lazy O Ranch. Further, it is the intent of LOCC: to provide access to and from the Agricultural Lands so that stock movement and other agricultural operations shall not be disturbed; and to ensure that development in the Lazy O Ranch shall not result in damage to crops or livestock or result in damage to or obstruction of irrigation headgates and ditches and shall not impede the ability of persons, vehicles and animals to continue in and with the agricultural operations. Concurrent with the recordation of these Covenants, LOCC shall convey, by separate instrument, its

right, title and interest in the Agricultural Lands to the Association. All agricultural operations taking place on the Lazy O Ranch, including but not limited to irrigation, planting, harvesting, fence maintenance and operating, maintaining, improving, replacing and repairing of irrigation ditches and reservoir structures located within the Lazy O Ranch and irrigation ditches not located within the Lazy O Ranch which supply irrigation water to the Lazy O Ranch shall be the responsibility of the Association. The Association shall maintain the Agricultural Lands in a manner consistent with how the Agricultural Lands have been historically maintained or, the Association at its discretion, may improve or upgrade the Agricultural Lands. Such responsibility shall also include operating, maintaining, replacing, repairing and improving irrigation ditches not located within the Lazy O Ranch which supply irrigation water to the Lazy O Ranch. The Association shall be entitled in the interests of water conservation to unilaterally implement new irrigation practices designed to increase irrigation efficiencies consistent with the intent to maintain adequate irrigation of the Agricultural Lands. The Association shall be entitled to assess the Lot owners on a pro rata basis for any deficits incurred in maintaining the Agricultural Lands pursuant to these Covenants. These assessments shall constitute a lien on a Residential Lot until paid and shall have the same priority and be collected and enforced in the same manner as provided for in Article XV, herein.

Consistent with the Association's obligation to operate, maintain and replace the irrigation ditches and reservoir structures on the Lazy O Ranch, the Association hereby agrees to indemnify LOCC and to hold LOCC harmless from any loss, casualty or claim of any nature whatsoever incurred or presented by the Association, its members or third parties which arises out of a failure of the Association to prudently operate, maintain and replace the irrigation ditches and reservoir structures servicing or otherwise benefitting the Lazy O Ranch.

The Association agrees to maintain and provide at LOCC's request evidence of adequate insurance to insure LOCC against any claim or loss as a result of the Association's failure to adequately perform the obligations above. The insurance shall be for such amounts and upon such conditions which are acceptable to LOCC.

The Association shall have the right to delegate or assign the functions and responsibilities with respect to the agricultural operations either to such person or entity who may be a sublessee of the Agricultural Lands who will conduct the agricultural operations for his or its own economic benefit or to a manager of the Agricultural Lands who will conduct the agricultural operations for the benefit of the Association.

In the event the Association fails to fulfill its functions and responsibilities as contained herein with respect to the

Agricultural Lands and ditches for the conveyance of water for two (2) consecutive irrigation seasons, then after at least sixty (60) days prior written notice to the Association within which the Association does not undertake to fulfill its responsibilities with respect to the Agricultural Lands and ditches for the conveyance of water, LOCC, may elect, at its discretion, to take over these functions and responsibilities. In the event LOCC takes over these functions and responsibilities, it shall assess the Association and the individual Residential Lot owners for, and the Association and the individual Residential Lot owners shall be liable to pay, all reasonable costs and expenses incurred to fulfill the responsibilities with respect to the Agricultural Lands, including reasonable attorneys' fees and accounting fees.

In the event LOCC does not take over the functions and responsibilities to maintain the Agricultural Lands and ditches for the conveyance of water within thirty (30) days after the sixty (60) day period provided for above within which the Association has not undertaken to fulfill its responsibilities, then Pitkin County may take over these functions and responsibilities. In the event Pitkin County takes over these functions and responsibilities, it shall assess the Association and the individual Residential Lot owners for, and the Association and the individual Residential Lot owners shall be liable to pay, all reasonable costs and expenses incurred to fulfill the responsibilities, including reasonable attorneys'

fees and accounting fees.

The ability of LOCC and Pitkin County to take over the functions and responsibilities to maintain the Agricultural Lands as set forth above shall not be triggered due to drought water conditions where water is not physically available to maintain the Agricultural Lands.

2. Ownership of Agricultural Water Rights. All agricultural water rights appurtenant, historically used upon or in conjunction with the Lazy O Ranch shall be conveyed, by separate instrument, to the Association at such time as these Covenants are recorded.

3. Conveyance of Agricultural Lands to the Association. At such time as these Covenants are recorded, LOCC shall convey, by separate instrument, the Agricultural Lands to the Association and all rights and obligations associated therewith and all facilities and uses constructed thereon, which conveyance shall reserve to LOCC the perpetual right to grant, locate and/or dedicate easements for installation, construction, maintenance, repair and replacement of any utilities and/or water systems in and over the Agricultural Lands.

4. Water and Utilities. Water wells, water lines, water treatment and control buildings, other water related facilities and improvements, general utility lines and general utility

easements shall be permitted in the Agricultural Lands. LOCC shall make all reasonable efforts to comply with the architectural and site development guidelines in the construction of water and utilities facilities for the Lazy O Ranch.

ARTICLE VIII

Domestic Water System

1. Construction of Domestic Water System. LOCC shall construct a central water system providing domestic water service to Lots 1 through 21, the ranch manager house and employee bunkhouse on the Ranch Facilities Parcel. LOCC shall be permitted to drill and construct water wells and water transmission facilities in the Agricultural Lands and the Ranch Facilities Parcel without the need for obtaining any recommendations or approvals from the Association or the Architectural Committee. LOCC shall construct water lines to the Lot lines. Individual Lot owners shall be responsible for the extension, construction and maintenance of water services lines and the installation of fire hydrants required to service any structures which may be built on a Lot prior to the issuance of a Certificate of Occupancy for the residence. All water use on the central domestic water system shall be required to be individually metered at the cost of the Lot owner.

Upon completion of the domestic water system and prior to providing water service to any Lot, LOCC shall assign to the