

EXHIBIT “B”

FALLS CREEK RANCH ASSOCIATION

Falls Creek Ranch Horses, LLC and FCRA Horse Committee Operational Rules and Policies

Purpose

This document serves as Exhibit B attachment to a Lease Agreement entered into November 1, 2012 between Falls Creek Ranch Association (FCRA) and the Falls Creek Ranch Horses, LLC (LLC) for the purpose of leasing FCRA common property for use as horse facilities and pastureland by FCRA residents. Per FCRA Covenant 21, “A limited number of horses may be kept on the Common Property, subject to rules and restrictions approved by the Board and expressly subject to availability of facilities and grazing areas as determined by the Board.” This document provides policies and operational rules approved by the FCRA Board of Directors (BOD) regarding the use and management of the common property area as identified in Exhibit A of the Lease Agreement.

General Information

The LLC is comprised of FCRA residents who have been approved and permitted to maintain up to two horses (per household) on the leased FCRA common property. The LLC members are required to pay a fee established by the LLC and are known as the “lessee” in the Lease Agreement. The LLC maintains its own bank fund for these monies, separate from FCRA funds, to maintain the facilities and improvements of the leased common property.

The BOD recognizes the LLC as the FCRA Horse Committee, as referenced in the Lease Agreement. The Horse Committee shall be comprised of all LLC members, one of whom shall Chair this Committee. Other interested FCRA members may serve on the Horse Committee (HC) as approved by the LLC. The HC shall be accountable to the BOD to assure compliance with all lease terms, FCRA covenants, policies and operational rules. The HC may, as deemed necessary, recommend improvements and/or changes to these rules for BOD consideration and approval. The BOD delegates authority to enforce all said rules to the HC. The HC shall routinely report to the BOD regarding operational issues or concerns related to the leased property. The BOD (Lessor) maintains authority and oversight of the leased common property as stated per the Lease Agreement and below.

General Policies

Consistent with terms of the Lease Agreement, FCRA Covenants and FCRA Rules, the following policies shall apply:

1. Per Covenant 21, no horse shall be maintained or grazed on any private lot. Horses may be housed only on approved leased FCRA common property. To maintain and/or graze a horse on leased property, a permit must be maintained in accordance with these policies and procedures.
2. Only FCRA residents (lot owners and renters) who are residing on the Ranch shall be eligible to obtain a horse permit.
3. Any one household may maintain no more than two (2) horses on the Ranch. The maximum number of horses allowed to be housed and grazed on the Leased Property shall be eight (8). This number may be less according to the HC's assessment of pasture conditions and stable availability. This number may be changed with BOD approval.
4. Per Lease paragraph #3, the use and cost of all utilities of the leased property are the responsibility of the LLC. Likewise, use of FCRA equipment, including the Zetor tractor, will be allowed according to FCRA's policy regarding use and payment of FCRA equipments including the Ranch Manager's time.
5. Per Lease paragraph #4, maintenance, repair and related costs of the leased property are the responsibility of the LLC.
6. Per Lease paragraph #5 and in accordance with FCRA Covenant 21, this lease is only for the purpose of horse use. No donkeys, mules, stud horses or other livestock shall be allowed on the Leased Property.
7. Per Lease paragraph #5, the LLC shall adhere to the operational rules requirement relating to the proper removal of manure and harrowing of pastures, proper fencing, number and location of trailers and grazing techniques to assure the proper maintenance of the Leased Property.
8. Per Lease paragraph #6, the LLC shall make no alteration or improvement to the Leased Property without prior approval of the BOD.
9. All LLC members shall carry appropriate personal liability insurance coverage and hold harmless agreements to address responsibility for damage or negligence on their part (per Lease paragraph #7).
10. FCRA members are allowed access through the Leased Property to access the community slash pile and for recreational purposes (e.g., hiking or bicycling). All FCRA members are expected to respect the safety needs of the horses, not approach or feed the horses without the horse owner's permission.
11. FCRA (Lessor) shall carry appropriate liability insurance for any negligence on the part of FCRA members accessing the leased property for recreation purposes (e.g., hiking or bicycling) or to access the community slash pile (per Lease paragraph #7).
12. Per Lease paragraph #8, the Lessee (LLC) shall not sublet or permit the Leased Property or any part thereof to be used by others.

13. Ownership of all structures (corrals, barns, sheds, and fences) on the leased property resides with FCRA. As such, the BOD shall carry appropriate insurance to cover losses or damage to these improvements.

14. As owner of the property, FCRA will maintain the access road to the leased property and the slash pile including snow plowing.

15. Per Lease paragraph #14, the BOD may access the Leased Property for inspection purposes of the property or to assure compliance with the terms of the Lease Agreement.

16. Horses may be ridden on FCR roads and across meadows for access to National Forest Service lands. Horse riders shall take care to minimize any negative impact to social trails.

17. Per the June 21, 1988 agreement between FCRA, Watson family and High Meadows Ranch, horses may be ridden on those properties while not interfering with personal property. The FCRA and Watson family agreement allows FCRA members non-motorized access across the Watson property to access National Forest Service lands. (Page 4, paragraph 3 of that agreement states "Falls Creek and High Meadows shall each allow residents of the other to hike, cross-country ski, ride horses, and engage in other forms of non-motorized recreation on their respective properties so long as such usages do not interfere with the residents' privacy or use of their own properties. Nothing in this agreement shall grant motor vehicular or snowmobile access through Watson property for the benefit of Falls Creek or High Meadows...").

LLC/Horse Committee Operational Responsibilities and Procedures

The LLC/HC is responsible for the daily operations and management of the Leased Property horse facilities. This includes permit procedures, approvals and related fee collection, record keeping, maintenance and utilities costs, use of proper grazing techniques and pasture management. The LLC/HC shall also be expected to maintain proper fire mitigation, weed control and water conservation for the Leased Property. The LLC/HC is expected to assure compliance and enforcement of all Lease terms, FCRA Covenants and these rules. The LLC/HC responsibilities and related procedures are as follows:

Administration and Permits:

1. The LLC shall maintain the proper legal paperwork creating and maintaining the LLC entity. The LLC shall create and maintain its own bank account to hold funds from the LLC members for the proper maintenance and repair of the Leased Property. This bank account shall be apart and separate from any FCRA funds.

2. A one-time, non-refundable, non-transferable fee of \$2,500.00 per horse is required to obtain a horse permit. Monies shall be placed in the LLC bank account for future facility requirements. These funds will be managed by the LLC. The LLC may determine, at any time, if additional financial assessments are needed for the maintenance of the Leased Property.

3. FCR residents shall apply for a horse permit in writing to the LLC/HC (see attached form FCRH LLC-1).
4. If space and pasture conditions allow, the LLC will approve the permit application and the applicant becomes a member of the LLC.
5. All horses must be current on all Veterinarian recommended vaccinations, boosters (e.g., West Nile, worming and Coggins). Horse owners will maintain proof of current vaccinations at all times.
6. All LLC members must carry personal liability insurance (per Lease paragraph #7) and a hold harmless agreement concerning FCRA (see attached form FCRH LLC-2).
7. The LLC will maintain a waiting list of FCRA residents who wish to apply for a horse permit. This list will be on a first-come, first-serve order. Upon notification of availability, the applicant will reserve their place with a non-refundable \$250.00 deposit. They have 30 days to apply for a permit. The \$250.00 will be applied toward the total permit fee on acceptance.
8. The LLC or the BOD has the authority to separate or remove horses if deemed necessary. Removal of a horse from the Leased Property is the expense of the horse permit holder.
9. The LLC or the BOD has the authority to rescind a horse permit at any time for just cause.
10. A horse permit terminates when the permit holder no longer resides at Falls Creek Ranch. If a horse dies or is sold, the permit holder has a maximum time period of six (6) months to replace that horse and reassign the existing permit to the replacement horse, unless other arrangements are made with the LLC.
11. The LLC/HC shall maintain all records of business transactions, permits, fee collection, and correspondence relating to the operations and management of the Leased Property and the LLC/HC.
12. The LLC/HC shall report on a regular basis (i.e., monthly BOD meetings) as to the operations and any issues related to the Leased Property and shall report to the FCRA membership at the Annual Meeting.
13. The LLC/HC shall coordinate activities related to the Leased Property with other FCRA committees as needed (e.g., Firewise, Common Property, Irrigation, Roads, Utilities/water conservation.)
14. Conduct periodic LLC/HC meetings and assign members specific tasks as needed.

Leased Property Maintenance:

Horse permit holders (LLC members) have use of the Leased Property for horse use as long as they are residents at Falls Creek Ranch, abide by the terms of the Lease Agreement, FCRA

Covenants and Rules and are members in good standing as a member of FCRA. The Leased Property shall be maintained to the satisfaction of the BOD.

1. Corrals, sheds, fencing and barns must be maintained and in good repair at the expense of the LLC members. Fencing within the Leased Property shall be smooth wire non-electrical fences.
2. The Leased Property must be kept clear of all debris and in a safe condition.
3. No more than five horse trailers, which are properly licensed and display an FCR road use decal, will be allowed on the Leased Property. The trailers must be placed in such a manner to be obscured, as much as possible, from sight of residents.
4. Parking of vehicles will be in designated areas, as shown in Exhibit A diagram, so not to impede turnaround areas.
5. Building structures must be built according to LaPlata County building codes. All improvements or changes to the Leased Property require prior approval of the BOD.
6. Manure must be removed on a daily basis from the stables and runs. Manure removed from the corrals will be transported to places away from the barn area but within the Leased Property as determined by the LLC/HC. Any change to such location shall be reported to the BOD to assure no interference with other FCRA activities.
7. The north and south pastures of the Leased Property shall be harrowed for manure as needed.
8. A working fire extinguisher must be at the horse stable at all times.
9. Horse permit holders are responsible for the welfare of their horses in any emergency situation at Falls Creek Ranch.
10. The LLC/HC shall monitor and eliminate noxious weeds and assist with fire mitigation efforts within the Leased Property.
11. The LLC/HC shall coordinate and assist in the spring clearing of irrigation ditches. Pastures will be irrigated according to the availability of water allowed to the Leased Property for horse use. Water conservation efforts are expected at all times.

Grazing and Pasture Management Principles:

1. To assure proper protection and maintenance of the Leased Property, the LLC/HC is required to utilize a grazing strategy that allows for healthy forage and effective pasture management. A limited turnout time or rotational meadow grazing strategy is recommended. To allow for healthy grass regrowth, grazing in a specific area should be stopped when grass is at a minimum of two inches high during the growing season. Recommended grazing and pasture management guidelines are provided through the US Department of Agriculture, the Colorado Department of Agriculture and the Colorado State University Cooperative Extension.

2. Graze according to the conditions of the grass rather than by the calendar. The length of the grazing season and the condition of the forage to allow continued grazing shall be determined by the LLC/HC and reported to the BOD.
3. Horses may graze on the north and south pastures noted within the Leased Property Exhibit A.
4. The LLC/HC is responsible for preventing spot grazing and overgrazing of any designated area.
5. The LLC/HC shall determine the number of horses allowed per designated grazing area.
6. The LLC/HC shall determine when horses should be removed from a specified grazing area. The owner will be verbally informed that the horse(s) are to be removed. If the owner is unable to be reached, the LLC/HC has the authority to move the horses(s) from the pasture to the paddock.
7. Hay/feed must be provided year round to all horses and is to be stored in areas designated by the LLC/HC.
8. While the suitability of grazing conditions shall be determined by the LLC, the BOD will maintain oversight responsibility and authority to assure proper protection of FCRA property and compliance with these lease terms, policies and rules.

Approved and Agreed To By:

Falls Creek Ranch Horses, LLC

Date

Falls Creek Ranch Association, Inc.
Board of Directors

Date