

DECLARATION OF MUTUAL COVENANTS

THIS DECLARATION OF MUTUAL COVENANTS between San Juan Ranch, a Colorado common interest ownership community, located partially in San Miguel, Montrose and Ouray counties, Colorado, by its duly incorporated non profit, San Juan Ranch Owners' Association, hereafter "SJROA", Mutual Covenantor; and San Miguel Development Company VIII, LLC, a Colorado limited liability company by Ronald R. Kurucz, Manager, hereafter "SMDC VIII, LLC", owner, subdivider and future Declarant of the proposed Dancing Bear Ranch, common interest community, all pertaining to the real property described and incorporated herein in Exhibit A.

WHEREAS, the particular real property described and incorporated herein in Exhibit A is located in S35T46N R10 W, and various Sections in T45NR10W, Montrose and Ouray counties, Colorado, adjacent and north of the existing common interest ownership community, San Juan Ranch, which is operated and administered by its owners' association, San Juan Ranch Owners' Association, a Colorado, non-profit corporation, the Mutual Covenantor, herein; and

WHEREAS, the real property described in Exhibit A and owned by SMDC VIII, LLC, is also known as Spruce Mountain Ranch and has been previously identified, as part of Parcel C, by San Juan Ranch, in Article 15 of its Declaration and Filing No. 1, of the Plat of San Juan Ranch which platted such Parcel C in 1996, as a Reserved Right secured by the original Declarant of San Juan Ranch for future inclusion and platting as part of San Juan Ranch; and

WHEREAS, the real property, Spruce Mountain Ranch (Exhibit A), is accessed and serviced through a series of common element roads and various utility lines which connect Spruce Mountain Ranch with Colorado State Highway 62 and various utility lines, to diverse locations on the southerly border line between San Juan Ranch and Spruce Mountain Ranch; and

WHEREAS, Spruce Mountain Ranch has not heretofore been platted as part of San Juan Ranch and has no current developed road or other infrastructure, and has remained so since the inception of San Juan Ranch and the original Declarant and owner of Spruce Mountain Ranch has participated in the San Juan Ranch common community by paying to SJROA, in the proportion that its acreage is to the whole acreage of San Juan Ranch, funds for the capitalization of infrastructure and payment of annual dues assessments for maintenance and other owners' common expenses from the inception of San Juan Ranch through the present; and

WHEREAS, the original Declarant of San Juan Ranch has irrevocably elected to decline to exercise its Reserved Right of platting and inclusion in the San Juan Ranch and has conveyed to SMDC VIII, LLC, the real property known as Spruce Mountain Ranch, described in Exhibit A, without an assignment of those reserved rights; and

WHEREAS, SMDC VIII, LLC, will now operate Spruce Mountain Ranch as a separate real estate

entity subject to these Mutual Covenants.

THEREFORE, these parties hereby Convey and Grant unto each other the foregoing Covenants which shall run with the land known as Spruce Mountain Ranch, described in Exhibit A, as follows:

1. SMDC VIII, LLC, represents that it is its intent to cause Spruce Mountain Ranch to become a separate common interest community comporting to the Dancing Bear Ranch on Spruce Mountain, conceptual land use plan prepared by SMDC VIII, LLC, and incorporated herein as Exhibit B. SMDC VIII, LLC, for itself and its assigns, agrees that such common interest community shall be governed by a Declaration which shall contain use restrictions at least as strict as those set forth in Article VI., Ownership Use and Occupancy Restrictions, San Juan Ranch Declaration, in Book 858, Pages 976-979 inclusive, in the records of the Clerk and Recorder, Montrose County, Colorado. SJROA's sole remedy for a breach of the representations made in this paragraph shall be the revocation of this Declaration of Mutual Covenants, including, specifically the grant of easement set forth in paragraph 5 below.

2. SMDC VIII, LLC, and its assigns shall be obligated itself, and eventually through its future owners' association's annual assessments of its common elements to pay to SJROA, thirty seven percent (37%) of SJROA's annual assessments and of any special assessments or 4.11% of any such assessments per residential lot included (exclusive of any caretaker or ranch manager residence) in Spruce Mountain Ranch for such assessments, whichever is greater, related to San Juan Ranch road maintenance and repair of its common element roads. SJROA and SMDC VIII, LLC, and/or a representative from the Dancing Bear Ranch common interest community shall work together to develop annual budgets for road maintenance and repair, which budget shall then be submitted to a vote of the SJROA and SMDC VIII, LLC, according to their respective voting interests.

3. Road maintenance and repair, as used throughout this agreement, is defined to include any costs necessary to maintain SJROA's common interest element roads and rights of way to the standards required by the County in which the roads and rights of way are located or to such higher standard as the SJROA may from time to time adopt, so long as any higher standard is adopted at a properly noticed SJROA meeting at which SMDC VIII, LLC, or its assigns is permitted to vote in accordance with the voting rights granted to him in paragraph 7, below. Road maintenance and repair also includes all costs necessary to ensure that all roads are passable and free of any potholes or defects. Road maintenance also includes ensuring that the common interest element roads are made passable in winter by plowing snow from the roads to allow access to the lot lines of all lots within the San Juan Ranch and to the point of access to Spruce Mountain Ranch from San Juan Ranch and the cost of purchasing, installing, maintaining and removing any snow fencing necessary to aid in keeping the common interest element roads free of snow. Road maintenance does not include any costs of a solely aesthetic nature, including the installation and maintenance of any landscaping within the SJROA.

4. If at some future time the SJROA elects, at a meeting at which SMDC VIII, LLC, is entitled to vote, to install a gate restricting vehicular access to San Juan Ranch, and if at that time there is no similar gate in existence limiting access to Spruce Mountain Ranch, SMDC VIII, LLC, or his assigns agrees to pay his share of the cost of purchasing, installing and maintaining said gate in accordance with assessment percentages set forth in paragraph 2, above.
5. SJROA grants unto SMDC VIII, LLC, its assigns, agents and invitees, in particular its future owners' association, a perpetual easement of vehicular and pedestrian use, including unfettered ingress and egress to Spruce Mountain Ranch, through, over and upon San Juan Ranch common interest element roads and rights of way; as well as, an easement right to utilize and tap into any existing San Juan Ranch common element utility lines, so long as SMDC VIII, LLC, agrees to pay any utility provider charges and fees and abide any reasonable provider conditions.
6. The parties agree to enter into good faith negotiations to develop an agreement granting the lot owners of Spruce Mountain Ranch and San Juan Ranch and their respective invitees a perpetual cross access easement for pedestrian and equestrian use over and upon any common interest element roads or hiking or equestrian trails developed by the parties. The agreement shall include a provision respecting the acquisition of an insurance policy or an endorsement to an existing policy covering claims against the SJROA or its assigns and SMDC VIII, LLC, or his assigns, including any future homeowners' association, arising out of the use of the cross access easement.
7. The SJROA and SMDC VIII, LLC, shall cooperate with each other to obtain an endorsement to the SJROA liability insurance policy covering any claims against it by any person or entity arising out of the use of the perpetual easement granted in paragraph 3 by SMDC VIII, LLC, and/or assigns. SMDC VIII, LLC, or any future beneficiaries of the easement shall pay the full cost of the endorsement.
8. SJROA grants unto SMDC VIII, LLC, its assigns, agents and invitees, in particular its future owners' association, the right to vote thirty-seven percent (37%) of the members' vote of the SJROA on all issues related to the maintenance and repair of common element roads and rights of way of San Juan Ranch, such vote calculated as a percentage of the acreage of Spruce Mountain Ranch to the aggregate acreage of San Juan Ranch. If at some future date the SJROA elects to amend its Declaration of Common Interest Community and/or articles or by-laws to raise the percentage of votes necessary to permit it to incur expenses for the repair and maintenance of common interest element roads and rights of way, SMDC VIII, LLC, agrees to be bound by such amendment, provided that such amendment does not require a vote in excess of 67%.
9. SMDC VIII, LLC, its assigns, agents and invitees, covenant to include in any future Declaration, an obligation to repair any damage to the San Juan Ranch common element roads and utility lines caused substantially by SMDC VIII, LLC's use and/or the use of any future owner of a parcel on Spruce Mountain Ranch and to restrict any quarry activities solely to Spruce Mountain property. Further, also to be included in any future Declaration, SMDC VIII, LLC, and/or its assigns shall be

subject to the bonding requirements regarding construction and attendant use of San Juan Ranch roads as set forth in Article 4.2 of the Declaration at book 858, pp. 971-972 in the records of the Montrose County Clerk and Recorder, Colorado.

10. SMDC VIII, LLC, its assigns, agents and invitees, in particular its future owners' association, covenants that it shall strictly enforce a rule which shall be contained in its future Declaration, that restricts the use of any construction vehicle on San Juan Ranch Common Roads to weekdays only between the hours of 7AM and 6PM.

11. The parties hereto, the Mutual Covenantors, agree that this Declaration of Mutual Covenants shall be recorded along with the Deed conveying the subject real property to SMDC VIII, LLC, and shall run with the land.

IN WITNESS WHEREOF, the Covenantors have set their hands and seals:

San Miguel Development Company VIII, LLC, a
Colorado limited liability company
By:

Ronald R. Kurucz
Ronald R. Kurucz, Manager

Date: 6-11-03

State of Colorado)
)
County of San Miguel)

The foregoing was acknowledged to before me this 11th day of June, 2003, by San Miguel Development Company, VIII, LLC, a Colorado limited liability company by Ronald R. Kurucz, Manager.

Witness my hand and seal.
My commission expires:

Sharon Herbert
Notary Public

San Juan Ranch Owners' Association
By:

David M. Prager
David M. Prager, President

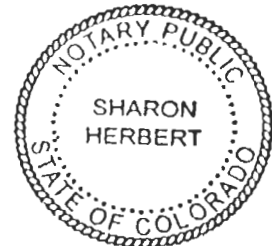


My Commission Expires 11/05/2005

State of Colorado)
County of San Miguel)

The foregoing was acknowledged to before me this 11th day of June, 2003, by David M. Prager, President, San Juan Ranch Owners' Association.
Witness my hand and seal.
My commission expires:

Sharon Herbert
Notary Public



Certification

My Commission Expires 11/05/2005

David M. Prager, president of San Juan Ranch Owners' Association affirms that the foregoing Declaration of Mutual Covenants comports with Ballot Resolution #1, dated April 24, 2003, Declaration of Mutual Covenants submitted to a member vote and passed by members of the San Juan Ranch Owners' Association on or about May 5, 2003. Further, that the only changes to the foregoing document are the reflection of assignment of rights and consent executed by the parties establishing the responsible entities San Miguel Development Company VIII, LLC, as the owner of Spruce Mountain Ranch and Mutual Covenantor herein.

David M. Prager
David M. Prager

Exhibit A

Portions of Section 35, Township 46 North, Range 10 West, together with portions of Sections 1, 2, and 12, Township 45 North, Range 10 West, and portions of Sections 6 and 7, Township 45 North, Range 9 West of the New Mexico Principal Meridian, in the Counties of Montrose and Ouray, State of Colorado, described as follows:

BEGINNING at the corner common to Sections 1, 2, 11 and 12, Township 45 North, Range 10 West, of the New Mexico Principal Meridian; Thence South 89°16'42" West along the line common to said Sections 2 and 11, a distance of 1361.28 to the East 1/16 corner common to said Sections 2 and 1; Thence North 40°09'31" West a distance of 41.53 feet to a point on the Easterly line of Lot 19, San Juan Ranch Amended Filing 3, said point being the beginning of a curve, concave to the Southeast and having a radius of 200.00 feet; Thence Northeasterly along said curve through a central angle of 39°32'34" an arc distance of 138.03 feet, the chord of which bears North 69°36'46" East a distance of 135.31 feet; Thence North 89°23'03" East a distance of 140.91 feet to the beginning of a curve, concave to the Northwest and having a radius of 300.00 feet; Thence Northeasterly along said curve through a central angle of 62°10'44" an arc distance of 325.57 feet, the chord of which bears North 58°17'41" East a distance of 309.83 feet, to a point of compound curvature, said point being the beginning of a curve, concave to the Northwest and having a radius of 500.00 feet; Thence Northeasterly along a curve through a central angle of 12°17'36" an arc distance of 107.28 feet, the chord of which bears North 21°03'31" East a distance of 107.07 feet; Thence North 14°54'43" East a distance of 163.54 feet to the beginning of a curve, concave to the Southeast and having a radius of 300.00 feet; Thence Northeasterly along said curve through a central angle of 07°04'20" an arc distance of 37.03 feet, the chord of which bears North 18°26'54" East a distance of 37.01 feet; Thence North 57°18'35" West a distance of 1974.89 feet; Thence North 08°33'43" West a distance of 715.35 feet; Thence North 42°47'15" West a distance of 436.74 feet; Thence North 07°01'51" West a distance of 92.32 feet; Thence North 77°51'21" East a distance of 206.01 feet; Thence North 12°56'57" West a distance of 1353.88 feet; Thence North 44°00'55" West a distance of 521.27 feet; Thence North 18°42'16" West a distance of 805.41 feet; Thence South 63°47'29" West a distance of 725.13 feet; Thence North 87°58'16" West a distance of 757.15 feet; Thence North 20°52'03" East a distance of 737.53 feet to the Southerly line of the Boundary Agreement as disclosed in Book 12 at page 334, records of Montrose County; Thence North 79°45'23" East along said line a distance of 673.73 feet; Thence North 33°01'29" East a distance of 253.17 feet; Thence North 00°51'54" West a distance of 2274.68 feet to the West 1/16 corner of said Section 35; Thence North 00°42'32" West a distance of 1338.21 feet to the Northwest 1/16 corner of said Section 35; Thence North 88°59'03" East a distance of 1331.24 feet to the North 1/16 corner of said Section 35; Thence North 88°57'13" East a distance of 2663.22 feet to the North 1/16 corner common to Sections 35 and 36; Thence South 00°05'34" East a distance of 1316.50 feet to the West 1/4 corner of said Section 35; Thence South 00°05'36" East a distance of 2633.64 feet to the corner common to Sections 35 and 36, Township 46 North, Range 10 West and Sections 1 and 2, Township 45 North, Range 10 West of the New Mexico Principal Meridian; Thence

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CONSENT TO DECLARATION OF MUTUAL COVENANTS

THIS CONSENT TO DECLARATION OF MUTUAL COVENANTS is by San Juan Ranch Partners Limited, a Colorado limited partnership by its General Partner, San Juan Ranch Development Corporation, a Colorado corporation, by David M. Prager, President, hereafter "SJRPL".

WHEREAS, SJRPL is the original and only Declarant of the Colorado Common Interest Ownership Community, titled San Juan Ranch; and

WHEREAS, SJRPL in its 1993 Declaration reserved the right to plat an adjacent parcel of real property commonly known as Spruce Mountain Ranch into and as part of the Common Interest Community regime for San Juan Ranch; and

WHEREAS, SJRPL has never platted Spruce Mountain Ranch into San Juan Ranch, and hereby irrevocably declines to exercise such right of platting and inclusion; and

WHEREAS, such intent to irrevocably decline to exercise SJRPL's reserved right of platting and inclusion is embodied in a particular agreement styled: Declaration of Mutual Covenants, by and between San Juan Ranch Owners' Association and the grantee of Spruce Mountain Ranch, which by this reference is incorporated herein; and

WHEREAS, such Declaration of Mutual Covenants has been duly adopted by the parties as expressed therein.

THEREFORE, SJRPL hereby consents to and adopts such Declaration of Mutual Covenants, as follows:

SJRPL hereby consents to and acknowledges the Declaration of Mutual Covenants in its entirety and expressly covenants to the parties therein that it has irrevocably waived and released any right that SJRPL has or may have had to exercise its right as Declarant of San Juan Ranch to plat and include Spruce Mountain Ranch as part of the San Juan Ranch Common Interest Community.

In Witness Whereof the parties hereto set its hand and seal.

San Juan Ranch Partners Limited, a Colorado limited partnership,
By San Juan Ranch Development Corporation, a Colorado
Corporation, General Partner

By:

David M. Prager
David M. Prager, President

State of Colorado)
County of San Miguel)

The foregoing Consent to Declaration of Mutual Covenants was acknowledged to before me this ___ day of June, 2003, by David M. Prager, President of San Juan Ranch Development Corporation, a Colorado corporation, General Partner of San Juan Ranch Partners Limited, a Colorado limited partnership.

Witness my hand and seal.

My commission expires: 11-05-05

Sharon Herbert
Notary Public



My Commission Expires 11/05/2005

South 87°17'43" East a distance of 2703.50 feet to the North 1/4 corner of said Section 1; Thence South 00°35'23" West a distance of 1469.30 feet to the North 1/16 corner of said Section 1; Thence North 89°44'09" East a distance of 2676.90 feet to the North 1/16 corner common to Section 1, Township 45 North, Range 10 West and Section 6, Township 45 North, Range 9 West of the New Mexico Principal Meridian; Thence South 01°38'35" West a distance of 1327.77 feet to the 1/4 corner common to Section 1, Township 45 North, Range 10 West and Section 6, Township 45 North, Range 9 West of the New Mexico Principal Meridian; Thence South 89°39'06" East a distance of 1517.20 feet to the West 1/16 corner of said Section 6; Thence North 04°41'35" East a distance of 1319.27 feet to the Northwest 1/16 corner of said Section 6; Thence South 89°10'59" East a distance of 1291.73 feet to the North 1/16 corner of said Section 6; Thence South 04°03'51" West a distance of 1309.67 feet to the center 1/4 corner of said Section 6; Thence South 04°04'23" West a distance of 1349.81 feet to the South 1/16 corner of said Section 6; Thence South 04°02'26" West a distance of 1349.98 feet to the 1/4 corner common to said Sections 6 and 7; Thence South 00°44'13" East a distance of 1404.58 feet to the North 1/16 corner of said Section 7; Thence South 89°29'10" West a distance of 2640.38 feet to the North 1/16 corner common to Section 7, Township 45 North, Range 9 West and Section 12, Township 45 North, Range 10 West of the New Mexico Principal Meridian; Thence North 89°42'57" West a distance of 2646.49 feet to the North 1/16 corner of said Section 12; Thence North 01°49'14" West a distance of 1369.62 feet to the 1/4 corner common to Sections 1 and 12, Township 45 North, Range 10 West of the New Mexico Principal Meridian; Thence North 89°57'48" West, along the South line of said Section 1, a distance of 2687.25 feet to the POINT OF BEGINNING, Also known as Spruce Mountain Ranch,

County of Montrose and Ouray ,
State of Colorado.

(for informational purposes only) Spruce Mountain Ranch

By: David Prager
David Prager, President