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DECLARATION OF COMMON INTEREST COMMUNITY

OF

SAN JUAN RANCH

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DECLARATION OF COMMON INTEREST COMMUNITY

FOR

SAN JUAN RANCH

THIS DECLARATION OF COMMON INTEREST COMMUNITY, For San Juan Ranch, is made and entered into by San Juan Ranch Partners, Ltd., a Colorado Limited Partnership, hereafter referred to as "Declarant," on this 18 day of AUGUST, 1993.

WITNESSETH:

WHEREAS, San Juan Ranch is a Colorado Common Interest Community of real property consisting of 1,311.145 acres, more or less, located partially in San Miguel, Ouray and Montrose Counties, Colorado, and specifically described in Exhibit A, attached and incorporated hereto; hereafter "Ranch"; and

WHEREAS, Declarant has also reserved certain acreage for potential inclusion into the Ranch, designated as "Reserved by Declarant for Development Rights", pursuant to Article XV, 15.4 et seq., below, described in Exhibit B, attached and incorporated hereto; and

WHEREAS, Declarant has improved the Ranch by dividing it into no more than twelve (12) separate ownership Units, each denoted as a Lot and reserves the right to add Lots to an aggregate of 75 Lots by including all or any part of the real property in any order and any number of phases described in Exhibit B, as individual Lots, pursuant to Article XV below; and

WHEREAS, the Declarant shall by concurrently recording this Declaration, along with the "Common Interest Community Map for San Juan Ranch", in San Miguel, Ouray and Montrose Counties, Colorado, the Counties in which this Common Interest Community is located, create and submit the Ranch to the provisions of the Colorado Common Interest Ownership Act as a "planned community" and to impose upon the Ranch mutually beneficial restrictions under a general plan of improvement for the benefit of the Ranch and Owners thereof.

NOW THEREFORE, Declarant does hereby publish and declare that the Ranch is, and shall be conveyed, hypothecated, encumbered, leased, used and occupied, subject to the following terms, limitations, restrictions, easements, covenants, conditions, obligations, liens and charges, all of which are declared and agreed, to be in furtherance of a plan of Common Interest Community as described in the Colorado Common Interest Ownership Act for the subdivision, improvement, protection, maintenance and

sale of Units, denoted as Lots, within the Ranch. All of the following provisions are declared and agreed to be for the purpose of enhancing, maintaining and protecting the value and attractiveness of the Ranch. The terms, limitations, restrictions, easements, covenants, conditions, obligations, liens and charges hereafter described, shall be a burden and benefit to the Declarant, its grantees, successors and assigns and shall, from the original date of recording in the records of the Offices of the Clerk and Recorder for San Miguel, Ouray and Montrose, Counties, Colorado, constitute covenants running with the land, binding upon and inuring to the benefit of all those who hereafter obtain any interest in the Ranch.

ARTICLE I

NAME AND DEFINITIONS

The name of this Common Interest Community shall be San Juan Ranch, Common Interest Community, which shall be located partially in San Miguel, Ouray and Montrose Counties.

As used in this Declaration, unless the context otherwise requires, the terms hereinafter set forth shall have the following meanings:

1.1 Allocated Interests. "Allocated Interests" shall mean the percentage of the Common Expense of the Association and the number of votes in the Association allocated to each Unit (denoted as a Lot), as set forth in Exhibit C.

1.2 Articles. "Articles" shall mean the Articles of Incorporation of the Association, as the same may be amended from time to time according to their terms.

1.3 Association. "Association" shall mean and refer to the San Juan Ranch Owners' Association, a Colorado nonprofit corporation, its successors and assigns, whose purpose shall be to govern the administration of the San Juan Ranch Common Interest Community. The Association shall be organized in accordance with the provisions of C.R.S. 38-33.3-301 et seq.

1.4 Board of Directors. "Board of Directors" shall mean the governing body of the Association.

1.5 Bylaws. "Bylaws" shall mean the Bylaws of the Association, which are adopted by the Association for the regulation and management of the Association, as the same may be amended from time to time, according to their terms.

1.6 Common Assessments. "Common Assessments" shall mean the sums assessed against Unit (Lot) owners for the payment of Common Expenses.

1.7 Common Elements. "Common Elements" shall mean all portions of the Ranch not within a Unit (Lot); all General Common Elements and Limited Common Elements.

1.8 Common Expenses. "Common Expenses" shall mean expenditures made or liabilities incurred by or on behalf of the Association, together with allocations to reserves.

1.9 Common Expense Liability. "Common Expense Liability" shall mean the liability for Common Expenses allocated to each Unit (Lot) pursuant to C.R.S. 38-33.3-207 (1)(c).

1.10 Common Interest Community Map. "Common Interest Community Map" shall mean the Map for San Juan Ranch, Common Interest Community, appearing in the records of the Clerk and Recorder of San Miguel, Ouray and Montrose, Counties, Colorado. The term Common Interest Community Map identified as "Filing No. 1", shall mean the original Common Interest Community Map, together with any supplemental Map or Maps hereafter filed.

1.11 Declarant. "Declarant" shall mean San Juan Ranch Partners Ltd., a Colorado Limited Partnership, and such successor or successors as may hereafter be designated by Declarant by written, notice, duly recorded in the records of the Counties of San Miguel, Montrose and Ouray, Colorado.

1.12 Declaration. "Declaration" shall mean this Declaration, together with any supplements or amendments hereto, and also including, but not limited to, plats or maps, recorded in the offices of the Clerk and Recorder of San Miguel, Montrose, and Ouray, Counties Colorado.

1.13 Design and Building Requirements. "Design and Building Requirements" shall mean those rules and regulations promulgated by the Association to ensure that all improvements constructed within the Ranch preserve and promote the interest of the Owners.

1.14 Design Review Board or DRB. "Design Review Board" or "DRB" shall mean the committee appointed by the Association's Board of Directors to review and approve plans for the construction or modification of improvements on the Ranch.

1.15 Dwelling. "Dwelling" shall mean any residential structure constructed within the building envelope identified and located within each Lot on the Map.

1.16 General Common Elements. "General Common Elements" shall mean all parts of the Ranch not identified as Lots or Units on the Map, except for portions which are identified as reserved for the exclusive use of an Owner of a particular Lot or Lots to the exclusion of all others (Limited Common Elements).

1.17 Limited Common Elements. "Limited Common Elements" shall mean a portion of the Common Elements allocated by this declaration for the exclusive use of one or more Lots but fewer than all of the Lots. Limited Common Elements shall include, by way of example and not limitation, that portion of any utility line, drainage facility, access drive or walkway serving only one or more Lots but less than all Lots.

1.18 Managing Agent. "Managing Agent" shall mean the person declared by the Board to perform the management and operational functions of the Association.

1.19 Mortgage. "Mortgage" shall mean any security interest which names as the Mortgagee or beneficiary under any Mortgage or Deed of Trust, or any successor to the interest of such person under such mortgage.

1.20 Mortgagee. "Mortgagee" shall mean any person named as the Mortgagee or beneficiary under any Mortgage or Deed of Trust, or any successor to the interest of such person under such mortgage.

1.21 Owner. "Owner" shall mean a person, corporation, partnership, or other entity legally capable of holding title to real property that may hold legal title to a Unit or numbered Lot identified on the Map.

1.22 Owner Turnover Date. "Owner Turnover Date" the specific point in time at which Declarant must turnover control of the Association to other Owners. See Section 7.6 below.

1.23 Special Assessment. "Special Assessment" shall mean the sums assessed against an Owner for costs other than payment of Common Expenses.

1.24 Special Declarant Rights. "Special Declarant Rights" shall mean rights reserved for the benefit of the Declarant to perform the following acts: to complete improvements indicated on Maps and other instruments filed with the Declaration; to exercise any development right; to maintain sales and management offices and signs advertising San Juan Ranch; to use easements through the Common Elements for the purpose of making improvements within San Juan Ranch; or to appoint or remove any officer of the Association or any board member during any period of Declarant control and for such other rights as may be reserved and set forth herein.

1.25 Unit. "Unit" shall mean a denoted "Lot" as depicted on the Common Interest Community Map and legally described and identified thereon, which is subject to individual legal ownership by an Owner. In this Declaration, and on the Map, and in any legal description of separate ownership property, the terms "Unit" and "Lot" may be used interchangeably.

ARTICLE II

OWNERSHIP OF UNITS

2.1 Division into Units Denoted as "Lots". Declarant, by this Declaration has divided the Ranch into a "Planned Community" pursuant to the Colorado Common Interest Ownership Act, C.R.S. 38-33.3-101, et seq., by creating not more than 12 Units, each identified on the Map and throughout this Declaration as a Lot. Each Unit, identified as a Lot, consists of a separate fee simple estate. In this Declaration and on the Map, the terms Unit and Lot may be used interchangeably, with the same meaning.

2.2 Additional Units. Notwithstanding 2.1 above, Declarant may in the future, but not more than ten years from the date of this Declaration, create an additional 63 Units, each identified as a Lot, by exercising any of Declarant's Special Rights set forth in Article XV herein, in any physical order and in as many phases or filings as Declarant, in his sole discretion, may deem proper.

2.3 Common Interest Community Map. Concurrently with the recording of this Declaration, there has been filed a Common Interest Community Map for San Juan Ranch, San Miguel, Ouray and Montrose Counties, Colorado, hereafter "Map", which depicts:

- A. The legal description of the Ranch and a survey thereof;
- B. The name and general location of the San Juan Ranch;
- C. The measurements, location and general description with reference to the exterior boundaries of each Unit identified as a Lot;
- D. Location and legal description of all Common Elements and Limited Common Elements including all easements and rights of way;
- E. Any other Map inclusions required by C.R.S. 38-33.3-209 et seq. and 34-33.3-205 (1) (e).
- F. Real property designated "Reserved by Declarant for Development Rights" or "Reserved by Declarant for Future Development" pursuant to Article XV herein.
- G. Identification of initial lots committed to separate ownership as Common Interest

Community and identified as "Filing No. 1,
(supplements thereto shall be identified)."

The Map, and any supplements thereto, shall contain the statements of: (1) Declarant submitting the Ranch to the provisions of the Declaration, and (2) an engineer and a registered land surveyor certifying that the Map fully and accurately depicts the layout, measurements and location of any improvements located upon the property, the Unit designations, identified as Lots, the dimensions of each Lot, and any other existing improvement. Declarant hereby reserves unto itself and to the Board, the right from time to time, without the consent of any owner being required, to amend the Map and supplements which may be identified as consecutive filings, thereto, to conform the Map to the actual location of any of the constructed improvements including Common Elements, and to establish, vacate and relocate utility easements and access road easements and to correct any minor deviations or errors therein.

In interpreting any and all provisions of this Declaration or the Bylaws, the actual location of a Lot shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered, notwithstanding any minor deviations from the location of said Lot indicated on the Map.

2.4 Description of Common Interest Community Units Identified as Lots. The separate physical portions of the San Juan Ranch Common Interest Community, each of which is designated for separate ownership, is a "Unit", and each is identified on the Map as a particularly enumerated "Lot". Every contract for sale, deed, lease, mortgage or other interest, shall legally describe a "Unit" by its identifying "Lot number" (as shown on the Map), followed by the words, "San Juan Ranch, a Common Interest Community", the county or counties in which the respective Lot is located, followed by: "in accordance with and subject to the Map and Declaration of Common Interest Community for San Juan Ranch," along with actual recordation identification and data as recorded in the respective county in which the subject Lot is located.

Every such description shall be good and sufficient for all purposes to sell, convey, transfer, encumber or otherwise effect not only the respective Lot, but also the appurtenant easement rights in and to the Common Elements of the Association, and any exclusive easement right or use of particular Limited Common Elements. Each such description shall be construed to include a non-exclusive easement for ingress and egress over the Common Elements; non exclusive use of Common Elements which are not Limited Common Elements, and any other easements, obligations, limitations, rights, encumbrances, covenants, conditions and restrictions created in this Declaration.

2.5 Inseparability. An Owner's easement(s), and other use rights in the Common Elements, obligations for Common Expense

liabilities and votes in the association shall not be separated from the Lot to which they are appurtenant.

2.6 No Partition. The Common Elements shall remain entitled in the Association and no Owner or any other person shall bring any action for partition or division of the Common Elements. Similarly, no action shall be brought for partition of a Lot between or among the Owners thereof. Each Owner expressly waives any and all such right of partition he may have by virtue of his ownership of a Lot.

2.7 No Subdivision of Lots by Owners. Except as reserved by Declarant in Article XV herein, no owner may subdivide or affect a subdivision of any Lot into two or more Lots.

2.8 Separate Titles and Taxation. Each Lot that has been created, together with its interest in the Common Elements, constitutes for all purposes a separate parcel of real estate and shall be separately assessed and taxed. Declarant shall give written notice to the Assessor of San Miguel, Ouray and Montrose Counties, Colorado of the creating of Common Interest Community Ownership of the Ranch, as is provided by law. The lien for taxes assessed to any Lot, shall be confined to that Lot for delinquent taxes, assessments or other governmental charges and shall not divest or in any way affect the title to any other Lot. The taxes for the Common Elements assessed by the respective counties for payment by the Association shall be reserved by the Association as proportionate assessments for Common Expenses allocated to each Lot.

2.9 Limited Common Elements. Any part of the Common Elements used by fewer than all of the Lot Owners, with the expenses therefore allocated specifically to those users.

2.10 Membership in Association. The Owners of record of each Lot shall be members of the Association. There shall be one vote for each acre depicted on the Map, contained in a respective Lot, with a proportional vote equal to any part of a remainder acre. If there is more than one record Owner of each Lot then the vote(s) for said Lot may be cast by the party so designated pursuant to the Bylaws of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

ARTICLE III

EASEMENTS, LICENSES AND EASEMENT RIGHTS

Each of the Lot owners has an easement over, under and across the Common Elements, or any appropriate portion thereof, for the purpose of access (ingress and egress) to their Lot, and for all other appropriate and designated purposes; and such easements, in and to the Common Elements, is a covenant running with the land,

and notwithstanding any of the other provisions of this Declaration, may not be substantially amended or revoked, in such a way as to unreasonably interfere with its proper and intended use and purpose.

3.1 Utilities Any and all easements as may be required for utility services to adequately serve the Ranch and Lots within, shall be covenants running with the land.

3.2 Pedestrian, Equestrian and Vehicular Traffic. There shall exist easements for pedestrian, and equestrian traffic over, upon, through and across sidewalks, trails, paths, and ways, as the same may from time to time exist upon the Common Elements; and for vehicular, equestrian, and pedestrian traffic over, upon, through and across such portions of the Common Elements designated as roads, drives and driveways as may from time to time be improved and intended for such purposes, the same being for the use and benefit of the Owners, their respective successors, guests and invitees, for access and related purposes.

3.3 Association Grant. The Association hereby creates and grants easements to all owners and members of the Association, their immediate families, guests and invitees, for ingress, egress, utilities, including but not limited to those necessary to provide power, electricity, telephone, water, lighting facilities and for all purposes set forth specifically in this Article III and described in this Declaration.

Declarant for itself, its successors, assigns, nominees and for the Association reserves the right to impose upon the Common Elements and easements granted herein, henceforth and from time to time, reasonable use regulations, maintenance operations, repair, replacement and modifications including the right to contract and place snow fences along the road or driveway, even if such road or driveway is within a particular Lot.

3.4 Easements Granted by Association. The Association shall have the power and be required to grant and convey to any third party, on behalf of any Owner(s) of a Lot(s), easements and rights of way in, on, over and under the Common Elements for the purpose of constructing, erecting, operating or maintaining thereon, therein, or thereunder, underground lines, cables, wires, conduits, or other devices for electricity, (on the surface) or other utilities, cable television, power, telephone and other purposes, public sewers, storm drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to a Lot, expressly consents hereto; provided, however, that no such easements may be granted if same would interfere with the use, occupancy or enjoyment by any owner of his Lot, and any easement(s) over the Common Elements appurtenant thereto, or any related facilities of the Ranch.

3.5 Easements Deemed Appurtenant. The easements, uses and rights herein created for an Owner, shall be appurtenant to the Lot of that owner, and all conveyances or any other instruments affecting title to a Lot shall be deemed to grant and reserve the easements, uses and rights as are provided for herein, even though no specific reference to such easements, uses and rights appears in any such conveyance.

3.6 Emergency Easement. A non-exclusive easement for ingress and egress is hereby granted to all police, sheriff, fire protection, ambulance and other similar emergency agencies or persons, not or hereafter servicing the Ranch, to enter upon all streets, roads and driveways located in the Ranch in the performance of their duties.

3.7 Easements for Encroachments. Pursuant to the provisions of C.R.S. 38-33.3-214, if any part of the Common Elements encroaches or shall hereafter encroach upon a Lot, an easement for such encroachment and for the maintenance of the same shall and does exist.

3.8 Recorded Easements and Easements on Map. All recorded easements currently affecting the Ranch are set forth on the Map and any easement designated on the Map shall be deemed a grant of easement by Declarant burdening the land so indicated and benefiting the Ranch or such persons or entities that may be indicated.

3.9 Easement for Drainage. An easement is hereby created in the Association to enter upon, across, over, in and under any portion of a Lot or the Common Elements for the purpose of improving, changing, correcting, or otherwise modifying the drainage of surface water.

ARTICLE IV

RIGHTS AND OBLIGATIONS OF OWNERS

4.1 Compliance with Rules. Each Owner, their guests and invitees, shall comply strictly with all of the provisions of this Declaration, the Articles and Bylaws and the Design and Building Requirements, decisions, rules, regulations and resolutions of the Association, or the Board, adopted pursuant thereto and any applicable laws or regulations of any appropriate sovereign body. Failure to comply with any of the same shall be grounds for an action to recover sums due, for damage or injunctive relief or both, and reimbursement of all costs and attorneys' fees incurred in connection therewith, which action shall be maintainable by the Managing Agent or Board of Directors of the Association in the name of the Association on behalf of the Owners, or in a proper case, by an aggrieved owner.

4.2 Construction of Dwelling. Each Owner shall have the

exclusive right to construct, at Owner's expense, within Owner's Lot and within the designated building envelope, one residential dwelling. Each owner may also construct accessory buildings, including a caretaker's unit, elsewhere upon a Lot the location subject to DRB review and approval, and which shall otherwise meet all requirements of this Declaration, including the San Juan Ranch Design and Building Requirements promulgated by the Association as more specifically described in Article V hereof. An Owner must submit plans and specification for any planned dwelling and appurtenant landscaping to the Design Review Board, for approval. An Owner shall thereafter have not more than one year within which to commence construction in accordance with his approved plans. Such Dwelling shall be fully completed and certified for occupancy within two years of commencement. Owner shall pay any and all permit fees, recording fees and utility hookup fees required to complete the contemplated improvements. Any Owner constructing a dwelling upon a Lot shall be required to post a \$10,000.00 bond to cover the cost of repair of any damage to a road or other right of way, caused by such construction and/or construction vehicles.

4.3 Size of Dwellings. No primary residential dwelling shall be constructed on any Lot, the habitable floor space of which, exclusive of basement, decks and porches, is less than 2,500 sq. feet. The habitable floor space of any guest house shall be no more than 50% of the habitable floor space of the primary residential structure.

4.4 Building Envelopes. Building envelopes are the areas designated on the Map which are the exclusive portion of any Lot upon which a primary residential dwelling may be constructed. Other amenity improvements, including guest houses, which an owner desires to construct, either within or without a respective building envelope, are subject to Design Review Board approval. Any modification or change in a building envelope shall be pursuant to Article V, Section 5.5.

4.5 Septic System. It shall be the responsibility of the Owner of each Lot to provide an individual sewage or septic disposal system approved under San Miguel, Montrose or Ouray Counties and State of Colorado regulations.

4.6 Water Supply. It shall be the responsibility of the Owner of each Lot to provide a domestic water supply by obtaining a legal well permit from the appropriate State of Colorado agencies and then constructing a well.

4.7 Compliance with Rules. Each Owner shall comply strictly with all of the provisions of this Declaration, Articles, Bylaws and Rules and Regulations promulgated pursuant to this Declaration, particularly the Design and Building Requirements, Rules and Regulations and any other regulations and resolutions of the Board and Association, as the same can be legally amended from time to time. Failure to comply with any of

the same shall be grounds for an action to recover sums due and for damages or injunctive relief or both, along with costs of such, including reasonable attorney fees and costs incurred, by the Association, the Board, or by an aggrieved Owner.

4.8 Maintenance of Lot(s) and Limited Common Elements. Each Owner of a Lot shall be responsible for maintaining the Owner's Lot or any Dwelling. If an Owner has commenced construction of a Dwelling upon the Owner's Lot, the Owner shall, after such commencement of construction, be obligated to maintain the dwelling, the structural elements, all interior and exterior walls, roofs, floors, windows, doors, porches and fixtures of the Dwelling, including but not limited to utility lines, drainage areas, driveways and other access ways exclusively serving the Owner's Lot.

4.9 Improvement of Limited Common Elements and Duty to Repair Common Elements. Any Owner, in conjunction with the construction of a Dwelling upon the Owner's Lot or as may be necessary to properly maintain or obtain utility service to any Dwelling, shall have the exclusive right to connect to, expand, modify or replace any underground utility lines and systems for electricity, gas, telephone, water, sewer, and drainage facilities serving only the Owner's Lot after approval from the Design Review Board. Each Owner shall be required to replace or repair any portion of the General or Limited Common Elements damaged or disturbed, as the result of any construction, landscaping or other improvement made by him. If such Owner fails to do so, the Association may assess the cost of repair or/replacement against said Owner.

4.10 Expansion/Alteration of Dwelling. Any expansion, modification or other alteration of a Dwelling shall be subject to the prior approval of the Design Review Board, except for minor repairs.

4.11 Use of Common Elements. Subject to other provisions of this Declaration, each Owner, their family and guests shall be entitled to the nonexclusive use and enjoyment in common with other Owners, their families and guests, of the General Common Elements and the exclusive use and enjoyment of the Limited Common Elements appurtenant to any respective Lot.

4.12 Utilities. Each Owner shall be required to pay all charges of any separately metered utilities servicing a Lot or Dwelling Unit thereon.

4.13 Horses and Other Animals Permitted. Each Owner of a Lot shall be permitted to maintain a reasonable number of horses or related equine animals, and domestic dogs and cats. Engagement in the business of "breeding" any animal is strictly prohibited and, in any case, this right is limited and subject to Section 6.8 below.

ARTICLE V

DESIGN REVIEW BOARD

5.1 Design Review. No residence, dwelling, fence, wall or other structure shall be erected or maintained upon a Lot nor shall any exterior addition, change or alteration be made to any residence, nor shall any landscaping be commenced on a Lot, until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing by the Design Review Board.

5.2 Design Review Board. A Design Review Board of not less than three nor more than five persons shall be appointed by the Board of Directors of the Association to review and approve the proposed plans and specifications for any residence, dwelling or other improvement to be constructed, altered or improved within the Ranch. The members of the Design Review Board may be members of the Association. Design Review Members need not be builders, engineers or architects, but may consult with such professionals to aid them in the performance of their duties. The Design Review Board shall hold periodic meetings as required. A quorum for purposes of such meeting shall consist of two members, in the instance of a three person Board, and then in the instance of either a four or five person Board. The concurrence of a majority of members present shall be necessary for any decision of the Design Review Board. The Design Review Board may elect a chairman and recording secretary and adopt such procedural rules and regulations as it may, in its discretion, deem appropriate. The decision of the Design Review Board shall be final.

5.3 Design and Building Requirements. The Ranch is comprised of a maximum of seventy five Lots designed to interweave luxury living with the natural beauty of the Ranch. It is the intent of Declarant to foster a community that is harmonious with the surrounding topography and vegetation, that maximizes the view form each Lot. Accordingly, the Association shall have the right to promulgate certain Design and Building Requirements in order to ensure that all improvements constructed and maintained upon the Ranch preserve and promote the best interests of the Owners of the Ranch.

5.4 Procedure for Approval.

a. An Owner seeking approval from the Design Review Board shall submit three complete sets of building or construction plans including landscaping, elevations and a sample of roofing materials and roof color. Said plans shall disclose all materials to be used, the color scheme, the exterior lighting scheme, the name of the architect and such other information as the Design Review Board may reasonably request. The Design

Review Board may require the payment of an application fee not to exceed \$1,000.00. At such time as the application is complete, the Design Review Board shall have thirty days to review and approve or deny the application. If the Design Review Board fails to act within the thirty day period, it will be deemed to have approved the plans as submitted. If the Design Review board denies an Owner's application, it shall specify the reasons therefore and recommend changes that may be incorporated into the plans.

b. An owner aggrieved by a decision of the Design Review Board shall have two levels of appeal before a decision is final:

(i) Within 30 days of any adverse decision of the Design Review Board, the aggrieved owner may appeal to the Board of Directors of the Association by mailing notice of such appeal to the offices of the Association.

(ii) Such notice of appeal shall contain:

- (a) the date of hearings and decisions;
- (b) the action or decision that is appealed;
- (c) the reasons such decision should be reversed, modified or otherwise changed;
- (d) those facts of record, submitted plans or otherwise, that the aggrieved party chooses to designate for the Board's review and decision.

(iii) The aggrieved owner may request a hearing or presentation before the Board at its next regularly scheduled meeting or may submit documents and/or argument in writing.

(iv) The Board shall render its decision, in writing, specifying its rationale, within 30 days of hearing or presentation; and within 45 days of any appeal submitted in writing.

(v) Within 30 days of any adverse decision of the Board of Directors any aggrieved owner may appeal to the members of the Association by filing a written notice of appeal to the office of the Association, which is comprised of the same elements as b.(ii) et seq. above.

(vi) The aggrieved Owner shall be fully responsible for preparing all elements of its written presentation to Members in sufficient copies, postage prepaid for mailing to each Member; the Association shall then prepare such mailing by enclosing a ballot and the procedural explanation to enable each Member to exercise a respective vote. The voting, process shall be deemed complete 45 days after mailing. In the alternative, an appeal to the Association may be by hearing and/or presentation to the Members, but only at the annual

meeting or members' meeting scheduled for other purposes. In such event the Secretary of the Association, at the request of such aggrieved owner, will set such appeal for hearing as an agenda item, at least 30 days before the annual meeting or such meeting schedule for other purposes. The vote of the Members on an appeal is the final action.

5.5 Variance. The Design Review Board may allow reasonable variances and exemptions from the Design and Building Requirements and any change in a designated Building Envelope, in order to prevent undue hardship or to overcome practical difficulties, provided however that such is done in conformity with the intent and purposes of this Declaration, and provided also that in every instance such variance exemption shall minimize developmental impact according to the spirit of this Declaration and shall not be materially detrimental or injurious to any other Owner. Prior to the grant of any variance or exemption, the Board shall notify each Owner of the nature of the variance requested and shall hold a hearing not sooner than fifteen days after the issuance of such notice, open to all members, at which time the comments of members shall be invited. The Design Review Board shall rule on any request for a variance not later than forty-five days after application therefore. The decision of the Design Review Board shall be final.

5.6 Declarant's Rights/Limitation of Liability. Declarant shall not be required to obtain DRB approval for any purpose whatsoever. Neither Declarant, the Association, the Design Review Board or any member thereof shall be responsible in any way for any defects in any plans submitted, revised or approved in accordance with the foregoing provisions, not for any structural or other defects in any work done according to such plans. Approval by the DRB shall not constitute a warranty or guarantee of the safety or adequacy of the work to be done or conformance thereof with building codes or other governmental laws or regulations.

ARTICLE VI

OWNERSHIP USE AND OCCUPANCY RESTRICTIONS

6.1 Use and Occupancy. The use and occupancy of a Lot or dwelling, shall be limited to residential use by owners. Notwithstanding the foregoing limitation, an owner may use the Lot or dwelling thereon with Board approval, to operate a home occupation, as long as such home occupation does not create a nuisance, nor entail any kind of manufacturing activity, nor create any environmental pollution, including offensive noise.

6.2 No Mining or Drilling. No portion of the Ranch shall be used for the purpose of mining, quarrying, drilling, boring or exploring for oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth. Except that the Declarant may

quarry for gravel in furtherance of its production of improvements on the Ranch.

6.3 Offensive Conduct/Nuisance. No noxious or offensive activities, including but not limited to, the repair of automobiles or other motorized vehicles, shall be carried on, upon or within the Ranch, except that minor repairs to automobiles or other objects may be performed within the confines of a garage. Nor shall anything be done thereon which may become an annoyance or nuisance to the residents of the Ranch or which shall in any way interfere with the quiet enjoyment of occupants of the Ranch.

6.4 Hazardous Activities. No activities shall be conducted on or in any Lot and no improvements shall be constructed on any Lot which are or may be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no fires shall be ignited upon any portion of the Ranch except in a contained barbecue unit, while attended and in use for cooking purposes or within a safe and well-designed interior fireplace or woodstove. No firearms may be discharged on the Ranch except in the instances of special hunting licenses or privileges granted by the Association set forth in 6.10 below.

6.5 Unsightliness. No unsightliness shall be permitted on any portion of the property. In accordance with said restriction: (a) all unsightly structures, facilities, equipment, objects and conditions shall be enclosed within an approved structure; (b) garbage and trash shall be kept in a covered container at all times and any such container shall be kept within an enclosed structure; (c) service areas and facilities for hanging, drying or airing clothing or fabrics shall be kept within an enclosed structure; (d) pipes for water, gas, sewer, drainage or other purposes, water or other tanks, excluding propane gas tanks, and sewage disposal systems or devices shall be kept and maintained within an enclosed structure or below the surface of the ground; (e) no lumber (except for split and stacked firewood), grass, shrub or scrap, refuse, trash or unused items or any kind shall be kept, stored or allowed to accumulate on any portion of the Ranch, and (f) wires, poles, antennas, and other facilities for the transmission or reception of audio or visual signals may be installed and maintained above ground but with due consideration to visibility from adjacent lots or roads. All enclosed structures shall comply with the rules and regulations of the Design Review Board.

6.6 Signs. No signs shall be erected on the Ranch except a "for sale" sign not to exceed 3'x 5' in size, shall be displayed to the public view on or from any Lot. Excepting that such signs as may be used by the Declarant or its designees for the purpose of developing, selling and improving Lots within the Ranch. All of Declarant's signs are to be removed after Declarant's last Lot is sold.

6.7 Fences. No fences, awnings, sunshades, walls or barriers of any nature shall be erected or maintained on or around any portion of any Dwelling or on any Lot within the Ranch except such as are installed in accordance with the original construction of the Ranch, or are authorized and approved by the Design Review Board. Notwithstanding the above, Owners are encouraged to construct fences on or about their Lots, as long as such fence comports with the styles approved in the Design and Building Requirements, Rules and Regulations.

6.8 Restriction of Animals. No animals shall be kept on the Property which unreasonably bother or constitute a nuisance to others. In any event, the Association shall have the absolute right to prohibit the maintenance of any animals or pets which constitute, in the sole and exclusive opinion of the Board, an unreasonable nuisance to any Owner or occupant of a Lot. Each person bringing or keeping a pet shall be absolutely liable to each and all other Owners, their family members, guests, invitees, lessees, renters and contract purchasers, and their respective family members, guests and invitees for any damages resulting from the maintenance of such animal or animals.

6.9 Trees/Landscaping. No tree of five inches or greater diameter or eight feet or greater height may be removed from any portion of the Ranch without the prior written approval of the Design Review Board. Vegetation on all Property must be maintained to minimize erosion and encourage growth of ground cover and all tree and shrub planting must be consistent with the Association's general landscaping plan. All landscaping must be approved by the Design Review Board. Notwithstanding the above, the DRB shall not unreasonably withhold approval for removal of tree(s) which is necessary for the construction of permitted improvement upon any Lot.

6.10 Hunting. No hunting of mammals, reptiles or birds within the Ranch shall be permitted other than with the approval of the Board to eliminate a nuisance or to protect the health, safety and welfare of Owners. Except that the Board may license individuals to hunt with bow and muzzle loaders for purposes of elk and deer management only.

6.11 Compliance with Law. No portion of the Ranch shall be used, occupied, altered, changed, improved or repaired except in compliance with all present and future laws, rules, requirements, orders, directions, ordinances and regulations of the United States of America, State of Colorado, or the respective County in which a Lot is located.

6.12 Health, Safety and Welfare. In the event any uses, activity or facility are deemed by the Board to be a nuisance, or to adversely effect the health, safety or welfare of Owners, the Board may make rules restricting or regulating said uses, activity and facility in accordance with this Declaration and the Bylaws of the Association.

6.13 Indemnification. Each Owner shall be liable to the remaining Owners and or Association for any damage to the Common Elements which may be sustained by reason of the construction of said Owner's Dwelling or the negligence of said Owner, members of the Owner's family, the Owner's contract purchasers, contractors, lessees, renters, guests or invitees, to the extent that any such damage shall not be covered by insurance. Each Owner does further, by acceptance of the deed, agree for the Owner, and for the members of the Owner's family, the Owner's contract purchasers, contractors, lessees, renters, guests or invitees, to indemnify each and every other Owner, and the Association, and to hold him, her or it harmless from and to defend him, her or it against, any claim of any person or persons for personal injury or property damages occurring within the Lot of that particular Owner and any Limited Common Elements appurtenant thereto.

6.14 Old Homestead Preservation. Historic homesteads which exist within the status of foundation to structure currently on Lots 1,2,7,27 and 33, may not be demolished or removed from their site on any respective Lot. Declarant for itself, its assigns and successors, and the Association, reserves the right to designate other such historic structures that may be discovered, by designating the same on the Map, or by resolution of the Board, and such designated homesteads shall be subject to the foregoing restrictions prohibiting their demolition or removal.

ARTICLE VII

ASSOCIATION

7.1 General Purposes. The Association, through the Board of Directors and from time to time by the Managing Agent, shall perform Association functions including holding and managing property as provided in this Declaration so as to further the interests of Owners of Lots in the Ranch. It shall have all power necessary or desirable to effectuate such purposes, as said powers are more specifically enumerated in the Articles of Incorporation and the provisions of Section 39-33.3-302 (1), C.R.S. Said powers shall also include, without limitation, the following:

- a. Adopt and amend Bylaws and rules and regulations;
- b. Adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for Common Expenses from Unit owners;
- c. Hire and terminate managing agents and other employees, agents and independent contractors;

d. Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Unit owners on matters affecting the Common Interest Community, San Juan Ranch;

e. Make contracts and incur liabilities;

f. Regulate the use, maintenance, repair, replacement, and modification of Common Elements;

g. Cause additional improvements to be made as part of the Common Elements;

h. Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, except that Common Elements may be conveyed or subjected to a security interest, only pursuant to Section 38-33.3 312, C.R.S.;

i. Grant easements, leases, licenses, and concessions through or over the Common Elements;

j. Impose and receive any payments, fees or charges for the use, rental, or operation of the Common Elements, as assessments, other than for Limited Common Elements, described in C.R.S. 38-33.3-202(1), (b) and (1)(d);

k. Impose charges for late payment of assessments, recover reasonable attorney fees and other legal costs for collection of assessments and other actions to enforce the power of the Association, regardless of whether or not suit was initiated, and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association;

l. Impose reasonable charges for the preparation and recordation of amendments to the Declaration or statements of unpaid assessments;

m. Provide for the indemnification of its Officers and Board of Directors and maintain Directors' and Officers' liability insurance;

n. Assign its right to future income, including the right to receive Common Expense Assessments, but only to the extent the Declaration expressly so provides;

o. Exercise any other powers conferred by the Declaration or Bylaws;

p. Exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;

q. Exercise any other powers necessary and proper for

the governance and operation of the Association; and

r. Maintenance, repair or replacement of any drainage structure or facilities, public improvements, roads, easements, rights of way, fences or other obligation of the Association.

7.2 Membership. Pursuant to the provisions of Section 38-33.3-301, every record Owner of a Lot at San Juan Ranch, shall be entitled and required to be a member of the Association. If title to a Lot is held by more than one person, the membership related to the Lot shall be shared by all such persons in the same proportionate interests and by the same type of tenancy in which the title to the Lot is held. An Owner shall be entitled to one membership for each Lot owned. Each such membership shall be appurtenant to the Lot upon which it is based and shall be transferred automatically by conveyance of that Lot. No person or entity other than an Owner may be a member of the Association, except that, members of the Board of Directors may be non-owners until turnover of control by Declarant. A membership in the Association may not be transferred except in connection with the transfer of a Lot.

7.3 Meetings. Meetings of the Association shall be held at least once each year. Special meetings of the Association may be called by the president, by a majority of the Board of Directors, or by Lot Owners having twenty percent, or any lower percentage as may be specified in the Bylaws, of the votes in the Association. No less than ten, nor more than fifty days, in advance of any meeting, the secretary or other officer specified in the Bylaws shall cause notice to be hand delivered or sent prepaid by United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Lot Owner. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board.

7.4 Quorums. Unless the Bylaws provide otherwise, a quorum is deemed present throughout any meeting of the Association, if persons entitled (including any rights of the Declarant) to cast twenty percent of the votes which may be cast for election of the Board are present, in person or by proxy, at the beginning of the meeting.

7.5 Board of Directors. The affairs of the Association shall be managed by a Board of Directors which may, by resolution, delegate any portion of its duties and authority to an executive committee, or to a Managing Agent for the Association. There shall not be less than three nor more than five members of the Board of Directors, the specific number to be set, from time to time, in accordance with the Bylaws. The terms of the members of the Board shall expire annually. The Board of Directors may not act on behalf of the Association to amend the

Declaration, to terminate the San Juan Ranch, Common Interest Community, nor to elect members of the Board of Directors or determine the qualifications, powers and duties, or terms of office. The term and right of any Board member to serve shall automatically expire upon sale or conveyance of his or her interest in a Lot. The Board of Directors may fill vacancies in its membership for the unexpired portion of any term.

7.6 Declarant Control Turnover Date. Notwithstanding anything to the contrary provided herein, until the turnover date defined below, the members of the Board of Directors shall be appointed by Declarant, its successors or assigns, unless such right is relinquished earlier. After turnover date, all Board members shall be Owners elected by Owners which may include Declarant as an Owner.

Declarant control of the Board shall terminate no later than either sixty days after conveyance of seventy-five percent of the Lots, that may be created, to Lot owners other than the Declarant; two years after the last conveyance of a Lot by the Declarant in the ordinary course of business; or two years after any right to add new Lots was last exercised. The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before the turnover date, but, in that event, the Declarant may require for the duration of the period of Declarant control, that specified actions of the Association or Board, as described in a recorded instrument executed by the Declarant, be approved by the declarant before they become effective.

Not later than sixty days after conveyance to owners other than declarant, of twenty five percent of the Lots then created at least one member and not less than twenty-five percent of the members of the Board may be elected by members other than Declarant.

Not later than sixty days after conveyance of fifty percent of the Lots that may be created to Lot owners other than the Declarant, not less than thirty three and one third percent of the members of the Board must be elected by Lot owners other than the Declarant.

After the turnover date, the Lot owners shall elect a Board of at least three members, at least a majority of whom must be Lot owners other than the Declarant. The Board shall elect the officers. The Board members and Officers shall take office upon the termination of Declarant control.

7.7 Transfer of Records to Association by Declarant. Within sixty days after the Lot owners other than the Declarant, elect a majority of the members of the Board, Declarant shall deliver to the Association all property of the Lot owners and of the Association held by the Declarant, including without limitation, the following:

a. Certified copy of the recorded Declaration as amended, the Association's Articles of Incorporation, Bylaws, minute books, other books and records, and any rules and regulations which may have been promulgated;

b. An accounting for Association funds and financial statements, from the date the Association received funds and ending on the date the period of Declarant control ends;

c. The Association funds or control thereof;

d. All of the Declarant's tangible personal property that has been represented by the Declarant to be the property of the Association or all of the Declarant's tangible personal property that is necessary for, and has been used exclusively in the operation and enjoyment of the Common Elements, and inventories of these properties;

e. All insurance policies then in force, in which the Unit owners, the Association, or its directors and officers are named as insured persons;

f. Copies of any certificates of occupancy that may have been issued with respect to any improvements;

g. Any other permits issued by governmental bodies applicable to San Juan Ranch and which are currently in force or which were issued within one year prior to the date on which Lot owners other than the declarant took control of the Association;

h. Written warranties of the contractor, subcontractors, suppliers, and manufacturers that are still effective;

i. Roster of Lot Owners and mortgagees and their addresses and telephone numbers;

j. Employment contracts in which the association is a contracting party; and

k. Any service contract in which the Association is a contracting party or in which the Association or the Lot owners have any obligation to pay a fee to the persons performing services.

7.8 Voting of Owners. Each Lot shall entitle an Owner to one vote per acre and an appropriate fraction of a vote for any remaining area less than one acre contained within a respective Lot.

7.9 Amplification. The provisions of this Declaration are to be amplified by the Articles of Incorporation and the Bylaws of the Association; provided, however, that no such amplification

shall substantially alter or amend any of the rights or obligations of the Owners set forth herein.

ARTICLE VIII

RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

8.1 Association as Attorney in Fact for Owners. The Association is hereby irrevocably appointed attorney in fact for the Owners, and each of them, to manage, control and deal with the Ranch, and the beneficial use and interest of each Owner in the Common Elements, so as to permit the Association to fulfill all of its duties and obligations hereunder and to exercise all of its rights hereunder, to represent the Ranch and the interest of any Owner or Owners in any litigation, in the name of any or all Owners as a representative party, to deal with the Ranch upon its destruction or obsolescence as hereinafter provided and to grant easements through any portion of the Common Elements. The acceptance by a person of any interest in a Lot shall constitute an appointment of the Association as attorney in fact as provided above and hereinafter. The Association is hereby granted all of the powers necessary to own the Common Elements, govern, manage, maintain, repair, build, administer and regulate the San Juan Ranch and to perform all of the duties required of it.

8.2 General Common Elements. The Association shall own and provide for the care, operation, management, maintenance, repair and replacement of the General Common Elements. Without limiting the generality of the foregoing, said obligations shall include the keeping of such General Common Elements in good, clean, attractive and sanitary condition, order and repair; removing dead vegetation, clearing snow and any other debris or materials from any portion of such General Common Elements which might impair access to or within the Ranch or Lots, or which may create a fire or other hazard; keeping the Ranch safe, as possible attractive and desirable; and making necessary or desirable alterations, additions, betterments or improvements to or on the General Common Elements.

8.3 Road Maintenance

a. In the instance where a particular road, easement or right of way is an existing public road, which directly affects ingress or egress to the Ranch, or is within the Ranch, and is entitled in either San Miguel, Ouray or Montrose County, the U.S. Forest Service or some other public entity, and such road is not subject to current maintenance by such sovereign entity, then the Association shall be charged with the direct maintenance of such road or with negotiating a service and/or maintenance contract with the proper governmental authority or negotiating a turn-over arrangement with such proper governmental authority.

b. It is the specific intent of Declarant that future administrations of San Juan Ranch through the Association, provide for year round access of all roads and driveways within the Ranch. The Board of the Association is charged with the duty of equitably assessing the cost of such year round road maintenance to the respective owners.

8.4 Other Association Functions. The Association may undertake any activity, function or service for the benefit of or to further, the interests of all, some or any owners on a self supporting special assessment(s), or Common Assessment(s) basis. Such activities, functions or services may include but are not limited to the providing of security services, road maintenance, landscape maintenance service, garbage and trash collection services.

8.5 Labor and Services. The Association: (i) may obtain and pay for the services of a Managing Agent to manage its affairs, or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall determine to be necessary or desirable for the proper operation of the Ranch, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom it contracts; (ii) may obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Ranch or enforcement of this Declaration or the rights of any Owner(s); and (iii) may arrange with others to furnish trash collection, road maintenance and other common services. The Association is specifically authorized to contract with, employ, retain and hire any affiliates of, companies controlled by, or persons employed by Declarant or any of its affiliates. The first Board, appointed as provided herein, shall ratify and approve an initial management agreement between the Declarant, on behalf of the Association, and a manager, which may be a corporation related to the Declarant, to act as Managing Agent for the Ranch.

8.6 Property of Association. The Association may pay for, acquire, own, hold, or lease real property, and tangible and intangible personal property and may dispose of the same by sale or otherwise. Subject to the rules and regulations of the Association, each owner and each Owner's family and guests may use such property. Upon termination of Common Interest Community ownership of the Ranch and dissolution of the Association, if ever, the beneficial interest in any such property shall be deemed to be owned by the then Owners as tenants in common in the same proportion as their votes in the Association. A transfer of a Lot shall transfer to the transferee ownership of the transferor's beneficial interest in such property without any reference thereto. Each Owner may use such property in accordance with the purpose for which it is intended, without hindering or encroaching upon the lawful rights of the other Owners. The transfer of title to a Lot under foreclosure shall entitle the purchaser to the beneficial interest in such property

associated with the foreclosed Lot.

8.7 Association Right to Lease and License General Common Elements. The Association shall have the right to lease or license or permit the use of, by less than all Owners or by non-owners, on either a short term or long term basis, and with or without charge, as the Association may deem desirable, any portion of the General Common Elements or any Lot owned by the Association, provided that the rights granted to the Association in this paragraph shall only be used in accordance with of the collective best interests of the Owners. Further, the Association shall have the right to grant easements under, through or over the General Common Elements which are reasonably necessary to the ongoing development, operation and best interest of the Ranch, or as may be reasonably requested by any public or quasi-public authority. Except as set forth in this Declaration, no General Common Elements may be conveyed to any person or entity other than the Owners.

8.8 Review of Records. The Association shall keep detailed and accurate financial records according to Generally Accepted Accounting Principles. Said financial records shall include, but not be limited to, records as to paid and unpaid assessments. All financial records shall be made reasonably available for examination by any Lot Owner and such Owner's authorized agents.

8.9 Enforcement by Association. The Board may suspend any Owner's voting rights in the Association or the right of an Owner to use any common areas of the Ranch during any period or periods during which such Owner fails to comply with the Association's rules and regulations, any other obligations under this Declaration, or the Bylaws. The Association shall also have the right, to perform such Owner's obligations at the Owner's expense after providing to such noncomplying Owner thirty days' notice and opportunity to cure. Any expense therefore may be collected by Special Assessment against such Owner. The Association's good faith judgment shall be conclusive: (i) as to whether any Owner shall have failed to comply with any provisions of this Declaration, the rules and regulations, and Bylaws; and (ii) as to the amount of any Special Assessment levied pursuant to this Article 8.9.

The Association may also take judicial action against any Owner to enforce compliance with such rules and regulations, obligations of the Declaration or Bylaws, and to obtain damages for noncompliance thereof, all to the extent permitted by law. The Board may impose a fine, not to exceed \$50.00, per day, levied on any Owner for each violation or act of non-compliance as above, by any such Owner. In the event of judicial action, the prevailing party shall be awarded, in addition to such other relief, its reasonable attorneys fees and costs.

8.10 Rules and Regulations. The Association, by majority

vote of the Board, may promulgate and make reasonable rules and regulations governing the use of the Lots, and Common Elements, so long as such rules and regulations are consistent and in accordance with the rights and duties established in this Declaration. Such rules and regulations shall be for the purposes of promoting safety, improving the quality of the living environment within the Ranch, and regulating use of common facilities in an equitable manner.

8.11 Additions of General Common Elements and Limited Common Elements. Declarant in accordance with Article XV below, may make material additions to the General or Limited Common Elements in concert with any additions to the Ranch. When the Association makes any such additions, (a) each Owner will be responsible for the Owner's percentage of any increase in Common Expenses created thereby, (b) each Owner will be entitled with the Owners to an equal easement or right of use in the new Common Elements.

8.12 Implied Rights. The Association shall have and may exercise any right or privilege given to it expressly by this Declaration, the Articles, Bylaws, or Design Building Requirements, Rules and Regulations, or reasonably implied from the provisions of said documents, or given or implied by law, or obligations, rights or privileges hereunder.

ARTICLE IX

ASSESSMENTS

9.1 Agreement to Pay Assessments. Declarant, for each Lot owned by it within the Ranch, and for and as the Owner of the Ranch and every part thereof, hereby covenants, and each Owner of any Lot by the acceptance of a deed therefore, whether or not it be so expressed in the deed, shall be deemed to covenant and agree with each other and with the Association to pay to the Association annual Common Assessments made by the Association for the purposes provided in this Declaration, and Special Assessments for capital improvements and other matters as provided in this Declaration. Such assessments shall be fixed, established and collected from time to time in the manner provided in this Article.

9.2 Assessment for Common Expenses. Until the association makes a Common Expenses assessment, the Declarant shall pay all Common Expenses. After any assessment has been made by the Association, assessments shall be made not less frequently than annually by the Association.

9.3 Amount of Annual Common Assessments. The total annual Common Assessments against all Lots shall be according to a budget based upon advance estimates of cash requirements by the Association to provide for the payment of all estimated Common

Expenses, as such expenses may grow out of, or be connected, with the performance of the Association's functions under this Declaration. Such Common Expenses may include, among other things, expenses of administration and management; taxes and special assessments until the Lots are separately assessed as provided herein; premiums for all insurance which the Association is required or permitted to maintain pursuant hereto; common utility services; repairs, renovations and maintenance to the General Common Elements, including maintenance and plowing of roads and other easements and rights of way; security services; wages for Association employees; legal and accounting fees; expenses of performance of the functions of the Design Review Board pursuant hereto; any deficits remaining from a previous period; the creating of reasonable contingency and reserve funds; reasonable funds for betterments as set forth in the Bylaws; and any other expense and liabilities which may be incurred by the Association for the benefit of the Owners under or by reason of this Declaration. Each Lot Owner's Common Assessment shall be equal to the respective Lot's voting percentage of the whole, as set forth in Exhibit C, hereto, and shall be such proportionate multiple of the total estimated annual Common Assessment as established by the annual budget. Any past due Common Expense assessment, or installment thereof, shall bear interest at the rate established annually by the Board, not to exceed twenty-one percent per annum.

Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element shall be assessed against the Lot(s) to which that Limited Common Element is assigned, proportionally, based on relative lot size, or in any other proportion that the Board in its reasonable discretion fixes. Any Common Expense, or portion thereof, benefiting fewer than all of the Lots shall be assessed exclusively against the Lots benefited. If any Common expense is caused by the misconduct of any Lot owner, the Association may assess that expense exclusively against such owner's Unit.

At the reasonable discretion of the Board, consistently applied to all Owners, the Board shall have the right to exclude from the Common Expenses and assess directly to a particular Owner or Owners, the cost and expense of maintaining, repairing and replacing a specific portion of the General Common Elements, if the necessity for such repair, maintenance or replacement is directly attributable to the negligence or intentional act of such Owner or Owners. As provided in Article 11 hereof, maintenance, repair and replacement of the Limited Common Elements is the responsibility of the Owner of the Lot to which the use of such Limited Common Elements is appurtenant. Any costs associated with such maintenance is therefore not subject to inclusion as a Common Expense.

9.4 Notice and Payment of Annual Common Assessments. Common Assessments shall be made on an annual basis and shall be based on the annual budget. Within thirty days after adoption of

any proposed budget, the Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the Lot Owners which includes a date for a meeting of Lot Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing or other delivery of the summary. Such notice may include a resolution adopting such budget and a ballot to be submitted by mail to the Association for voting purposes at the meeting. Unless at that meeting a majority of all Lot owners reject the budget, by mailed ballot or by persons present and voting, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is rejected, the periodic budget last ratified by the Lot owners must be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board.

A copy of the Notice of Assessment approved or provided above shall be mailed to each Lot Owner. Such assessment shall be due and payable within forty five days of the mailing. Each annual Common Assessment shall bear interest at a rate established annually by the Board, not to exceed twenty one percent per annum from the date it becomes due and payable, if not then paid. In addition to interest on any late payment, a late charge shall be assessed in an amount not exceeding one hundred dollars for each past due Common Assessment. Failure of the Association to give timely notice of any Common Assessment, as provided herein shall not affect the liability of the Owner of any Lot for such Common Assessment, but the date when payment shall become due in such case shall be deferred to a date thirty days after notice shall have been given.

9.5 Special Assessments. In addition to the annual Common Assessments for Common Expenses authorized by this Article, the Association, through its Board of Directors, may levy at any time a Special Assessment payable over such a period as the Association may determine, for the purpose of defraying, in whole or in part, the cost of construction or reconstruction, repair or replacement of any capital improvements located or to be located upon the General Common Elements of the Ranch. Any amount assessed pursuant hereto shall be assessed to all Owners and may only be assessed after approval by a majority of the votes of Lot Owners called for such purpose. A Special Assessment may also be assessed, without Lot Owner vote, against any individual Owner who fails to maintain, a Lot in accordance with the requirements of this Declaration, the Bylaws, Design and Building Requirements or rules and regulations promulgated hereunder. The Association may, pursuant to Article 8.9 hereof, give notice to such noncomplying Owner demanding that such Owner cure such failure on default within thirty days. If such Owner fails or refuses to do so, the Association may, pursuant to said Article 11, repair or maintain said Lot or Limited Common Elements at the Owner's expense. The cost of said repair or maintenance, together with a fifteen percent administrative charge, shall equal the amount of the Special Assessment.

Subject to the foregoing provisions, the Board or Directors of the Association shall have the power and authority to determine all matters in connection with Special Assessments, including the power to determine where, when and how Special Assessments shall be paid to the Association, and each Owner shall be required to comply with any such determinations.

9.6 Contingency Fund/Reserve. Each year the Board shall establish and segregate, out of the annual Common Assessment funds received, a contingency or reserve fund for the deferred maintenance and replacement of those General Common Elements requiring such deferred maintenance and periodic replacement.

9.7 Common Surplus. At the end of any calendar year, the Board of Directors may, but shall not be required to, refund to each Owner his proportionate share of funds, then held by the Association, which were not earmarked for betterments and are not necessary to meet the Common Expense and maintain an adequate reserve for that year.

9.8 Assessment Reserves. The Association may require an Owner, other than Declarant, to deposit with the Association upon the initial conveyance of a Lot by Declarant, an amount not exceeding the Originally estimated annual Common Assessment, which sum shall be held by the Association as a reserve and for working capital. Such an advance payment shall be a credit to any Owner's obligation to pay Common Assessments, but shall not relieve an Owner from making the next regular payment of the Common Assessments or any Special Assessments, as the same come due. Upon the transfer of a Lot an Owner shall be entitled to a credit for the payment of assessments from the transferee. Such reserves above, shall at all times remain as capital of the Association.

ARTICLE X

LIEN FOR NONPAYMENT OF ASSESSMENTS

10.1 Establishment of Lien. Pursuant to Section 38-33.3-316 of the Colorado Common Interest Ownership Act, the Association, a Colorado nonprofit corporation, shall have a statutory lien against a Lot for any assessment levied against a Lot and unpaid past its due date, or fines imposed against its owner from the time the assessment or fine becomes due. In addition, fees, charges, late charges, attorney fees, collection costs, fines and interest charged pursuant to this Declaration or as allowed by the provisions of the Colorado Common Interest Ownership Act are enforceable as an assessment. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment becomes due and is not paid.

The lien for unpaid assessments shall be prior to all other liens

and encumbrances on a Unit except:

a. Liens and encumbrances recorded before recordation of the Declaration;

b. A security interest on the Lot which has priority over all other security interests on the Unit and which was recorded before the date on which the assessment sought to be enforced became delinquent;

c. Liens for real estate taxes and other governmental assessments or charges against the Unit.

The lien for unpaid assessments is also prior to the security interest described in paragraph (b) above, to the extent of:

a. An amount equal to the Common expense assessments based on a periodic budget adopted by the Association under C.R.S. 38-33.3-315, (1) which would have become due, in the absence of any acceleration, during the six months immediately preceding institution of an action to enforce the lien, but in no event shall the priority accorded to such lien exceed one hundred fifty percent of the average annual assessment divided by two; and six; and

b. Attorney fees and costs incurred in an action to enforce the lien.

10.2 Notice of Lien. The Association shall prepare a written notice setting forth: (i) the amount of such unpaid indebtedness, including accrued interest, fees, and late charges, and (ii) the name of the nonpaying Owner and a description of said Owner's Lot. Such notice shall be signed and acknowledged on behalf of the Association and may be recorded in the office of the Clerk and Recorder of San Miguel, Ouray and Montrose Counties, Colorado. Pursuant to C.R.S. 38-33.3-316, recording of this Declaration constitutes record notice and perfection of the lien. No further recordation of any claim of lien for assessment is required. Such lien may be enforced by foreclosure of the defaulting Owner's Lot by the Association in like manner as a mortgage on real estate. The Association shall be entitled to costs and reasonable attorney fees incurred in a judgment or decree in any action or suit brought by the Association. The Association shall be entitled to all other remedies allowed by law or at equity. The Owner shall be required to pay to the Association the annual Common Assessment for a Lot as the same becomes due, during the period of foreclosure, and the Association shall be entitled to the appointment of a receiver to collect the same.

10.3 Homestead Exemption. Each Owner hereby agrees that the Association's lien on a Lot for annual Common Assessments, as hereinbefore described shall be superior to the homestead exemption provided by C.R.S.S. 38-41-201, et seq. Each Owner

hereby agrees that the acceptance of a deed or other instrument of conveyance to any Lot within the Ranch shall signify such grantee's waiver of such homestead right.

10.4 Release of Lien. A lien for nonpayment of annual Common or Special Assessments shall be released, upon full payment of all sums secured thereby, by recording in the appropriate County records a Release of Lien executed by a member of the Board of Directors; except that a Director cannot release a lien on a Lot owned by that Director.

10.5 Personal Obligation of Owner. The amount of the annual Common Assessment and/or any Special Assessment assessed against each Lot shall be the personal and individual debt of the Owner or Owners thereof at the time the assessment is made. Suit to recover a money judgment for unpaid annual Common Assessments or Special Assessments, and costs of suit and attorney's fees, shall be maintainable without foreclosing or waiving the lien securing same. No Owner may exempt himself from liability for his share of the Common Assessment and any Special Assessment by waiver of the use or enjoyment of any of the Common Elements or by abandonment of Lot.

10.6 Certificate of Unpaid Assessments. Upon payment of a reasonable fee to the Association, not to exceed \$50.00, the Association shall furnish to a Lot Owner or such Owner's designee, or to a holder of a security interest or its designee, upon written request, delivered personally or by certified mail, to the Association's registered agent, a statement setting forth the amount of unpaid assessments currently levied against such owner's Lot(s). The statement shall be furnished within fourteen business days after receipt of the request and is binding on the Association, the Board of Directors and every Lot Owner. If no statement is furnished to the Lot owner or holder of a security interest or their designee, delivered personally or by certified mail, to the inquiring party, then the Association shall have no right to assert a priority lien upon the Lot for unpaid assessment which is due as of the date of the request. Such statement shall be conclusive in favor of persons who rely thereon in good faith.

10.7 Liability for Common Expenses Upon Transfer of Lot is Joint and Several. The grantee of a Lot, except a first Mortgagee who acquires a Lot by foreclosure, or by a deed in lieu of foreclosure, shall be jointly and severally liable with the grantor for all unpaid assessments against the latter for his proportionate share of the annual Common Assessment and for any Special Assessment up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore; provided however, that upon payment of a reasonable fee, and upon written request, any such prospective grantee shall be entitled to a statement of account as set forth in Section 10.6 above.

ARTICLE XI

INSURANCE

11.1 Association's Obligations. Commencing not later than the time of the first conveyance of a Lot, the Association shall obtain and maintain at all times, to the extent obtainable, policies of insurance, written with financially responsible and able companies licensed to do business in Colorado, covering the risks set forth below. The provisions of this Article shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage in addition to the insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time. The types of coverages to be obtained, and risks to be covered, are as follows:

a. Property Insurance. Property insurance on the Common Elements and on property that must become Common Elements, for broad form covered causes of loss; except that the total amount of insurance must be not less than the full insurable replacement cost of the insured property less applicable deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies. Such insurance shall include fire and extended coverage, vandalism and malicious mischief, war risk insurance, if available and if deemed appropriate by the Association, and such other risks and hazards against which the Association shall deem it appropriate to provide insurance protection. The Association may comply with the above requirements by the purchase of blanket coverage and may elect such deductible provisions as in the Association's opinion are consistent with good business practice. All policies shall contain a standard noncontributory mortgage clause in favor of each first Mortgagee, which shall provide that the loss, if any, thereunder, shall be payable to the Association for the use and benefit of such first Mortgagees as their interest may appear.

b. Commercial General Liability Insurance. The Association shall obtain commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Common Elements, in an amount, if any, specified by the Common Interest Community instruments or otherwise deemed sufficient in the judgment of the Board but not less than any amount specified in the Association documents, insuring the Board, the Unit Owner's Association, the managing agent, and their respective employees, agents, and all persons acting as agents. The Declarant shall be included as an additional insured, in such Declarant's capacity as a Lot Owner and Board member. The Lot Owners shall be included as additional insured but only for claims and liabilities arising in connection

with the ownership, existence, use or management of the Common Elements. The insurance shall cover claims of one or more insured without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Project.

c. Workmen's Compensation and Employer's Liability Insurance. The Association shall purchase workmen's compensation and employer's liability insurance and all other similar insurance with respect to employees of the Association in the amounts and in the forms now or hereafter required by law.

d. Fidelity Insurance. The Association shall purchase adequate fidelity coverage against dishonesty of employees or any other person handling funds of the Association, including coverage for destruction or disappearance of money or securities and forgery. Said policy shall also contain endorsements thereto covering any persons who serve the Association without compensation.

e. Other. The Association may obtain insurance against such other risks as it shall deem appropriate with respect to the Ranch, including any personal property of the Association located thereon.

11.2 Form. All policies of insurance, to the extent obtainable, shall contain waivers of subrogation and waivers of any defenses based on invalidity arising from any acts of an Owner and shall provide that such policies may not be canceled or modified without at least thirty days' prior written notice to all of the Owners, the Association, any holder, insurer or guarantor or a first Mortgage on any Lot in the Ranch. If requested, duplicated originals of all policies and renewals thereof, together with proof of payment of premiums, shall be delivered to all first Mortgagees at least ten days prior to expiration of the current policies. All casualty insurance shall be carried in blanket form naming the Association as the insured, as attorney in fact for all of the Owners, as their interest may appear, which policy or policies shall identify the beneficial interest of each Owner (Owner's name and Lot designation) and first Mortgagee. Insurance policies carried by the Association must provide that:

a. Each Lot Owner is an insured person under the policy with respect to liability arising out of such Lot owner's beneficial use interest in the Common Elements or membership in the Association;

b. The insurer waives its rights to subrogation under the policy against any Lot Owner or member of its household;

c. No act or omission by any Lot Owner, unless acting within the scope of such Lot Owner's authority on behalf of the

Association, will void the policy or by a condition to recovery under th policy; and

d. If, at the time of a loss under the policy, there is other insurance in the name of a Lot Owner, covering the same rights covered by the policy, the Associations policy shall provide the primary insurance.

11.3 Owner's Insurance. Casualty insurance, liability insurance and any other type of insurance coverage on any Dwelling or other improvement constructed within a Lot, and on an Owner's personal property may be obtained by an Owner at such Owner's expense. Should any Owner desire to obtain insurance, any policy obtained shall provide that the liability of the carriers issuing insurance obtained by the association shall not be affected or diminished by reason of any such additional insurance carried by any Owner.

11.4 Notice of Unavailability or Cancellation. If the insurance described herein is not reasonably available, or if any policy of such insurance is canceled, or not renewed, without a replacement policy having been obtained, the Association promptly shall cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Unit Owners.

11.5 Repair or Replacement. Any portion of San Juan Ranch for which insurance is required, which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- a. San Juan Ranch is terminated.
- b. Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;
- c. Eighty percent of the Lot Owners, including every Owner of a Lot assigned a Limited Common Element that will not be rebuilt, vote not to rebuild; or
- d. Prior to the conveyance of any Lot to a person other than the Declarant, the holder of a deed of trust or mortgage on the damaged portion of a Common Interest Community rightfully demands all or a substantial portion of the insurance proceeds.

The cost of repair or replacement, in excess of insurance proceeds and reserves, is a Common Expense. If the entire San Juan Ranch is not repaired or replaced, the insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition that comports with the prior condition of such Common Elements of San Juan Ranch, and, except to the extent that other persons will be distributees, the insurance attributable to Lots and Limited Common Elements that are not rebuilt must be distributed to the Owners of those Lots and the Owners of the Lots to which use of those Limited Common

Elements were allocated, or to lienholders, as their interest may appear, and the remainder of the proceeds must be distributed to all the Lot Owners or lienholders, as their interests may appear in proportion to the Common Element interests of all the Lots.

ARTICLE XII

CASUALTY DAMAGE OR DESTRUCTION

12.1 Association as Attorney in Fact. All of the Owners irrevocably constitute and appoint the Association their true and lawful attorney in fact in their name, place and stead for the purpose of dealing with any improvements constituting General Common Elements upon damage or destruction of said improvements as hereafter provided. Acceptance by any grantee of a deed to a Lot from the Declarant or from any Owner shall constitute appointment of the Association as attorney in fact for such purpose.

12.2 General Authority of Association. As attorney in fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or other instrument with respect to the interest of a Lot Owner which may be necessary or appropriate to exercise the powers herein granted. Repair and reconstruction of the improvements as used in the succeeding sections means restoring the improvements to substantially the same condition in which they existed prior to damage. The proceeds of any insurance collected shall be available to the Association for the purpose of repair or reconstruction unless a vote of seventy-five percent of the total membership votes and seventy-five percent of the first Mortgagees holding Mortgages on Lots in the Ranch agree not to rebuild the General Common Elements in Accordance with the provisions set forth hereinafter.

12.3 Damage to or Destruction of General Common Elements. As soon as practicable after an event causing damage to, or destruction of, any part of the General Common Elements, the Association shall obtain complete reliable estimates of the costs of repair or reconstruction of that part of the General Common Elements damaged or destroyed. As soon as practicable after receiving these estimates the Association shall diligently pursue to completion the repair or reconstruction of the part of the General Common Elements damaged or destroyed. The Association may take all necessary or appropriate action to effect repair or reconstruction, as attorney in fact, for the Owners, and no consent or other action by any Owner shall be necessary in connection therewith.

12.4 Funds for Reconstruction or Repair of General Common Elements. The proceeds of any insurance collected shall be available to the Association for the purpose of repair or reconstruction of the General Common Elements subject to the

provisions of Article 12.2. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair or reconstruction, the Association may levy in advance, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair or reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair or reconstruction.

12.5 Disbursement of Funds for Repair or Reconstruction of General Common Elements. The insurance proceeds held by the Association and the amounts received from the assessments provided for in Section 12.4 constitute a fund for the payment of cost of repair and reconstruction of the General Common Elements after casualty. It shall be deemed that the first money disbursed in payment for cost of repair or reconstruction shall be made from insurance proceeds; if there is a balance after payment of all costs of such repair or reconstruction, such balance shall be distributed to the Owners in proportion to each Owner's undivided interest in the Common Elements.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.1 Amendment of General Terms of Declaration. Except as provided for by the provisions of C.R.S. 38-33.3-101, et seq, and in this Declaration, the Declaration, including the Maps may be amended only by vote or agreement of Owners of Lots to which at least sixty-seven percent of the votes in the Association are allocated. Except as permitted by Colorado statute and as reserved and set forth herein, particularly in Article XV below; no amendment may create or increase special Declarant rights, increase the number of Lots or change the boundaries of any Lots or the allocated interests of a Lot or the uses to which any Lot is restricted, in the absence of unanimous consent of the Unit owners. Any provision contained in this Declaration that may be amended or additional provisions added to this Declaration shall be by the recording of a written instrument or instruments.

13.2 Termination. Except in the case of a taking of all the Lots by eminent domain, San Juan Ranch may be terminated only by agreement of Owners of Lots to which at least ninety percent of the votes in the Association are allocated. An Agreement of Lot Owners to terminate must be evidenced by their execution of a termination agreement or ratifications thereof in the same manner as a deed, by the requisite number of Lot owners. The termination agreement must specify a date after which the agreement will be void unless it is recorded before that date. A termination agreement and all ratifications thereof must be recorded in the appropriate county and will be effective only upon recordation. The terms of the termination agreement shall comply with the provisions of C.R.S. 38-33.3-218 with respect to

termination and disposition of assets and proceeds of sale.

ARTICLE XIV

PROTECTION OF MORTGAGEES

14.1 Mortgages Permitted. Any Owner may encumber a Lot with a Mortgage.

14.2 Subordination. Except as provided in Article X herein, and the provisions of C.R.S. 38-33.3-316, any lien created or claimed by the Association under the provisions of this Declaration is expressly made subject and subordinate to the rights of any first Mortgagee encumbering a Lot herein, made in good faith and for value, and no such lien shall in any way defeat, invalidate or impair the obligation or priority of such first Mortgage unless the Mortgagee thereunder shall expressly subordinate his interest, in writing, to such lien.

14.3 Effect of Breach Hereof. No Breach of any provision of this Declaration shall invalidate the lien of any first Mortgage made in good faith and for value, but all of the term of this Declaration shall be binding upon any Owner whose title is derived through foreclosure sale, trustee's sale or otherwise.

14.4 Amendment. Amendment to this Declaration shall be only in accordance with the terms of Article XIII above, except as may be reserved by Declarant in Article XV or elsewhere herein.

14.5 Foreclosure. The transfer of a Lot as the result of the exercise of a power of sale or a judicial foreclosure involving default under a first Mortgage shall extinguish the lien for unpaid assessments which were due and payable prior to the transfer of title to the Lot. No transfer of a Lot as the result of a foreclosure or exercise of a power of a sale shall relieve the new Owner, whether it be the beneficiary of the foreclosing Mortgage or another person, from the liability for any assessments thereafter becoming due or from the lien thereof.

14.6 Non-Curable Breach and Curable Breach. Any Mortgagee who acquires title to a Lot by foreclosure or by deed in lieu thereof, shall not be obligated to cure any breach of this Declaration which is noncurable or of a type which is not practical or feasible to cure. Any Mortgagee shall, however, have the right to pay taxes or other charges that are in default and that may or have become charges against any Common Elements and shall be entitled to pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage for any Common Elements in case of a lapse of coverage.

14.7 Loan to Facilitate. Any mortgage given to secure

a loan to facilitate the resale of a Lot after acquisition by foreclosure shall be deemed to be loan made in good faith and for value and entitled to all of the rights and protection of this Article.

14.8 Appearance at Meetings. Because of its financial interest in the Ranch, any institutional first Mortgagee, upon request, may appear at meetings of the Association members and Board, or designate a representative to attend all such meetings. Said Mortgagee shall upon request, receive written notices of all meetings of the members and Board of the Association.

14.9 Federal Home Loan Mortgage Corporation and Federal National Mortgage Association Financing. Notwithstanding any and all provisions hereof to the contrary, in order to induce the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA") to participate in the financing of the sale of Lots and the construction of dwellings upon Lots, if the following provisions conflict with any other provisions of this Declaration, then these added provisions shall control:

a. A first Mortgagee at its request is entitled to written notification from the Association of any default by an Owner of a Lot in the performance of such Owner's obligations under this Declaration, Bylaws, and the rules and regulations promulgated hereunder, which is not cured within sixty days.

b. The prior written approval of at least seventy five percent of the holders of first Mortgages, based on one vote for each first mortgage held on a Lot, and the approval of seventy-five percent of the votes of the Association membership shall be required for the following:

(i) The abandonment or termination of the Ranch, except for the abandonment or termination provided by law in the case of substantial destruction, condemnation or eminent domain;

(ii) Any amendment to the Declaration the Articles, or the Bylaws of the Association governing the following subjects;

(a) The percentage beneficial interests of the Owners in the Common Elements of the Project;

(b) The fundamental purpose for which the Ranch was created (such as a change from residential use to commercial use);

(c) Voting rights;

(d) Assessments, assessment liens and subordination thereof;

(e) The reserve for maintenance, repair and replacement of General Common Elements;

(f) Property maintenance and repair obligations;

(g) Casualty and liability insurance any or other insurance or fidelity bond;

(h) Reconstruction in the event of damage or destruction;

(i) Rights to use the Common Elements;

(j) Imposition of any restrictions on Owner's right to sell or transfer his or her Lot;

(k) Any provisions that expressly benefit mortgage holders, insurers or guarantors;

(iii) The partition of any Owner's beneficial share in the Common Elements from said Owner's interest in his or her Lot.

(iv) A change of the pro rata interest or obligations of any Lot for purposes of:

(a) Levying assessments or charges or allocating distribution of hazard insurance proceeds or condemnation awards; or

(b) Determining the pro rata share of beneficial ownership of each Lot in the Common Elements.

(v) Any action or omission of an act by the Association seeking to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this subparagraph;

(vi) The uses of hazard insurance proceeds for losses to the General Common Elements for other than repair, replacement or reconstruction of the improvements thereon, except as may be provided by law.

(vii) The effectuation of any decision by the Association to terminate professional management and assume self management of the project.

(a) Any holder of a first Mortgage on a Lot shall have the right to examine the books and records of the Association by giving notice five business days prior to the

examination.

(b) In the event of substantial damage to, or destruction of, any Lot or any part of the Common Elements, the institutional holder of any first mortgage on a Lot shall be entitled to timely notice of any such damage or destruction and no provisions of any documents establishing the Ranch will entitle the Owner of a Lot or other party to priority over such institutional Mortgage with respect to the distribution of any insurance proceeds.

(c) If any Unit or portion of the Common Elements is made the subject of any condemnation or eminent domain proceeding or is otherwise acquired by a condemning authority, the institutional holder of any first Mortgage on a Lot shall be entitled to timely written notice of any such proceeding or proposed acquisition and no provision of this Declaration shall entitle the Owner of a Lot, or other party, to priority over such institutional holder with respect to the distribution of the proceeds of any condemnation award of settlement.

(d) The failure of any Lot Owner to comply with the provisions of this Declaration, the Articles and Bylaws of the Association, shall give rise to a cause of action in the holder of a first Mortgage on such Lot for the recovery of damages, or for injunctive relief, or both.

(e) An adequate reserve fund for replacement of improvements in the General Common Elements shall be established and shall be funded by the Common Assessments.

(f) All taxes, assessments, and charges which may become liens prior to the first Mortgage under Colorado law, if any shall relate only to the individual Lot encumbered and not to the Ranch as a whole.

(g) The Association shall give the FHLMC and FNMA notice in writing of any loss to or taking of, any portion of the Common Elements, if such loss or taking exceeds \$10,000.00 or if damage to a Lot encumbered by a Mortgage purchased in whole or in part by FHLMC or FNMA exceeds \$10,000.00.

(h) Any agreement for professional management of the Ranch of any other contract providing for services by the Declarant, will be terminable by either party without cause, or payment of a termination fee on thirty days', written notice and shall not exceed a contract term of one year, renewable by agreement of the parties for successive one year periods.

(i) The provisions of this Article shall be controlling in the event of any conflict between the

provisions of this Article and any other provisions of the Declaration.

(j) In any circumstance in which the approval of the holder of a Mortgage is sought hereunder, if said Mortgagee fails to submit a response to any written application for consent or for a proposed amendment within thirty days after it receives proper notice of the proposal, then consent shall be deemed granted by said Mortgagee.

ARTICLE XV

SPECIAL DECLARANT RIGHTS AND RIGHT OF DECLARANT TO EXERCISE RESERVED DEVELOPMENT RIGHTS

15.1 Declarant's Management Contracts. Declarant shall have the right to enter into professional management contracts which bind the Association prior to the Owner Turnover Date. However, Declarant cannot bind the Association to such contract, whether directly or indirectly, unless such contract contains a provision that the contract may be terminated at any time by the Association after the Owner Turnover Date, with or without cause, without penalty, without notice of more than ninety days. This provision only applies to professional management contracts and not service and labor contracts.

15.2 Declarant's easements. Declarant shall have an easement through the Common Elements as may be necessary for the purpose of fulfilling Declarant's obligations or exercising Special Declarant Rights or Development Rights, including specific easements to construct and place snow fencing along any road or driveway, even if such road or driveway is located within a Lot.

15.3 Declarant's Right to Amend and Supplement Common Interest Community Map. Declarant reserves the right to amend the Common Interest Community Map, from time to time, without the consent of any owner or the Association, to conform such Map to the actual locations of any boundaries of Lots, to establish, vacate and relocate utility easements, access easements, irrigation ditches, springs, ponds or other appurtenant water rights, to establish Common Elements and to convert Common Elements to Limited Common Elements; as well as in the exercise of any reserved Declarant Special Rights and/or any Declarant Development Rights, so long as such amendment or supplement to the Map complies with C.R.S. 38-33.3-210 et seq., 38-33.3-205 et seq., and 38-33.3-209.

15.4 Declarant's Reserved Development Rights. Declarant shall have the right, without the consent of other owners or the Association, to add up to sixty three additional Units designated and enumerated as individual Lots, to this San Juan

Ranch, Common Interest Community, by amending the Common Interest Community Map and complying with this Declaration and C.R.S. 38-33.3-205, 208, 209 and 210. Such additional Lots shall then be subject to the provisions of the Declaration, Articles and Bylaws, Design and Building Requirements, Rules and Regulations, and each Lot shall be entitled to one membership in the Association. Allocation of votes and obligations for assessments shall be based on a pro ration of each acre within a Lot, in proportion to the total acres of all Lots then part of the San Juan Ranch, Common Interest Community.

a. Property Subject to Declarant's Reserved Property Rights. The real property which is the subject of Declarant's Reserved Development Rights is described in the aggregate (by parcels) in Exhibit B hereto, and shall be designated on the Map as "Reserved by Declarant for Development Rights".

b. Declarant's Right to Exercise Development Rights. Declarant may exercise the rights described in this paragraph 15.4 et seq. at any time, or times, before the expiration of ten years from the effective date of this Declaration, with respect to any Lot or Lots declarant may create within the real property described in Exhibit B, so long as each Lot created is in excess of 35 acres, and declarant has constructed, or is obligated to construct, adequate access easements and installation of utilities of the same type and kind provided to Lots initially created by this Declaration, and such easements and utilities are conveyed to the Association as Common Elements. Declarant, in its sole discretion, may make such additions of portion of any real property described at different times, and in any order, without regards to location. Regardless of any parcel within Exhibit B subjected to such addition, the Declarant may withdraw any remaining real property or portion thereof, described in Exhibit B, from the provision of this paragraph 15.4 et seq., and amend the Map, from time to time, to reflect such withdrawals.

15.5 Declarant's Right to Subdivide a Lot. Declarant reserves the right to subdivide any existing Lot or Lots that it may own, into additional Lots, so long as, any such resulting Lot(s) contain(s) more than 35 acres and otherwise complies with this Declaration. This reservation is a specific Declarant Right and is not affected by the prohibition set forth in paragraph 2.6 above. Any such Declarant subdivision shall be reflected by amending or supplementing the Map and this Declaration and may be accomplished by Declarant without consent of the other owners or Association; such amendment to this Declaration must provide for a reallocation of all the allocated interests of the subdivided Lot(s) in pro rata amounts allocated to the Lots created by the subdivision, in a reasonable manner prescribed by the Declarant.

15.6 Declarant's Right To Add Unspecified Real Estate to Common Interest Community. Declarant, in addition to any other

right reserved herein, may amend the declaration, at any time before the expiration of ten years, from the effective date hereof, to add additional real property, not described herein, to San Juan Ranch Common Interest Community, so long as the area of such real property does not exceed ten percent of the total acres of the real property described in Exhibit A, and any portion of real property described in Exhibit B, that may previously have been added to the San Juan Ranch Common Interest Community, provided that the subsequent number of Lots does not exceed the number set forth in paragraph 2.2 herein, and each such Lot is in excess of 35 acres.

ARTICLE XVI

MISCELLANEOUS

16.1 Duration of Declaration. All of the provisions contained in this Declaration shall continue and remain in full force and effect until ownership of the Ranch and this Declaration are terminated, revoked or amended as herein provided.

16.2 Supplemental to Law. The provisions of this Declaration shall be in addition, and supplemental, to the Colorado Common Interest Ownership Act and to all other provisions of law.

16.3 Number and Gender. Whenever used herein, unless the context shall otherwise provide, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

16.4 Registration by Owner of Mailing Address. Each Owner shall register his mailing address with the Association and, except for routine notices which shall be personally delivered or sent by regular mail, all other notices or demands intended to be served upon an Owner shall be delivered personally or sent by either registered or certified mail, postage prepaid, addressed in the name of the Owner, at such registered mailing address. All notices, demands or other notices intended to be served upon the Board of Directors of the Association shall be sent by certified mail, postage prepaid, to the San Juan Ranch Owners' Association, POB 353, Telluride, Colorado 81435, agent for service, until such address is changed by a notice of address change, duly recorded, with the office of the Secretary of State of Colorado.

16.5 Successors and Assigns. This Declaration shall be binding upon and shall inure to the benefit of the Declarant, the Association and each Owner, and the heirs, personal representatives, successors and assigns of each of them.

16.6 Severability. Invalidity or unenforceability of any provision of this Declaration in whole or in part shall not effect the validity or enforceability of any other provision or any valid and enforceable part of a provision of this Declaration.

16.7 Captions. The captions and headings in this Declaration are for convenience only and shall not be considered in construing any provision of this Declaration.

16.8 Statement of Development Rights of Declarant. Notwithstanding any provision to the contrary contained herein, Declarant, its agents, employees and contractors, shall be permitted to maintain during the period of any construction upon the Ranch, such facilities as in the sole opinion of the Declarant, may be reasonably required, convenient or incidental to such construction, including without limitation, a business office, storage area, construction yards, signs, sales office, construction office, parking areas, lighting and temporary parking facilities. In addition, Declarant, its agents, employees and contractors shall have the right to ingress and egress in and through all Lots during the period of any construction and/or sale of the Lots.

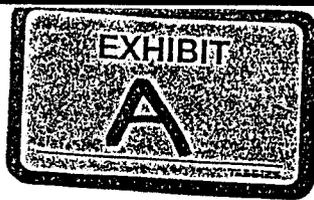
16.9 No Waiver. Failure to enforce any provision of this Declaration shall not operate as a waiver of any such provision or of any other provision of this Declaration.

16.10 Rule Against Perpetuities. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue only until twenty one years after the death of the last survivor of the living descendants of the President of the United States, William Clinton and Governor of Colorado, Roy Romer.

16.11 Violation as Nuisance. Every act or omission in violation of the provisions of this Declaration shall constitute a nuisance and, in addition to all other remedies herein set forth may be abated or enjoined by any Owner, the Association, any member of the Board or the Managing Agent of the Association.

16.12 Written Notice of Holder's Insurer's and Guarantors' Address. Wherever the Association is required to give notice to any holder, insurer or guarantor of a Mortgage on any Lot in the Ranch, such requirement shall be effective only after the Association has received written notice of the name and address of such holder, insurer or guarantor.

16.13 Owner's Obligations Continue. All obligations of the Owner under and by virtue of the provisions contained in this Declaration shall continue, notwithstanding that he may have leased or rented an interest in his Lot as permitted herein, but the Owner of a Lot shall have no obligation for expenses or other



A PARCEL OF LAND SITUATE WITHIN THE S1/2SE1/4 OF SECTION 9;
 SW1/4, N1/2SE1/4 OF SECTION 10; NW1/4 OF SECTION 15; N1/2 SECTION
 16; ALL IN TOWNSHIP 45 NORTH, RANGE 10 WEST, NEW MEXICO PRINCIPAL
 MERIDIAN, COUNTY OF MONTROSE; ALSO THE NW1/4, W1/2NE1/4,
 N1/2SW1/4, NW1/4SE1/4 OF SECTION 11 IN TOWNSHIP 45 NORTH, RANGE
 10 WEST, NEW MEXICO PRINCIPAL MERIDIAN, COUNTY OF OURAY; ALSO
 SW1/4, W1/2SE1/4, NW1/4NW1/4, S1/2NW1/4, SW1/4NE1/4 OF SECTION
 21; S1/2 OF SECTION 16 (ALSO KNOWN AS LOTS 1 THROUGH 16), ALL IN
 TOWNSHIP 45 NORTH, RANGE 10 WEST OF THE NEW MEXICO PRINCIPAL
 MERIDIAN, COUNTY OF SAN MIGUEL; ALL IN THE STATE OF COLORADO;
 SAID PARCEL BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

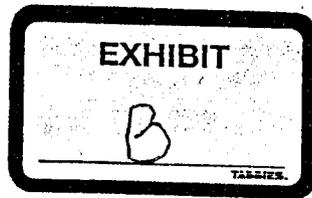
COMMENCING AT THE SOUTHWESTERLY CORNER OF THE COMMON INTEREST
 COMMUNITY MAP OF THE SAN JUAN RANCH FILING NO. 1, THE TRUE POINT
 OF BEGINNING, WHENCE THE SOUTHWEST CORNER OF SECTION 21, TOWNSHIP
 45 NORTH, RANGE 10 WEST OF THE NEW MEXICO PRINCIPAL MERIDIAN,
 BEARS S 00°37'31" E A DISTANCE OF 2655.66 FEET; THENCE
 N 00°45'51" W A DISTANCE OF 2662.13 FEET; THENCE
 N 00°41'12" W A DISTANCE OF 2603.29 FEET; THENCE
 N 00°39'05" W A DISTANCE OF 2655.02 FEET; THENCE
 N 89°32'24" E A DISTANCE OF 2669.85 FEET; THENCE
 N 00°47'25" W A DISTANCE OF 1330.84 FEET; THENCE
 N 89°47'18" E A DISTANCE OF 2660.99 FEET; THENCE
 N 01°10'43" W A DISTANCE OF 1319.38 FEET; THENCE
 N 89°59'45" E A DISTANCE OF 1323.06 FEET; THENCE
 S 42°19'57" E A DISTANCE OF 782.83 FEET; THENCE S 48°10'38" E
 A DISTANCE OF 1073.35 FEET; THENCE 31.88 FEET ALONG AN ARC OF A
 CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH
 AN INCLUDED ANGLE OF 03°39'10", THE CHORD OF WHICH BEARS
 N 45°44'16" E A DISTANCE OF 31.87 FEET; THENCE N 47°33'51" E
 A DISTANCE OF 51.60 FEET; THENCE 180.43 FEET ALONG AN ARC OF A
 CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH
 AN INCLUDED ANGLE OF 34°27'33", THE CHORD OF WHICH BEARS
 N 64°47'37" E A DISTANCE OF 177.72 FEET; THENCE N 82°01'24" E
 A DISTANCE OF 57.67 FEET; THENCE 153.34 FEET ALONG AN ARC OF A
 CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH
 AN INCLUDED ANGLE OF 29°17'06", THE CHORD OF WHICH BEARS
 N 67°22'51" E A DISTANCE OF 151.67 FEET; THENCE N 52°44'18" E
 A DISTANCE OF 21.58 FEET; THENCE 86.06 FEET ALONG AN ARC OF A
 CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH
 AN INCLUDED ANGLE OF 09°51'44", THE CHORD OF WHICH BEARS
 N 57°40'10" E A DISTANCE OF 85.96 FEET; THENCE N 62°36'03" E
 A DISTANCE OF 576.60 FEET; THENCE 102.49 FEET ALONG AN ARC OF A
 CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH
 AN INCLUDED ANGLE OF 14°50'51", THE CHORD OF WHICH BEARS
 N 55°15'37" E A DISTANCE OF 102.21 FEET; THENCE N 47°55'12" E
 A DISTANCE OF 256.17 FEET; THENCE 105.63 FEET ALONG AN ARC OF A
 CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH
 AN INCLUDED ANGLE OF 12°06'17", THE CHORD OF WHICH BEARS N
 53°58'21" E A DISTANCE OF 105.44 FEET; THENCE N 60°01'29" E A
 DISTANCE OF 241.82 FEET; THENCE 194.01 FEET ALONG AN ARC OF A
 CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH
 AN INCLUDED ANGLE OF 37°03'14", THE CHORD OF WHICH BEARS
 N 78°33'07" E A DISTANCE OF 190.65 FEET; THENCE S 82°55'16" E
 A DISTANCE OF 62.83 FEET; THENCE 84.01 FEET ALONG AN ARC OF A
 CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH
 AN INCLUDED ANGLE OF 12°13'27", THE CHORD OF WHICH BEARS
 S 89°02'00" E A DISTANCE OF 63.88 FEET; THENCE N 84°51'17" E
 A DISTANCE OF 184.05 FEET; THENCE 159.86 FEET ALONG AN ARC OF A
 CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 200.00 FEET WITH
 AN INCLUDED ANGLE OF 45°47'51", THE CHORD OF WHICH BEARS
 N 61°57'21" E A DISTANCE OF 155.64 FEET; THENCE 89.32 FEET
 ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS
 OF 250.00 FEET WITH AN INCLUDED ANGLE OF 20°28'14", THE CHORD
 OF WHICH BEARS N 49°17'33" E A DISTANCE OF 88.85 FEET; THENCE
 N 59°31'40" E A DISTANCE OF 152.92 FEET; THENCE 132.88 FEET
 ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS
 OF 400.00 FEET WITH AN INCLUDED ANGLE OF 19°01'48", THE CHORD
 OF WHICH BEARS N 69°02'34" E A DISTANCE OF 132.25 FEET; THENCE
 N 78°33'29" E A DISTANCE OF 70.90 FEET; THENCE 240.78 FEET

Exhibit A (Continued)

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ALONG AN ARC OF A CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 34°29'19". THE CHORD OF WHICH BEARS N 61°18'49" E A DISTANCE OF 237.16 FEET; THENCE N 44°04'10" E A DISTANCE OF 355.97 FEET; THENCE 93.17 FEET ALONG AN ARC OF A CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 10°40'35". THE CHORD OF WHICH BEARS N 38°43'52" E A DISTANCE OF 93.03 FEET; THENCE N 33°23'35" E A DISTANCE OF 333.80 FEET; THENCE 212.59 FEET ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 30°27'03". THE CHORD OF WHICH BEARS N 48°37'06" E A DISTANCE OF 210.09 FEET; THENCE N 63°50'38" E A DISTANCE OF 912.46 FEET; THENCE 60.33 FEET ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 06°54'50". THE CHORD OF WHICH BEARS N 67°18'03" E A DISTANCE OF 50.30 FEET; THENCE N 70°45'28" E A DISTANCE OF 392.42 FEET; THENCE 169.39 FEET ALONG AN ARC OF A CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 32°21'04". THE CHORD OF WHICH BEARS N 54°34'56" E A DISTANCE OF 167.15 FEET; THENCE 134.58 FEET ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 25°42'10". THE CHORD OF WHICH BEARS N 51°15'29" E A DISTANCE OF 133.45 FEET; THENCE N 64°06'34" E A DISTANCE OF 195.04 FEET; THENCE 119.61 FEET ALONG AN ARC OF A CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 13°42'23". THE CHORD OF WHICH BEARS N 57°15'23" E A DISTANCE OF 119.32 FEET; THENCE N 50°24'11" E A DISTANCE OF 45.83 FEET; THENCE 379.15 FEET ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 43°26'50". THE CHORD OF WHICH BEARS N 72°07'36" E A DISTANCE OF 370.13 FEET; THENCE S 86°08'59" E A DISTANCE OF 278.47 FEET; THENCE 216.55 FEET ALONG AN ARC OF A CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 24°48'55". THE CHORD OF WHICH BEARS N 81°26'34" E A DISTANCE OF 214.86 FEET; THENCE N 69°02'06" E A DISTANCE OF 107.54 FEET; THENCE 394.62 FEET ALONG AN ARC OF A CURVE TO THE LEFT SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 58°31'28". THE CHORD OF WHICH BEARS N 40°46'22" E A DISTANCE OF 378.81 FEET; THENCE N 12°30'38" E A DISTANCE OF 426.19 FEET; THENCE 130.50 FEET ALONG AN ARC OF A CURVE TO THE RIGHT SAID CURVE HAVING A RADIUS OF 200.00 FEET WITH AN INCLUDED ANGLE OF 37°23'03". THE CHORD OF WHICH BEARS N 31°12'10" E A DISTANCE

OF 128.19 FEET; THENCE S 40°06'19" E A DISTANCE OF 41.11 FEET; THENCE S 01°03'22" E A DISTANCE OF 2695.92 FEET; THENCE S 00°23'20" E A DISTANCE OF 1307.47 FEET; THENCE S 89°59'40" W A DISTANCE OF 1348.66 FEET; THENCE N 89°59'18" W A DISTANCE OF 2681.73 FEET; THENCE S 89°59'12" W A DISTANCE OF 2651.23 FEET; THENCE S 01°23'44" E A DISTANCE OF 1318.68 FEET; THENCE S 00°48'31" W A DISTANCE OF 2635.52 FEET; THENCE N 89°58'03" W A DISTANCE OF 946.63 FEET; THENCE S 89°25'25" W A DISTANCE OF 1696.75 FEET; THENCE S 01°55'59" E A DISTANCE OF 8.79 FEET; THENCE S 89°06'11" W A DISTANCE OF 1944.95 FEET; THENCE S 00°59'15" E A DISTANCE OF 576.71 FEET; THENCE S 45°50'36" W A DISTANCE OF 1913.42 FEET; THENCE S 18°05'24" W A DISTANCE OF 742.95 FEET; THENCE S 89°57'30" W A DISTANCE OF 379.89 FEET; THENCE S 00°37'48" E A DISTANCE OF 1331.50 FEET; THENCE N 89°58'43" E A DISTANCE OF 2665.00 FEET; THENCE S 00°20'52" E A DISTANCE OF 1323.96 FEET; THENCE N 89°36'11" W A DISTANCE OF 667.51 FEET; THENCE S 89°50'33" W A DISTANCE OF 2034.77 FEET; THENCE S 89°39'53" W A DISTANCE OF 1285.70 FEET TO THE TRUE POINT OF BEGINNING, SAID PARCEL CONTAINING 1311.145 ACRES, MORE OR LESS.



RESERVED BY DECLARANT FOR FUTURE DEVELOPMENT:

PARCEL A

BEGINNING AT THE SOUTHWEST CORNER OF SECTION 21, TOWNSHIP 45 NORTH, RANGE 10 WEST OF THE NEW MEXICO PRINCIPAL MERIDIAN; THENCE ALONG THE WESTERLY LINE OF SAID SECTION 21, N 00°37'31" W A DISTANCE OF 2656.66 FEET; THENCE ALONG A FENCE LINE THE FOLLOWING THREE (3) COURSES: N 89°39'53" E A DISTANCE OF 1285.70 FEET; THENCE N 89°50'33" E A DISTANCE OF 2034.77 FEET; THENCE S 89°36'11" E A DISTANCE OF 667.51 FEET; THENCE DEPARTING SAID FENCE LINE S 00°20'52" E A DISTANCE OF 8.44 FEET; THENCE S 00°27'34" E A DISTANCE OF 2663.23 FEET TO A POINT ON THE SOUTHERLY BOUNDARY OF SAID SECTION 21; THENCE ALONG THE SOUTHERLY BOUNDARY OF SAID SECTION 21 THE FOLLOWING THREE (3) COURSES: N 89°53'22" W A DISTANCE OF 1327.23 FEET; THENCE N 89°56'11" W A DISTANCE OF 1326.10; THENCE N 89°50'46" W A DISTANCE OF 1327.05 FEET TO THE POINT OF BEGINNING, SAID PARCEL A CONTAINING 244.018 ACRES, MORE OR LESS, SAID PARCEL LOCATED IN THE COUNTY OF SAN MIGUEL, STATE OF COLORADO.

PARCEL B

BEGINNING AT THE SOUTHEAST CORNER OF SECTION 16, TOWNSHIP 45 NORTH, RANGE 10 WEST OF THE NEW MEXICO PRINCIPAL MERIDIAN; THENCE S 89°57'30" W A DISTANCE OF 3627.45 FEET; THENCE N 18°05'24" E A DISTANCE OF 742.95 FEET; THENCE N 45°50'36" E A DISTANCE OF 1913.42 FEET; THENCE N 00°59'15" W A DISTANCE OF 576.71 FEET; THENCE N 89°06'11" E A DISTANCE OF 1944.95 FEET; THENCE S 01°55'59" E A DISTANCE OF 2645.10 FEET TO THE POINT OF BEGINNING, SAID PARCEL B CONTAINING 164.661 ACRES, MORE OR LESS, SAID PARCEL LOCATED IN THE COUNTY OF OURAY, STATE OF COLORADO.

PARCEL C

BEGINNING AT THE SOUTHEAST CORNER OF SECTION 2, TOWNSHIP 45 NORTH, RANGE 10 WEST, THENCE S 69°16'42" W A DISTANCE OF 1361.28 FEET; THENCE N 40°06'19" W A DISTANCE OF 41.11 FEET; THENCE 130.50 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 200.00 FEET WITH AN INCLUDED ANGLE OF 37°23'03", THE CHORD OF WHICH BEARS S 31°12'10" W A DISTANCE OF 128.19 FEET; THENCE S 12°30'38" W A DISTANCE OF 426.19 FEET; THENCE 394.62 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 56°31'28", THE CHORD OF WHICH BEARS S 40°46'22" W A DISTANCE OF 378.81 FEET; THENCE S 69°02'06" W A DISTANCE OF 107.54 FEET; THENCE 216.55 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 24°48'55", THE CHORD OF WHICH BEARS S 81°26'34" W A DISTANCE OF 214.86 FEET; THENCE N 86°08'59" W A DISTANCE OF 278.47 FEET; THENCE 379.15 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 43°26'50", THE CHORD OF WHICH BEARS S 72°07'36" W A DISTANCE OF 370.13 FEET; THENCE S 50°24'11" W A DISTANCE OF 45.83 FEET; THENCE 119.81 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 13°42'23", THE CHORD OF WHICH BEARS S 57°15'23" W A DISTANCE OF 119.32 FEET; THENCE S 64°06'34" W A DISTANCE OF 195.04 FEET; THENCE 134.58 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 25°42'10", THE CHORD OF WHICH BEARS S 51°15'29" W A DISTANCE OF 133.45 FEET; THENCE 169.39 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 32°21'04", THE CHORD OF WHICH BEARS S 54°34'56" W A DISTANCE OF 167.15 FEET; THENCE S 70°45'28" W A DISTANCE OF

A DISTANCE OF 62.83 FEET; THENCE 194.01 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 37°03'14", THE CHORD OF WHICH BEARS S 78°33'07" W A DISTANCE OF 190.65 FEET; THENCE S 60°01'29" W A DISTANCE OF 241.82 FEET; THENCE 105.63 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 12°06'17", THE CHORD OF WHICH BEARS S 53°58'21" W A DISTANCE OF 105.44 FEET; THENCE S 47°55'12" W A DISTANCE OF 256.17 FEET; THENCE 102.49 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 14°50'51", THE CHORD OF WHICH BEARS S 55°15'37" W A DISTANCE OF 102.21 FEET; THENCE S 62°36'03" W A DISTANCE OF 576.60 FEET; THENCE 86.06 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 09°51'44", THE CHORD OF WHICH BEARS S 57°40'10" W A DISTANCE OF 85.96 FEET; THENCE S 52°44'18" W A DISTANCE OF 21.58 FEET; THENCE 153.34 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 29°17'06", THE CHORD OF WHICH BEARS S 67°22'51" W A DISTANCE OF 151.67 FEET; THENCE S 82°01'24" W A DISTANCE OF 57.67 FEET; THENCE 180.43 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 34°27'33", THE CHORD OF WHICH BEARS S 64°47'37" W A DISTANCE OF 177.72 FEET; THENCE S 47°33'51" W A DISTANCE OF 61.60 FEET; THENCE 31.88 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 03°39'10", THE CHORD OF WHICH BEARS S 45°44'16" W A DISTANCE OF 31.87 FEET; THENCE N 48°10'38" W A DISTANCE OF 1073.35 FEET; THENCE N 42°19'57" W A DISTANCE OF 782.83 FEET; THENCE N 01°17'13" W A DISTANCE OF 1319.04 FEET; THENCE S 89°58'44" E A DISTANCE OF 1320.57 FEET; THENCE N 01°23'44" W A DISTANCE OF 1318.71 FEET; THENCE N 02°21'09" E A DISTANCE OF 2689.57 FEET; THENCE

Exhibit B (continued)

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392.42 FEET; THENCE 60.33 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 06°54'50", THE CHORD OF WHICH BEARS S 67°18'03" W A DISTANCE OF 60.30 FEET; THENCE S 63°50'38" W A DISTANCE OF 912.46 FEET; THENCE 212.59 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 30°27'03", THE CHORD OF WHICH BEARS S 48°37'06" W A DISTANCE OF 210.09 FEET; THENCE S 33°23'35" W A DISTANCE OF 333.80 FEET; THENCE 93.17 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 500.00 FEET WITH AN INCLUDED ANGLE OF 10°40'35", THE CHORD OF WHICH BEARS S 38°43'52" W A DISTANCE OF 93.03 FEET; THENCE S 44°04'10" W A DISTANCE OF 355.97 FEET; THENCE 240.78 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 34°29'19", THE CHORD OF WHICH BEARS S 61°18'49" W A DISTANCE OF 237.16 FEET; THENCE S 78°33'29" W A DISTANCE OF 70.90 FEET; THENCE 132.86 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 400.00 FEET WITH AN INCLUDED ANGLE OF 19°01'48", THE CHORD OF WHICH BEARS S 69°02'34" W A DISTANCE OF 132.25 FEET; THENCE S 59°31'40" W A DISTANCE OF 152.92 FEET; THENCE 89.32 FEET ALONG AN ARC OF A CURVE TO THE LEFT, SAID CURVE HAVING A RADIUS OF 250.00 FEET WITH AN INCLUDED ANGLE OF 20°28'14", THE CHORD OF WHICH BEARS S 49°17'33" W A DISTANCE OF 88.85 FEET; THENCE 159.86 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 200.00 FEET WITH AN INCLUDED ANGLE OF 45°47'51", THE CHORD OF WHICH BEARS S 61°57'21" W A DISTANCE OF 155.64 FEET; THENCE S 84°51'17" W A DISTANCE OF 184.05 FEET; THENCE 64.01 FEET ALONG AN ARC OF A CURVE TO THE RIGHT, SAID CURVE HAVING A RADIUS OF 300.00 FEET WITH AN INCLUDED ANGLE OF 12°13'27", THE CHORD OF WHICH BEARS N 89°02'00" W A DISTANCE OF 63.88 FEET; THENCE N 82°55'16" W

N 02°21'09" E A DISTANCE OF 1280.92 FEET; THENCE
N 87°44'05" W A DISTANCE OF 2094.41 FEET; THENCE
N 17°05'08" E A DISTANCE OF 295.80 FEET; THENCE N 17°05'08" E
A DISTANCE OF 2752.66 FEET; THENCE N 89°41'00" E A DISTANCE OF
1225.67 FEET; THENCE S 70°29'03" E A DISTANCE OF 1328.50 FEET;
THENCE S 67°02'36" E A DISTANCE OF 502.74 FEET; THENCE
N 89°26'20" E A DISTANCE OF 967.96 FEET; THENCE S 01°34'22" W
A DISTANCE OF 437.35 FEET; THENCE S 65°12'42" E A DISTANCE OF
561.94 FEET; THENCE N 79°42'52" E A DISTANCE OF 674.14 FEET;
THENCE N 33°02'26" E A DISTANCE OF 254.01 FEET; THENCE
N 00°52'23" W A DISTANCE OF 2273.49 FEET; THENCE
N 00°43'26" W A DISTANCE OF 1338.24 FEET; THENCE
N 88°58'13" E A DISTANCE OF 1331.16 FEET; THENCE
N 88°58'13" E A DISTANCE OF 2662.33 FEET; THENCE
S 00°06'16" E A DISTANCE OF 1316.40 FEET; THENCE
S 00°06'16" E A DISTANCE OF 2632.81 FEET; THENCE
S 87°17'27" E A DISTANCE OF 2703.12 FEET; THENCE
S 00°34'36" W A DISTANCE OF 1469.18 FEET; THENCE
N 89°43'03" E A DISTANCE OF 2676.80 FEET; THENCE
S 01°38'37" W A DISTANCE OF 1328.68 FEET; THENCE
S 89°36'59" E A DISTANCE OF 1516.62 FEET; THENCE
N 04°43'13" E A DISTANCE OF 1320.29 FEET; THENCE
S 89°11'19" E A DISTANCE OF 1291.59 FEET; THENCE
S 04°03'34" W A DISTANCE OF 1309.56 FEET; THENCE
S 04°04'13" W A DISTANCE OF 1349.79 FEET; THENCE
S 04°02'43" W A DISTANCE OF 1350.14 FEET; THENCE
S 00°43'35" E A DISTANCE OF 1404.11 FEET; THENCE
S 89°29'58" W A DISTANCE OF 2639.89 FEET; THENCE
N 89°43'40" W A DISTANCE OF 2646.49 FEET; THENCE
N 01°50'47" W A DISTANCE OF 1370.08 FEET; THENCE
N 89°58'03" W A DISTANCE OF 2686.70 FEET TO THE POINT OF
BEGINNING, SAID PARCEL C CONTAINING 2927.200 ACRES, MORE OR LESS.
SAID PARCEL LOCATED IN THE COUNTIES OF OURAY AND MONTROSE,
STATE OF COLORADO.

EXHIBIT C

FILING NO. 1

Respective Lot Owners' Percentage of All Common Expenses

and

Assessments and Votes in the Association to Each Lot

Lot #	Acres	Percentage of Whole
2	142	11.48%
3	102	8.25%
5	103	8.33%
6	81	6.55%
7	149	12.05%
8	129	10.43%
9	58	4.69%
10	82	6.63%
11	105	8.49%
14	98	7.92%
15	110	8.89%
16	78	6.31%
Total	1,237	100.00%