

**AMENDMENTS TO THE DECLARATION
OF PROTECTIVE COVENANTS OF HORSE RIVER RANCH**

This Amendment hereby amends the Declaration of Protective Covenants of Horse River Ranch dated December 9, 2004 and recorded with the Gunnison County Clerk and Recorder's Office on December 13, 2004, bearing Reception No. 549252, by the addition of the following new article:

ARTICLE 18: GUNNISON SAGE-GROUSE MITIGATION

18.1 Homesteads 12, 14, 15, 16, 17, 18 and 19. The provisions of the within Article 18 shall apply only to the aforementioned 7 Homesteads, (referred to hereinafter in this Article 18 as said Homesteads) and no others. The other provisions of the Covenants shall continue to apply to said Homesteads, but where the provisions of the within Article 18 are more restrictive than other provisions of the Covenants, the within provisions shall control.

18.2 Two residential units. A maximum of two (2) residential units shall be permitted on each Homestead. No more than one Integrated Secondary Residence and Guest House per 35 acres may be permitted on each Homestead.

18.3 Livestock Improvements area. The Livestock Improvements Area for said Homesteads shall be wholly included in the Building Envelopes.

18.4 Livestock sheds. Not more than two (2) livestock sheds per Homestead, each with not more than three (3) sides and containing no more than two hundred (200) square feet, located more than one hundred fifty (150) feet from the irrigated interface area, shall be permitted outside of the Livestock Improvements Area, none of which may be constructed within the Sage-Grouse Habitat Protection Area, identified on the Plat as Sage-Grouse Habitat Protection Area.

18.5 Enforcement of Preservation and Administration of Water Rights. It is the intent that the Property shall continue to be irrigated as it has been historically irrigated, subject to the provisions of the within Article 18. The lands which are currently being irrigated on said Homesteads and the ditches and appurtenant water rights used to irrigate them, are identified on Exhibits A and B, which are attached hereto and by reference incorporated herein. No change in the irrigation pattern outside of the building envelopes on said Homesteads, pursuant to either a change in plans or in operation, that alters the terms and conditions contained in this Article 18 shall be effective until approved by the Association and Gunnison County, which approval shall not be unreasonably withheld. In order to effectively implement this provision on said Homesteads, the following conditions shall be maintained:

18.5.1 All of the water rights described in the attached Exhibit B shall be legally and physically maintained and shall neither be allowed to be abandoned nor conveyed to any third party nor used on other lands.

18.5.2 Each of the ditches identified on the attached Exhibits A and B shall be legally and physically maintained on said Homesteads in a condition which shall permit them to carry each ditches appurtenant water rights during the irrigation season. To this end one person identified and engaged by the Association shall be responsible for the irrigation of said lands and that person shall be responsible for such irrigation, including the periodic cleaning and repair as may be necessary for such use.

18.5.3 Subject to availability, water shall be applied (1) to the irrigated lands on said Homesteads as may be necessary to maintain grass production during the normal growing season, taking into consideration the need based on such factors as moisture occurring naturally, necessity to shut the water off for haying, pasture rotation and repairs; and (2) to maintain water in the ditches sufficient to maintain the wet interface along said ditches.

18.5.4 The intent and criteria of success of this Article 18.5 shall be to follow the Best Management Practices of the local office of the Natural Resources Conservation Services.

18.5.5 Annual reports delivered to the Gunnison County Planning Director describing the irrigation on said Homesteads shall be filed by the owners of said Homesteads by December 31 annually. Such reports shall include such matters as the dates when water has been applied to the land, including the turn on and turn off dates, the lands which have been irrigated, the name of the person who is responsible for the irrigation of said lands as provided for herein and the financial arrangements which have been made to assure the compensation for the irrigator. If the name of the person who will be responsible for irrigation for the succeeding year is not known at the time of such report, that name shall be provided not later than May 1 of the succeeding year.

18.5.6 Gunnison County shall have the right to enter the property for the purpose of monitoring the irrigation of said Homesteads provided it gives not less than three days prior notice to the owners of said Homesteads in order that said owners shall have the opportunity to be present at such monitoring. In addition, in this regard a representative of the owners, Gunnison County and such Federal and State representatives as Gunnison County selects shall meet on the property during June of each year at a mutually agreeable time to monitor said irrigation.

18.5.7 Nothing contained herein shall be construed to prevent the irrigation of additional lands on such Homesteads, including lands on said Homesteads which were not previously irrigated such as lands in the building envelopes, nor the completion of an augmentation plan proposed to mitigate evaporation losses on ponds on such Homesteads or on the Property.

18.5.8 In the event of the failure or inability of the owners of said Homesteads to maintain such irrigated use, at the expense of said owners, either the Declarant during Declarants Control Period, the Homestead owners following Declarants Control Period, or Gunnison County, shall have the right to take such action as may be necessary to preserve and administer any water system and water rights within the property, to undertake such action as is required of said owners, but was not performed. In the event Gunnison County is required to take such action, the owners shall bear the cost thereof, including the legal and court costs required to enforce such use.

18.5.9 In order to realize the intent of this Article 18, it may be necessary to amend its provisions from time to time, in which event the owners shall advise Gunnison County of any proposed amendments, together with evidence such as diversion records, historic aerial photographs and other information and data which may be useful in substantiating such proposed amendments.

18.6 Sage-Grouse Habitat Protection Area. No buildings or other structural improvements, including livestock sheds, may be constructed on those portions of said Homesteads which are located within that area which is identified on the Plat as the Sage-Grouse Habitat Protection Area. This provision shall not be construed to prohibit any habitat improvements which have been approved by the County in consultation with the local NRCS and DOW representatives.

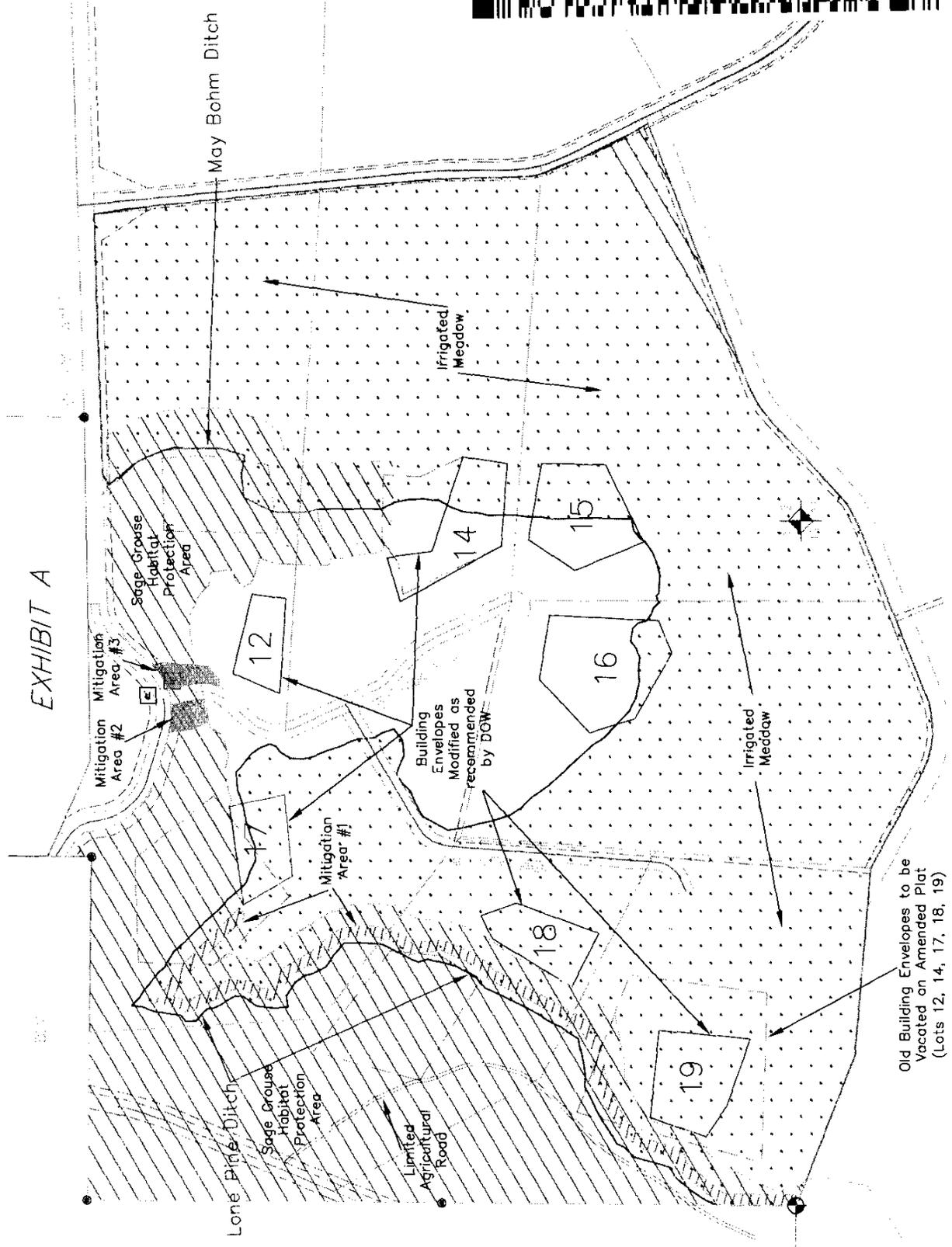
18.7 Existing access road to Lone Pine Ditch. The existing road, which is identified on the Plat as Limited Agricultural Road, which is used for access from Wiley Lane to the Lone Pine Ditch may continue to be used for normal agriculture purposes, but may not otherwise be used for access to said Homesteads or other lands.

18.8 County approval required to amend. County approval pursuant to the provisions of the *Gunnison County Land Use Resolution* shall be required to amend the provisions of this Article 18. The location of the Building Envelopes/Livestock Improvement Area for the subject Homesteads may be relocated only with Horse River Ranch HOA approval (consistent with all other lots) and with Gunnison County approval obtained pursuant to a formal Land Use Change Permit in which the proponent has demonstrated that the proposed change has no negative impact to the Gunnison Sage Grouse.

18.9 County right to enforce. In the event of the failure of an owner of a Homestead to comply with any of the provisions of this Article 18, Gunnison County shall have the right to enforce such provision after first giving written notice to the violating owner and to the Horse River Ranch Homeowners Association and the failure to correct such violation within 10 days after service of such notice. The cost of enforcing such violation, including legal fees, shall be paid by such violating owner.



EXHIBIT A



Old Building Envelopes to be
Vacated on Amended Plat
(Lots 12, 14, 17, 18, 19)

Exhibit B

Water Rights - Horse River Ranch (Formerly Youmans Ranch)				Irrigated Acreage		
Ditch Name	Ditch #	Priority #	Total CFS	HOA Ac	% of HOA	% of Retain
The May-Bohm and enlarged May-Bohm	40	33	6.875	158.4	61.5%	99.1
Totals			6.875	257.5		
Lone Pine Ditch	95	77	10.500	91	55.7%	72.5
		114	7.075			44.3%
		337	25.625			
Lone Pine Ditch & Enlargement	252	363	6.300			
Totals			49.500			
Grand Totals			56.375			10.285

