

GRAZING LEASE AGREEMENT  
YEAR 2—2012

CONSISTENT with the terms of the three-year cattle lease agreement established June 8, 2011, between the lessor RCR-Newton Property Owners Association and the lessees Todd Hughes and Dwight Proctor,

THE PARTIES agree herein to continue said lease under the conditions set forth in the original agreement for the year January 1, 2012, until January 1, 2013, at which time it will again become necessary to review the terms of the lease for a possible third year continuation. (A copy of the original lease is hereto attached.)

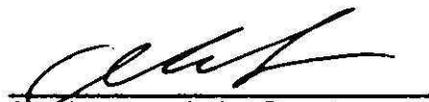
IN WHITNESS HERETO, the PARTIES sign this CONTINUATION OF THE GRAZING LEASE AGREEMENT this 19<sup>th</sup> day of January, 2012.

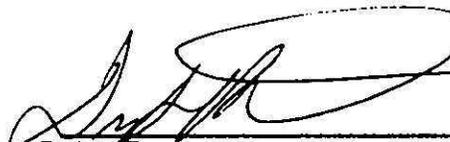
LESSOR:  
RCR-Newton Property Owners Association, Inc.

LESSEES:

  
Susan Potter as President

  
Todd Hughes

  
Alan Lucas as Acting Secretary

  
Dwight Proctor

## GRAZING LEASE AGREEMENT

THIS GRAZING LEASE AGREEMENT is signed and entered into this 8<sup>th</sup> day of June, 2011, by and between RCR-Newton Property Owners Association, Inc., Lessor, whose address is 850 Newton Road, Pueblo, CO 81005,

and

Todd Hughes and Dwight Proctor, Lessees, whose address is 965 Newton Road, Pueblo, CO 81005

WHEREAS, certain Members of the RCR-Newton Property Owners Association ("RCR-Newton POA") who own the grazing rights on their separate lots within the property known as RCR-Newton ("the Property") have leased their grazing rights to Lessor under separate grazing lease agreements; and

WHEREAS, Lessor and Lessees wish to enter into a grazing lease agreement wherein Lessor subleases said grazing rights to Lessee.

NOW, THEREFORE, in consideration of the terms and conditions of this Lease, Lessor and Lessees agree as follows:

- 1. Term.** The term of this Lease begins 08 June, 2011, and ends 31 December, 2011, unless terminated sooner as provided herein. This Grazing Lease Agreement supersedes all previous leases and agreements between Lessor and Lessees.
- 2. Option to Renew.** Lessees shall have the option to renew this Lease annually through the 2013 grazing season, if the terms and conditions of the lease have been met to the satisfaction of Red Creek Ranch Newton. Each successive lease year shall require Lessee and Lessor to negotiate the number of cattle to be released onto the Property in Item 11, provided that the conditions for fly abatement in Item 5 and range management in Item 10 have been met. The other terms of the Lease shall not be changed upon renewal.
- 3. Contact Information.** To facilitate communication, Lessor and Lessees shall exchange contact information and notify each other within 24 hours of any change. RCRN will appoint a designated representative to communicate with the Lessees.
- 4. Property.** The Property subject to this Lease is all of RCR-Newton as defined in the governing documents of RCR-Newton POA except those lots enclosed by fencing and exempt properties.
- 5. Property Owners.** Lessees acknowledge that Property Owners have the right to peaceful enjoyment of their Lots. Lessees therefore agree that a strict written fly control program be submitted to RCRN for approval prior to the release of any cattle. The Lessee agrees to follow the submitted, approved program.
- 6. Water.** Lessees acknowledge that Lessor does not provide water or its delivery under this Lease. Lessees agree that no cattle will be delivered to the Property unless the two new tanks along "Todd's Road" are operational.
- 7. Perimeter.** Lessees have examined all perimeter fencing, gates, and cattle guards not owned by Lessor, including boundary fencing enclosing open range historically part of Red Creek Ranch, and have found them to be acceptable. Lessees assume responsibility for the condition, repair, and maintenance of such perimeter fencing, gates, and cattle guards, and Lessor shall have no liability for damage by Lessees' cattle.
- 8. Fenced Lots.** Lessees and Lessees' agents will use reasonable efforts to notify Property Owners, whether or not a part of RCR Newton-POA, prior to entering a fenced lot for any reason.

SPD - 1/19/2012  
M 1-19-12

\* J.H.  
\* P.P.

9. **Range Management.** Lessor has a duty to protect and monitor the quality of the unfenced rangeland on the Property, and Lessees therefore agree to place all mineral blocks at least 3/4 of a mile from any water tank to encourage cattle to disperse throughout the Property. Lessor will contact Lessees if more than 15 Aus are seen to congregate in any one place for longer than 5 days. If the cattle have not dispersed within 48 hours of notification by the RCRN appointed representative, Lessor will, at Lessees' expense, move them.
10. **Stocking Rate.** Stocking rate will be determined by Lessor at the beginning of each grazing season based on the condition of the Property. Lessor has the right to reduce or restrict Lessees' use of the Property during the term of the Lease should any or all of the Property show signs of overuse or damage. The stocking rate for the 2011 grazing season will be 60 units (cow, cow-calf pair or bull). If, after 60 days the terms of the lease have been met by the Lessee and the Property shows signs of being able to handle more Aus, the Lessor agrees to allow the Lessees to add an additional 15 Aus for the duration of the current Lease.
11. **Verification.** No cattle will be delivered or removed from the Property without prior notification to the Lessor appointed representative. Lessees will notify the Lessor representative 12-24 hours in advance of the date and time of any cattle brought to or removed from the Property.
12. **Rate.** For the 2011 grazing season, Lessees shall pay Lessor the sum of \$12.00 per unit per month payable 1/2 at delivery and 1/2 at removal. All funds will be settled prior to December 20 of each lease period.
13. **Insurance.** Lessees will obtain a general comprehensive liability insurance policy in the amount of \$500,000.00 naming RCR-Newton Property Owners Association, Inc., as an additional insured.
14. **Property Use.** Lessees and their agents shall not have the right to hunt on or otherwise use the Property except as set forth herein, and Lessee shall not sublet nor encumber this Lease without the express written consent of the Lessor. At the end of this Lease, Lessees will return the Property in as good an order and condition as the same was entered upon, loss by fire and accident not caused by Lessee, and ordinary wear excepted.
15. **No Partnership.** Lessor and Lessees acknowledge that they are not in partnership and that Lessor shall not be financially responsible for any debts or liabilities of the Lessee nor for any accidents or damage to the Property caused by Lessee or Lessee's agents or employees.
16. **Notice to Cure.** Should Lessees breach any term of this Lease, the Lessor representative will contact the Lessees to cure the breach by issuing a 7 day "notice to cure". Failure to cure within this period will result in the immediate termination of this lease and any options to renew.

IN WITNESS WHEREOF, the parties have signed this Grazing Lease Agreement this 8<sup>th</sup> day of June, 2011.

**LESSOR:**  
RCR-Newton Property Owners Association, Inc.

**LESSEES:**

Sue Potter Demariais  
Sue Potter as President

Todd Hughes  
Todd Hughes

Ingrid Mass  
Ingrid Mass as Secretary

Dwight Proctor  
Dwight Proctor

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\* D.P.

Suggested Fly Control Program - 2011 Grazing Season  
Red Creek Ranch Newton

1. Each of the cows of the sixty-pair initial delivery will be sprayed with Ivermectin as they are released onto the ranch.
2. A Rub Station will be erected at each of the six water troughs before the cattle are delivered.
3. The burlap rubs at each station will be soaked with an insecticide by Bayer ("FLYBAN") used almost exclusively for livestock. It contains Promethrin as an active ingredient and a synergist to prevent insects from developing a resistance to the insecticide. "FLYBAN" is mixed 56 to 1 with diesel fuel and the burlap is soaked at an interval dependant upon the number of cattle using the rub and more frequently if there are heavy or frequent rains.
4. The initial interval for soaking the rubs will be approximately 2 to 2 1/2 weeks. Only experience will dictate what the interval need be, and it may be altered accordingly.

Susan Potter DeMarrais (Date 08/06/11 )

Susan Potter DeMarrais - Red Creek Ranch Newton - President

Ingrid Mass (Date 8/6/11 )

Ingrid Mass - Red Creek Ranch Newton - Secretary

Todd Hughes (Date 6-14-11 )

Todd Hughes - Lessee

Dwight Proctor (Date 6-14-11 )

Dwight Proctor - Lessee

Year 2 - 2012

Susan Potter - DeMarrais 11/19/2012  
Susan Potter

Todd Hughes  
Todd Hughes

Alan Lucas 1-19-12  
Alan Lucas

Dwight Proctor  
Dwight Proctor