

DECLARATION OF CONDITIONS, PROTECTIVE COVENANTS AND RESERVATIONS FOR GALLATIN RIVER RANCH

The undersigned, being the Owner/Developer of all of the privately owned land included within the boundaries, described in Exhibit A attached, and known as the **Gallatin River Ranch (GRR)**, hereby adopts the following Declaration of Conditions, Protective Covenants, and Reservations.

The following Declaration of Conditions, Protective Covenants and Reservations shall be binding on all that property described in Exhibit A and inure to the benefit of all those tracts, and/or parcels that are created upon said land.

Declarant plans to create tracts, parcels and/or lots on the land so that the overall density does not exceed one tract, and/or parcel per twenty (20) acres of land. It is the intention of Declarant to develop **GRR** as a residential ranch and recreational community. Declarant reserves the right to include other uses that would provide services to the community or be a compatible use. Said uses might include but not be limited to, retail services, boarding facilities for horses, membership resort, and multi-residential housing.

NON-PROFIT ASSOCIATION

It is the intention of the Owner/Developer (or Declarant) to form a non-profit association called "**The Gallatin River Ranch Homeowner's Association**" to serve as the representative of the Owners with respect to the assessment, collection and application of all charges imposed hereunder, the enforcement of all covenants contained herein, and the creation, operation, ranch management and maintenance of the facilities and services referred to hereinafter, as well as the roads, boundary fences, and common use areas.

After fifty (50) percent of the parcels within the **GRR** have been sold by the Owner/Developer (or Declarant), then all rights, privileges, powers, duties and authority of the Owner/Developer (or Declarant), subject to the provisions of paragraph 4.1, voting rights, contained in these reservations and Protective Covenants shall thereupon vest in the Association. Until the transfer when the term "Owner/Developer" (or Declarant) is used, it shall be taken to mean the "Association". When voting on any matters pertaining to these Covenants, there shall be one (1) vote for each tract, or parcel owned.

Now therefore, Declarant hereby declares that the Property shall be held, sold, conveyed, encumbered, used, occupied and improved subject to the following easements, restrictions, covenants and conditions, all of which are in furtherance of such plan and are established for the purpose of enhancing the value, desirability and attractiveness of the real property and every part thereof and maintaining a uniform and stable value, character, architectural design, use and development of the property. All of the easements, restrictions, covenants and conditions shall run with the real property and shall be binding on all parties having or acquiring any right, title or interest in the described properties or any part thereof, and shall be for the benefit of each owner of any portion thereof and inure to the benefit of and be binding upon each successor in interest of such owners.

ARTICLE I DEFINITIONS

- 1.1 "Association" shall mean Gallatin River Ranch Owners' Association.
- 1.2 "Board of Directors" or "Board" shall mean the duly elected and qualified members of the Board of Directors of the Association.
- 1.3 "Common Easement Area" shall mean all of the Premises over which an easement(s) has been granted herein to the Association for use by the Association and its members and the owners in common.
- 1.4 "Declarants" shall mean jointly and together Hill Country, Inc., a Montana Corporation, and MEKEN Corporation, a Montana Corporation, dba **Gallatin River Ranch**, P.O. Box 899, Manhattan, MT 59741.
- 1.5 "Declaration" shall mean this Declaration of Conditions, Protective Covenants, and Reservations for Gallatin River Ranch and as it may, from time to time, be amended or supplemented,
- 1.6 "Guidelines" shall mean design guidelines which may from time to time be adopted and published by the Review Committee, together with the Declarants and the Association to set forth procedures for review of plans and standards and criteria which Declarants expect to follow, and expect the Association to follow, in reviewing proposed development(s) within the Premises.
- 1.7 "Improvement(s)" shall include, but not exclusively, all buildings, outbuildings, bridges, roads, trails, pathways, driveways, parking areas, fences, screening walls and barriers, retaining walls, stairs, decks, water lines, sewers, septic tanks, springs, ponds, ditches, viaducts and electrical, gas and TV distribution facilities, hedges, windbreaks, crop planting, natural or planted trees and shrubs, poles, signs, and all other structures, installations and landscaping of every type and kind, whether above or below the land surface.
- 1.8 "Capital Improvement(s)" shall mean an improvement of two or more interdependent improvements of a substantial nature benefiting the Association, Common Easement Area or Premises as a whole which, when undertaken, may reasonably be anticipated to require a projected expenditure by the Association of a total amount greater than \$20,000 or such equivalent amount as proportionately adjusted from the date hereof to correspond to variations in the index for U.S. Wholesale Prices.
- 1.9 "Occupant" shall mean a lessee or licensee of an Owner, or any other person or entity other than an Owner in lawful possession of a Parcel with the permission of the Owner.
- 1.10 "Owner" shall mean any persons or entity which is the record owner of fee simple title of any Parcel including buyers under a contract for deed, but excluding any entity of person who holds such interest as security for the payment of an obligation, other than a contract seller, Mortgagee, or other such security holder in actual possession of the Parcel.
- 1.11 "Parcel" shall mean each tract as shown and numbered on the Master Plan of Gallatin River Ranch, and any other maps or plans adopted by the Declarants and the Association, all of which shall have the same density of no greater than one unit per approximate twenty (20+-) acre parcel.
- 1.12 "Premises" shall mean and refer to all of the lands included in the description in Exhibit A as well as such additions as may hereafter be annexed thereto by Declarants in accordance with the terms hereof.
- 1.13 "Project" shall mean the organization, division, improvement, operation and sale of Property in Gallatin River Ranch, as a Planned Residential Ranch and Recreational

Community, together with any additions of land or other property as may hereafter be annexed thereto by Declarants.

1.14 "Record", "recording", and "recorded" or "recordation", shall mean with respect to any document that recordation of said document in the office of the Clerk and Recorder of Gallatin County, Montana.

1.15 "Review Committee" or "Committee" shall mean the Committee appointed by the Board of Directors of the Association whose function is to review and approve plans, specifications, designs, sites and locations of structures, landscaping, and other improvements to be constructed or erected on any Parcel.

1.16 "Road or Roads" shall mean any street, highway, road or thoroughfare within or adjacent to the Premises and shown on the master plan or maps adopted by the Declarants and any recorded plat, or record or survey, whether designed thereon as street, avenue or road.

1.17 "Sign" shall mean any structure, device or contrivance, electric or non-electric, upon or within which any poster, bill, bulletin, printing, lettering painting, device, or other advertising of any kind whatsoever is used, placed, posted, tacked, nailed, pasted or otherwise fastened or affixed.

1.18 "Visibility" shall mean, with respect to any given object on a Parcel that such object is or would be visible to a person six (6) feet tall, standing on any part of any Parcel or other part of the Premises.

1.19 20 acres as used within these covenants refers to a legal land 20-acre parcel produced through the division of a section of land into aliquot parts. Under this definition a legal land twenty may in fact not be exactly 20 acres in size, but could be a little smaller or a little larger depending on the actual size of the original government surveyed section.

ARTICLE II GOVERNING SUBJECT PROPERTY

2.1 Addition of Other Realty. Declarants may at any time during the pendency of this Declaration add all or a portion of any real property now or hereinafter owned by Declarants to the Premises, upon recording of a "notice of addition of real property" containing at least the provisions set forth in Section 2.2; and a declaration and covenants that shall not permit any individual owner from dividing or partitioning his parcel except Declarants, in accordance with paragraph 2.3. Thereafter, to the extent that this Declaration is made applicable thereto, the rights, powers and responsibilities of Declarants and the owners and occupants of lands within such added real property shall be the same as Owners in the real property described in Exhibit A.

2.2 Notice of Addition to Land. The notice of addition of real property referred to in Section 2.2 shall contain at least the following provisions:

(a) A reference to this Declaration stating the date of recording and the book or books of the records of Gallatin County, Montana, and the page numbers where this Declaration is recorded;

(b) A statement that the provisions of this Declaration, or some specified part thereof, shall apply to such added real property;

(c) A legal description of such added real property; and,

(d) Such other or different covenants, conditions and reservations as Declarants shall in their discretion, specify to regulate and control the use, occupancy and improvements of such real property in the manner consistent with this Declaration.

2.3 Subdivision of Parcels. The Parcels of Gallatin River Ranch shall not be subdivided to be less than twenty (20) acres per parcel by any Owner of any parcel on the

Premises. If in fact he finds it necessary, Declarant may subdivide any tract on the Premises below the twenty (20) acre minimum at his discretion.

ARTICLE III PROPERTY RIGHTS; WATER RIGHTS

3.1 Easements Reserved by Declarants for Conveyance to the Association: Declarants hereby define and reserve, for conveyance to the Association for its benefit and that of its members and the Owners in common, the following easements which shall define "Common Easement Areas";

(a) An easement over, through and across each Parcel for the purposes whatsoever which are consistent with the intent of this Agreement including ingress and egress and for the use of the property for grazing of livestock, maintenance of wildlife, landscaping, growing of crops, and the pursuit of recreational activities, the storage of personal property which is under the control and regulation of the Association and for the erection, maintenance, use and repair of water wells, roads, streets, bridges, trails, ponds, ditches, fences, buildings and other structures, utilities and improvements belonging to the Association; provided, however, that no structure such as a residential building or one which accommodates such use shall be permitted except those approved by the Association to house Association staff, or temporary guests of the Association or its members

(b) An easement over, through and across each Parcel to within fifty (50) feet of all inside boundaries of each Parcel for the installation and maintenance of electrical power lines and telephone lines.

(c) An easement and right-of-way for any irrigation ditches, ponds and/or canals and for all courses, channels and beds of any streams, creeks, drainage or rivers and an easement and right-of-way over twenty (20) feet of any banks thereof which occupy, cross, flow or traverse any Parcel (or part thereof).

(d) An easement over, through under and across all of the Premises (or part thereof) for the purposes of constructing, installing, using, maintaining and repairing driveways, wells, septic tanks and drain fields providing any and all buildings subsequently erected in such areas. The Association shall be entitled to grant to any Owner the use of such easement over, under or across a portion of the Premises for the benefit of such Owner for the purpose of installing, operating, maintaining, repairing or replacing a driveway, water well, septic tank or drain field in a portion of this Parcel (or part thereof). Such Owners shall remain responsible for all costs and expenses associated with the ownership, construction, operation, maintenance, repair or replacement of such facilities. Nothing stated herein shall give an Owner the right to an easement in the Premises for the foregoing purposes, and the decision to grant or refusal to grant such easement(s) as provided in this Section 3.1(d) shall be solely within the discretion of the Association.

(e) Declarants do hereby convey by the recording of this Declaration the easements reserved above to the Association which recording shall be prior to the time of the conveyance of the first Parcel in the Premises.

3.2 Owner's Easement of Enjoyment. Every Owner, and his children under the age of 23, shall have a right and easement of enjoyment in and to the Common Easement Areas which shall be appurtenant to and shall pass with the title to every Parcel, subject to the following provisions:

(a) The right of the Association to provide reasonable restrictions on the use of the Common Easement Areas for the overall benefit of the Association and its members including limitations of the number of guests permitted to use the Common Easement Areas, length of stay

that guests are permitted to use the Common Easement Areas, and rules, restrictions or prohibitions on the type of activity and use including, but not limited to, the use of firearms and motorized vehicles in the Common Easement Areas. The Association shall not have the right to prohibit the use of horses in the Common Easement Areas, but may provide reasonable rules and restrictions for such use;

(b) The right of the Association to charge reasonable fees for the disproportionate use or appropriation by Owners or others of any recreational or other facility situated upon the Common Easement Areas;

(c) The right of the Association to suspend the voting rights and right to use of the Common Easement Areas and the recreational or other facilities of the Association by any Owner and/or Occupant for the period during which any assessment against his Parcel or person remains unpaid and for a period not to exceed one hundred eighty (180) days for any infraction of its published rules and regulations;

(d) The right of the Association to dedicate or transfer all or any part of its rights to the Common Easement Areas to any public agency, authority, utility, person, corporation or other entity for such purposes and subject to such conditions as may be agreed to by its members. No such dedication or transfer shall be effective unless approved by Declarants or a majority of Association members after transfer.

3.3 Delegation of Use. Any Owner may delegate, upon notification to the Association, to the members of his immediate family under the age of 23, or his guests subject to the rules and regulations set out by the Association for number and length of stay, his right of enjoyment to the Common Easement Areas and facilities. Any owner may also designate to a tenant, approved by the association, or any contract purchaser of his property his right of enjoyment to the Common Easement Areas and facilities, by giving up his use of these areas, and transfers this right to an approved tenant or a contract purchaser.

3.4 Reservation of Access Easement. The Declarants do hereby reserve for themselves or their assigns an easement over and along the roads and in the Common Easement Areas of the Premises for the purposes of completing the Project and also providing ingress and egress to any real property owned by Declarants or others, which property is not part of the Premises.

3.5 Right of Access. The Association or its delegated representatives, or the Declarants shall have the irrevocable right to have access across any Parcel to each house, dwelling or improvement on any Parcel from time to time during reasonable hours as may be necessary for the inspection, maintenance, repair, or replacement of any grounds or improvements thereon including any Owners' structure thereon in accordance with Sections 6.6, 6.7, 6.9, 7.3 and 8.1. Except for improvements owned by the Association or used by the Association for its benefit or that of its members, all maintenance, repairs, or replacements in any Parcel or on any structure thereon belonging to an Owner shall be at the expense of the Owner thereof. A similar right of access shall also be reserved and be immediate for the making of emergency repairs therein in order to prevent property damage or personal injury. All damaged improvements shall be restored to substantially the same condition in which they existed prior to the damage. All maintenance, repairs, and replacements of the Common Easement Area grounds and Improvements shall be the common expense of the Association and all of the Owners; provided, however, if such damage is caused by a negligent act of any Owner, members of his family, his Occupant, agents, employees, invitees, licensees, or tenants, then such Owner shall be responsible and liable for all such damage.

3.6 Water Rights. It is the intent of the Declarants to make adequate water available to all parcels of land sold in this development. To that end, the Declarants are reserving the right to explore for and develop water in the areas designated as common easement areas. These

rights may be assigned to subsequent parcel owners or to the Association as may become necessary or desirable.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS

4.1 Membership. Every Owner of a Parcel which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Parcel which is subject to assessment.

4.2 Classes of Members. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Class B members named below. Class A members shall be entitled to one vote for each Parcel owned. When more than one person holds an interest in any Parcel, all such persons shall be members. The vote for such Parcel shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Parcel. In the event, however, that there is a dispute among two or more Owners regarding the vote of a Parcel in which such Owners hold an interest, the Association, being duly notified in writing by any such interested Owner that the dispute exists, may appoint an officer of the Association or any independent party to cast such vote on behalf of the Owners of the Parcel in a manner as such officer, in his sole discretion and business judgment, may decide as being in the best interest of the Association and all Owners of such Parcel shall be deemed to have provided the Association and such officer their proxy on such occasion.

Class B. The Class B members shall be the Declarants. Class B members shall be entitled to one and one half (1.5) votes for each Parcel owned. The Class B membership shall cease and be converted to Class A membership when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership.

ARTICLE V ASSESSMENTS

5.1 Creation of the Lien and Personal Obligation of Assessments. The Declarants, for each Parcel owned within the Premises, hereby covenants, and each Owner of any Parcel by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree; 1) to pay to the Association: (1) Annual assessments or charges, and (2) special assessments for capital improvements or otherwise as hereinafter provided; and (b), that the annual and special assessments, together with interest, costs, and reasonable attorney's fees, if any, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal (joint and severable) obligation of the person or persons who was or were the Owner(s) of such Parcel at the time when the assessment fell due. Although such charges shall be a continuing lien upon the property until paid, the personal obligation for delinquent assessments shall not pass to the Owner(s)'s successors in title unless expressly assumed by them with the consent of the Association.

5.2 Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purposes of promoting the health, safety, and welfare of the Owners of Gallatin River Ranch and the Association and for the establishment, improvement, maintenance and protection of the Premises and the interest of the Owners therein, and/or for property or facilities enhancing their use and enjoyment and/or the conservation of the natural amenities of

the Premises. As such, these purposes may also include, but shall not be limited to, funding for: The payment of taxes, insurance for common properties and risks involving the Association; maintenance (including snow removal) of roads, parking areas, utilities, bridges and or other improvements or easements owned by the Association or used by the Owners in common; the establishment, maintenance and protection of pastures, land, crops, streams, ponds, livestock, wildlife and animals within the Premises; the cultivating, mowing of lawns and crops on fields or lands within the common areas; the construction, maintenance and repair of all recreational facilities owned by the Association and constructed on the Common Easement Areas or elsewhere for the benefit of the Association; and the cost of labor, equipment, services, materials, management, protection and supervision of the assets and interests of the Association.

5.3 Annual Assessments. Annual assessments shall be determined by the Board of Directors in an amount estimated to cover the normal operating expenses of the Association for each year as determined in conformity with standard accounting practices, together with such additional amounts as may, in their reasonable judgment, be necessary to cover any past deficits from operations or to create reasonable reserves for the future cost of operations of the Association. Such annual assessments shall be payable in advance on a quarterly basis, due on the first day of January, April, July and October of each year. Method and due date of payment of annual assessments may be changed from time to time by the Board of Directors of the Association or Declarants. In no event shall the assessment exceed One Thousand Two Hundred Dollars (\$1200), plus a prorated share of taxes owed on any commonly owned easements or improvements, per annum unless at least sixty percent (60%) of the members shall concur.

5.4 Special Assessments. In addition to the annual assessment to cover the Association's operating expenses, the Association, by an action of its Board, may levy, in any assessment year, special assessment(s) for the purpose of reserving or paying for, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a Capital Improvement of the Association or upon the Common Easement Areas including fixtures and personal property related thereto, and for such other purposes or projects benefiting the Association and its interests provided that any such assessment shall have the assent of two-thirds of the votes of each class of Members voting in person or by proxy at a meeting duly called for this purpose. Nothing stated herein shall restrict the right of the Association to provide for the repayment of the special assessment over a term of months or years subsequent to the date of such assessment, and upon terms and conditions it deems appropriate, including the collection of interest on the deferred balance.

5.5 Notice and Quorum for Any Action Authorized Under Section 5.4. Written notice of any meeting called for the purpose of taking any action authorized under Section 5.4 of Article F shall be sent to all members not less than fifteen (15) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of members or their proxies entitled to cast thirty (30) percent of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half of the required quorum at the preceding meeting. No such subsequent meeting shall be held sooner than thirty (30) days following the preceding meeting.

5.6 Uniform Rate of Assessment. Both annual and special assessments must be fixed in equal amounts for all Parcels and may be collected on a quarterly basis; provided, however, when in the judgment of the Board, a Capital Improvement is of a nature that uniquely restores damages or provides value only to certain individual Parcels then, to the extent determined by the Board that such Improvements are not beneficial to the Association as a whole or to the Members or Parcels in general, such portion of costs which solely contribute to those certain

individual Parcels may be pro-rated, scheduled and assessed among only those Owners or Parcels affected.

a) The initial Annual Dues shall be \$600.00 per parcel sold, payable \$150.00 per quarter in advance. It is further understood that during the initial development phases that the developer will be funding the improvements and upkeep of the ranch, therefore until the operation of the ranch has been turned over to the Association, the Declarant may use these funds to supplement their own for the operation, management, and maintenance of the Ranch.

5.7. Date of Commencement of Annual Assessments and Due Dates. The annual assessments provided for herein shall commence as to all Parcels on the first day of the month following the conveyance of the Parcel and shall be assessed on a calendar year basis. The first quarterly assessment shall be adjusted according to the number of months remaining in the quarter. The Board of Directors shall fix the amount of the annual assessment against each Parcel at least thirty (30) days in advance of each annual assessment period (each calendar year). Written notice of the annual assessment shall be sent to every Owner subject thereto. Credits and reimbursements to Owners shall be determined and arranged so that the burden of taxes and governmental assessments and, if possible, payments, shall be shared pro-rata by Owners for taxes assessed against any common properties, Improvements (or usage) of the Association and the Owners, including, for instance, taxes on any Common owned Easement Areas and improvements. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Parcel have been paid.

5.8 Effect of Nonpayment of Assessments and Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at a rate which shall be the greater of twelve (12) percent per annum or two (2) percent above the Prime Rate for Bank Lending in New York City, but in no event to exceed the maximum rate permitted under Montana law or such lower rate as may be set from time to time by the Board of the Association. The Association may record a notice of lien against the property and bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property in the same manner as a mortgage on real property, and the Association shall be entitled in any such actions or foreclosure proceedings to recover its costs, expenses and reasonable attorneys' fees. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Easement Areas or abandonment of his Parcel.

5.9 Non-subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be superior and not subordinate to the prior lien of any first mortgage or prior recorded liens which are recorded after the date of the recording of this Declaration. Sale or transfer of any Parcel shall not affect the assessment lien, whether such lien arises prior to such sale or transfer, or thereafter becomes due.

5.10 Declarants Assessments. For the purposes of assessments, any Parcel owned by the Declarants shall not be subject to the same assessments and provisions of those Articles as Parcels of any other Owner. Assessments are not triggered on a parcel until it is sold by the Declarants.

ARTICLE VI PROTECTIVE COVENANTS: ARCHITECTURAL CONTROL

6.1 Purpose. The intent of Declarants in establishing the following protective covenants is to provide a uniform plan for the development of the Premises which will create, conserve and maintain the natural environment and present scenic and aesthetic quality of the

Premises to the greatest extent compatible with providing use to the Owners for the development of single family residences together with such recreational pursuits which may be reasonably consistent with the natural environment of the Premises and its surroundings, and to further provide every practical and legal means to safeguard and protect the interests of all Owners and the value and stability of the Premises.

6.2 Requirement of Review by Committee. Except insofar as its duties may be extended with respect to a particular area by the Association, the Committee shall review and approve or disapprove all plans and specifications submitted to it for any proposed Improvement.

No construction, improvements, or alterations of any structure affecting the external appearance of any main building or secondary buildings and no driveways, parking areas, swimming pools, ponds, tennis courts, fences, walls, railings, artifacts, or other similar improvements and no wire, pipe, sewage disposal system, well, or walkway shall be made, erected, altered, placed or permitted to remain upon the Premises until a site plan and specifications showing the design, location, material(s) and color(s) together with the name of the contractor shall have been submitted to and such site plan and specifications approved in writing by a Review Committee, which shall consist of three members appointed by the Board of Directors of the Association.

In considering applications, the Committee shall use in its evaluation its established guidelines, which shall incorporate therein the principal guidelines required by Section 6.4 and individual site's characteristics as the primary and foremost criteria of design objectives so that improvements, although of merit and interest, shall not overly dominate their surroundings, but rather shall be reasonably subservient to them and harmonious with the land and its forms. The total mood of such improvements should be one of relaxation, embodying the environment. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, exterior finishes and materials and similar features and the overall benefits and detriment to the surrounding area and Gallatin River Ranch generally, but shall not be responsible for reviewing, nor shall its approval of any plans and specifications be deemed approval thereof, particularly from the standpoint of structural safety, the engineering soundness or conformance of any Improvements with building or other codes.

6.3 Membership of Committee. At least two of the three members of the Review Committee shall be members of the Association or the persons representing the Declarants and it is suggested that at least one of the members have professional qualifications in the area of architecture, design or land planning.

6.4 Guidelines. The Review Committee shall establish and publish Guidelines which will set forth the procedures and criteria for review of residences or other structures to be constructed or installed on the Premises. Such criteria shall be consistent with the intent of Section 6.2 and the provisions of Article VII and shall specifically require that:

a) the substantial portions of the exterior surfaces of all structures shall be muted tones typically found in the surrounding lands.

b) no residence, garage, guest house, antenna or other structure constructed on the Premises shall exceed the average height of thirty (34) feet above the natural grade of the undeveloped land at the highest portion of the land on the perimeter of the footprint of the proposed structure and shall, wherever reasonably possible, be below the ridgeline of surrounding land contours except as may be specifically permitted by the review committee, and

c) all structures shall be of good design, high quality materials and workmanship and be suitable for the purpose intended, and

d) all buildings shall, in the opinion of the Committee, reflect a high quality structure.

Failure to follow procedures or criteria set forth in the Guidelines as published shall form an adequate basis for rejection of the submitted site plan and specifications.

6.5 Variances. The Association Board may authorize variances from compliance with any of the architectural provisions of this Declaration, including restrictions upon height, bulk, size, shape, floor area, land area, placement of structures, setbacks, colors, materials or similar restrictions when circumstances such as topography, natural obstructions, hardship or aesthetic or environmental considerations may, in their sole and absolute discretion, warrant. Such variances must be evidenced in writing and must be approved by at least a majority of the Board. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision and in the particular instance covered by the variance.

6.6 Approval or Disapproval by Committee. In the event the Review Committee fails to approve or disapprove such design, location, construction, and materials within thirty (30) days after the detailed site plan and specifications have been submitted to it, approval shall not be required and this Article shall be deemed to have been fully complied with. Any plans, specifications and proposals so approved, either expressly in writing or by the expiration of the thirty (30) day period hereinabove provided, shall then permit the Owner to commence construction in accordance with said plan, but any deviation from said plan which, in the judgment of said Committee, is also 1) a deviation of substance from either the Guidelines; b) the requirements of this Declaration; or c) is a detriment to the appearance of the structure or to the surrounding area shall be promptly corrected to conform with the submitted plan by the Owner or after reasonable notice is provided in accordance with Section 6.7 to such Owner by the Association at the Owner's expense. Any structure to be erected in accordance with approval so given shall be completed within eighteen (18) months of commencement of construction, unless specific written extension is granted by the Review Committee. If any structure is begun but is not completed within eighteen (18) months of the commencement of construction, and in the reasonable judgment of the Review Committee is of offensive or unsightly appearance, then the said Committee or the Directors of the Association, at the option of either, may after reasonable notice to the Owner, take such action as may be necessary in accordance with Section 6.7 in its judgment to improve the appearance so as to make the property harmonious with other properties, including completion of the exterior of the structure, removal of the structure, installation of screening or covering of the structure or any combinations thereof, or similar operations; and the amount of any expenditures made in so doing shall be a lien on the property and may be enforceable by an action at law. The Review Committee may act by a majority of its members and any authorization or approval made by the Committee must be signed by a majority of the members thereof.

6.7 Inspection of Work. Upon the completion of any Improvement for which approved plans and specifications are required under this Declaration, the Owner shall give written notice of completion to the Committee. Within such reasonable time as the Committee may set in its rules, but not to exceed thirty (30) days after such notification and any adjustment for weather conditions, the Committee or its duly authorized representative, may inspect such Improvement. If the Committee finds that such work was not done in strict compliance with all approved plans and specifications submitted or required to be submitted for its prior approval as required by Section 6.6, it shall notify the Owner in writing of such noncompliance within such period, specifying in reasonable detail the particulars of noncompliance within such period, specifying in reasonable detail the particulars of noncompliance and shall require the Owner to remedy the same. If, upon the expiration of thirty (30) days from the date of such notification, the Owner shall fail to remedy such noncompliance, the Committee shall notify the Board in writing of such failure. Upon notice and hearing, the Board shall determine whether there is a

noncompliance and if so, the nature thereof and the estimated cost of correction or removing the same. If noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date of announcement of the Board's ruling. If the Owner does not comply with the Board's ruling within such period, the Board, at its option, may either remove the noncomplying Improvement or remedy the noncompliance, and the Owner shall reimburse the Association upon demand for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy an assessment against such Owner and the Improvement in question and the land on which the same is situated for reimbursement and the same shall constitute a lien upon such land and Improvement and be enforced as in this Declaration provided. The Committee may inspect all work in progress and give notice of noncompliance as provided above. If the Owner denies that such noncompliance exists, the procedures set out above shall be followed, except that no further work shall be done, pending resolution of the dispute, which would hamper correction of the noncompliance if the Board shall find that such noncompliance exists.

6.8 Materials. Construction materials shall not at any time be placed or stored so as to impede, obstruct or interfere with pedestrian or vehicular traffic and construction materials shall not be kept, placed or stored on Parcels for a period exceeding thirty (30) days following substantial completion of construction (as shall be determined by the Committee) without specific approval of the Review Committee or as permitted by Section 7.1(h).

6.9 Restoration of Parcel. Upon completion of the construction on any Parcel, the Owner shall to the greatest extent possible restore the Parcel to the conditions which existed prior to such construction so that the Parcel and improvement shall be in harmony with the surrounding unimproved property. The Owner must complete said restoration within forty-five (45) days or such other period as may reasonably be dictated by weather conditions following completion of construction on any parcel. In the event restoration is not completed within said time period, Declarants or Association, upon reasonable notice to the Owner, may complete said restoration at the expense of the Owner.

ARTICLE VII MINIMUM BUILDING AND USE RESTRICTIONS

7.1 Building Restrictions. No structure, other than those currently standing at the time of this Declaration, which fails to meet the following minimum standards shall be erected, placed or allowed to remain on any Parcel, and the Review Committee shall have no power to approve any structure failing to meet, at a minimum these conditions:

a) No structure (except those belonging to the Association to be constructed in the Common Easement Areas) shall be erected, altered, placed, or permitted to remain on any Parcel other than one single family dwelling, a private garage, and/or barn, and/or guest quarters without approval of the Association. In the main residence on the property an in-law unit or guest or maids quarters shall be allowed inclusive within the structure, so long as the exterior appearance of the building shall appear to be a single family residence. Under no circumstances shall this unit be used as a rental. All structures shall be erected only on specific sites approved by the Review Committee. All such single-family dwellings shall contain in total at least 1600 square feet in the footprint or foundation (and not less than 2,000 in total square footage), exclusive of porches, basements, decks, patios, adjoining guest quarters, and garages. All barns and/or garages shall be proportionate in size to the other structures on the site. Separate guest quarters shall not exceed in size 70% of the living space of the primary residence on the Premises. All concrete that extends 12 inches or more above ground shall be required to be painted or otherwise finished with a color blending with its natural surroundings approved by the

Review Committee. Declarant reserves the right as stated in the opening paragraph on page 1 to include other uses that would provide services to the community or be a compatible use to the residential ranch concept.

b) Any building or residence erected on any Parcel shall be of new construction, no mobile homes, trailers, old buildings or pre-assembled homes shall be placed or moved onto said Parcel; however, an exception to the pre-assembled type home shall be Log Homes constructed with pre-cut logs, which shall be permitted. An old building which, in the sole discretion of the Review Committee, is deemed to be of significant design, historical or aesthetic value may be placed or incorporated with new construction on a Parcel with such specific approval of the Review Committee.

c) No basement or structure on any Parcel may be used for dwelling purposes until after its area, as defined by the foundation, has been completely enclosed according to the plans and until it has been substantially completed, with sanitary facilities and utilities permanently installed. No tent, shack or other outbuilding erected on a Parcel shall at any time be used as a residence, temporarily or permanently.

d) Exterior TV, radio, satellite dishes or other antennae may be installed on private Parcels, but number, location, height, color, screening and size of such antennae must conform to reasonable guidelines established by the Review Committee to minimize their appearance or visibility from neighboring Parcels.

e) All water, gas, propane tanks, electricity, telephone, and similar improvements, together with facilities constructed incidental thereto, shall be placed and installed underground. Outdoor lighting shall be permitted that is consistent with the safety and security of the Association, Owners and occupants but it shall be of a subdued nature, harmonious to the surroundings, of reasonable candle power and generally shall be shaded so that the source of illumination is not directly visible and annoying to neighboring Parcels or directed up to the night sky, with the exception of landscape lighting as approved by the Review Committee. The installation and use of such lighting shall be subject to the approval of the Review Committee.

f) Any fences abutting roadways and Common Area Easements shall be of material and design approved by the Review Committee. No fence, gate or other structure or obstruction shall be constructed on the Premises so as to block or hinder the use of any of the Common Area Easements.

g) No home or recreational trailers or other living convenience shall be kept on said Parcels before construction of a residence, nor shall any trailer or other living convenience be used for temporary living quarters at any time, without the approval of the Association. The only exception to this would be a construction trailer used by the contractor during the construction period, to be removed when construction is completed. Adequate enclosed garage or screened parking space shall be provided on each Parcel for cars, recreational vehicles, trucks, trailers, boats, tractors, buses, snowmobiles or other mobile devices regularly situated on any Parcel so they may be properly housed and screened from sight of the roads, Common Easement Areas and visibility of neighboring Parcels and do not obstruct, hinder or interfere with the free flow of two-way traffic and the construction, maintenance, repair and snow removal from roadways. It is the purpose and intent of this covenant that all vehicles will be routinely garaged or parked in an approved, screened area as described. However, it is understood that one such passenger vehicle of the resident family, while they are in residence and actively using the vehicle, may be parked overnight from time to time in a carport area or portion of the driveway immediately adjacent to an entrance of the residence or guest residence. The Review Committee shall publish a Guideline specifying the maximum size and character for such vehicles, provided that in no event will permission for this practice be given for commercial vehicles or vehicles larger than what is commonly referred to as a one tone truck. The Review Committee is granted discretion

to impose more restrictive parking requirements for such vehicles when it determines that the siting of the house in question, topography, and other aesthetic criteria deemed relevant to them, demand such restriction. No "junk" inoperative autos, or equipment, shall be thrown, dumped, or left on any portion of a Parcel.

h) No garbage, trash or unsightly debris, organic or inorganic waste shall be collected and/or permitted by an Owner to accumulate on any Parcel or in any road adjacent thereto, but shall be promptly and efficiently disposed of, and no vacant lands or other Parcel shall be used as a dump ground or burial pit by any Owner. The only allowable outside trash or refuse cans or containers shall be those which are kept and maintained in effective animal-proof condition and enclosed or screened by a structure approved by the Review Committee. Outside incinerators shall not be permitted. Nothing stated herein shall preclude a central trash collection or incineration facility or preclude the designation and use by the Association or the Declarants of portions of the Common Easement Area for the removal or storage of gravel, building materials and equipment of the Association or the Declarant. The Association may from time to time establish reasonable regulations for disposal of trash and garbage and the control thereof, which shall be binding upon and observed by the Owners and Occupants of all Parcels in Gallatin River Ranch.

i) No signs, billboards, posters, other advertising devices or media of any kind or character shall be erected or displayed on or upon any of the Parcels except signs of a type and size approved by the Review Committee and used to identify Gallatin River Ranch, Parcels, dwellings, Parcel availability, occupants of a dwelling or structure or directions signs of the Association, unless approved by the association.

j) All secondary buildings on a Parcel shall be of materials, colors, and character harmonious with the main residence and the land.

k) Wells, septic tanks and drain fields shall be constructed or installed in accordance with state and county standards at location(s) approved by the Review Committee.

l) No mining, quarrying, excavation, oil drilling or development of any kind shall be allowed in or on the Premises except for such excavation for road building, gravel, ponding or other structures as may be necessary in connection with the completion of the Project by the Declarants or placing of Improvements thereon in accordance with the terms and restrictions of these Declarations or with the specific approval of the Association.

7.2 Use Restrictions. The following use restrictions shall be applicable to all Parcels:

a) Neither hunting, trapping nor the discharge of any rifle, shotgun, pistol or other firearms or use of traps shall be permitted anytime on the Premises unless such activities are expressly authorized and permitted by the Board of Directors of the Association.

b) Animals and livestock may be raised, bred, or kept on any Parcel, subject to these covenants, notwithstanding the fact that no animals or livestock may be raised for commercial purposes, except on specific parcels or acreage designated by Declarant for ranch management or uses compatible with the residential ranch concept. All animals and livestock, exclusive of dogs and cats, shall be kept in a fenced enclosure and suitably maintained insofar as their well being is concerned at all times. Poultry or game birds may be kept on any Parcel in quantities of 10 or fewer adults. No swine of any kind shall be permitted for any purpose on any Parcel, unless being raised by a 4-H club member or equivalent program. No more than four large animals may be kept on any Parcel. No stable, corral, pen, or other small confine to hold animals shall be constructed, installed, or placed within 100 feet of a river, stream, spring, or other water source, or placed within 50 feet of any roadway or property line. Should, in the discretion of the Association, a particular animal or animals become a nuisance to livestock or wildlife, no such household animal or animals will be allowed off an Owner's Parcel unless in the immediate company and control of its owner. The Association may withdraw permission for animals to

remain on the Premises from any Owner who, after due notice, violates the restrictions of this paragraph or who's animal is, or has become a nuisance to livestock, wildlife, property or other Owners, invitees or Association personnel, or is in violation of good animal husbandry. In regards to large animals, it is understood that this land is not capable of producing enough food for more than one animal and over-grazing can destroy plant life quickly. For this reason, each parcel owner agrees to keep animals penned and fed. Animals should only be out for exercise as not to over graze any parcel. Good animal husbandry will be expected from all parcel owners.

c) The Association, or Declarant, is authorized to erect in the Common Easement Areas, or on parcels owned by the Declarant, for the benefit of the Owners, the Association, or Declarants, to be run as a business, such stables, corrals, fences and other necessary structures for keeping horses or other livestock on the Gallatin River Ranch. There may be rules and regulations set forth by the Board of Directors governing riding and grazing on the Premises, use of the Common Easement Areas and any common corrals, stables or other facilities, private or common, that may be constructed. Notwithstanding the above, nothing contained herein shall create an obligation on the part of the Association to construct any corrals, stables or other facilities if it shall be judged in the opinion of the Association to be detrimental to the Association or Premises or in contravention of any law or regulation of any governmental authority.

d) No attempt shall be made by anyone to domesticate any wild animals on the properties.

e) There shall be no cutting, removal or voluntary destruction of timber, rock, or vegetation located in the Premises except by the Declarant to complete the Project or to the extent reasonably permitted by the Review Committee or the Association to enable the building of structures and improvements on a building site, and, as approved by the Association for the removal of dead or diseased trees, noxious weeds; the maintenance or establishment of other approved roads, streams, paths, ponds, or for the direct health and care of the lands.

f) No Owner shall permit noxious weeds or other undesirable plants to grow or spread upon his Parcel. In the event any Owner fails to control or eliminate the growth or spreading of such noxious weeds and undesirable plants, the Association shall, after reasonable notice, be entitled to take such action as is necessary to eradicate or control such weeds and plants at the expense of the Owner or Owners of the Parcel, and the full amount of any costs and expenses shall be due and payable within thirty (30) days after the Owner is billed therefore.

g) No external burning of refuse or other materials shall be permitted on any Parcel without the specific approval of the Association. The Association may set aside "controlled burning" days at their discretion. No Owner shall do any act or permit the continuance of any condition that creates an unnecessary or unreasonable risk of fire and shall follow the rules for fire prevention and protection established by the Association.

h) The Association shall adopt and publish reasonable rules governing the use of all designated roads, streets and trails as well as all other Common Easement Areas on the Premises and penalties or assessments for violations and all Owners, occupants, and invitees shall be bound and abide by such rules. Snowmobiles, motorcycles, trail bikes or other off-road motorized vehicles shall be used within the Premises only on roads in accordance with rules established by the Association. Off-road riding of motorized vehicles and bicycles is prohibited throughout the Ranch and shall be enforced, if deemed necessary by the Board, through adoption of suitable rules of the Association, which rules may include but not be limited to fines and provision for repair of land damage at the cost of the responsible Parcel owner.

i) The Owners or Occupants of any Parcel shall at all times conduct their use and activities in a manner that will preserve the integrity of the springs, ponds, river, streams and creeks within the Premises, including the prevention of any degradation of water quality, any

reduction or increase in the flows of the river, springs, creeks or streams, or any damage to the streambeds or banks. Further, the Owners or Occupants shall not conduct or permit the conduct of any activities which encourage or facilitate the discharge of any liquid, solid or gas, into such waterways or the polluting of such waterways. The Association is authorized to adopt rules and regulations designed to preserve the integrity and quality of said springs, ponds, streams, river and creeks, and each Owner or Occupant shall abide by said rules and regulations so adopted. The outdoor use of potentially damaging or hazardous fertilizers, pesticides or herbicides by an Owner, unless approved by the Association, is expressly prohibited.

j) No Parcel or building thereon shall at any time be used for the storage of agricultural or commercial supplies or equipment for the purpose of any trade, profession, manufacturing or business of any description except the supplies, business and management of the Association and the Project; nor, except for purposes of the Association or as consistent with Section 7.2(n), shall any Parcel or building be used for duplexes, apartment houses, or any other multiple dwelling houses, except as previously excepted for the Association or Declarant, or as allowed in section 7.1 (a) for in-laws guests or maids. Notwithstanding the above, an Owner or Occupant with the specific written approval of the Board, may engage in their professional activities and maintain an office within any approved structure for such activities providing such activities involve no regular traffic with the public and the attendance of no more than two employees, and does not change the residential character of the property.

k) No illegal, noxious, unsightly or offensive activities shall be carried on, nor shall anything be done on any Parcel or in the Common Easement Areas which may become an unreasonable annoyance or nuisance to the other Owners or occupants in the quiet and peaceful enjoyment of the Premises.

l) The Declarants have divided the Premises for the purpose of providing Parcels to accommodate a limited number of permanent and recreational single family residences, and shall maintain Common Easement Areas in order to maintain wildlife, the pursuit of recreation, and to protect the natural scenic and environmental integrity of the Premises and to facilitate the security and quiet enjoyment of Owners, occupants and their guests. Consistent with this theme, the rental of a residence or guest quarters as a commercial or communal enterprise is not anticipated or encouraged, and no Owner shall permit communal activities in or lease or rent, for money or otherwise, his Parcel, residence or guest quarters without first securing the written permission of the Board. Any Owner who desires to rent his residence shall submit a written statement to the Board stating that he is moving out of the property and, disclosing the names of the prospective tenants or occupants and the length of the rental or occupant period. Any rights to utilize the amenities of the Gallatin River Ranch or the common area facilities will be transferred to the tenants and the owner shall have no rights to utilize the facilities while his property is rented. If the Board fails to communicate its disapproval of the plan within thirty (30) days, the plan shall be deemed approved in accordance with these provisions. If the Board disapproves a rental, it shall furnish the Owner with written reasons for such rejection or disapproval within a reasonable period of time. In reviewing a particular rental request, the Board shall be entitled to consider such factors as it, in its sole discretion, shall deem appropriate. The foregoing provisions establish no duty upon Declarants, or the Board to allow any such activity or to investigate the financial or personal responsibility or character of a prospective tenant, and neither the Declarant, nor the Board shall be in any way or manner liable for the review activities or in connection with the approval or disapproval of a particular request submitted by an Owner.

m) Owners shall be responsible to the Association for all acts of tenants resulting in damage to Association property and for the tenant's adherence to all the covenants and

restrictions which may be applicable and to all guidelines, rules and regulations of the Association.

n) The Declarants have the right to use all unsold lots, common areas, and sold but unfenced lots for the grazing of livestock. It shall be the responsibility of each landowner to protect his property from damage by livestock. This can be done by fencing those areas which could be damaged.

o) The Declarants shall have the right to mine gravel, rock, move trees or any other need which is deemed in their best interest until the property is fully developed.

p) The Declarants will only transfer common areas proportionate to tracts sold and is under no obligation to provide any additional common areas which is proposed on any preliminary master plan or development plan.

7.3 Exterior Maintenance. Each Owner shall provide exterior maintenance within his Parcel, including maintaining structures in good repair and condition, maintaining the grounds to preclude unsightly growths, not permitting fire hazards, refuse piles or other unsightly objects to accumulate or remain on the grounds. In providing such exterior maintenance, the Owner shall utilize materials, colors, landscaping schemes harmonious with the surrounding areas and consistent with generally accepted concepts of desirable residential developments and any prior approved plans by the Review Committee. In the event any Owner shall fail or neglect to provide such exterior maintenance, the Association shall notify such Owner in writing specifying the failure and demanding that it be remedied within thirty (30) days. If the Owner shall fail or refuse to provide such exterior maintenance within the thirty (30) day period, the Association may then enter such Parcel and provide required maintenance at the expense of the Owner. The full amount shall be due and payable within thirty (30) days after the Owner is billed therefore. Such entry on a Parcel by the Association shall not be deemed to be trespassing.

ARTICLE VIII GENERAL PROVISIONS

8.1 Enforcement. Violation by an Owner, Occupant, Licensee or designee of the Owner of any restrictions, conditions, covenants or agreements herein contained shall give to the Association, acting through its Directors, and with reasonable notice, the right to enter upon the property concerned, and to summarily abate and remove at the expense of the Owner any erection, thing, or condition that may be in, or upon, said Parcel contrary to the provisions hereof without being deemed guilty of trespassing. The result of every act or omission whereby any restrictions, condition, covenant or agreement is violated in whole, or in part, is hereby declared to be and constitute a nuisance, and every remedy allowed by law against a nuisance, whether public or private, shall be applicable against every such result. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

8.2 Costs of Enforcement. Should any lawsuit or other legal proceeding be instituted by the Association against an Owner alleged to have violated one or more of the provisions of this Declaration and should the Association be wholly or partially successful in such proceeding, the offending Owner shall be obligated to pay the costs of such proceeding, including reasonable attorney's fees.

8.3 Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

8.4 Amendment. Except those provisions requiring a greater consent, any provision herein may be amended or revoked and additional provisions added, at any time by written instrument recorded in the Office of the Clerk and Recorder of Gallatin County, Montana, duly signed and acknowledged by the Owners of record of not less than seventy-five (75) percent of the Parcels subject to this Declaration; provided, however, that so long as there are any Class B members, any such amendment shall require the additional consent of one hundred (100) percent of such Class B members.

8.5 Term. The provisions of this Declaration shall be binding for a term of twenty-five (25) years from the date of this Declaration, after which time the Declaration shall be automatically extended for successive periods of twenty five (25) years unless an instrument agreeing to amend, revoke or terminate this Declaration has been signed by the owners of seventy-five (75) percent of the Parcels and has been recorded; provided, however, that so long as there are any Class B members, any such revocation or termination shall require the additional consent of one hundred (100) percent of such Class B members.

8.6 Non-Liability of Board and Committee Members. Neither the Committee nor any member thereof nor the Board nor any member thereof shall be liable to the Association or to any Owner or to any other person for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's or the Board's respective duties under this Declaration unless due to the willful misconduct or bad faith of the Committee or its member or the Board or its member, as the case may be.

8.7 Non-Dedication to Public Uses. Nothing contained in this Declaration shall be construed or be deemed to constitute a dedication, express or implied, of any part of the Premises or the Common Easement Areas to or for any public use or purpose whatsoever.

IN WITNESS WHEREOF, the undersigned, being the Declarants herein, have hereunto set their hand this ____ day of _____, 1995.

Declarant Partnership:Hill Country, Inc., a Montana Corporation
By: Thomas L. Langel, President

MEKEN Corporation, a Montana Corporation
By: Kenneth M. Vidar, President

STATE OF MONTANA)
COUNTY OF GALLATIN)

On this ____ day of _____, 1995, before me a Notary Public for the State of Montana, personally appeared Kenneth M. Vidar and Thomas L. Langel known to me to be the Presidents respectively of MEKEN Corporation, and Hill Country, Inc., dba Gallatin River Ranch, who executed the foregoing instrument.

Notary Public for the State of Montana
Residing at _____
My commission expires _____

(Seal)