

473594

Return to:
Stone Ridge Development LLC
P.O. Box 1600
Polson MT 59860

STATE OF MONTANA, COUNTY OF LAKE
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Fees \$ 140⁰⁰ By [Signature] Deputy

**Declaration of Restrictive Covenants for Stone Ridge Ranch Phase 1 and
Vergeront Ranch Subdivision Phase 2**

This declaration is made this ___ day of October, 2006, by Stone Ridge Development, LLC, a Montana limited liability company, P.O. Box 1600 Polson, Montana 59860 ("Stone Ridge Development"), (hereinafter the "Declaration") and provides as follows:

RECITALS

1. Stone Ridge Development is the majority owner and primary entity undertaking the subdivision of certain real property (legal description attached), comprising two subdivisions, located in Lake County, Montana, namely Vergeront Ranch Phase 2 and Stone Ridge Estates Phase 1.
2. Stone Ridge Development is the owner of certain real property which is contiguous to the two subdivisions referenced above ("Additional Property").
3. It is the intent of Stone Ridge Development to subdivide a portion of the Additional Property into one or more residential subdivisions and to include these future residential subdivisions within the jurisdiction of this Declaration. It is further the intent of Stone Ridge Development to subdivide a portion of the Additional Property into one or more commercial and/or industrial subdivisions. These commercial and/or industrial subdivisions will not be included within the jurisdiction of this Declaration and instead will have separate covenants that will govern these properties.
4. Stone Ridge Development is the owner of the above described Real Property and is hereinafter referred to as the "Declarant".
5. By this Declaration, Stone Ridge Development desires to establish covenants, conditions and restrictions upon the Real Property described above, including the future residential subdivisions to be included within the jurisdiction of this Declaration, with respect to the proper use, occupancy, improvement and enjoyment, all for the use and benefit of the above described Real Property, its current and future owners.

6. NOW THEREFORE, Stone Ridge Development hereby declares that all the Real Property described above in this Declaration shall be held, sold, and conveyed subject to the following restrictions, covenants, conditions, and easements, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of the Real Property as a desirable residential development. These restrictions, covenants, conditions and easements shall run with the Real Property and shall be binding upon all parties having or acquiring any right, title or interest in the described Real Property, or any part thereof, and shall inure to the benefit of and be binding upon each successor in interest to the Owner thereof.

ARTICLE I: DEFINITIONS

Section 1. Association. "Association" shall mean and refer to Stonehorse Homeowners Association, LLC, a Montana limited liability company, as the same may exist from time to time of record with the office of the Secretary of State, Helena, Montana, and its successors or assigns.

Section 2. Common Area. "Common Area" shall mean those areas labeled as Common Area shown on the plats for Stone Ridge Ranch Phase 1, and Vergeront Ranch Subdivision Phase 2, and the future plats for the subdivisions within the Additional Property or on any other property coming within the jurisdiction of this Declaration. Title of said Common Area is to be held by the Association.

Section 3. Declarant. "Declarant" shall mean and refer to Stone Ridge Development, LLC, a Montana limited liability company, its successors and assigns if such successors or assigns should expressly acquire it rights as Declarant.

Section 4. Home Site. "Home Site" shall mean any parcel of land shown upon the recorded plat map of the Real Property subject to this Declaration with the exception of the Common Area and streets and all roads dedicated or private. Notwithstanding the foregoing, Declarant may designate one or more areas, other than Home Sites, for construction of municipal facilities for use by the fire department, police department and other such governmental agencies and such areas will not be considered a Home Site.

Section 5. Meadow Home. "Meadow Home" shall mean a single family residence that is clustered on minimal setback clearance lots as approved by the governing authorities.

Section 6. Member. "Member" shall mean and refer to every person or entity who is a Member of the Association as described in Article III.

Section 7. Owner. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of any Home Site which is a part of the Real Property or of any Residential Unit located on a Home Site which is part of the Real Property, including buyers under a contract for deed, but excluding those having such interest merely as security for the performance of an

obligation.

Section 8. Real Property. "Real Property" shall mean and refer to that certain Real Property described as Vergeront Ranch Subdivision Phase 2 and Stone Ridge Ranch Phase 1 and such other Real Property as is now or may hereafter be brought within the jurisdiction of this Declaration and the Association including all Common Areas relating thereto.

Section 9. Residential Dwelling. "Residential Dwelling" shall mean any residential dwelling unit whether a detached single family home (including Meadow Homes) or an attached multi family home (including Town Homes, condominiums, duplexes and triplexes) located on a Home Site.

Section 10. Town Home. "Town Home" shall mean a single-family dwelling unit located on a Home Site constructed so as to be attached by a common wall to one or more other dwelling units but separated by a property line.

ARTICLE II: REPLACEMENT OF PRIOR COVENANTS

Section 1. Substitution of Prior Covenants. Not Applicable.

ARTICLE III: MEMBERSHIP & VOTING RIGHTS

Section 1. Membership. Every person or entity who is a record Owner of any Home Site or of any Residential Dwelling, including buyers under a contract for deed, shall be a Member of the Association. The foregoing is not intended to include persons or entities that hold an interest merely as security for the performance of an obligation. Acceptance of title to any Home Site or Residential Dwelling, whether by deed or other form of conveyance, shall be deemed consent to membership in the Association. Membership shall be appurtenant to and may not be separated from Ownership of the Home Site or Residential Dwelling. Ownership of such Home Site or Residential Dwelling shall be the sole qualification for membership, except all members of the Declarant shall be considered as Home Site Owners for purposes of Association membership and shall, therefore, be Members of the Association so long as the Declarant owns one or more Home Sites. The Association if it acquires an interest in a Home Site, which would otherwise qualify it for membership, shall not be considered a member either for voting or assessment purposes.

Section 2. Voting Rights. As to this Declaration, the Members shall be entitled to one vote for each Home Site or Residential Dwelling in which they hold an ownership interest, except for so long as the Declarant is the Owner of four or more Home Sites it shall be entitled to ten votes for

each Home Site it owns. When more than one person or entity owns an interest in any Home Site or Residential Dwelling, the vote for such Home Site or Residential Dwelling shall be exercised as such persons or entities determine, but in no event may more than one vote per Home Site or Residential Dwelling be cast, except as previously stated.

ARTICLE IV: HOMEOWNERS ASSOCIATION

The Declarant has created a Montana limited liability company to act as the Homeowners Association in conjunction with the administration of this Declaration. The Association shall administer the terms and provisions of this Declaration and take such action as may be reasonable or necessary to carry out the functions of a Homeowners Association.

ARTICLE V: PROPERTY RIGHTS

Section 1. Members' Easements of Enjoyment. Every Member shall have a right and easement of enjoyment in and to the Common Areas shown on the subdivision plat of record associated with this Declaration and such easement shall be appurtenant to and shall pass with the title to every Home Site and Residential Dwelling, subject to the following provisions:

- a. The right of the Association to provide reasonable restrictions on use of the Common Areas for the overall benefit of its members;
- b. The right of the Association to charge reasonable fees for maintenance and snow removal and other fees for the use of the Common Areas. The Common Areas shall not be maintained nor any alteration made to the Common Areas by any Member of the Association;
- c. The right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Real Property, and the rights of such mortgages in said Real Property shall be subordinate to the rights of the Members hereunder;
- d. To the extent permitted or authorized by the public governing body, the right of the Association or Declarant to dedicate or transfer all or any part of the Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed upon under the By-Laws of the Association;
- e. The right of the Association or Declarant to grant easements under any Common Area to any public agency, authority, or utility without charge;
- f. The right of the Association and Declarant to run utility service lines or connections including a water or sewer system that serves any portion of the Real Property under or through any Common Areas; and

- g. Certain Home Sites are subject to drainage swale easements as depicted on the plats. No Home Site shall be developed or landscaped in such a manner as to interfere with the purpose of the drainage swale easement.

Section 2. Assignment of Use. Any Member may assign, in accordance with this Declaration, his right of enjoyment to the Common Areas and facilities to the members of his family, or others who reside on the property under his or her ownership.

Section 3. Encroachment Easement. If any part of a Residential Dwelling located upon a Home Site and configured as a Town Home shall at this time or a subsequent time unintentionally encroach (whether due to construction, settling, shifting or otherwise) upon another Home Site, the Owner of the encroaching dwelling shall and does have a perpetual easement for such encroachment and for maintenance of the same.

Section 4. Maintenance Easement. The Owner of each Town Home has an easement over that portion of the adjacent Home Site on which the connecting Town Home is located, to make repairs to the Owner's Town Home. For purposes of general building maintenance, landscaping and lawn care, the Association, its agents, subcontractors and employees may utilize the easement herein provided for.

Section 5. Common Walls. The Residential Dwellings located on some Home Sites are designed in a Town Home configuration so that two or more Residential Dwellings will share a common wall and design. The Owner of each Residential Dwelling shall own, in fee simple, that portion of the common wall lying within the boundaries of his Residential Dwelling. Each Owner having a common wall is granted a mutual reciprocal easement for replacement of said common wall. No Owner shall commit or omit any act, the result of which is infringement of the adjoining Owner's rights in the common wall, absent written agreement between such Owners.

ARTICLE VI: SERVICES PROVIDED BY ASSOCIATION

Section 1. Common Areas. The Association shall mow, water, or otherwise maintain the Common Areas (as identified on any plat of the subdivisions included in the jurisdiction of this Declaration and as subsequently identified or amended in recorded plats of the subdivisions included in the jurisdiction of this Declaration) as is reasonably necessary. The Association shall be responsible for the maintenance of the private roads until such time as the private roads are designated and constructed to the then existing public road standards and are accepted by a public governing body as dedicated public streets. There are no current plans for the streets to be dedicated to a public governing body.

Section 2. Drainfields. The Association shall maintain all multi-user septic systems and drainfields located within the Common Areas (as identified on any plat of the subdivisions included in the jurisdiction of this Declaration) for the benefit of the specific Home Sites for which each wastewater treatment system supplies. Notwithstanding the foregoing, each Owner of a Home Site or Residential Dwelling shall be responsible for the maintenance of the septic system

(including the septic tank) located on the Home Site (See Article IX Section 17).

Section 3. Lawn Maintenance. Upon the completion of any Meadow Home or Town Home, the Association shall mow, water, or otherwise maintain the landscape areas (excepting flower boxes and deck planters) around the Meadow Homes and Town Homes.

Section 4. Exterior Building Maintenance. Upon completion of any Town Home units, all exterior maintenance such as painting, repair of walls and roofs shall be done exclusively by the Association.

Section 5. Additional Services. The Association may provide additional services as it sees fit. The Association may provide such services for all or a portion of the Real Property within its jurisdiction or with which it may contract and levy assessments on such portion of its Members or others as derive benefits from services concerned.

Section 6. Fees. The Association shall establish a fee schedule for providing these services, which fees shall be considered as assessments, as set forth above. Such schedule may include the assessment of:

- a. Charges for availability of a service even though it is not used by the Owner of a Home Site.
- b. Charges for use based on a flat rate.
- c. Additional charges for excess use.
- d. Such other charges as may be required to maintain the private roads within the Real Property.

ARTICLE VII: RULES AND REGULATIONS

Section 1. Association to Establish Rules. The Association may promulgate such rules and regulations as it deems necessary and appropriate for the use of the Common Areas and private roads as identified on the plat of the Real Property as identified on any plat of the subdivisions included in the jurisdiction of this Declaration and as subsequently identified or amended in recorded plats of the subdivisions included in the jurisdiction of this Declaration. Rules and regulations promulgated by the Association shall only be effective upon the Association's receipt of the affirmative vote of 60% of the Owners. (See Article III: Membership and Voting Rights).

Section 2. Rules for Maintenance and Repairs. The Association may also promulgate reasonable rules and regulations for the maintenance, repair, or improvement of the Real Property as identified on any plat of the subdivisions included in the jurisdiction of this Declaration and as

subsequently identified or amended in recorded plats of the subdivisions included in the jurisdiction of this Declaration. Such rules must be uniformly and evenly applied, but may differ between Town Homes, Meadow Homes or single-family residential homes and other residential dwellings added in the future.

ARTICLE VIII: ASSESSMENTS

Section 1. Assessments. The general assessments levied by the Association shall be used for such purposes as are deemed desirable by the Association including but not limited to expenditures for construction, reconstruction, repair or replacement of any capital improvement; maintenance, repair and upkeep of any wastewater treatment systems including any multi-user septic systems and drainfields; drainage facilities; maintenance, upkeep, real property taxes, hazard and liability insurance, and related expenses in regard to any Common Area, administrative costs of the Association incurred in its day to day activities and any costs or expenses, including attorneys fees, incurred in enforcing the conditions, restrictions or charges set forth in this Declaration.

Section 2. Rate of Assessments. Assessments for services may be based on either a flat rate or on usage. As to charges for private drives (associated with Town Homes or Meadow Homes), exterior maintenance, lawn care, wastewater treatment systems (including multi-user septic systems and drainfields) or similar charges, the Association shall assess those service costs to the Owners who benefit directly from the services. The cost of maintenance, snow removal and the other service costs associated with private drives shall be prorated between the Owners along the private drives and not be assessed against those Owners not living along the drive. The same concept of user benefit assessment shall be applied to exterior maintenance of Town Homes or Meadow Homes, lawn care and similar services. All other assessments, including those for capital improvements on systems utilized to provide services, shall be fixed at a uniform rate per Home Site. Undeveloped Home Sites owned by Declarant shall be subject to assessment at one-fourth (that is, 25%) of the amount of assessments fixed for other Home Sites.

Section 3. Special Assessments. Upon determination by the Board of Directors of the Association, assessments may be levied for special or particular purposes. Such assessments may include related administration costs and such other costs or charges as are reasonably required. The assessments shall be fixed, established and collected in the amount and manner as the Association might determine but, in any event, they shall be separately treated from other assessments provided for by this Article. Funds utilized for special assessments shall be accounted for separately.

Section 4. Commencement of Assessments. The Association is authorized to commence initial assessments as herein authorized at such time as it determines appropriate. Written notice of assessments shall be sent to every Owner. The due dates shall be established by the Association. If Assessments are not paid by such due date then interest shall begin to accrue at a rate as determined by the Association.

Section 5. Certificate of Payment. The Secretary of the Association shall upon demand furnish a written statement signed by an officer of the Association setting forth the status of any

assessments relative to a specific Owner. The statement shall, as applicable, identify any delinquent assessments, the amount owed, and the amount of any current or accruing assessments or indicate that all assessments are current and paid. A reasonable charge may be made by the Association for the issuance of the statement. Such statement shall be conclusive evidence of payment of any assessment therein stated to have been paid. In addition, the Secretary of the Association shall maintain a roster of the individual Home Sites and the assessments due thereon.

Section 6. Nonpayment of Assessments. Any assessments or installment payments on assessments which are not paid when due shall be delinquent. The Association may bring an action at law to collect the amount of the delinquent assessment together with all interest, costs, and reasonable attorney's fees incurred in such action, or may take action to perfect and foreclose the lien for assessments.

Section 7. Obligation of Payment. All Home Sites and Residential Dwellings are subject to the assessments set forth in this Declaration. Each Owner hereby covenants and agrees to pay to the Association the amount of all assessments; as such assessments are fixed, established and billed. The Association shall bill the Owner for the amount of any assessment and that Owner shall be responsible for any accruing assessments until and unless such Owner has provided to the Association's secretary a true and correct copy of a recorded deed or other document of conveyance transferring title of a Home Site or Residential Dwelling to another Owner.

Section 8. Creation of Liens. All assessments both current and delinquent, together with interest and cost of collection as herein provided for, shall be a charge upon the land and shall constitute a lien upon the Home Site against which assessments are made. Such lien shall be deemed perfected upon filing with the County Clerk and Recorder of Lake County an account of the assessments due together with a correct description of the Real Property to be charged with such lien and shall continue until all unpaid assessments, interest and costs of collection shall have been fully paid. The priority of such lien shall be determined as of the time of filing with the Clerk and Recorder, and it shall be deemed subordinate to all previously recorded or filed interests. Conveyance of title to any Home Site shall not be effective to avoid the obligation for payment of any sums then due and owing whether or not reduced to the status of a lien. The Association may establish such procedures for collection of obligations and perfecting of liens for payment of assessments as it deems necessary and appropriate.

Section 9. Property Subject to Assessment. All Home Sites shall be subject to assessments by the Association as herein provided except those Home Sites acquired by the Association.

ARTICLE IX: PROTECTIVE COVENANTS

The following protective covenants are designed to provide a uniform plan for the development of the Real Property. They shall constitute a covenant running with the Homesite land for each within the Real Property.

Section 1. Stonehorse Design Review Committee. The Association shall maintain a Design

Review Committee – Stonehorse Design Review Committee (SDRC) to serve the functions as described in this Article and shall establish criteria specifically for the Real Property subject to the jurisdiction of this Declaration. Separate criteria may be established from phase to phase to govern the construction of Meadow Homes, Town Homes, single family homes and other residential dwellings. Members of the SDRC shall be appointed and serve as set forth in the Bylaws of the Association.

The criteria by which the SDRC will review any proposed plans for the construction of improvements or exterior modifications on any Home Site shall be made available to the purchaser of any Home Site. It is the obligation of the Owner of any Home Site to obtain current versions of the criteria prior to preparation of plans or specifications for construction of improvements or exterior modifications and prior to submission of materials for review by the SDRC. The SDRC will evaluate proposed plans for construction of improvements or exterior modifications based upon the most recent criteria for review as may be in effect as of the time the plans are submitted for review and is not obligated to use the criteria in effect at the time the Home Site was purchased. While the review criteria must be reasonably designed to enhance and protect the nature of the Real Property in the area, purchasers of Home Sites need to be aware that the SDRC may from time to time adopt more stringent criteria than what existed at the time a Home Site was purchased.

The SDRC may require payment of fees, application, review of proposed plans, and review of complaints or protests alleging violation of this Declaration as to matters within the jurisdiction of the SDRC. The fees as set by the SDRC shall be in an amount sufficient to reasonably compensate the SDRC for its administrative costs and expenses likely to be incurred in connection with its activities. The SDRC may require payment of the fee in advance as a condition of making its review or determination. Unless waived by the SDRC, failure to pay any fee required for SDRC review or action shall be interpreted as the matter was not present for review and no action of the SDRC is required.

Section 2. Stonehorse Design Review Committee Approval. Approval or disapproval by the SDRC shall be in writing.

Section 3. Land Use and Building Type. No parcel of land shall be further subdivided by Owner or be used except for residential purposes. No business, trade, or manufacture shall be conducted thereon. No building shall be erected, altered, placed, or permitted to remain on any parcel of land other than one attached or detached single-family dwelling not to exceed the specific setback and height restrictions established by the SDRC and the local zoning authority, and a private garage for no less than two (2) cars and accessory buildings, as permitted herein. No structure such as the residential dwelling, accessory buildings, fences, kennels, garages, antennas, signs, mailboxes and newspaper holders or any other structure may be located upon any parcel of land unless the plans and specifications for such structures have been reviewed and approved by the SDRC. The SDRC shall also have jurisdiction to determine and approve landscaping plans, including irrigation plans, tree and shrub sizes, proposed grades of lawn, seeding and planting, and all other and similar items relating to the development and improvement of any parcel of land. All structures shall be constructed of new materials. However, suitable used materials such as used brick or beams may be utilized provided that advance approval has been obtained from the SDRC as

herein provided. No old structures, whether intended for use in whole or in part as the main dwelling house or as a garage or other structure shall be moved upon any parcel of land. No mobile homes, either double or single wide, or other pre-manufactured homes constructed primarily away from the Home Site on which they would be situated shall be permitted. Provided, Declarant shall not be restricted by this section or this Declaration from manufacturing or assembling components of structures on a parcel of land other than the Home Site on which the building is to be located. The SDRC is authorized in its discretion to approve exceptions to this section so that structures intended to serve the residents of the adjoining dwelling house may be constructed. No such additional structure shall be utilized as an additional dwelling house or for purposes other than to serve the residents of the dwelling house.

(b) Remodeling or Alteration. No remodeling or other alteration of any existing structure which alteration or remodeling or the results thereof will be visible from the exterior of the structure shall be undertaken, commenced or completed without the plans for such remodeling or alteration having first been approved by the SDRC.

Section 4. Commercial Usage Prohibited. No store, office, business, manufacture, commercial enterprise, hospital, sanitarium, rest home, daycare, theater, or saloon of any kind, or anything of the nature thereof, shall be carried on or conducted on any Home Site. Town Homes are allowed subject to all applicable zoning and other applicable restrictions imposed by the public governing body. Notwithstanding the foregoing, the Declarant or its designee shall be permitted to maintain a sales office in either a model home or a specially constructed building, to be utilized to promote the development of and facilitate resale of Home Sites and Residential Dwellings in the Stonehorse community. In addition, the property within the greater Stonehorse Master Plan that is zoned for commercial and industrial uses shall be excluded from this prohibition.

Section 5. Setback Requirements. No structure shall be placed within the described setback area on any Home Sites. The minimum setback requirements are subject to all applicable zoning and other applicable restrictions imposed by the public governing body. Any waiver or alteration of a setback requirement as to any Home Site shall not be deemed to have waived the setback requirement set forth herein, nor shall it set a precedent that in any way obligates the SDRC to make subsequent waivers or make adjustments to setback requirements for other Home Sites. The SDRC will verify (and require modification, if need be) that the building envelop (including height, width, shape and size of a proposed home) on a Home Site will not unduly interfere with the view corridors of other adjacent and surrounding Home Sites. Given the housing density of the Stonehorse development, the SDRC recognizes that there will be diminished view corridors as homes are added but will work to minimize their impact. The setback requirements for various subdivisions within Stonehorse may differ from one another. The minimum required setback imposed by the public governing body for structures (foundation walls or decks) for the single family Home Sites is as follows:

- (1) 30 feet from any public or subdivision road right-of-way (excluding driveways).
- (2) 15 feet from property lines, except for lots with an average width less than 150 feet

where the setback shall be 10% of the lot width, provided that no structure shall be located closer than 10 feet to a property line.

- (3) Accessory structures shall meet all setback requirements.

As noted above, the SDRC may impose even stricter guidelines than these minimums for single family home so to enhance and protect the quality of the Stonehorse development.

Section 6. Exterior Maintenance.

(a) Single Family Residences. The Owner of each Home Site upon which a single family residential structure may be or is located shall provide exterior maintenance upon such Home Site and structures, if any, to include painting and repairing the structures; maintaining the lawn and grounds to preclude weeds (especially the spread of noxious weeds which must be controlled and not allowed to set viable seed), underbrush, and other unsightly growths; and not permitting refuse piles or other unsightly objects to accumulate or remain on the grounds. In providing such exterior maintenance, the Owner shall maintain the exterior color, design and appearance, including landscaping, as originally approved by the SDRC. 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 Home Site 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 and shall become a special assessment upon that Home Site. The Association may exercise all rights to collect that assessment. Such entry on the Home Site by the Association shall not be deemed a trespass. Owner may contract with the Association for Home Site maintenance if they so desire and if such services are being offered by the Association.

(b) Town Home Sites. All maintenance of the exterior of the Town Home structure and the Home Site upon which it is located shall be performed by the Association, its employees, agents and authorized Independent Contractors. The Owner may, at their election, maintain flower boxes or deck planters as they deem appropriate or desirable.

(c) Meadow Homes. The Owner of each Home Site upon which a Meadow Home may be or is located shall provide exterior maintenance upon such Home Site and structures, if any, to include painting and repairing the structures; and not permitting refuse piles or other unsightly objects to accumulate or remain on the grounds. In providing such exterior maintenance, the Owner shall maintain the exterior color, design and appearance, including landscaping, as originally approved by the SDRC. 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 Home Site 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 and shall become a special

assessment upon that Home Site. The Association may exercise all rights to collect that assessment. Such entry on the Home Site by the Association shall not be deemed a trespass. Owner may contract with the Association for Home Site maintenance if they so desire and if such services are being offered by the Association. Notwithstanding the foregoing, the Association shall mow, water, or otherwise maintain the landscape areas around the Meadow Homes.

Section 7. Utilities and Propane Service. All utility lines and propane tanks shall be underground. The Owner of each Home Site or Residential Dwelling shall pay for all utilities and utility connection costs, including but not limited to those for television cable, power, telephone, and water as well as all costs associated with providing for propane or other gas service.

Section 8. Easements. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat or added by the recording of specific easements on a Home Site. In the case of Home Sites that are a part of a community drainfield an easement is reserved for access to the septic system located on the Home Site for the purpose of providing for the maintenance of the septic system by the Association if such maintenance is not adequately performed by the Home Site Owner. No permanent building of any kind shall be erected, placed, or permitted to remain on such easements.

Section 9. Boundary Control Monuments. The Declarant has caused survey monuments to be placed on the corners of each parcel of land. It shall be the responsibility of the Owner of each Home Site to provide for immediate professional replacement of any survey monuments that are removed or become lost or obliterated from his or her parcel of land.

Section 10. Garbage. No Home Site shall be used or maintained as a dumping ground, nor shall any rubbish, trash, garbage or other waste be allowed to accumulate except in sanitary containers which shall be emptied on at least a weekly basis by a local garbage collection firm. This provision does not prohibit temporary storage of gravel, topsoil or building materials on Home Sites if such items are to be used in further construction. No such receptacles shall be placed nearer than twelve and one-half (12 ½) feet from the front property line of any Home Site unless the same is constructed so as to be located underground which does not create any unsightly area or interfere with the surrounding residential development. On garbage collection days, garbage cans may be placed in a location convenient for collection. All garbage shall be stored in containers of metal, plastic, or other suitable material which have sufficiently tight-fitting covers to prevent the escape of noxious odors and to prevent entrance by pets. Garbage cans shall be stored indoors. Compost piles are prohibited.

Section 11. Burning of Trash. There shall be no burning of leaves or trash.

Section 12. Animals and Pets. No animals or fowl, domestic or wild, except for two (2) dogs or two (2) cats or one (1) dog and one (1) cat shall be permitted on any Home Site. Other small domestic animals may be kept subject to approval by the Association. These animals will be kept within the Home Site of their Owner unless leashed and under the immediate control of their Owner. Such animals shall not be permitted to become a nuisance or annoyance to the neighborhood. All animals kept on any Home Site shall be properly fed, watered, and sheltered from

the elements in such a manner as shall be consistent with their good health. Pet food should be fed indoors or within approved kennel areas only. This will reduce conflicts with wild animals. Each Owner or person responsible shall treat and care for such animals in a humane and merciful fashion so that other persons in the area shall not be required to tolerate or condone inhumane treatment of the animals. All animals kept on a Home Site must be kept within an approved fenced enclosure, approved kennel or within the dwelling house, except when accompanied by their Owner, as provided above. No kennels are permitted, other than kennels approved by the SRDRC as to construction, materials and location. All animals shall be kept in a humane manner but not chained. Animal manure shall be removed from the Home Site, immediately following deposit, so as not to become obnoxious, offensive, or a nuisance to surrounding residents. All carcasses of dead animals shall be removed immediately. No commercial sales of any animals shall be permitted. Violations of these requirements regarding animals shall be considered a complete breach of these protective and restrictive covenants, giving rise to such remedies as are allowed by law for the breach of any other covenants contained herein.

Section 13. Vehicles. There shall be no repairing of vehicles in the street. Each Home Site shall contain a sufficient area for two off-street parking spaces, excluding the garage. There shall be no parking of vehicles on the street fronting any Home Site. Guest parking is permitted only on driveways. No motor homes, any and all trailers (including jet-skis, snowmobiles, boats and/or their respective trailers), tractors, trucks exceeding one ton capacity, pickups carrying campers, campers, lawnmowers or unsightly vehicles shall be parked or allowed to remain on any of the Home Sites or the adjoining streets. However, an exception is allowed if they are stored in a garage or accessory building. Vehicle parking restrictions provided by this Declaration will be strictly enforced, including but not limited to towing of vehicles in violation. Snowmobiles, trail bikes, chainsaws and other noisy vehicles and equipment may not be used on any of the Real Property within the subdivisions without permission of the Association. This provision is not intended to preclude the entry of construction, maintenance, delivery, moving, or other such service vehicles while they are being utilized in connection with services for the Real Property.

Section 14. Signs. No advertising signs, billboards, or unsightly objects shall be erected, placed, or permitted to remain on any Home Site with the following exceptions:

- a. One sign up to 10 square feet in size identifying the contractor of a building under construction;
- b. One sign up to 10 square feet in size identifying the architect of a building under construction;
- c. Signs erected within the subdivisions by the Declarant promoting the development of the Real Property and subdivisions;
- d. A SDRC pre-approved sign not to exceed 2 square feet in surface area identifying the Owner or occupant of the residential structure located on a Home Site so long as the sign is permanently affixed to the structure; and

- e. Such other signs as may be permitted or approved by the SDRC.

Section 15. Damaged Property. Any dwelling damaged by fire or other casualty must be removed from the premises and repairs commenced within one hundred twenty (120) days unless an extension of time for such removal and repair is granted by the SDRC. Any damaged dwelling not so removed and repaired may be removed at the Owner's expense and the SDRC may pursue any and all legal and equitable remedies to enforce compliance and to recover any expenses incurred in connection herewith. Any cost incurred by the Association under this section shall become a special assessment upon the Home Site of the Owner. The Association may exercise all rights to collect that assessment.

Section 16. Access and Roadways. Except for Declarant, no Owner shall use part of any Home Site to provide pedestrian or roadway access from any adjacent land not part of the Real Property. No roadway shall be used or constructed on any Home Site for any purpose except one driveway for access to the dwelling facilities. The Association shall enforce this provision and shall impose and levy fines against any Owner for the violation of this restriction. The Association may, either together with or as a separate action, suspend the Owner's privileges to utilize the Common Areas or any other service or facility of the subdivision as an additional penalty.

Section 17. Sanitary Restrictions and Maintenance. The Owners of every Home Site and Residential Dwelling shall comply with all governing laws and regulations relating to water supply, sanitation, sewage disposal, and air pollution. In addition, each Owner of a Home Site or Residential Dwelling, whose property is part of a community drainfield, shall provide for the proper maintenance of his or her septic system (including the septic tank) located on the Home Site. Failure to provide adequate maintenance may result in such maintenance being provided by the Association at the expense of the Owner.

Section 18. Accessory Buildings. As to the Home Sites upon which Town Homes are constructed, no accessory or outbuildings shall be erected, placed or maintained thereon. For non-Town Home sites, the only accessory building or outbuilding permitted is one free standing or detached facility, the materials, size, color, appearance and location of which shall be first approved by the SDRC.

Section 19. Imperiling of Insurance. Nothing shall be done within a Town Home or the Home Site on which it is located which would result in an increase in the premiums for insurance maintained for a Home Site or which might cause cancellation of such insurance for the Owner of the other Town Homes or Home Sites.

Section 20. Construction Liens. No labor performed or materials furnished with the consent or at the request of an Owner, his agent, contractor or subcontractor shall create any right to file a construction lien against the real property of the Association or any other Owner, who does not request or consent to the same. Each contracting or consenting Owner shall indemnify, defend and hold harmless the Association and each of the other Owners from and against liability arising from the claim of any lien holder for labor performed or materials furnished at the request of the contracting or consenting Owner. At the written request of any Owner, the Association shall enforce

such indemnity by collecting from the contracting or consenting Owner the amount necessary to discharge any such lien and all costs incidental thereto including attorney's fees and expenses. Said expenses may be added to such Owner's regular assessments.

Section 21. Alteration. The dwellings located on some Home Sites were designed in such a way so that two or more dwellings will share a common wall and design. To enhance this design and to protect the structural integrity of the units, no Owner of such a home or the Association shall make any change, modification, alteration or addition to the design, structure or color scheme of the dwelling's exterior without first obtaining the prior written consent of the SDRC pursuant to this Article.

Section 22. Insurance. As to any Home Sites upon which Town Homes are located, each Owner of such Home Sites shall provide to the Association proof of fire and all risk hazard insurance covering the dwelling located upon his or her Home Site or Residential Dwelling for not less than the full insurable replacement value thereof. Such insurance shall be maintained with an insurance company or companies of the Owner's choice, but having no less than an A+ Rating by A.M. Best Company. Further, such insurance shall provide that any loss thereunder shall be payable to the Association, the duty of which is to assure that the dwelling is replaced as contemplated by this Article. This shall not impair the ability of an Owner to identify other persons or entities as additional co-loss payees, including, without limitation, lending institutions obtaining a lien interest in an Owner's Home Site or Residential Dwelling. In the event a distribution of insurance proceeds exceeds that needed to repair or replace the damaged dwelling as required by this Declaration, the Association shall have no further claim to such proceeds.

Section 23. Duty to Inspect Premises and to Notify of Defects. Each Owner of a Town Home shall have the duty to make reasonable inspections of his or her dwelling from time to time to determine if the same contain any obvious defects which result from structural or drainage problems occurring on the adjacent Residential Dwelling to which the unit is connected. In the event of discovery of such a defect the Owner shall have the duty to give immediate written notice of the defect or condition to the adjoining Owner(s) and to the Association.

Section 24. Duty to Repair Defects. In the event a defect, as described in Section 23 above, or any other damage or defect may affect the Residential Dwelling located on the Home Site of any other Owner, the Owner whose Residential Dwelling or Home Site has the defect shall repair the same in a workmanlike fashion within a reasonable time following its discovery. Upon the failure of such Owner to so repair defects that are such Owner's responsibility, the Association shall have the duty to enter into and upon the Owner's Residential Dwelling or Home Site, including the dwelling, and effect such repair, the cost of which shall be paid by such Owner by assessment or otherwise.

Section 25. Rentals. No residence, or any portion thereof may be rented for less than a thirty day minimum period. This restriction is intended to prohibit overnight, daily and weekly rentals.

Section 26. Firearms. The discharge of firearms shall not be permitted within the

subdivision except in an emergency situation for the preservation of life or property.

Section 27. Zoning, Permitting & Codes. All structures and improvements shall be located, constructed and completed in accordance with restrictions, laws and regulations enacted or approved by Lake County and the State of Montana which apply to these subdivisions. Prior to commencement of construction, the Home Site or Residential Dwelling Owner will secure any and all government required permits including, but not limited to, Zoning Conformance and Wastewater Treatment Installation Permits from the Lake County Environmental Health and Planning Departments and Electrical and Plumbing permits from the State of Montana. All Home Site Owners shall confirm with the Lake County Environmental Health Department or the Association as to the maximum number of bedrooms that are allowed for his or her specific Home Site.

Section 28. Mining and Wells. No mining, quarrying, excavation (except in connection with the construction of dwelling unit(s) as required), oil or water well drilling of any kind shall be allowed on any Home Site.

Section 29. Ingress and Egress. Declarant retains rights of ingress and egress to, upon, and from the Home Sites for purposes of locating, installing, erecting, constructing, maintaining, expanding, or using waterlines, drains, sewer lines, septic tanks, electric lines, telephone lines and other utilities.

Section 30. Agricultural. In consideration of existing adjacent agricultural usage and farmsteads, all Owners acknowledge and covenant that said existing usage may be continued and maintained in perpetuity in a reasonable manner following good husbandry practices, subject only to lawfully adopted rules, regulations and ordinances or county and state governments.

ARTICLE X: COMMUNITY CENTER

Section 1. Community Center. A Home Site or other suitable location to be designated by the Declarant is excluded and exempt from the provisions and requirements of Article IX, Sections 1 thru 6, 13, 14, and 21 thru 25 of this Declaration ("Community Center Site"). The purpose, use, rights and responsibilities pertaining to the Community Center Site, is as set forth below in this section.

a. Construction Obligation. The Declarant has no obligation to construct a Community Center as hereinafter described. In the event the Declarant declines to construct the Community Center, the Association, at its discretion, may do so consistent with the provisions contained in this article.

b. Purpose. The Community Center Site shall be owned by the Association, including any building constructed thereon. The Declarant or its designee may use a portion of the

Community Center building as a sales office so long as Declarant desires. Neither the Community Center Site, nor the improvements located thereon shall be considered common elements of the subdivision.

- b. Use. The use of the Community Center Site, and its improvements are restricted by the terms and provisions of this Section. Any portion of the Community Center used by the Declarant for its sales office shall be under the control and direction of the Declarant. The remainder of the Community Center Site and facilities constructed thereon shall be controlled and administered by the Association for the use and benefit of the Owners who are entitled to use the facilities, per the terms of this Section. The Declarant shall be responsible to the Association for the payment of construction costs, maintenance assessments and similar fees or charges for the portion of the building and or facility that it occupies as a sales facility. The Association shall establish such rules and regulations for the use of the facilities as it deems necessary and appropriate.
- c. Entitlements. Subject to the rules and regulations as may from time to time be established by the Association, the Owners, (including their guests and invitees) of Home Sites and Residential Dwellings included within the Real Property shall be entitled to use the Community Center constructed on the Community Center Site.
- d. Assessments. The Association shall determine the assessments to be charged to the Owners of each Home Site and property entitled to the use of the Community Center and the Community Center Site as per the preceding subsection. The Association shall administer the assessments in the same or similar manner as is provided for in Article VIII: Assessments, of this Declaration. The assessments shall consist of the costs of construction and maintenance of the facilities on the Community Center Site. The costs of construction may include loan payments, or direct reimbursement to the Declarant or parties responsible for construction of the facilities. Maintenance costs shall include, but are not limited to, insurance premiums, operational/administrative expenses. As an exception to the provisions of Section 2, Rate of Assessments, set forth in Article VIII of this Declaration, the assessments levied by the Association pursuant to this Section, shall not be prorated or discounted. Declarant shall be responsible for paying 100% of all assessments under this section applicable to any Home Sites owned by Declarant, limited to the term of its ownership. The Association may restrict access to the Community Center Site and the Community Center for those Owners, who are not current in paying the assessments provided herein.
- e. Voting by Association. Only those members of the Association who are Owners of Home Sites and properties entitled to use the Community Center and the Community Center Site per this Section (whether by specific reference or by subsequent declaration) shall be entitled to vote as an Association member, director or officer on any issue affecting the Community Center Site and or the facilities thereon.
- f. Community Center Hours. The operating hours for the Community Center located on the Community Center Site shall be restricted to those hours between 6:00 am to 11:00 pm or as

set by the Association.

ARTICLE XI: GENERAL PROVISIONS

Section 1. Duration. The covenants, conditions, charges and restrictions of this Declaration shall run with and bind the land and shall inure to the benefit of and be enforceable by the Association, the Declarant or the Owner of any Home Site or Residential Dwelling subject to this Declaration, their respective legal representatives, heirs, successors, or assigns in perpetuity.

Section 2. Enforcement. Any Owner, the Declarant or the Association shall have the option and right to enforce by any proceeding at law or in equity all restrictions, conditions, covenants, reservations, and charges now or hereafter imposed by the provisions of this Declaration. Each Owner may submit to the Association any complaint regarding alleged violation of this Declaration by any other Owner. Upon receipt of such complaint, the Association shall conduct a reasonable investigation of the alleged violation. If the Association, in its sole discretion, deems that the complaint has merit it may elect to seek enforcement of this Declaration pursuant to this section. In any event the decision of the Association as to the merit of the complaint or its decision to pursue or not pursue enforcement of this Declaration, shall not limit or restrict in any way any individual Owner's pursuit of enforcement of this Declaration. The method of enforcement may include legal action seeking an injunction or prohibit any violation, to recover damages, or both. Failure by any Owner, or by the Declarant, to enforce any such provisions shall in no event be deemed a waiver of the right to do so thereafter. Should any law suit or other legal proceeding be instituted against an Owner who is alleged to have violated one or more of the provisions of this Declaration, the prevailing party in such proceeding shall be entitled to reimbursement for the costs of such proceeding, including reasonable attorney's fees.

Section 3. Severability. Invalidation of any of the terms, covenants, conditions or restrictions as established by this Declaration or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 4. Amendment. The Declarant reserves the sole right to amend, modify, make additions to or deletions from this Declaration it alone deems appropriate. This right of the Declarant to make such amendments shall continue for so long as Declarant is a Member in the Association. After that time the right to amend shall pass to the Association to be exercised only upon a concurrence of seventy-five (75) percent of the Association Members (See Article III: Membership and Voting Rights). In no event may those provisions of this Declaration required by a preliminary plat approval letter from the Lake County Planning Department be amended or deleted except with the express written consent of the Lake County Planning Department, its successors or assigns.

Section 5. Liability of Declarant. The Declarant shall have no liability for any of its actions or failures to act, or for any action or failure to act of any Owner, its family, guests or visitors of any Home Site.

IN WITNESS WHEREOF, the Declarant has executed the foregoing Declaration on the day and year first above written.

Stone Ridge Development, LLC
a Montana limited liability company

By: Diversified Stone Ridge, LLC
a Montana limited liability company, Manager

By: Ned Banning
Ned Banning, Co-Manager

STATE OF Montana
COUNTY OF Lake

This instrument was acknowledged before me, the undersigned a Notary Public for the State of MT, this 10 day of October, 2006, by Ned Banning, Co-Manager of Diversified Stone Ridge, LLC, a Montana limited liability company, the Manager of Stone Ridge Development, LLC, a Montana limited liability company, known to be the person whose name is subscribed to the within and foregoing instrument and acknowledged to me that he has executed the same.

Linda Chard
Notary Public State of Montana
Printed Name: Linda Chard
Residing at: Polson
My Commission Expires: Sept 7, 2009



NOTARY PUBLIC MONTANA
Residing at Polson, Montana
County of Lake

473594

LEGAL DESCRIPTION

VERGERONT RANCH SUBDIVISION PHASE 2

LOCATED IN THE W 1/2 SW 1/4 SECTION 32 T.23 N., R. 20 W., LAKE COUNTY,
MONTANA

STONE RIDGE RANCH PHASE 1

LOCATED IN SECTION 31 AND W 1/2 W 1/2 SECTION 32 T.23 N., R. 20 W., LAKE
COUNTY, MONTANA