

2006 702 BOOK 361 PAGE 17

Register of Deeds

Butte County, South Dakota

Recorded March 29, 2006

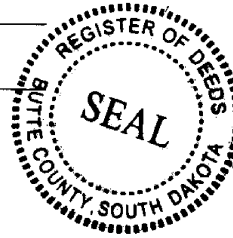
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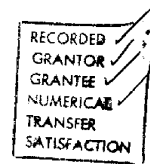
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By Paul J. Walker
Register of Deeds



**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
HAT RANCH 2 SUBDIVISION**



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Table of Contents

ARTICLE I - INTRODUCTION - DEFINITIONS

1.1	"Association"	1
1.2	"Board"	1
1.3	"Bylaws"	2
1.4	"Member"	2
1.5	"Person"	2
1.6	"Owner"	2
1.7	"Development"	2
1.8	"Lot"	2
1.9	"Declarant"	2
1.10	"Guest Room"	2
1.11	Platting	2
1.12	Petition for Inclusion	3
1.13	Declaration for Inclusion	3

ARTICLE II -USE AND RESTRICTIONS

2.1	Driveways	4
2.2	All-Terrain Vehicles, Etc.	4
2.3	Animals and Pets	4
2.4	Antennae and Satellite Dishes	5
2.5	Firearms	5
2.6	Fireplaces (Outdoors) and Fires	5
2.7	Garbage and Trash	5
2.8	Gardens	5
2.9	Homeowner's Association	5
2.10	Hunting	5
2.11	Logging	5
2.12	Lot Size	5
2.13	Lot Restrictions	6
2.14	Mining	6
2.15	Nuisances	6
2.16	Nuisances Per Se	6
2.17	Outdoor Storage	7
2.18	Residential Use/Home Occupations.	7
2.19	Safe Conditions	8
2.20	Sewage Disposal Systems	8
2.21	Signs	8
2.22	Temporary Structures	8
2.23	Utilities	8
2.24	Vehicles	8
2.25	Violation of Law	9

ARTICLE III - ARCHITECTURAL CONTROLS

3.1.	Control Committee	9
3.2.	Submission to Committee	10
3.3.	Submission Requirements	10
3.4.	Approval Standards and Procedures	10
3.5.	Prompt Action	10
3.6.	Decisions of Committee	11
3.7.	Committee Not Liable	11
3.8.	Renovations	11
3.9.	Timed Completion	11
3.10.	Clean Construction Site	11

ARTICLE IV - STANDARDS RELATING TO IMPROVEMENTS

4.0.	General Considerations	11
4.1.	Temporary Structures	12
4.2.	Dwelling/Minimum Areas	12
4.3.	Building Setbacks	12
4.4.	Changes in Construction	13
4.5.	Easements	13
4.6.	Exterior Colors	13
4.7.	Dwellings Height	13
4.8.	Outbuilding/Minimum Areas	13
4.9.	Materials	14
4.10.	Alterations Require Approval	14
4.11.	Outdoors Lighting	14
4.12.	Fences	14
4.13.	Signs	14
4.14.	Landscaping	15
4.15.	Sewage Disposal Systems	15
4.16.	Driveways and Approaches	16
4.17.	Mailboxes	16
4.18.	F-911 Lot Identification	16

ARTICLE V - COVENANT FOR ASSESSMENT

5.0.	Introduction	16
5.01.	Assessments, Service Charges, and User Fees Imposed; Lien Created	16
5.02.	Use of Assessments	17
5.03.	All Lots Assessable	17
5.1.	General Assessments	17
5.2.	Special Assessments	17
5.3.	Reserves	18
5.4.	Notice of Payment Status	18
5.5.	Declarant's Reserved Rights for Special Assessments	18

ARTICLE VI - WATER SYSTEM

6.1. Water System Regulations	18
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ARTICLE VII - EASEMENTS

7.1. Easement for Utilities	19
7.2. Easements for Paths and Parks	19

ARTICLE VIII - GENERAL

8.1. Governance of Association	19
8.2. Administration	19
8.3. Duration and Amendments	19
8.4. Incorporation by Reference	19
8.5. Notices	21
8.6. Enforcement	21
8.7. Development of Adjacent Property	21
8.8. Covenant of Cleanliness	21
8.9. Invalidity and Severability	22
8.10. Binding Effect and Compliance	22
8.11. Rights of First Mortgagee	22
8.12. Rights of Declarant	23
8.13. Termination of Declarant's Rights	23

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR HAT RANCH 2 SUBDIVISION**

THIS DECLARATION, made this 21st day of March, 2006, by **WAGONBOX DEVELOPMENT CO.**, a South Dakota corporation, of 1905 Stage Barn Circle, Spearfish, South Dakota 57783, hereinafter for convenience referred to as "Declarant," and

WHEREAS, Declarant owns the following described real property, to-wit:

Tract A and Dedicated Road Right-of-Way, all of Hat Ranch 2 Subdivision, City of Belle Fourche, Butte County, South Dakota, Located in the N1/2 of Section 35 and the NW1/4 of Section 36, T8N, R2E, BHM,

which shall hereinafter be referred to as the "Development," which may be modified by Petition or Declaration for Inclusion from time to time, and,

WHEREAS, Declarant intends to sell lots within the Development and by this declaration imposes on the lots within the Development covenants, conditions, and restrictions under a general scheme or plan for the benefit of the owners, now therefore,

WITNESSETH:

Declarant hereby declares the lots within the Development above described, or as such as may be hereinafter modified by Petition or Declaration for Inclusion, shall be sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are imposed for the purpose of creating and keeping the Development desirable, attractive, beneficial, free from nuisance, and suitable in architectural design, materials and appearance, and for the purpose of guarding against fires and unnecessary interference with the natural beauty of the Development, and for the mutual benefit and protection of all owners of lots in the Development. The easements, restrictions, covenants and conditions imposed herein shall run with the land and be binding on all parties having any right, title or interest in the Development or any portion thereof, and their heirs, devisees, personal representatives, successors and assigns. However, nothing herein is intended to or shall limit application of all applicable planning and zoning ordinances and rules which impose restrictions more stringent or limited than those set forth herein.

**ARTICLE I
INTRODUCTION-DEFINITIONS**

The following terms shall constitute definitions of words, terms and phrases used in this Declaration of Covenants, Conditions, Easements and Restrictions for the Development.

- 1.1. **"Association"** shall mean and refer to Hat Ranch 2 Homeowner's Association, Inc., a non-profit South Dakota corporation, its successors or assigns.
- 1.2. **"Board"** or **"Board of Directors"** shall refer to the Board of Directors of the Association that is created or to be created.

- 1.3. **"Bylaws"** shall mean and refer to the Bylaws of the Association that is created or to be created that shall govern the activities of the Association and shall be incorporated herein by this reference.
- 1.4. **"Member"** shall mean and refer to a Person entitled to membership in the Association, as provided herein or in the Bylaws of the Association that is created or to be created.
- 1.5. **"Person"** is a natural person, corporation, partnership, Limited Liability Company, trust, trustee, or any other legal entity.
- 1.6. **"Owner"** shall mean and refer to one (1) or more Persons who hold the record title to any Lot within the Development, but excluding in all cases any party owning an interest merely as security for the performance of an obligation. If a Lot is sold under a recorded Contract of Sale, and the Contract specifically provides, then the purchaser (rather than the fee Owner) will be considered the Owner.
- 1.7. **"Development"** shall mean and refer to the real property shown upon any recorded subdivision map(s) or plat(s) of the Development as amended from time to time, which is designated as a part of Hat Ranch 2 Subdivision.
- 1.8. **"Lot"** shall mean and refer to any plot or tract of land shown upon any recorded subdivision map(s) or plat(s) of the Development, as may be amended from time to time, which is designated as a numbered Lot therein. A lot shown on a preliminary Development plan and remaining unrecorded is not a "Lot" for purposes of this definition.
- 1.9. **"Declarant"** shall mean and refer to Wagonbox Development Co.
- 1.10. **"Guest Room"** shall mean a room within a building upon a Lot classified as an outbuilding which is used by the Owner for temporary and transient housing of visiting family members or friends. A guest room is not to be used as a stand-alone rental unit.
- 1.11. **Platting and Declarant Votes:** Declarant plans development of 132 lots in a series of phases to be located within the boundaries of the Development, which lots shall be formally platted and recorded as the development of the project proceeds. Declarant may replat portions of the Development or add additional property consistent with the development objectives of Declarant and place or grant such easements as deemed appropriate by Declarant for providing ingress, egress and for the Development and Owners without the prior consent of the Association or any Owner. The Declarant or its specific assigns shall be entitled to three votes for each of the 132 planned lots that is owned by the Declarant in the Development, whether a lot is a platted and recorded "Lot" as defined above, or the lot remains un-platted as depicted on the preliminary Development plan showing 132 total lots. If the Declarant revises the development plan to increase or decrease the total number of lots to be platted

in the Development, or if the Declarant adds area to the Property under a Declaration of Inclusion, the Declarant will from time to time notify the Owners of the new total number of lots for which the Declarant or its specific assigns shall have voting rights. Unless the Declarant serves such notice, however, the total number of lots having three votes each will be presumed to total 132.

- 1.12. Petition for Inclusion to Development:** The Lots within the Development may be modified by a Petition for Inclusion without the consent of the Association or any Owner by filing the following:

PETITION FOR INCLUSION

This Petition made this _____ day of _____, 2____, by _____, the owner(s) of the following-described real property, to-wit:

hereby petition(s) for inclusion to the Property subject to the Declaration of Covenants, Conditions, and Restrictions for Hat Ranch 2 Subdivision, which have been filed in the Office of the Butte County Register of Deeds as Document #_____, together with any amendments thereto, which by reference thereto the same are incorporated herein. Petitioners agree to be fully bound by the terms and conditions thereof, and the above described real property shall be subject thereto.

Signature of Petitioner(s)

(NOTARIZATION)

APPROVAL OF DECLARANT

Wagonbox Development Co. hereby approves the foregoing Petition for Inclusion to the Development subject to Declaration of Covenants, Conditions and Restrictions.

Dated this _____ day of _____, 2____.

Wagonbox Development Co.

By: _____

President

(NOTARIZATION)

The Petition is presented to the Declarant for approval. Approval will not be unreasonably withheld. Upon approval, the Petition is recorded with the Butte County Register of Deeds and the Lot is included in the Development. The Association will be provided a copy of the approved Petition.

- 1.13. Declaration for Inclusion to Development:** The Declarant reserves the right to add adjoining property to the Development without the prior consent of any Owner or the Association by filing the following:

DECLARATION FOR INCLUSION

This Declaration made this _____ day of _____, 2____, by _____, the owner(s) of the following-described real property, to-wit:

hereby declares that the above-described real property is hereby included in the Property subject to the Declaration of Covenants, Conditions, and Restrictions for Hat Ranch 2 Subdivision, which have been filed in the Office of the Butte County Register of Deeds as Document #_____, together with any amendments thereto, which by reference thereto the same are incorporated herein. Declarant agrees to be fully bound by the terms and conditions thereof, and the above described real property shall be subject thereto.

Dated this _____ day of _____, 2____.

Wagonbox Development Co.

By: _____

President

(NOTARIZATION)

The Declaration is recorded with the Butte County Register of Deeds and the included parcel become part of the Development. The Association will be provided a copy of the recorded Declaration.

ARTICLE II
USE AND RESTRICTIONS

- 2.1. **Driveways:** Each Lot will be accessed by a private driveway that shall be constructed with proper drainage and culverts as provided in Article 4.16.
- 2.2. **All-Terrain Vehicles, Trail Bikes and Tracked Vehicles:** Except as permitted for the Declarant and its agents in Section 2.16.4 below, all-terrain vehicles, snowmobiles, and trail bikes shall not be operated within the Development, except on an Owner's own Lot or in a direct route on the roadway to exit the Development or enter the Development to return to the Lot Owner's home. Tracked vehicles shall not be operated on public paved streets.
- 2.3. **Animals and Pets:** No animals, livestock, horses, or poultry of any kind shall be raised, bred, or kept on any Lot within the Development with the exception that dogs, cats, and other usual and common household pets may be permitted upon a Lot, provided that they are not kept for any reason other than as household pets. The combined total number of dogs, cats and other household pets permitted per Lot shall not exceed four animals. Pets shall not be permitted to roam free or in the sole discretion of the Declarant or Board, make objectionable noise, or constitute a nuisance or inconvenience to the Owner of any Lot within the Development and shall be removed upon request of the Board. All dogs outside of a residence after 10:00 P.M. shall be personally accompanied by a handler, and the handler shall keep the dog quiet. In no event shall dangerous animals or reptiles be kept in the Development.

- 2.4. **Antennae and Satellite Dishes:** Television and radio antennae and satellite dishes are to be located as inconspicuously as possible, and are subject to approval by the Architectural Control Committee.
- 2.5. **Firearms:** No firearms shall be discharged within the Development.
- 2.6. **Fireplaces (Outdoors) and Fires:** No incinerators, open fire pits, open burning or unscreened outdoor fireplaces shall be allowed. Controlled burning for safety purposes directed by any governmental unit shall be permitted, and dead trees may be burned with a proper burning permit from City of Belle Fourche or the applicable State or Federal public agency.
- 2.7. **Garbage and Trash:** No garbage or trash shall be maintained on any Lot so as to be visible from another Lot. No Lot shall be used as a dumping or storage ground for rubbish, scrap, debris, or junk including, but not limited to junked cars or parts thereof, appliances, building materials, etc. All garbage and trash will be placed in covered tight garbage cans of the type in normal use in this locality, and shall be disposed of at least every seven (7) days. Owners bear the responsibility to insure at all times that no trash, debris, or material of any kind be allowed to blow off of their Lot.
- 2.8. **Homeowners Association:** Each Person who purchases a Lot or enters into a contract for deed to purchase a Lot as described above shall join and thereafter continue to be a Member of Hat Ranch 2 Homeowners Association, Inc. and shall be bound by all rules and regulations as may be promulgated and approved by said Association.
- 2.9. **Weed and Grass Control:** Each Owner shall control noxious weeds, and shall not permit overgrowth of grass or weeds, regardless of whether the Lot is or is not occupied.
- 2.10. **Hunting:** No hunting shall be allowed in the Development except as follows: bow hunting (if permitted by the City of Belle Fourche), and authorized deer or animal control by a governmental agency.
- 2.11. **Logging:** Removal of live healthy trees of 6 inches or more in diameter requires pre-approval in writing by the Architectural Control Committee under Section 4.14 below.
- 2.12. **Lot Size:** Regardless of any applicable minimum lot size permitted by a subdivision or zoning ordinance, no Lot shall be subdivided into smaller Lots or conveyed in less than full or original dimensions as conveyed. However, two or more adjacent Lots may be combined into one Lot and conveyed as one Lot. Re-platted Lots, combining two or more adjacent Lots, shall be subject to general and special assessments as a single Lot after the Lots have been re-platted and filed in the Butte County Register of Deeds Office. Should any re-platted Lots be subsequently separated and re-platted into multiple Lots, all newly-platted Lots created shall be subject to all assessments

which would have accrued against each Lot except for the combination into a single Lot, and no such re-platting shall increase the number of newly-platted Lots beyond the number of Lots originally combined.

- 2.13. **Lot Restrictions:** No more than one single-family dwelling may be constructed on any Lot. This does not exclude a Guest Room in a building upon a Lot classified as an outbuilding.
- 2.14. **Mining:** No portion of the Development shall be used to explore for or remove gravel or minerals of any kind. No refining, quarrying, or mining operations shall be permitted upon and/or in any Lot. Nor shall underground fuel tanks, excavated tunnels, mineral excavations, or shafts be permitted upon and/or in any Lot.
- 2.15. **Nuisances:** No owner shall permit anything to be done or kept on or within his or her Lot, or on or about the Development, which will obstruct or interfere with the rights of other Owners, occupants, or other authorized Persons to use and enjoy the Development. No Owner may permit any nuisance or commit or allow an illegal act to occur on their Lot. For purposes of this section, a nuisance shall be construed in light of case law precedent for the State of South Dakota and any applicable statutes and ordinances.
- 2.16. **Nuisances Per Se:** Notwithstanding the aforementioned, for the purposes of this section, the following activities within the Development shall be deemed a nuisance per se: unreasonable noise and barking dogs, discharging fireworks, and discharging firearms and/or hunting. In addition, this section shall apply to operating all-terrain vehicles (ATV's), snowmobiles, or other off-road recreational vehicles, except as follows:
 - 2.16.1. Upon the public portions of roads within the Development if the vehicle is properly licensed and with an operator observing all traffic laws, or
 - 2.16.2. Upon trails designated by the Board for that purpose upon such conditions as the Board may require, or
 - 2.16.3. Upon the Lot owned by the Owner of the vehicle consistent with Section 2.2 above, for limited times and purposes that do not disturb the serenity of the area and/or degrade the natural conditions of the Development, or
 - 2.16.4. Declarant and its agents shall be permitted to use ATV's, snowmobiles or other off-road recreational vehicles upon its Development real property and upon public streets to conduct its business.
- 2.17. **Outdoor Storage:** No outdoor storage of any material, firewood containers, automotive accessories, equipment, or other items shall be allowed between the home and the roadway(s) fronting the property.

- 2.18. Residential Use/Home Occupations:** Each Lot shall be used only for single-family residential purposes. However, Owners may use a portion of their home for limited business purposes. Businesses requiring or which operate upon regular scheduled appointments shall not be allowed. No extraordinary traffic is allowed. No commercial business activity other than an in-home occupation use in conformance with this section may be conducted upon any Lot within the Development. However, nothing in this section shall be construed to relieve any Person from compliance with any and all legal statutes, ordinances, rules and/or regulations applicable to home occupations and residential business uses. As with all laws, rules and regulations relating to restrictions on land uses and otherwise, the Owner shall be responsible to determine which regulations govern Owners intended and actual home occupation use and shall be responsible for complying with those regulations.

All home occupation uses within the Development shall be in compliance with the following restrictions so long as also permitted under applicable statutes, ordinances, rules and regulations:

- 2.18.1.** There shall be no offensive noises, vibration, smoke, dust, odors, heat or glare noticeable at or beyond the property line of any Lot.
- 2.18.2.** No storage or display of business materials, signs, goods, supplies or products, equipment, tractors and/or other heavy equipment shall be visible from the outside of any structure located on the Lot.
- 2.18.3.** There shall be only incidental sale of stocks, supplies or products to customers and/or clients on the premises. However, catalog, postal and/or telephone sales are permitted. Retail trade or any other business activity involving customer traffic on a non-incidental basis is prohibited.
- 2.18.4.** A home occupation may have such employees that do not by their number or activity, annoy or disrupt the serenity of the area or the other Owners.
- 2.18.5.** Notwithstanding anything hereinabove to the contrary, the following businesses shall **not** be allowed as home occupations upon any Lot within the Property:
 - 2.18.5.1.** Body or mechanic repair or any business where the following services are carried out: general repair, engine rebuilding or reconditioning of motor undercoating of automobiles and/or the sale of engine fuels, motor oils, lubricants, grease, tires, batteries and accessories or body and paint work. This exclusion is not intended to prohibit an Owner from working on his/her own personal vehicle(s) including maintenance, repair, refurbishing, rebuilding, as long as such activity is within a completely enclosed garage or outbuilding which completely screens the sight and sound of the activity from adjoining property, or;

- 2.18.5.2.** Any other occupation which is determined as noxious, offensive, or annoying by the written-petition signed by no less than Seventy-Five percent (75%) of the then record Owners of the Lots within the Development.
- 2.19. Safe Conditions:** Without limiting any other provision in this Section, each Owner shall maintain their Lot in a safe, sound, and sanitary condition and repair at all times. Owners shall correct any condition and refrain from any activity that might interfere with other Owners.
- 2.20. Sewage Disposal Systems:** Unless applicable statutes or ordinances require a centralized sewage disposal system, only engineered sewage disposal systems shall be permitted in the Development which comply with Section 4.15 below.
- 2.21. Signs:** No signs, billboards, or other advertising devices shall be used on any Lot except for identification of a residence, road, speed, direction, or sale which comply with Section 4.13 below). Signs erected by the Association or the Declarant are exempt.
- 2.22. Temporary Structures:** No trailer, recreational vehicle (RV), basement, tent, shack, garage, barn, or other outbuildings shall be placed or built on any Lot for use as a residence, either temporarily or permanently.
- 2.23. Utilities:** Water service will be stubbed to the property line of each Lot. Electrical, telephone, and gas services are clustered in a utility easement located near a Lot corner. The extension of services from these locations to a residence is the responsibility of the Owner.
- 2.24. Vehicles:** No more than one properly licensed motor vehicle, trailer, or other type of motorized or non-motorized vehicle, not in normal daily use, may be kept outside of a fully enclosed building on any Lot. However, if such a vehicle is brightly colored, large, conspicuous, attention-attracting or otherwise creates a distraction from the natural beauty of the setting in the judgment of the Board, the Board may limit or eliminate such parking privilege on any Lot or require that, where permitted, an approved outbuilding be constructed within a reasonable time wherein the vehicle will be required to be parked. Equipment of this type shall not be kept between the home and the roadway(s) fronting the Lot. No campers or recreational vehicles shall be maintained on a Lot as a residence for more than seven (7) consecutive days, it being understood the term "consecutive days" shall not permit successive periods of such use between short periods of non-use, and the overall pattern of such a use shall be relevant in determining compliance with this restriction. No vehicles, trailers, or any vehicular equipment shall be parked along any public street. Recreational Vehicles (RV's), fifth wheels, camper trailers, horse trailers, boats, boat trailers and similar vehicles must be parked or stored in approved outbuildings, and storage or non-use of the same outside of an approved outbuilding is not permitted. Un-licensed, unused, stripped down, partially wrecked, immobile or inoperative vehicles must be parked inside approved outbuildings, and cannot be parked outside of such an

outbuilding. Truck-tractors and/or semi trailers and/or commercial two axle vehicles that are twenty (20) feet in length or greater are not permitted to park anywhere within the Development except in a detached outbuilding approved by the Committee.

- 2.25. Violation of Law:** No Owner shall permit anything to be done or kept in his or her Lot, which would be in violation of any local, state, or federal law.

ARTICLE III **ARCHITECTURAL CONTROLS**

- 3.1.1 Control Committee:** An Architectural Control Committee for the Development is hereby constituted. The initial Committee shall consist of the undersigned individuals executing this Declaration of Covenants, Conditions, Easements and Restrictions in their capacities as officers of Wagonbox Development Co., until such time as the Association Board of Directors appoints a standing committee. All notices to the Committee required herein shall be sent to the following address until such time as the Association Board of Directors authorizes another address, which may be changed from time to time by the Board: Wagonbox Development Co., 1905 Stage Barn Circle, Spearfish, SD 57783.
- 3.1.2.** All Committee actions or decisions shall be by majority vote. The Committee may designate a representative to act for it, which representative may or may not be a member of the Committee. Neither the members of the Committee nor its designee shall be entitled to any compensation of any kind for services performed, but the Committee may, with Board approval, engage and pay for professional consulting services as needed. In the event of a vacancy due to the death, termination or resignation of any member of the Committee, a replacement shall be duly appointed by the Association Board. The Declarant, or a representative of the Declarant, shall be a permanent member of the Committee until such time as the Declarant no longer has an interest in any of the real property subject to this Declaration.
- 3.1.3.** The approval or consent of the Committee or its representative on matters properly coming before it shall be conclusive and binding on all interested Persons. Any approval or permission granted by the Committee shall not be construed to constitute approval or permission by any governmental official, commission, or agency. During the construction phase, or at any other applicable time, the Owner shall be solely responsible for obtaining any and all permits, application, or other written instruments required by any private, public or governmental agency and shall be responsible for the work to proceed within the parameters of the plans as approved by the Committee.
- 3.2. Submission to Committee:** No soil may be removed or excavated, nor any naturally occurring grade altered, nor any home, or outbuilding shall be commenced for construction or erection on any Lot within the Development until the submission requirements in the following Section have been fulfilled and the Committee has issued written approval of plans based upon the submission data.

- 3.3. Submission Requirements:** Prior to disturbing any soil or initial construction of a home or outbuilding, the Owner must submit the following data to the Committee:
- 3.3.1.** A plan for the improvement, which shall include the following information: square footage, floor plan, drawings of exterior elevations of the structure, and specifications describing external colors and materials including roofing material. Plans shall include landscaping, outdoor lighting, swimming pools, tennis courts, and the like. Distances and locations of all planned improvements in relation to the other improvements shall be included; the intent being that the improvements must be appropriately integrated.
 - 3.3.2.** A site plan of the Lot showing the location of all proposed structures and septic system (if applicable).
 - 3.3.3.** A plan for the proposed excavation(s) that shall include plans to control and mitigate any erosion that may subsequently occur to the excavation(s).
 - 3.3.4.** Any other information as may be required by the Committee in order to ensure compliance with the requirements contained herein.
- 3.4. Approval Standards and Procedures:** The Committee shall consider the submission data in light of the requirements, restrictions, intent, and spirit of this Declaration. Approval shall be based upon, among other things: compliance with the terms provided for in Article IV entitled Standards Relating to Improvements; reasonable aesthetic appeal (including colors, materials, and designs); the compatibility of the proposed improvement with the following: proposed location of the improvement in relation to the topography, roads, adjacent Lots, and other existing or approved improvements, and/or the use of the Lot within the intent and spirit of all provisions in this Declaration.
- 3.5. Prompt Action:** No construction may commence without Committee approval. All applications shall be acted upon without unreasonable delay and approvals under this paragraph shall not be unreasonably withheld. Under usual circumstances, the Committee is encouraged to render a decision within two to three weeks after receipt of all required information, but this processing time may be shorter or longer as determined in the sole discretion of the Committee. In the event the Committee disapproves of any submitted plans, the Committee shall, if requested, make reasonable efforts to assist and advise the applicant in achieving an acceptable submission. Approvals shall be issued in writing containing any conditions or stipulations and the denial of any submission shall be accompanied with a written statement of the basis for the denial.
- 3.6. Decisions of Committee:** The approval or consent of the Committee or its representative on matters properly coming before it shall be conclusive and binding on all interested Persons.

- 3.7. **Committee Not Liable:** Approval or disapproval of any proposed improvement does not constitute endorsement or rejection of any particular design or aspect thereof, nor does the action constitute any representation of fitness (or lack of fitness) of the design for any purpose. Neither Declarant, the Association, Architectural Review Committee or any of the respective members thereof shall be liable in any manner whatsoever for any claims, actions, liability, damages, costs or expenses of any kind, for any approval or disapproval by the Committee or its representative with respect to any submission made pursuant to this Article.
- 3.8. **Renovations:** No substantial alteration or renovation of the exterior of any home or outbuilding situated on a Lot shall be performed without receiving Committee approval which may be obtained in the same manner as approval for original construction of improvements.
- 3.9. **Timed Completion:** Once the Committee has approved plans for construction, it is expected that the construction shall commence within twelve (12) months from the date of approval. Unless extended by the Committee, if construction has not commenced within twelve (12) months from the date of approval, said approval shall be deemed expired and the submission and approval process must be reinitiated. Once construction begins, any home or improvement or alteration thereto approved by the Committee shall be diligently pursued to completion. All homes and other improvements on any Lot shall be completed within twenty-four (24) months of commencement thereof unless, in the discretion of the Committee, exigent circumstances are deemed to exist or a longer period is established by the Committee at the time of the approval of the construction plans.
- 3.10. **Clean Construction Site:** An Owner must insure during construction and afterwards that the Lot is kept as neat and clean and free of debris as possible. Dumpsters shall be covered.

ARTICLE IV STANDARDS RELATING TO IMPROVEMENTS

- 4.0 **General Considerations:** Guiding the discretion of the Architectural Control Committee are the following general considerations:
- 4.0.1. The Committee shall strive to create an ambiance that is in harmony with and does not unnecessarily detract from or alter the natural beauty of the setting. Improvements shall be designed to blend in with, and compliment, rather than draw attention away from, the natural amenities.
- 4.0.2. As far as possible without compromise to safety, the natural contours of the landscape of the Development shall be preserved, the natural vegetation and rock features shall not be unnecessarily disturbed, and special care will be given to prevent erosion of the soils.

- 4.0.3. Within the parameters of the standards set forth herein, architectural diversity is encouraged.

The following standards create a minimum code of uniformity for the construction of homes, outbuildings or other improvements within the Development.

- 4.1. **Temporary Structures:** No previously occupied dwelling or structure may be moved onto or placed on any Lot. No manufactured homes, modular homes, trailer houses or mobile homes may be placed on a Lot.
- 4.2. **Dwelling/Minimum Areas:** No dwelling shall be constructed, erected, or maintained without a minimum of the following square footage (excluding garages):

Ranch Style Home	1,200 sq. ft.
Split Foyer Home	1,200 sq. ft.
One and one-half Story Home	1,000 sq. ft. main floor 500 sq. ft. second floor
Two Story Home	1,000 sq. ft. main floor 500 sq. ft. second floor
Tri-level Home or More	800 sq. ft. per floor

Garages must be attached or architecturally connected to homes so as to appear to be one unit. All structures must comply with the latest editions of the local, State, and national building codes, rules, and regulations, including but not limited to the following:

U. B. C. Standards of the Uniform Building Code
 U. S. F. A. United States Fire Administration
 N. E. C. A. National Electrical Code Association
 South Dakota Plumbing Code

- 4.3 **Building Setbacks:** The minimum building setbacks for all structures on a Lot (the "Setback") shall be as follows: (a) for all Lots except Lots fronting on a Cul-De-Sac, Fifty (50) feet from the front Lot line(s), including corner Lots, and Twenty Five (25) feet from all other Lot lines; and (b) for all Lots fronting on a Cul-De-Sac, Thirty (30) feet from the front Lot line(s), and Ten (10) feet from all other Lot lines. All Setback requirements must comply with applicable zoning and subdivision ordinances. The Association shall decide all setback determinations if there is any setback question.
- 4.4. **Changes in Construction:** All exterior changes or additions to the approved plans before, during, and after construction shall be approved in writing by the Committee or its representative prior to the changes or additions being implemented.

- 4.5. **Easements:** Easements for installation and maintenance of utilities, public, and private, including water and/or sewer services, are reserved with a Ten (10) foot strip adjacent to all Lot lines.
- 4.6. **Exterior Colors:** The color combinations of exterior materials must be subtle and tasteful to blend with the environment. Earthen tones are recommended. Bright red, yellow, purple or pink colors are not allowed. Extreme contrast in color of paints, stains, and masonry are discouraged. Roofing materials must be of darker green, gray or brown tones. **All color schemes must have prior approval in writing by the Committee or its representative.**
- 4.7. **Dwelling Height:** Dwelling height not to exceed two standard residential stories above the natural ground level of the dwelling will be enforced on all Lots to minimize impact upon the natural beauty of the area. Other height restrictions may be applied as deemed necessary by the Committee (for example, as provided in Section 4.0.2 above).
- 4.8. **Outbuildings/Minimum Area:** One or more detached outbuildings, including but not limited to any detached guestroom, shop, additional garage, or other outbuilding may be allowed on a case by case basis on all Lots.
- 4.8.1. These buildings shall have a minimum of Two Hundred (200) square feet and not exceed Twelve Hundred (1,200) square feet, shall be designed to match the main home, shall be of new construction and be constructed of substantially the same new materials as the main home, and must also be approved by the Committee prior to the start of construction.
- 4.8.2. "Post-frame buildings" (defined as buildings framed with square timbers, but excluding round pole framing) are permitted. No corrugated or panel metal exteriors shall be permitted (except approved steel roofs under Section 4.9 below).
- 4.8.3. All outbuildings must be constructed on-site upon a permanent foundation and all materials must comply with Section 4.9 below.
- 4.8.4. Maximum building height and location will be approved by the Committee on a per case basis to minimize visual impact on the Development. Building height normally will be limited to one story. The maximum side wall height is Fourteen (14) feet.
- 4.8.5. All outbuildings must have a soffit or roof-overlap reasonably consistent with the design of the home.
- 4.9. **Materials:** All buildings shall be of new materials, new construction, and set on a permanent foundation. No homes shall be moved onto any Lot from any other location. Homes constructed on-site of pre-fabricated walls and roof sections are allowed. All structures shall be newly constructed and visible materials shall

consist of wood, stone, brick, or maintenance free materials with the prior approval of the Committee, or a combination of these materials. To reduce the risk of fire, roofs of all structures shall be covered with composite, concrete or tile shingles. No roof of any structure may be covered with natural wood or with wood shake shingles. Appropriate steel roofs with standing-seams and hidden fastening systems may be approved by the Committee.

- 4.10. **Alterations Require Approval:** Once approved, there shall be no changes to building plans unless agreed in writing by the Committee. Owners are responsible to insure that the construction proceeds according to the plans as approved and are responsible for completing the improvements within the approved guidelines. Owners will be required to correct any aspect of the improvement that in the reasonable opinion of the Committee is noncompliant or nonconforming, regardless of whether the nonconforming aspect is discovered before, during or after completion.
- 4.11. **Outdoor Lighting:** Outdoor lighting shall be according to standard electrical specifications and shall be designed to minimize light pollution and scatter in a horizontal direction. Exterior lights shall be subject to Committee guidelines and approval.
- 4.12. **Fences:** The construction of any type of fence must have written approval of the Committee. Enclosures or other means of protection for plants, trees, gardens and other landscaping may be used subject to the right of the Committee to require modification or removal. Barbed wire and plain wire fences are not permitted except as may be required around the perimeter of the Development to prevent livestock trespass. As approved by the Committee, decorative fences that compliment and conform with intent and spirit of the architectural controls and requirements herein shall be allowed as long as they are kept in a state of good repair and free from debris and refuse. No fence shall interfere with the access of any easement for utilities or roadways. All Lot Owners will be responsible to maintain the section of exterior fence that borders their Lot.
- 4.13. **Signs:** No signs of any kind shall be displayed on any Lot except as follows:
 - 4.13.1. Any signs placed by the Association or the Declarant.
 - 4.13.2. One sign of no more than five square feet advertising the property for sale or rent.
 - 4.13.3. Signs of no more than 32 square feet used by a builder to advertise the property only during the construction period.
 - 4.13.4. Signs for the identification of a residence that do not exceed eight (8) square feet; however, the Committee may approve a larger identification sign on a case by case basis if the sign is appropriately-designed and is compatible with the Development.

4.14. Landscaping: All ground disturbed by construction shall be returned to a natural condition or landscaped within twelve (12) months of completion of the improvement. In order to enhance each Lot and the overall ambiance of the Development, landscaping and plantings shall be added and maintained in a manner that respects the natural beauty of the Development. Lawns, trees, shrubs and other plantings are allowed. However, every effort should be made to preserve the naturally occurring flora. Soil disturbance before, during and after construction should be kept to an absolute minimum. Introduced species shall not offend the overall natural appearance of the Development. Removal of naturally occurring trees with a trunk six (6) inches in diameter or larger measured breast high shall only be allowed with the prior approval of the Committee, except in the case where the tree complies with Section 4.14.1 below which requires removal by the Owner. In considering requests to remove trees not otherwise complying with Section 4.14.1, the Committee shall balance the interest of preserving the overall natural appearance of the Development against the equally important but more personal legitimate objectives sought to be achieved by the petitioning Owner by removal of the tree(s). Any Person removing a tree described herein (except a tree requiring removal under Section 4.14.1) without the prior approval of the Committee shall be liable to the Association or any other aggrieved Owner for damages as provided by law, with damages to be based upon the highest value of such tree(s) for ornamental purposes, but not less than Twenty Five Dollars (\$25.00) per lineal foot of height, per tree (i.e., a 40 foot tall tree would have a minimum value of \$1,000.00).

4.14.1. Required Removal of Trees: No Owner shall permit either dead trees nor trees that demonstrate symptoms of death, decline, infection or infestation to remain on any Lot, and such tree(s) shall be removed from the Development promptly at the Owner's expense. The Board of Directors may notify the Lot Owner of the obligation to remove such trees. If the Lot Owner fails to remove the dead, dying or diseased tree(s) within 30 days after written notification by the Board of Directors, the Board of Directors may abate the tree(s) as a public nuisance and assess and enforce the costs of removal against the Owner and the Owner's Lot as provided in Article V, which assessment shall be a lien against the Lot.

4.15 Sewage Disposal Systems: Only engineered sewage disposal systems shall be permitted in the Development. Sewage disposal for each Lot shall be accomplished by individual septic tanks or as otherwise required and approved by an appropriate governmental agency. All wastewater systems must be designed by a Professional Engineer (P.E.) licensed in South Dakota, who will prepare and stamp the permit application that must be submitted to the appropriate governmental agency for review before a system is constructed. No cesspools or outside toilets are permitted. All septic tanks must be properly maintained by the Owner to prevent overflow or malfunction. There is "**NO PROPOSED PUBLIC SEWAGE DISPOSAL SYSTEM.**"

- 4.16. Driveways and Approaches:** A proper approach shall be installed at the commencement of any construction upon said Lot in order to protect the shoulders of the roads and the natural vegetation and to prevent tracking mud onto the roads of the Development. Owners shall direct all vehicular traffic, for construction purposes or otherwise, to enter and exit only upon said approach. All Owners shall surface approaches and driveways accessing any public street with asphalt or concrete of sufficient depth to provide a stable, clean driving surface in all weather. Secondary driveways within the Lot, and all shoulders, shall be surfaced with gravel not to exceed 1 inch minus and be well dressed and slopes kept to a minimum. Culverts shall be installed wherever necessary to prevent standing water and runoff water shall be managed in a way that will not permit erosion. All culverts shall be corrugated metal pipe with a minimum diameter of 12 inches, and shall have flared end sections.
- 4.17 Mail Boxes:** The Board of Directors shall select one style of mailbox used within the Development to be supplied by the Declarant and installed by the Lot Owner.
- 4.18 E-911 Address Identification:** Every Lot Owner shall mark or identify their improved property in accordance with the rules adopted by the Butte County E-911 Coordinator, as from time to time amended.

ARTICLE V COVENANTS FOR ASSESSMENT

- 5.0. Introduction.** The Board will determine the amount of the general assessment for each Lot subject to assessment. General and special assessments are due and payable on dates specified by the Board. The Board shall make reasonable efforts to determine the amount of the general or special assessment and to give written notice of the assessment for each Lot to the owner with due dates of periodic installments to be paid. The Board shall maintain a roster of the Lots and the general or special assessments due and shall make the roster available for inspection of a Member on request. Assessments may be collected on a monthly, quarterly, semi-annual or annual basis at the discretion of the Board.
- 5.0.1. Assessments, Service Charges and User Fees Imposed; Lien Created.** Each Owner, whether or not it is expressed in any deed or document of conveyance, agrees to pay to the order of the Association general and special assessments, services charges, user fees, and any other fees or charges levied on a monthly, quarterly, semi-annual, or annual basis, and special assessments or charges to be fixed, established and collected from time to time, as hereinafter provided. The general or special assessments, service charges, user fees and other charges authorized in this Declaration, together with interest thereon at the statutory rate for money due and owing from time to time, from and after the date the same becomes due and payable, together with costs of collection, shall be a charge on each Lot subject to assessment and shall be continuing lien against which such assessment is made. Each assessment, service charge, user fee or other charge, together with interest thereon, and costs of collection, in addition to becoming a lien against each Lot, shall also

be a joint and several personal obligation of the Person, group of Persons or entity who was the Owner of such Lot at the time when the assessment became due and payable, or who acquired ownership thereafter. The lien provided for in this Declaration shall be subordinate to the lien of any first mortgage now or hereafter placed upon any Lot subject to assessments; provided, however, that sale or transfer pursuant to a decree of foreclosure, or any other proceedings in lieu of foreclosure shall not relieve such Lot from liability for any assessments, services charges, user fees or other charges becoming due after such sale or transfer nor from any lien of any such subsequent assessments.

5.0.2. Use of Assessments. General or special assessments shall be used to promote welfare and safety, and to protect the investment of the Owners and residents of the Development. Assessments shall be used for, but not limited to, the following.:

- (a) Operating Expenses;
- (b) Management and Administration;
- (c) Taxes;
- (d) Insurance Costs;
- (e) Reserves;
- (f) Improvements;
- (g) Maintenance; and,
- (h) Signs.

5.0.3. All Lots Assessable. All Lots are subject to assessment.

5.1 General Assessments.

5.1.1. The Board may set the general assessment on a Lot at a base rate not to exceed \$100.00 per year.

5.1.2. After January 1, 2007, the Board may increase the amount of the general assessment by no more than an additional ten percent (10%) each year without approval by two-thirds of the Owners present or represented by proxy at an annual meeting or at a special meeting called for that purpose.

5.1.3. The general assessment on all Lots shall be effective on the first day of January each year and is a lien on the property. Failure to make timely payments, as set by the Board of Directors, results in a lien attaching to the Lot which may be enforced by the Board as provided herein.

5.2 Special Assessments: The Board may impose special assessments, in addition to the general assessments, for capital improvements or capital replacements. Special assessment shall only be levied by a resolution approved by two thirds of the votes of the Members present or represented by proxy at an annual meeting or at a special meeting called for that purpose. Any special assessment shall be on a per Lot basis only.

- 5.3. **Reserves:** The Board may establish a reserve fund for replacements and for general operating expenses by the allocation and payment monthly or other term of an amount to be designated. Such fund or funds shall be deemed to be a common expense of the Association and shall be deposited in F. D. I. C. insured accounts, as the Board deems appropriate. The reserve for replacements may be used only for improvements on the property or replacement of improvements or for operating contingencies of non-recurring nature. The proportionate interest of any Lot owner in any reserve shall be considered an appurtenance of the Lot and shall not be separately withdrawn, assigned, or transferred or otherwise separated from the Lot for which it appertains and it shall be deemed to be transferred with the Lot.
- 5.4. **Notice of Payment Status:** The Board shall, upon request at any reasonable time, furnish to any Lot owner liable for assessments, service charges or user fees, a certificate signed by an officer or other authorized agent of the Board stating whether such assessment, charge or fee is paid or unpaid. This certificate shall be conclusive evidence that payment has been received. A charge may be levied for each certificate issued.
- 5.5. **Declarant's Reserved Rights For Special Assessments :** All other provisions of this Declaration notwithstanding, so long as the Declarant owns any interest in any real property in the Development, the Association, its Board of Directors, the Members, shall not without prior written approval of Declarant, impose special assessments upon the Declarant or upon any real property in which Declarant has an interest.

ARTICLE VI PUBLIC WATER SYSTEM

- 6.1 **Water System.** Declarant shall install water mains and distribution lines to the Lot line to provide water to serve the Lots in the Development, to be dedicated to the public by the Declarant ("Water System").
- A. Service Lines and Pressure Systems For Lots. Each Lot shall be responsible at the Lot Owner's sole cost to install the service line which connects to the Lot to the Water System through proper connections and to install a pressure system to serve the Lot. All specifications for installation of the service line and the connection to the Water System shall be subject to the prior approval of the Board of Directors under Article 4. Only a licensed plumber shall be permitted to connect a service line to the Water System. The Association shall have the authority to cause the inspection and approval of installation of the service line and the connection to the Water System before water service to the Lot begins. The maintenance of the service line shall be the Lot Owner's responsibility.
- B. Water Pressure. The Water System may not produce water pressure or volume sufficient to serve the Lot Owner's needs without an individual pressure system, or conversely may require installation of pressure reduction devices. The Owner shall be solely responsible to determine the Owner's water pressure and volume requirements, and the Declarant makes no representation or warranty to any

Owner or anyone that any particular level or consistency of water pressure or water volume in the Water System will be maintained now or in the future.

- C. Water Meters. The City of Belle Fourche shall provide, at the Owner's cost, an individual water meter for installation by the Owner for each Lot connected to the Water System.
- D. **Association and Declarant Not Liable:** Neither the Association nor the Declarant nor any of the respective members thereof shall be liable in any manner whatsoever for any claims, actions, liability, damages, costs or expenses of any kind, arising from any use made by any Person of water from the Water System or any improvements thereof or any risk to which such user may be exposed.

ARTICLE VII EASEMENTS

- 7.1. **Easement for Utilities:** Utility easements as shown on the recorded plats for the Development are reserved unto the Declarant, its successors and assigns and granted for the Water System, wires, electricity lines, gas lines, telephone lines, cable television or any other public or quasi-public utility services for ingress, egress, installation, replacing, repairing, and maintaining cable television systems, master television antenna systems, security, and similar systems, roads, walkway, sidewalks, bicycle paths, lakes, ponds, wetlands, water or drainage systems, sewers and sewer systems, street lights, signage, and meter boxes, telephones, gas, electricity; provided the exercise of this easement shall not unreasonably interfere with the use of any Lot and, except, in an emergency, entry into any Lot shall be made only after reasonable notice to the Owner or occupant thereof. Should any entity furnishing a service covered by the easement herein provided, request a specific easement by separate recordable document, Declarant shall have the right to grant such easement over the Lot or otherwise within the Development without conflicting with the terms hereof.
- 7.2. **Easements for Paths and Parks:** Declarant shall have and there is hereby reserved unto Declarant the right and authority to grant and convey to the public such easements as it determines are necessary or appropriate to benefit the Development for purposes of public walking paths and park areas within the Development.

ARTICLE VIII GENERAL

- 8.1. **Governance of Association:** The operation of the Association shall be governed by the Bylaws.
- 8.2. **Administration:** This Declaration will be administered by Association Board of Directors. The Board is empowered and has the right to implement, provide, perform, and to enforce any or all of the following within the Development (the following listing is not intended to limit the general powers of the Board granted by law):

- 8.2.1. All of the provisions in this Declaration of Restrictive Covenants, the Articles of Incorporation, and the Bylaws of Hat Ranch 2 Homeowners Association, Inc.;
 - 8.2.2. Regulations, maintenance and improvements of all roads and water supply systems within the Development as set forth elsewhere in this Declaration;
 - 8.2.3. Reasonable rules and regulations, with which owners, their families, guests and visitors shall comply;
 - 8.2.4. Penalties for violations of rules, regulations and failure to pay assessments;
 - 8.2.5. Constructions, improvements, and maintenance to any Association property necessary;
 - 8.2.6. Contract with third parties for necessary services;
 - 8.2.7. Purchase or lease of any equipment necessary for construction, maintenance, or improvements; and,
 - 8.2.8. The amount, payment period, payment schedule and levy assessments, service charges, user fees and other charges pursuant to this Declaration.
- 8.3. **Duration and Amendments:** The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable first by the Association, but if the Association fails to act, then by any Owner, their respective legal representatives, successors and assigns for a term of 25 years from the date of recordation of the Declaration, after which the said covenants shall be automatically extended for successive periods of 25 years each. However, this Declaration may be amended at any time, except where permanent easements or other permanent rights of interests are created, or rights or interests are created in third Persons, by an instrument signed by Owners representing a majority of the of votes of the Members of the Association. Any amendment shall be placed of record where this Declaration is recorded. No such amendment shall be effective unless written notice of the proposed amendment is sent to every Owner thirty (30) days prior to action being taken on the proposed amendment. No change of circumstances or conditions shall amend any of the provisions of this Declaration, which may be amended only in the manner described. None of the provisions of this Declaration shall be construed as a condition subsequent or as creating a possibility of reverter.
- 8.4. **Incorporation by Reference on Resale:** If any Owner sells or transfers a Lot(s), any deed affecting the transfer shall contain a provision incorporating these covenants, conditions and restrictions. Failure to do so shall not be deemed to defeat, alter or terminate any of these covenants, conditions and restrictions.

- 8.5. **Notices:** Any notice required to be sent to any Owner of a Lot(s) or any first mortgagee, shall be deemed to have been given when mailed by first class mail to the Owner or mortgagee at the address appearing on the records of the Association at the time of the mailing. It shall be the duty of each Owner to provide written notice of addresses or changes of address to the Association.
- 8.6. **Enforcement.**
- 8.6.1. If any Person violates any of the provisions of this Declaration it shall be lawful for the Association or any Lot owner in the Development to initiate proceedings to enforce the provisions of this document, to restrain the Person violating them and recover damages, actual and punitive.
- 8.6.2. The Association shall enforce this Declaration; however, in the event the Association fails or refuses to do so, any Owner may enforce this Declaration upon prior written notice to the Board. Enforcement of this Declaration may be by Association proceedings as set forth in the Bylaws, by administrative proceedings, or by legal proceedings against any Person violating any covenant or restriction either to restrain or enjoin violation or to recover damages, and against the property or any lot to enforce any lien created by this Declaration. The failure of the Association to enforce any provision of this Declaration shall in no event be deemed a waiver or work as estoppel of the right to do so.
- 8.6.3. If an assessment is not paid within thirty (30) days after the due date, the Association may bring action against the Owner. The Association may also foreclose a lien against the Lot in the amount provided by law. In either event, the Association shall recover from the Owners or out of the proceeds of a foreclosure, accrued interest and costs of collection, including but not limited to, reasonable attorney's fees. No owner may waive or otherwise escape liability for assessments, service charges, user fees or any other charges provided for in this Declaration by non-use or abandonment of their Lot.
- 8.6.4. In a voluntary conveyance of a Lot, the grantee of the Lot shall be jointly and severally liable with the grantor for all unpaid assessments, service charges, user fees and other applicable charges against the Lot.
- 8.7. **Development of Adjacent Property:** The Development is situated adjacent to property to the north, south, east, and west which may be rezoned, subdivided and developed in the future. No expectations are given to Owners that said privately owned property adjoining The Development shall remain in its open and vacant state. Owners of Lots within the Development acknowledge the right of owners of said adjacent land to rezone, subdivide and develop the same.
- 8.8. **Covenant of Cleanliness:** Owners shall keep their Lot neat, clean and free of debris at all times. Upon failure to keep the Lot neat and clean and free of debris, after ten (10) days' written notice thereof by the Declarant or the Association, the Declarant or the Association may at the Declarant's or Association's election,

perform such services as are necessary to keep the Lot neat, clean and free of debris and bill the Owners for any expenses incurred. Said expenses, if unpaid, shall allow the Declarant or the Association to file and enforce a lien against the Lot.

- 8.9. Invalidity and Severability:** All of these covenants, conditions and restrictions are deemed severable. In the event any one or more of these covenants, conditions and restrictions is declared invalid, all remaining covenants, conditions and restrictions shall remain in effect.
- 8.10. Binding Effect and Compliance:** Each Owner, the Owner's heirs, devisees, personal representatives, successors and assigns or any Person acquiring any rights or privileges therefrom shall be fully bound by and shall comply with the provisions of these declarations, by the Bylaws and Articles of Incorporation of Hat Ranch 2 Homeowners Association, Inc., the decisions and resolutions of the Board of Directors or their authorized agent of the Association, and any amendments adopted to these covenants or Bylaws or Articles. Failure to comply with these provisions, decisions or resolutions shall be grounds for action to recover sums due or for; damages, or action for injunctive relief.
- 8.11. Rights of First Mortgagee:**
- 8.11.1** Other provisions of this Declaration notwithstanding, the Association, the Board of Directors of the Association and the Members shall not totally abandon all the covenants and restrictions established by this Declaration without the prior written approval of all first mortgagees of record of Lots.
 - 8.11.2** No first mortgagee of record of any Lot shall: (1) Be required to cure any breach of this Declaration which is not readily curable as to a Lot acquired by such mortgagee by foreclosure or by conveyance in lieu of foreclosure; provided, however, that such mortgagee is liable for all assessments which become due after such foreclosure or conveyance in lieu of foreclosure; or, (2) Be affected by any amendment to this Declaration unless written consent thereto is given or unless prior to such amendment all such first mortgagees of record have been given 30 days' advance written notice of the proposed amendment and at least two-thirds of such mortgagees have given their written approval to such amendment.
 - 8.11.3.** Upon written request therefor, first mortgagees of record shall be given written notice by the Board of Directors of the Association of any default in payment of assessments or in the discharge of other obligations pursuant to this Declaration not cured within the time provided by the Owner of a lot in which such mortgagee has a security interest.
 - 8.11.4.** First mortgagees of record of Lots shall have the right to examine the books and records of The Association at reasonable times and to obtain, upon written request therefor, annual reports

and financial data prepared by the Association.

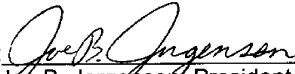
8.12 Rights of Declarant.

8.12.1. All other provisions of this Declaration notwithstanding, the Association, its Board of Directors, the Members, and any Road District or Improvement District shall not without prior written approval of Declarant: (1) Amend or totally abandon the covenants and restrictions established by this Declaration; or, (2) Amend or totally abandon the Articles or the Bylaws of the Association; or, (3) Impose general assessments or special assessments or service charges or user fees or any other charges upon the Declarant or upon any real property in which Declarant has an interest; or, (4) Partition, subdivide, sell or otherwise dispose of Common Areas for any purpose. No such action shall be valid without the prior written approval of the Declarant.

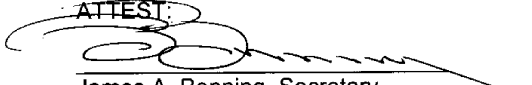
8.12.2. Further, Declarant reserves the right to prepare and file from time to time such Supplemental Declaration(s) as may be necessary or appropriate to: (A) carry out the purposes of such Supplemental Declaration(s) as is provided in Article 1.11 of these Covenants; and, (B) without the prior consent of the Association or any Owner, to conform these Covenants to governing ordinances as may be necessary.

8.13. Termination of Declarant's Rights: Declarant's rights as set forth in the foregoing section and all other provisions as herein contained requiring the consent or approval of Declarant shall terminate upon the date the Declarant no longer has an interest in any real property within the Development.

Wagonbox Development Co.

By: 
Joe B. Jorgensen, President

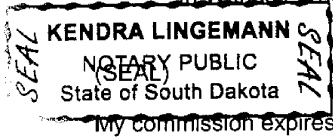
ATTEST:


James A. Benning, Secretary

State of South Dakota)
)ss.
County of Lawrence)

On this 21st day of March, 2006, before me, the undersigned officer, personally appeared Joe B. Jorgensen and James A. Benning, who acknowledged themselves to be President and Secretary respectively of Wagonbox Development Co., a corporation, and that they, as such Officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by themselves as such Officers.

In Witness Whereof, I hereunto set my hand and official seal.



Kendra Lingemann
Notary Public

My commission expires: 6/25/09

Prepared By:
Hood & Nies, P.C.
P. O. Box 759, Spearfish, SD 57783
Telephone: (605) 642-2757

RECEIVED

MAR 23 06

S.D. SEC. OF STATE

Filed this 23rd day of March 2006
Chris Nelson
SECRETARY OF STATE

**ARTICLES OF INCORPORATION
OF
HAT RANCH 2 HOMEOWNERS ASSOCIATION, INC.**

KNOW ALL MEN BY THESE PRESENTS:

Executed by the undersigned for the purpose of forming a South Dakota Corporation under SDCL 47-22, and known as the South Dakota Non-profit Corporation Act.

ARTICLE ONE - NAME

The name of this corporation shall be **HAT RANCH 2 HOMEOWNERS ASSOCIATION, INC.**, hereinafter referred to as "Corporation." The definition of terms used in these Articles is the same as used in that certain Declaration of Covenants, Conditions and Restrictions of Hat Ranch 2 Subdivision, which is incorporated herein by reference.

ARTICLE TWO - PURPOSE

The purpose of the Corporation is to provide for the maintenance, preservation and control of the lots of **Hat Ranch 2 Subdivision** and to promote the health, safety and welfare of the residents of **Hat Ranch 2 Subdivision**, which is more particularly described as follows:

Tract A and Dedicated Road Right-of-Way, all of Hat Ranch 2 Subdivision, City of Belle Fourche, Butte County, South Dakota, Located in the N1/2 of Section 35 and the NW1/4 of Section 36, T8N, R2E, BHM.

This Corporation is generally organized to carry out these purposes and the purposes adopted by the Board of Directors, all of which shall be exclusively for charitable (religious, educational, cultural) and other non-profitable purposes.

The Corporation shall have the powers, in addition to those enumerated in Chapter 47-22 to 47-28, to acquire, by purchase or lease or otherwise, real property and personal property, and to erect or cause to be erected on any real property owned, held or occupied by the Corporation, buildings or other structures with their appurtenances and to rebuild, enlarge, alter or improve any buildings or other structures now or hereinafter erected on any real property so owned, held or occupied, and to mortgage, borrow, sell, lease, contract or otherwise dispose of any real property and personal property, or interests in any real property, personal property or buildings, or other structures at any time owned or held by the Corporation; in addition, to make assessments, annual and special, and charge user fees, raise funds for equipment, materials and other needs for the maintenance, operation and interests of the Corporation and its facilities, and as may be required for maintenance of the properties within the jurisdiction of the Corporation.

ARTICLE THREE - PERPETUAL TERM

The term for which this Corporation shall exist shall be perpetual.

ARTICLE FOUR - MEMBERS

There shall be two classes of Membership, Class A and Class B, as described below. The Declarant or the Declarant's specific assigns shall be entitled to three (3) votes for each of the 132 planned Lots owned by the Declarant in the Development, whether a Lot is a platted and recorded "Lot" as defined in the Declaration, or the Lot remains un-platted as depicted on the preliminary Development plan showing 132 total Lots. If the Declarant revises the development plan to increase or decrease the total number of Lots to be platted in the Development, the Declarant will from time to time notify the Owners of the new total number of Lots for which the Declarant shall have voting rights. Unless notice is given, the number of lots for which the Declarant, or its specific assigns, holds voting rights is deemed to be 132 Lots.

- Class A - Class A members shall be all Owners except Declarant. Each Class A Member shall be entitled to one (1) vote for each Lot owned. If more than one person holds a fee interest to any Lot, all such persons shall be Members, but they shall cast a single vote for each Lot so owned.
- Class B - Class B members shall be the Declarant and Declarant's specific assigns. Each Class B Member shall be entitled to three (3) votes for each lot owned. The Class B Membership shall cease and be converted to Class A Membership without further action by the Board or any Member immediately after the total votes outstanding in the Class A Membership is one hundred (100) votes. However, if the Declarant gives notice that the total number of Lots for which the Declarant, or specific assigns, holds voting rights has increased or decreased, then the total votes outstanding in the Class A Membership to be attained shall equal seventy-six percent (76%) of the total number of planned Lots in the Property, and conversion of the Class B Membership to Class A Membership shall occur immediately after such seventy-six percent (76%) Class A Membership vote is attained.

Membership in the Corporation runs with and is appurtenant to a Lot. Subsequent owners of the property will acquire the seller's rights in the Corporation, subject to payment of Corporation assessments and user fees. No Member may be expelled from the Corporation or be denied voting rights. Voting rights for Class A Members (except the voting rights of the Declarant or its specific assigns, which are not subject to suspension) may be temporarily suspended during any period the Class A Member is delinquent in payment of assessments or user fees.

ARTICLE FIVE - BOARD OF DIRECTORS

The initial Board of Directors of the Association shall consist of three Directors who are Members or appointees of the Declarant, but the number permanently established shall be established in the Bylaws and shall be no less than three nor more than nine. The term

of the Directors shall be provided in the Bylaws. Removal of a Director shall be in accord with reasonable rules for notice and hearing as established by the Board in the Bylaws of the Association, except that a Director may be removed without notice or hearing for three unexcused absences as shall be provided in the Bylaws. Directors must be Members of the Association in good standing. The Declarant shall be a member of the Board of Directors without need for election so long as the Declarant is an Owner of a Lot unless the Declarant otherwise elects, and the Declarant Director shall not be subject to removal. Until such time as there are two or more Lot Owners who are eligible to be Directors in addition to the Declarant, the Initial Board of Directors shall be composed of Members or appointees of the Declarant; however, the Declarant and this Corporation are not and shall not be deemed to be the same entity, nor are they nor shall they be deemed joint venturers or co-partners for any purpose unless they otherwise expressly agree.

ARTICLE SIX - ANNUAL AUDITS - RECORDS

The Board shall establish in the Bylaws of the corporation procedures for an annual review of the financial records of the Corporation. The Board shall also provide that each Lot be supplied with a notebook containing the Covenants and Restrictions, Corporate Articles, Bylaws and other current documents.

ARTICLE SEVEN - NON-PROFIT PURPOSE

No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its Members, directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Two hereof. No substantial part of the activities of the Corporation shall be the carrying on or propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purposes of the Corporation under Article Two, in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code (or the corresponding provision of any future United States Internal Revenue Law), as the board of directors shall determine. Any such assets not so disposed of shall be disposed of by the circuit court of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations as said court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE EIGHT - REGISTERED AGENT

The address of the Corporation's registered office is 1905 Stage Barn Circle, Spearfish, SD 57783 and the name of its registered agent at such address is Joe B. Jorgensen.

ARTICLE NINE - INITIAL BOARD OF DIRECTORS

The of directors constituting the Board of Directors shall be not less than three nor more than 9 and the names and addresses of such who are to serve until the election of their successors are as follows:

Joe B. Jorgensen, 1905 Stage Barn Circle, Spearfish, SD 57783
 Shareholder, Wagonbox Development Co.
 James A. Benning, 345 Industrial Drive, Spearfish, SD 57783
 Shareholder, Wagonbox Development Co.
 James D. Benning, 345 Industrial Drive, Spearfish, SD 57783,
 Appointee, Wagonbox Development Co.

ARTICLE TEN - INCORPORATORS

The names and addresses of the incorporators are as follows:

Joe B. Jorgensen, 1905 Stage Barn Circle, Spearfish, SD 57783
 Shareholder, Wagonbox Development Co.
 James A. Benning, 345 Industrial Drive, Spearfish, SD 57783
 Shareholder, Wagonbox Development Co.
 James D. Benning, 345 Industrial Drive, Spearfish, SD 57783,
 Appointee, Wagonbox Development Co.

ARTICLE ELEVEN - INDEMNITY AND LIABILITY INSURANCE

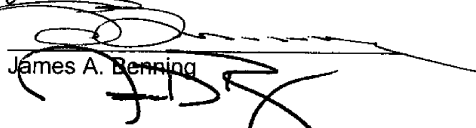
The Corporation shall provide indemnity to the maximum extent permitted by the provisions of SDCL 47-22-65.1 (1) and (2), as from time to time amended. The Corporation also has the power and authority to purchase and maintain such liability insurance as is provided under SDCL 47-22-65.6, as from time to time amended.

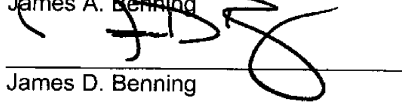
ARTICLE TWELVE - AMENDMENT

These Articles may be amended (so long as such amendment contains only provisions as are lawful under SDCL 47-22 to 47-28 inclusive, as from time to time amended), by a majority vote of the Members at a Member meeting unless otherwise required by law at the time of amendment, and notice of the Board of Director's resolution of amendment shall be given as required by law at the time of amendment. In no event may these Articles be amended without the consent of the Declarant so long as the Declarant is an Owner, and this provision is not subject to amendment or change without the Declarant's consent. Such altered or substitute Articles shall be filed of record in a written instrument as provided in the Declaration of Covenants, Conditions and Restrictions of Hat Ranch 2 Subdivision, as from time to time amended.

IN WITNESS WHEREOF, we have hereunto set our hands the 21st day of March, 2006.


Joe B. Jorgensen


James A. Benning


James D. Benning

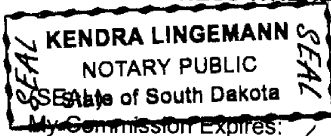
State of South Dakota)

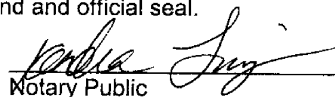
) ss.

County of Lawrence)

BE IT REMEMBERED that on this 21st day of March, 2006, before me, the undersigned officer, personally appeared Joe B. Jorgensen, James A. Benning and James D. Benning, known to me to be the persons whose names are subscribed to and who executed the within and foregoing instrument and that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have set my hand and official seal.




Notary Public

CONSENT OF APPOINTMENT BY REGISTERED AGENT

I, Joe B. Jorgensen, hereby give my consent to serve as the registered agent for HAT RANCH 2 HOMEOWNERS ASSOCIATION, INC.

Dated March 21st, 2006.


Joe B. Jorgensen

Prepared By:
Hood & Nies, P.C.
P. O. Box 759, Spearfish, SD 57783
Telephone: (605) 642-2757

**BYLAWS
OF
HAT RANCH 2 HOMEOWNERS ASSOCIATION, INC.**

PREAMBLE: The definition of terms used in these Bylaws is the same as used in that certain Declaration of Covenants, Conditions and Restrictions of Hat Ranch 2 Subdivision, which is incorporated herein by reference.

ARTICLE I. MEMBERS.

Section 1. Membership. There shall be two classes of Membership, Class A and Class B, as described below. The Declarant or the Declarant's specific assigns shall be entitled to three (3) votes for each of the 132 planned Lots owned by the Declarant in the Development, whether a Lot is a platted and recorded "Lot" as defined in the Declaration, or the Lot remains un-platted as depicted on the preliminary Development plan showing 132 total Lots. If the Declarant revises the development plan to increase or decrease the total number of Lots to be platted in the Development, the Declarant will from time to time notify the Owners of the new total number of Lots for which the Declarant shall have voting rights. Unless notice is given, the number of lots for which the Declarant, or its specific assigns, holds voting rights is deemed to be 132 Lots.

Class A - Class A members shall be all Owners except Declarant. Each Class A Member shall be entitled to one (1) vote for each Lot owned. If more than one person holds a fee interest to any Lot, all such persons shall be Members, but they shall cast a single vote for each Lot so owned.

Class B - Class B members shall be the Declarant and Declarant's specific assigns. Each Class B Member shall be entitled to three (3) votes for each lot owned. The Class B Membership shall cease and be converted to Class A Membership without further action by the Board or any Member immediately after the total votes outstanding in the Class A Membership is one hundred (100) votes. However, if the Declarant gives notice that the total number of Lots for which the Declarant, or specific assigns, holds voting rights has increased or decreased, then the total votes outstanding in the Class A Membership to be attained shall equal seventy-six percent (76%) of the total number of planned Lots in the Property, and conversion of the Class B Membership to Class A Membership shall occur immediately after such seventy-six percent (76%) Class A Membership vote is attained.

Membership in the Corporation runs with and is appurtenant to a Lot. Subsequent owners of the property will acquire the seller's rights in the Corporation, subject to payment of Corporation assessments and user fees. No Member may be expelled from the Corporation or be denied voting rights. Voting rights for Class A Members (except the voting rights of the Declarant or its specific assigns, which are not subject to suspension) may be temporarily suspended during any period the Class A Member is delinquent in payment of assessments or user fees.

Section 2. Place of Meeting. Annual meetings of Members shall be held at any place in the vicinity of Belle Fourche, South Dakota reasonably selected by the Board of Directors.

Section 3. Annual Meetings. Annual meetings of the Members shall be held on a day in April selected by the Board of Directors and, at such meeting, the Members shall elect directors and any committee members and shall transact other business.

Section 4. Special Meetings. Special meetings of the Members may be held upon the call of the Declarant, a majority of the Members of the Board of Directors, or upon a petition signed by Members representing at least 50% of the total number of Lots presented to the Secretary, with such a special meeting called by the Members to be held no earlier than 30 days after the petition is presented to the Secretary. Only such business as specified in the notice of any special meeting may be transacted at the special meeting.

Section 5. Notice of Meetings. Notice of each Members' meeting, stating the place, day and hour of the meeting, and in case of a special meeting the purpose or purposes of the meeting, shall be given by the Secretary of the Corporation or by the person authorized to call the meeting, to each Member entitled to vote at the meeting not less than 10 days nor more than 50 days before the date named for the meeting.

Section 6. Voting. At any meeting of the Members, the Members shall be entitled to vote as provided in Section 1 of this Article if such voting rights have not been suspended. Voting rights may be exercised by proxies.

Section 7. Quorum. At any meeting of the Members, the presence of twenty percent of the Members representing twenty percent of the separate Lots shall constitute a quorum. In the absence of a quorum, the meeting shall be adjourned and a subsequent meeting shall be called one week later and the required quorum at the subsequent meeting shall be ten percent of the Members representing ten percent of the separate Lots. At a duly organized meeting, Members present can continue to do business until adjournment even though enough Members withdraw to leave less than a quorum.

Section 8. Conduct of Meetings. Meetings of the Members shall be conducted in accordance with Robert's Rules of Order.

ARTICLE II. BOARD OF DIRECTORS.

- Section 1. Number, Qualification and Election; Term.
- A. The Board of Directors of the Corporation shall consist of not less than three nor more than nine Members, and the initial Board of Directors shall number three. A representative of the Declarant shall be a director without necessity of election so long as the Declarant is an Owner. Directors (with exception of the Declarant's permanent representative) shall be elected by the Members of the Corporation at their annual meeting from among the Members of the Corporation whose assessment(s) and user fees have been paid (if such fees are due from the Member).
 - B. Declarant's member-owners may also serve as directors, and Declarant shall not be limited in the number of its member-owners serving as directors of the Corporation. Directors shall serve staggered terms of three years; at the 2007 annual meeting of Members, one director shall be elected for a one year term, one for a two year term, and one for a three year term (the fourth being the permanent Declarant member not subject to election). Thereafter, all directors shall be elected to serve three year terms. Nominations for director candidates shall be presented pursuant to the rules established hereunder for the Nominating Committee.

- C. With the exception of Declarant's representative and the member-owners of the Declarant serving as directors, no director shall serve more than two consecutive terms. The Declarant's permanent representative shall serve as long as Declarant is an Owner. The Declarant's member-owners serving as directors (other than the permanent representative) may serve consecutive terms without limitation.
- D. Until such time as there are two or more Lot Owners who are eligible to be directors in addition to the Declarant, the Initial Board of Directors shall be composed of members of the Declarant and appointee(s) of the Declarant; however, the Declarant and this Corporation are not and shall not be deemed to be the same entity, nor are they nor shall they be deemed joint venturers or co-partners for any purpose unless they otherwise expressly agree.

Section 2. Vacancies. Vacancies or newly created positions on the Board of Directors shall be filled by the Board of Directors or may be left vacant until the next annual meeting of Members. Each director selected by the Board of Directors to fill a vacancy shall serve until their successor is elected at the next annual meeting of Members or at a special meeting of Members called for that purpose, as the Board of Directors may determine.

Section 3. Powers and Duties. It shall be the duty of the Board of Directors to direct the management of the property and affairs of the Corporation, to make and enforce assessments, annual and special, and establish and enforce service charges and user fees, to exercise all corporate powers, and to appoint from its own membership, the officers of the Corporation. The Board shall have power to enter into written contracts with employees and for long-term financing of corporate obligations for terms extending beyond the terms of office of any or all of the individual directors. Generally, and without limitation, the Board shall have the power and shall operate the business of the Corporation in a prudent and careful manner consistent with the limitations and restrictions imposed by the Articles of Incorporation of the Corporation and under the powers granted to it by the laws of the State of South Dakota.

Section 4. Resignation and Removal. Any director may resign at any time by giving written notice of such resignation to the Board of Directors. Such resignation shall take effect at the time specified therein and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. Any director who is absent from three consecutive regular meetings of the Board of Directors unless excused by the Board of Directors for good and sufficient reason, shall be removed automatically as a director of the Corporation and such director's position on the Board of Directors shall be declared vacant. Any director may be removed as a director of the Corporation by the vote of two-thirds of the directors for two or more un-excused absences, violating these Bylaws, neglect of duty of office, or behavior injurious to the Corporation. No such action shall be taken until the director has been advised of specific charges, given a reasonable time to prepare a response, and afforded a full hearing before the Board of Directors. However, the Declarant's permanent representative shall not be subject to removal as a director.

Section 5. First Meeting. The first meeting of the directors after the filing of the Articles of Incorporation shall be an organizational meeting held at the call of a majority of the incorporators for the purpose of adopting Bylaws, electing officers, and for normal business activity. The incorporators calling the meeting shall give three days' notice of such meeting.

Section 6. Annual Meeting. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of the Members and no notice of such annual meeting shall be required.

Section 7. Special Meetings. Special meetings of the Board of Directors may be held at any time and at any place upon no less than 48 hours' notice by the Declarant, President, Secretary or by one-third of the Members of the Board.

Section 8. Quorum; Majority Vote; Declarant Director's Affirmative Vote Required On Certain Issues. A majority of the current membership of the Board of Directors shall constitute a quorum. The concurrence of a majority of the Board of Directors present at a meeting at which a quorum is present shall be necessary to conduct the business of the Board. However, so long as Declarant is an Owner, none of the following actions may be taken unless the Declarant's permanent representative votes in favor of the action: (1) raising the amount or frequency of any Association assessments, special or general; (2) imposing any general assessments, special assessments, service charges, user fees or other fees or charges upon Declarant's Lots; and (3) any action which affects any of the Lots, platted or unplatted, owned by the Declarant.

Section 9. Voting. At any meeting of the Board of Directors, each director shall be entitled to one vote. Voting rights may not be exercised by proxies.

ARTICLE III. OFFICERS.

Section 1. Designation of Titles. The titles of officers of the Corporation shall include a President, Vice President, Secretary-Treasurer, and any other officers as may be necessary or expedient for the proper conduct of business of the Corporation as may from time to time be determined by the Board of Directors.

Section 2. Selection, Term and Removal. The directors shall choose, from among the Members of the Board of Directors, the officers of the Corporation, who shall serve at the pleasure of the Board for a one year term and who may be removed from office at any time with assigned cause by the Board. All officers must be members of the Board of Directors at all times during their terms of office. After serving three successive one year terms, an officer shall be ineligible for election to such office for one year.

Section 3. Resignation and Vacancies. Any officer may resign at any time by giving written notice of such resignation to the Board of Directors. Such resignation shall take effect at the time specified therein and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors.

Section 4. President. The President shall preside at all meetings of Members and of the Board of Directors. The President shall sign all contracts and agreements and any other instruments requiring execution on behalf of the Corporation, and shall be the chief executive officer of the Corporation, subject to policies established by the Board of Directors. The President shall preside at annual or special membership meetings as well as directors' meetings.

Section 5. Vice President. The Vice President shall have all the powers and perform all the duties of the President in case of the temporary absence of the President or Secretary-Treasurer or in case of his temporary inability to act unless otherwise restricted by the Board. In case of the permanent absence or inability of the President or Secretary-Treasurer to act, the office of the President shall be declared vacant by the Board of Directors and a successor chosen by the Board.

Section 6. Secretary-Treasurer. The Secretary shall see that the minutes of all meetings of Members and of the Board of Directors are kept. The Secretary shall give or cause to be given required notice of all meetings of the Members and of the Board of Directors; shall have charge of all

books and records of the Corporation except the books of account; shall have possession of and shall affix the corporate seal when appropriate to documents; and in general shall perform all the duties incident to the office of Secretary of a Corporation and such other duties as may be assigned to him by the Board.

The Treasurer shall have general custody of all of the funds and securities of the Corporation and shall see to the deposit of the funds of the Corporation in such bank or banks as the Board of Directors may designate. Regular books of account shall be kept and the Treasurer shall render financial reports to the President, directors and members at proper times. The Treasurer shall have charge of the preparation and filing of such reports, financial statements, and returns as may be required by law, and the annual report designated in Article V below.

Section 7. Two Signatures Required; Surety Bond Required. It shall be required that all checks drawn on Association accounts or any promissory note or other instrument of indebtedness incurred by the Association shall require the signatures of two authorized Association officers. In addition, each such authorized officer shall be required give a surety bond in a sum determined by the Board of Directors from time to time, the cost of which shall be paid by the Association.

Section 8. Delegation of Duties. Whenever an officer is absent or whenever for any reason the Board of Directors may deem desirable, the Board may delegate the powers and duties of such officer to any other officer or officers or to any director or directors.

ARTICLE IV. COMMITTEES.

Section 1. Committees. The Board of Directors may at any time designate such special committees not having or exercising the authority of the Board of Directors in the management of the association as it may deem advisable, may fix the terms and duties of such committees, and at least one Board member will be appointed by the Board to serve on each committee.

Section 2. Nominating Committee.

A. Nominations by the Nomination Committee. The nominating committee shall be composed of three Members appointed by the Board of Directors to serve for staggered three-year terms, at least one of whom is a Board member. The Board member shall serve as the chairperson of the nominating committee. This committee shall be responsible for presenting at least one nominee for each position on the Board of Directors and committees. This committee shall interview all potential nominees and before presenting names in nomination shall have the consent of the nominee. No person's name shall be placed in nomination without that person's prior consent.

B. Nominations of Director Candidates by Owners. In addition to those nominees presented by the Nominating Committee, Owners may also nominate candidates for director as provided in this section. A nomination of a director candidate by the Owners shall be presented to the Nominating Committee on a written Petition signed by a minimum of fifteen percent of the then Owners. Only one director candidate may be nominated on a single Petition, and a separate Petition is required for each director candidate nominated by the Owners. All Petitions must be submitted to the Nominating Committee at least one week prior to the scheduled date for election of directors, and late Petitions shall be rejected by the Nominating Committee.

C. Ballot; No Nominations From the Floor. A prepared ballot of the director candidates presented by the Nominating Committee and by Petition(s) of the Owners shall be presented to the annual meeting of Members of the Corporation. Nominations from the floor will not be accepted.

Section 3. Indemnification. To the extent permitted by law:

A. The Corporation shall indemnify any person who was or is a party (or is threatened to be made a party) to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was an officer, directors, alternate directors, committee members, executive secretary, or employees, past and present, (all referred to as "Officers"), against expenses (including court costs, attorneys' fees, judgments, fines and amounts paid in settlement) incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation. The Officers shall not be liable to the Corporation or to any Lot Owner(s) for any mistake of judgment, negligence or otherwise, except that each shall be liable for his or her own individual willful misconduct or bad faith. Except to the extent that such liability is covered by insurance, the Corporation shall indemnify and hold harmless each of the Officers from and against all liability to others arising out of contracts made by Officers on behalf of the Corporation unless any such contract shall have been made in bad faith or contrary to the provisions of the Articles, Bylaws, or law. Officers shall have no personal liability with respect to any contract made by them on behalf of the Corporation. Every contract or other agreement made on behalf of the Corporation by Officers or shall, if obtainable, provide that the Officers are acting only as agents for the Corporation and shall have no personal liability thereunder.

B. The Corporation shall not be liable for any failure of supply of any utilities or services of any nature to be obtained by the Corporation, if any, or paid for as an Assessment, service charge or user fee, or for injury or damage to any person or property caused by natural elements or by any Lot Owner(s) or other person, or resulting from electricity, water, snow or ice. No diminution or abatement of any Assessments shall be claimed or allowed for any reason whatsoever, including (without limitation) inconvenience or discomfort arising from any action taken by the Corporation, any Officer(s), or any Lot Owner(s) to comply with any law, ordinance or other governmental regulation or order.

Section 5. Minutes and Records of Committees. A written record shall be kept of the proceedings and determinations of all special committees submitted to the Board at regular intervals.

Section 6. Notice of Committee Meetings. Notice of all committee meetings shall be given by the chairperson of the committee or the Secretary of the Corporation. Such notice shall be in writing and given by mail or personal delivery at least 24 hours' before the meeting.

Section 7. Committee Chairpersons. The Board member on each committee shall act as chairperson and is responsible to report committee actions to the Board of Directors.

Section 8. Additional Members. The chairman of any committee may invite additional individuals, including non-Board members, to meet with and assist such committee. Such individuals shall not be allowed to vote on committee decisions.

Section 9. Resignation and Vacancies. Any member of any committee may resign at any time by giving written notice of such resignation to the Board of Directors. A vacancy on any committee may be filled for the unexpired portion of the term by action of the Board of Directors.

Section 10. Quorum. A majority of the committee shall constitute a quorum for the transaction of business at any meeting of that committee.

ARTICLE V. GENERAL PROVISIONS.

Section 1. Criteria for Action by the Board of Directors and Officers. In the conduct of their activities on behalf of the Corporation, no member of the Board of Directors or any officer of the Corporation shall act so as to deny any person an appointment to the Board of Directors or any committee, any benefit, privilege or treatment on the basis of sex, race, creed, color or national origin,

or on any other arbitrary, capricious or discriminatory basis. Words used in these Bylaws shall be read as the masculine or feminine gender, and as the singular or plural, as the context requires.

Section 2. Annual Report. At the annual meeting, the Secretary-Treasurer shall prepare and the President shall submit to the membership, an annual report prepared by an outside person or firm reflecting the condition and operations of the Corporation.

Section 3. Fiscal Year. The fiscal year of the Corporation shall end on December 31st of each year.

Section 4. Offices. The offices of the Corporation shall be in rural Belle Fourche, South Dakota.

Section 5. Record of Members. The Secretary of the Corporation shall maintain a list of the Members of the Corporation, which shall be available for public inspection. This shall be the voting list of the membership.

Section 6. Repeal, Alteration or Amendment. These Bylaws may be amended, repealed or altered, or substitute Bylaws may be adopted, by the recommendation of the Board and approval of a majority vote of the Members at a Member meeting, provided that proper notice of the meeting stating the proposed changes to the Bylaws has been given. In no event may these Bylaws be amended without the consent of the Declarant so long as the Declarant is an Owner, and this provision is not subject to amendment or change without the Declarant's consent. Such altered or substitute Bylaws shall be filed of record in a written instrument as provided in the Declaration of Covenants, Conditions and Restrictions of Hat Ranch 2 Subdivision, as from time to time amended.

ARTICLE VI. APPURTENANCES

The above-described real property shall be held, sold and conveyed subject to the terms, conditions and obligations of these Articles of Incorporation and Bylaws, which shall run with the land and shall be binding on all parties having any right, title or interest in the property or any part hereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE VII. ASSESSMENTS, SERVICE CHARGES AND USER FEES

Section 1. Reference to Declaration: General Assessments, Special Assessments, Service Charges, and User Fees shall be determined, levied, enforced and collected as provided in the Declaration of Covenants, Conditions and Restrictions for Hat Ranch 2 Subdivision, which is incorporated herein by reference.

ARTICLE VIII. HEARING PROCEDURES

The Board will not impose a fine, suspend voting, or suspend any rights of an Owner or any other occupant of the Development for violations of rules and regulations or of the provisions and rules adopted by the Association unless the procedure below is followed:

Section 1. Demand: Written demand to cease the alleged violation will be served upon the alleged violator specifying:

- i. The alleged violation;
- ii. The action required to abate the violation; and,
- iii. A time period of not less than 10 days during which the violation may be abated without further sanction, if the violation is a continuing one, or a

statement that any additional similar violation may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.

Section 2. Notice. At any time within 12 months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate will serve the violator with written notice of a hearing to be held by the Board. The notice will contain the following:

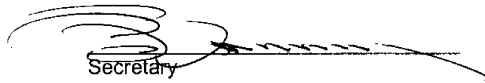
- i. The nature of the alleged violation;
- ii. The time and place of the hearing, which time will be not less than 1 to 10 days from the date of the notice;
- iii. An invitation to attend the hearing and produce any evidence on the Owner's behalf; and,
- iv. The proposed sanction to be imposed.

Section 3. Hearing. The hearing will be held pursuant to the notice, affording the Owner a reasonable opportunity to be heard. Proof of notice and the invitation to be heard will be placed in the minutes of the meeting. This proof will be deemed adequate if a copy of the notice, with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered the notice. The notice requirement will be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction, if any, imposed. Written and oral evidence may be presented. The presenting party will provide copies of any written evidence to the other party or parties. The decision of the Board will be final.

Section 4. Appeal. The Board may appoint a Hearing Committee to hear the matter. In that event, the above procedure will apply except that either party may appeal the decision of the Hearing Committee to the Board by written notice to the Hearing Committee, the other party, and the Board. The Board will consider the minutes of the hearing and report the decision of the Board within a reasonable period of time not exceeding 60 days after receipt of the notice. The decision of the Board will be final.

Section 5. Limits of Application of Procedures. Notwithstanding anything to the contrary, judicial proceedings must be instituted before any non-conforming or violating items of construction can be altered or demolished. The foregoing procedures will not be necessary to impose any sanction or penalty for nonpayment of a delinquent Assessment, General or Special, Service Charge or User Fee.

I HEREBY CERTIFY that the foregoing are the Bylaws of Hat Ranch 2 Homeowners Association, Inc. adopted by the incorporators thereof duly assembled on the 21st day of March, 2006.


Secretary