

ARTICLE VI: Owners' Association

The Association is responsible for maintaining the Residential Neighborhood and enforcing the Declaration. While the Founder will control the Association during the early development stage, the owners themselves will be responsible for the continuation of the community through their participation in the Association.

The Articles and Bylaws of the Association, which create the Association as a non-profit corporation and provide certain procedures for its corporate organization, are attached as exhibits to this Declaration.

6.1 Duties. The Association shall develop, maintain, repair and replace, if necessary, the Commons, and any and all improvements thereon, and shall enforce the terms of this Declaration, and shall perform all other duties required by this Declaration or by State of Montana law, by the City of Missoula and by other government entities having jurisdiction. Additionally, the Association shall have the right to maintain easements or public rights of way if deterioration of the public rights of way and boulevards or easements would affect the appearance of or access to the Residential Neighborhood.

6.2 Additional Powers. To the extent permitted by governmental authorities, the Association may, but is not obligated to, provide other services allowed by law to be provided by a homeowners' association organized under Montana law. As determined by the Board depending upon the nature of the service, such additional services may be part of the common expenses of the Association, may be assessed as an Individual Parcel Assessment to affected Parcels, or may be provided on a fee-for-service or other reasonable basis. If requested by petitions signed by at least 40% of the Members, a Neighborhood Meeting may be called and, if a quorum is present, the Board's action to initiate or terminate an additional service under this Section 6.2 shall be repealed by majority vote of the Members.

6.3 Contracts. The Association may contract with any party for the performance of all or any portion of the management responsibilities of the Association and its development, maintenance and repair obligations. The cost of the contract shall be included within the General Assessment, Special Assessment or Individual Parcel Assessment as applicable. The Association may require that Owners contract for certain routine yard maintenance, in order to provide a uniform level of care. The terms and conditions of all such contracts shall be at the absolute discretion of the Board.

6.4 Membership. Every Owner shall be a mandatory Member of the Association. Membership shall be appurtenant to and may not be separated from title to any Parcel.

6.5 Voting Rights. Each Member shall have a proportional vote based on the allocation of interests under Section 6.6, subject to the Founder's rights under Section 6.7 ("Founder's Selection of Initial Board").

6.6 Exercise of Vote. (a) Calculation and Exercise of Vote. When more than one person holds an interest in any Parcel, all such persons shall be Members. However, each Parcel shall be entitled to exercise only one vote and the number of votes for that Parcel shall not be increased under any circumstance. Additionally, the Members must determine among themselves how the Parcel's vote may be exercised. Corporations, partnerships and other entities shall notify the Association of the natural person who shall exercise its vote. To the greatest extent permitted by law, the Association may institute voting by electronic or other means. The foregoing provisions are expressly subject to the following provisions relating to the Residential Neighborhood Center Zone.

(b) Notwithstanding the provisions of paragraph 6.6(a) above or any other provision of this Declaration, only the owners of Parcels dedicated to commercial use located within the Residential Neighborhood Center Zone shall have the right to vote on any matter relating to the future use of such Parcels, including, but not limited to, hours of use and the nature of business enterprises permitted thereon. Provided, furthermore, no vote of the general membership of the Residential Neighborhood Association or of the Parcels designated for commercial use within the Residential Neighborhood Center Zone, shall result in the levy of a general or special assessment upon any Parcel therein to exceed the percent of assessment for commercial use set forth in paragraph 9.2(b) hereof. Provided, however, that those Parcels dedicated to commercial use in the Residential Neighborhood Center Zone may not amend this Declaration or the Master Plan or Master Deed Restrictions in any manner which abrogates any restriction contained therein, which limits the size of the facility housing the commercial enterprise or which prohibits or restricts the establishment of certain kinds of business enterprises to be conducted thereon or therein.

6.7 Election of Board of Directors.

(a) Procedure. Elections shall be conducted in accordance with the Bylaws.

(b) Initial Composition. The Board shall initially consist of at least three persons who shall be originally appointed by the Founder, who shall also have the right to appoint, remove and replace the initial officers of the Association.

(c) Later Composition. The Founder's right to appoint, remove and replace the initial officers and members of the Board shall be in force and effect until sixty days after all of the buildings indicated by or permitted under the Master Plan have been completed and conveyed to owners other than the Founder or the builder. When used in this paragraph, "buildings" shall include both detached buildings and Residential Units, but not outbuildings. The Founder may voluntarily surrender all or a portion of its reserved rights to appoint and



remove and replace officers and members of the Board before termination of the control period, in which case the Founder reserves the right to record an instrument specifying that, until the time Founder would have otherwise been required to end control of the Board, certain actions of the Association or Board must be approved by the Founder before they become effective. Additionally, once the Founder surrenders the reserved right to appoint, remove and replace officers and members of the Board, the Board shall determine, from time to time, the number of directors which shall be permitted, which shall no fewer than three and no more than nine.

6.8 Contracts. The Residential Neighborhood Association may contract with any party for the performance of all or any portion of the management of the Residential Neighborhood Association and its maintenance and repair obligations. The cost of the contract shall be included within the General Assessment, Zone Assessment, Special Assessment or Individual Unit Assessment as applicable.

6.8 No Compensation for Directors. Directors shall receive no compensation for their services unless expressly provided for in resolutions adopted by the Members, but may be reimbursed for expenses.

6.9 Additional Provisions. Additional provisions concerning the operation of the Association and the Board are contained in the Articles and Bylaws.

ARTICLE VII: Decision Making

Most day-to-day decisions about the maintenance of the Neighborhood and enforcement of the Declaration are the responsibility of the Board, acting on the Members' behalf. For those decisions requiring Members' approval, the Neighborhood Meeting provides a public opportunity for discussion and voting. Where more practical, consensus may be achieved through the internet and other forms of electronic communication which may be devised in the future..

7.1 Neighborhood Meeting.

(a) When called. The Neighborhood Meeting shall be called annually for the election of members of the Board, and whenever any action is required by this Declaration to be taken by vote or assent in writing of the Members. As a convenient reference and not as a limitation, actions requiring a vote of the Members, or assent in writing, include the following:

Repeal of Additional Services Section 6.2
Election of the Board of Directors Pursuant to the Bylaws Section 6.7

Approval of General Assessments when increased more than 15%	Section 8.4
Ratification of expenditures for capital improvements	Section 8.6
Approval of Zone expenses	Section 8.7
Repeal of Rules and Regulations adopted by the Board	Section 11.7
Amendment of Declaration	Section 13.1
Dedication of the Commons	Section 13.2
Termination of the Declaration	Section 13.4

(b) Quorum. Voting at a Neighborhood Meeting requires presence of members representing the percentage of votes necessary to transact business. The necessary percentage is determined by the Bylaws, and if permitted by the Bylaws and by statute, the Board may revise this percentage from time to time.

(c) Notice. Notice of the meeting must be given to Members in accordance with Section 14.5 ("Notices") and in accordance with the Bylaws. Notice of meetings shall also be posted in at least one place within the Commons.

(d) Proxies; Electronic Voting. To the extent allowed by the Bylaws and statute, proxies and limited proxies may be used to establish a quorum and for voting purposes. To the extent allowed by law and in accordance with procedure which may be adopted in the Bylaws, a quorum may be evidenced, and votes may be cast, by electronic means.

7.2 Action without Meeting. If permitted by the Board, the membership may approve any matter (specifically including the election of directors) by a written vote conducted by mail, by electronic ballot, or by written consent without a meeting. Notice may be waived in the event of an emergency. Voting or consents shall be in accordance with the Bylaws and statute. Wherever used in this Article, "electronic means" or "electronic ballot" shall specifically include e-mail and, upon approval of the Board, other similar means of communication which may be developed in the future.

7.3 Board Meetings.

(a) Board's Responsibility. Except as specifically provided in this Article or elsewhere in this Declaration, the Board has been delegated the power, and shall have the authority to act on behalf of the Association and to make all decisions necessary for the operation of the Association, the enforcement of this Declaration and the care of the Commons.

(b) Quorum. Voting at a Board meeting requires presence of at least one-half of the directors, in person or telephone conference. If permitted by law, any action required to be taken by vote of the Board may be taken in the absence of a meeting (or in the absence of a quorum at a meeting) by obtaining the written approval of a majority of the Board. With the approval of all directors, meetings may be conducted by electronic means.

7.4 Record Keeping. The Board shall keep a record of all meetings, both of the Board and of the Association. For each action taken, the record shall state the vote and a description of the action approved, and, where applicable, the reasons why the action was considered necessary and a summary of the information on which the decision was based. The record shall be available for inspection by any Member.

7.5 Approval. Wherever used in this Declaration, approval by a majority or other proportion of the Members refers to a vote in accordance with this Article, either at a properly called Neighborhood Meeting or through a voting procedure established under Section 7.2. Where the Declaration specifies consent in writing, or request in writing, by a majority or other proportion of all Members, then the necessary number is based on the number of votes represented by the total Membership of the Association, and signatures may be collected without a Neighborhood Meeting or other voting procedure.

ARTICLE VIII:

Association Budget

To fulfill its obligation to maintain the Commons, the Board is responsible for the fiscal management of the Association.

8.1 Fiscal Year. The fiscal year of the Association shall begin January 1 of each year and end on December 31 of that year, unless the Board selects a different fiscal year.

8.2 Budget Items. The budget shall estimate total expenses to be incurred by the Association in carrying out its responsibilities. These expenses shall include, without limitation, the cost of wages, materials, insurance premiums, services, supplies and other expenses for the rendering of all services required by this Declaration or properly approved in accordance with this Declaration. The budget may also include reasonable amounts, as determined by the Board, for working capital for the Association and for reserves. If the Commons are taxed separately from the Parcels, the Association shall include such taxes as part of the budget. Fees for professional management of the Association, accounting services, legal counsel and other professional services may also be included in the budget.

8.3 Reserves. The Association may build up and maintain reserves for working capital, contingencies and replacement, which shall be included in the budget and collected as part of the annual General Assessment. Extraordinary expenses not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except in the event of an emergency, reserves accumulated for one purpose may not be expended for any other purpose unless approved by a majority vote of the Members. If the reserves are inadequate for any reason, including nonpayment of any Member's assessment, the Board may at any time levy an emergency assessment in accordance with the provisions of Section 10.4 ("Special Assessment"). If there is an excess of reserves at the end of the fiscal year and the Board so determines, the excess may be returned on a pro rata basis to all Members who are current in payment of all assessments

due the Association, or may be used to reduce the following year's assessments, at the Board's discretion.

8.4 Preparation and Approval of Annual Budget.

(a) Initial Budget. The Founder shall determine the budget for the fiscal year in which a Parcel is first conveyed to an Owner other than the Founder, which budget shall provide for the cost associated with the initial development and maintenance of the Commons.

(b) Subsequent Years. Beginning with the year in which a Parcel is first conveyed to an Owner other than the Founder and each year thereafter, at least one month before the end of the fiscal year, the Board shall, by majority vote, adopt a budget for the coming year and set the annual General Assessments at a level sufficient to meet the budget. At least two weeks before the fiscal year to which the budget applies, the Board shall send to each Member a copy of the budget in reasonably itemized form, which shall include the amount of General Assessments payable by each Member.

(c) Approval. If General Assessments are to be increased to greater than 115% of the previous year's General Assessment which previous year was not a year in which General Assessments were determined in whole or in part by Founder, and petitions signed by at least 20% of all Members request review within thirty (30) days after the budget is delivered to Members, the Board shall call a Neighborhood Meeting to present the budget and to answer any questions. After presentation, the budget shall be deemed approved unless the percentage required to transact business is present and the budget is rejected by a majority of the Members entitled to vote thereon. If the budget is rejected, the Board shall approve a new budget within ten (10) days and send a copy to each Member.

8.5 Effect of Failure to Prepare or Adopt Budget. The Board's failure or delay in preparing or adopting the annual budget for any fiscal year, or review of the budget under paragraph 8.4 (c), shall not waive or release a Member's obligation to pay General Assessments whenever the amount of such assessments is finally determined. In the absence of an annual Association budget each Member shall continue to pay the assessment at the rate established for the previous fiscal period until notified otherwise.

8.6 Capital Improvements. Once the Commons have been developed, any substantial capital improvement to the Commons approved by the Board must be ratified by a majority of the Members. If the substantial capital improvement is approved by the Members, the Board shall determine whether it shall be paid from General Assessments or by Special Assessment. A capital improvement shall be considered substantial if the cost to the Association of the improvement is more than six percent (6%) of the Association's annual budget, or if, when added to other capital improvements for the fiscal year, totals more than



7.4 Record Keeping. The Board shall keep a record of all meetings, both of the Board and of the Association. For each action taken, the record shall state the vote and a description of the action approved, and, where applicable, the reasons why the action was considered necessary and a summary of the information on which the decision was based. The record shall be available for inspection by any Member.

7.5 Approval. Wherever used in this Declaration, approval by a majority or other proportion of the Members refers to a vote in accordance with this Article, either at a properly called Neighborhood Meeting or through a voting procedure established under Section 7.2. Where the Declaration specifies consent in writing, or request in writing, by a majority or other proportion of all Members, then the necessary number is based on the number of votes represented by the total Membership of the Association, and signatures may be collected without a Neighborhood Meeting or other voting procedure.

