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ARTICLE VIII: | *To fulfill its obligation to maintain the Commons, the Board is responsible for the fiscal management of the Association.*
Association Budget

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



ten percent (10%) of the Association's annual budget. However, the cost associated with the initial development of the Commons and any repair or replacement of existing improvements shall not be considered a capital improvement. Approval of Hellgate Meadows Architectural Review Board is required for all substantial capital improvements. This section shall not limit the right of the Founder to impose requirements for the initial development of the Commons.

8.7 Zone Expenses.

(a) Capital Improvements. Any Zone may, by two-thirds (2/3) vote of the Members within that Zone and approval of the Board, vote to assess themselves for capital improvements to Commons which will primarily benefit that Zone.

(b) Additional Services. Any Zone may, by majority vote of the Members within that Zone and approval of the Board, vote to assess themselves for maintenance or services in addition to those normally provided by the Association.

(c) Combined Zones; Smaller Groups. Zones may be combined or join together for such assessments. If more than one Zone is to vote, the Board shall determine whether approval and assessment is to be by Zone or by the combined group of Zones. If a group smaller than a Zone wishes to be assessed for capital improvements or services, all of those being assessed must agree to the assessment.

(d) Assessment Levy. Any assessment so approved shall be assessed to all Owners within that Zone or designated group as an Individual Parcel Assessment.

8.8 Accounts. Reserves shall be kept separate from other Association funds, either in a single account for all reserves or separated by purpose. All other sums collected by the Board with respect to Assessments and charges of all types may be commingled in a single fund.

ARTICLE IX:
Allocation of
Expenses

The Declaration provides a formula for allocating interests among the Parcels for assessment of common expenses.

See 2014 revision of all of ARTICLE IX.

9.1 Generally. The common expenses of the Association shall be allocated among the Parcels in accordance with the relative values described in Section 9.2. The fractional allocation of the common expenses of the Association may be calculated for each Parcel by dividing the value assigned that Parcel by the sum of the values of all Parcels within the Neighborhood.

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9.2 Residential and Mixed Uses. Each Parcel shall be assigned a value which is based on the following calculations conducted in accordance with paragraph 9.6 hereof.

(a) Residential Uses. Residential uses shall be assigned a value equal to 0.1 for each 100 square feet of gross occupied square footage, as defined in paragraph 9.6 hereof. Any garage or permitted non-occupied outbuildings on the Parcel shall be excluded in making the calculation.

(b) Commercial Use. Any Parcel which has a commercial use shall be assigned a value equal to 0.2 for each 100 square feet of gross occupied square footage, as defined in paragraph 9.6 hereof.

(c) Mixed-Use. A single Parcel may have both a residential use and a commercial use and be assessed for both uses. The actual amount of assessment in circumstances of dual use shall be determined by the Association in accordance with the rules established pursuant to paragraph 9.6(b) hereof. A home-based occupation which does not advertise to the general public or have signage on any street, other than an alley, shall be subject to the residential and not to the commercial use value.

9.3 Special Use Parcels. Assessments for Special Use Parcels shall be determined by the Founder based on the anticipated use of the parcel.

9.4 Unimproved Lots. Unimproved Lots shall be assigned a value of 0.25. Upon substantial completion of improvements, the value shall be changed as provided in Section 9.2. If the Founder or an Owner combines two Lots or parts of Lots and uses them as a single Lot, the Association may assess them as a single Lot or other formula in accordance with regulations consistently applied.

9.5 Exempt Parcels. Parcels which are used by non-profit entities primarily for the benefit of residents of the Neighborhood may have a zero allocation. The Founder may grant such exempt status of record at any time up to and including the time of conveyance of the parcel to someone other than the Founder. Once granted, such exempt status shall continue so long as the use of the Parcel remains substantially the same. The Association also has the authority to grant exempt status for qualified entities upon terms and conditions established by the Association.

9.6 Definition of Gross Occupied Square Footage.

(a) Space to be Included. For purposes of calculating the allocation of expenses, residential gross occupied square footage shall include all heated or air-conditioned space, measured to the center of the exterior walls, but for Parcels used solely for residential purposes shall exclude garages and permitted non-occupied outbuildings. Residential facilities constructed above garages or which otherwise exist as accessory dwelling units,

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shall include all heated or air conditioned space used for residential purposes in determining residential gross occupied square footage, but shall exclude that portion of the structure used for vehicle storage, etc. Commercial gross occupied square footage shall include all space which may be used for commerce, office, storage and other support areas for the commercial use, but shall not include any space occupied for residential use or any stairwells or walkways used primarily to access residential space. At the discretion of the Association, decks and other un-airconditioned space which are used on a regular basis for commerce may also be considered as part of the square footage and assessed at a reduced rate, depending on use. Space occupied within a commercial building for residential use or access shall be calculated utilizing the residential standards set forth above.

(b) Determination by Association. The amount and category of assessed gross occupied square footage for a particular Parcel shall be as determined by the Association in its reasonable discretion. The Association may establish further rules for the definition and calculation of gross occupied square footage, the rounding of square footage to the nearest 100 square feet, assessment of unimproved lots other than those owned by the Founder which shall never be assessed for more than the value set forth in paragraph 9.4 above, determination of residential and commercial use or combinations thereof, and other matters relating to assessment. The Association's agent may enter and examine Buildings at reasonable times for assessment purposes. An Owner shall have the right to a hearing before the Association to appeal an assessment evaluation; however, the decision of the Association after appeal is final.

9.7 Additional Property. If Parcels of substantially different size or use are created within Additional Property, the Founder may by Supplemental Declaration establish a different relative value for those Parcels based on a reasonable determination of the expected usage levels consistent with the determination for other properties within the Neighborhood. If individual Residential Units which are within primarily commercial portions of the Master Plan Area are added and the property surrounding such units is not added, the amount of assessments to be paid by such units may be reduced, based upon a reasonable estimate of the units' usage of the Commons.

ARTICLE X:
Covenants for Maintenance
Assessments

The cost of fulfilling the Association's financial obligations is divided equitably among the Members by means of Assessments. To assure the Association of a reliable source of funds and to protect those Members who contribute their equitable share, assessments are mandatory and are secured both by a lien on the lot and the Member's personal obligation.

10.1 Obligation for Assessments. The Founder, for each Parcel owned within the property submitted by this Declaration or Supplemental Declaration to the Neighborhood, hereby covenants, and each Owner of any Parcel by acceptance of a deed or other transfer

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instrument, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association the following (to be known collectively as "Assessments"):

- (a) General Assessments for expenses included in the budget,
- (b) Special Assessments for the purposes provided in this Declaration, and
- (d) Individual Parcel Assessments for any charges particular to that Parcel,

together with a late fee and interest, as established by the Board, and cost of collection when delinquent, including a reasonable attorney's fee whether or not suit is brought. Upon default in the payment of any one or more installments, the Board may accelerate the entire balance of such Assessment, which shall be declared due and payable in full.

10.2 Allocation of Common Expenses. Expenses shall be allocated among the Parcels as provided in Article IX ("Allocation of Expenses"). The Founder shall be excused from payment of assessments if the Founder guarantees to Parcel owners that their Assessments during the "Guarantee Period," as defined below, shall not exceed the amounts shown in the then-current estimated operating budget. If the Founder offers such a guarantee, the Founder agrees to pay any Common Expenses incurred during the Guarantee Period which exceed the amount produced by Assessments during that time. The "Guarantee Period" may begin at Founder's discretion at any time within the first three years after the recording of this Declaration in the public records of Missoula County, Montana and shall end at the beginning of the next fiscal year. The Guarantee Period shall then be automatically extended for successive six-month periods up to an additional five years unless terminated upon written notice by the Founder to the Association at least 30 days before the end of the then-current Guarantee Period. During the Guarantee Period, the General Assessments may be increased by up to 15% per year.

10.3 General Assessments.

(a) Establishment by Board. The Board shall set the date or dates such assessments become due and may provide for collection of assessments annually or in quarterly or semiannual installments.

(b) Date of Commencement. The annual General Assessments shall begin on the day of conveyance of the first Parcel to an Owner other than the Founder. The initial Assessment on any Parcel subject to assessment shall be collected at the time title is conveyed to the Owner. During the initial year of ownership, each Owner shall be responsible for the pro rata share of the annual General or Special Assessment charged to each Parcel, prorated to the month of closing.



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10.4 Special Assessment. In addition to the General Assessment for the development and maintenance of the Commons, the Board may levy in any fiscal year a Special Assessment applicable to that year and not more than the next four succeeding years as follows:

(a) Capital Improvements. Once the Commons has been developed, any substantial capital improvement which has been approved in accordance with Section 8.6 ("Capital Improvements") or any capital improvement not required to be approved by the Members may be paid by Special Assessment.

(b) Emergency Assessment. By a two-thirds (2/3) vote, the Board may impose a Special Assessment for any unusual or emergency maintenance or repair or other expense which this Declaration or the law requires the Association to pay (including, after depletion of reserves, any unexpected expenditures not provided by the budget or unanticipated increases in the amounts budgeted).

10.5 Individual Parcel Assessments. The Association may levy at any time an Individual Parcel Assessment against a particular Parcel for the purpose of defraying, in whole or in part, the cost of any special services to that Parcel, for expenses approved by that Zone in accordance with Section 8.7, or any other charges designated in this Declaration as an Individual Parcel Assessment.

10.6 Capital Contribution; Transfer Fee. *See 2014 Revision of 10.6.*

(a) Initial Closing. At the closing and transfer of title of each Parcel to the first Owner other than the Founder or the builder, the Owner shall contribute an amount equal to three months assessments. This contribution shall be deposited in the general funds of the Association for start-up expenses of the Association and for working capital for the Association, and shall not be considered as a pre-payment of assessments.

(b) Subsequent Closings. At each subsequent closing and transfer of title, the new Owner shall pay five hundred dollars (\$500), which amount shall be increased in accordance with cost of living increases, which shall be collected by the Association in a separate fund for the benefit of the Residential Neighborhood's Commons and, if it chooses, enhancement of the Common Area(s). The transfer fee shall not be paid by a Mortgagee who assumes title as the result of a foreclosure or deed in lieu, but shall be paid upon the conveyance by the Mortgagee to a subsequent Owner.

10.7 Effect of Nonpayment of Assessment; Remedies

(a) Personal Obligation. All Assessments, together with any late fee, interest and cost of collection when delinquent, including a reasonable attorney's fee whether or not suit is brought (collectively, the "Assessment Charge") shall be the personal obligation of the person or entity who was the Owner of the Parcel at the time when the assessment was levied, and of each subsequent Owner. No Owner may waive or otherwise escape liability for the Assessment Charge by abandonment of the Parcel.

(b) Creation of Lien. The Assessment Charge shall also be charged on the land and shall be a continuing lien upon the Parcel against which the Assessment Charge is made, which may be enforced upon recording of a claim of lien. This lien, in favor of the Association, shall secure the Assessment Charge which is then due and which may accrue subsequent to the recording of the claim of lien and prior to entry of final judgment of foreclosure. Any subsequent owner of the Parcel shall be deemed to have notice of the Assessment Charge on the land, whether or not a lien has been filed.

(c) Suit for Payment; Foreclosure of Lien. The Association may bring an action at law against the Owner personally obligated to pay the Assessment Charge, or may foreclose the lien in a manner similar to foreclosure of a mortgage lien, or both. The Association, acting on behalf of the Owners, shall have the power to bid for an interest in any Parcel foreclosed at such foreclosure sale and to acquire, hold, lease, mortgage and convey the Parcel.

(d) Other Remedies. The Association shall have the right to assess fines and suspend the voting rights and right to use of the Commons by an Owner for any period during which any Assessment against his Parcel remains unpaid.

10.8 Certificate of Payment. The treasurer of the Association, upon request of any Owner, shall furnish a certificate signed by a member of the Board stating whether any assessments are paid to date by that Owner. Such certificate, when co-signed by the secretary of the Association, may be relied upon by a good faith purchaser or mortgagee as conclusive evidence of payment of any assessment therein stated to have been paid.

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