

DECLARATION

for

DRAGON FLY CONDOMINIUM

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CERTIFICATE OF NAME

The undersigned being the duly authorized agent of the Department of Revenue of the State of Montana within the County of Gallatin, herewith executes the following certificate relating to the DRAGON FLY CONDOMINIUM, situated as follows:

Lot 208 of Valley West Subdivision - Phase 3A to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder, Gallatin County, Montana. (Plat No. J-421).

1. That the name DRAGON FLY CONDOMINIUM, is not the same as, similar to or pronounced the same as a word in the name of any other property or subdivision within Gallatin County, except for the word "Condominium", and
2. All taxes and assessments due and payable for the said DRAGON FLY CONDOMINIUM, have been paid to date.

Dated: _____

County Assessor

CERTIFICATE OF FLOOR PLAN

The undersigned, being a duly registered professional architect in the State of Montana, herewith certifies the following:

That the floor plans for the DRAGON FLY CONDOMINIUM, situated on Lot 208 of Valley West Subdivision - Phase 3A to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder, Gallatin County, Montana (Plat No. J-421) as duly filed with the Declaration and Bylaws thereof, fully and accurately depict the layout, location, unit designation and dimensions of the DRAGON FLY CONDOMINIUM as of this date, and that such floor plans are an accurate copy of the condominium units as built.

Dated: _____

Brian Caldwell
Registered Professional Architect
Number: _____

**DECLARATION FOR
DRAGON FLY CONDOMINIUM**

THIS DECLARATION is hereby made and entered into this _____ day of _____, 2009, by ANDERS LEWENDAL CONSTRUCTION, INC. of 4020 Graf Street, Bozeman, Montana 59715, hereinafter referred to as "Declarant," whereby the lands and property hereinafter described are submitted to the provisions of Chapter 23, Title 70, MCA, also known as the "Unit Ownership Act" as a condominium.

The property subject to this Declaration shall be known as the DRAGON FLY CONDOMINIUM. The current address of DRAGON FLY CONDOMINIUM is 4276 Cascade Street, Bozeman, Montana 59718, subject to the expansion provisions set forth in Paragraph IV below.

I.

DEFINITIONS

Unless the context expressly provides otherwise, the following definitions shall pertain throughout this Declaration and in the interpretation thereof:

1. Aggregate Voting shall mean the entire number of votes or persons present or available to vote in person or by proxy in a particular circumstance.
2. Association or Dragon Condominium Owners Association shall mean all of the Unit Owners acting as a group and in accordance with duly adopted Bylaws and this Declaration.
3. Board or Board of Directors shall mean the Board of Directors of the Association as more particularly defined in the Bylaws.
4. Building shall mean a multiple Unit building or buildings comprising a part of the property.
5. Bylaws shall mean the Bylaws promulgated by the Association under this Declaration and the Unit Ownership Act.
6. Common Elements shall mean both General Common Elements and Limited Common Elements.

a. General Common Elements include all those elements which are for the use of all Unit Owners and guests of Unit Owners of DRAGON FLY CONDOMINIUM.

Specifically included are: grounds surrounding the building, the land on which the buildings are located, paths, sidewalks and walkways, any portion of the parking areas not specifically allocated to a particular Unit, any irrigation system placed on the property for landscape maintenance, any portions of the buildings designated on the floor plans as common to all Units, electrical, gas, telephone, water and sewer lines and connections serving all of the Units, landscaping, plants and other materials and improvements separate from and outside of the buildings containing the Units, and other elements necessary for the safety, maintenance and existence of DRAGON FLY CONDOMINIUM in which each Unit Owner shall have his or her designated percentage of interest, as set forth in Paragraph IV below.

b. Limited Common Elements as used in this Declaration shall mean those Common Elements which are reserved for the use of fewer than all of the Owners and guests of

Unit Owners of DRAGON FLY CONDOMINIUM, to the exclusion of other such Owners and guests. As to any given Unit Owner or Owners, Limited Common Elements shall mean the Common Elements which are located within or affixed to the building containing his or her Unit, and which are for the use of the Unit Owners and guests of that Unit in which the elements are located or situated on the real property known as DRAGON FLY CONDOMINIUM.

Specifically included are: Flues, chimneys, ducts, cables, conduits, public utility lines, water, sewer, electrical, gas, cable television lines, hot and cold water pipes (all such utility pipes and lines are Limited Common Elements where they service only one or two Units; where they service all Units, they shall be General Common Elements), stairways, balconies, entrances, stoops, furnaces, patios, decks, garages, driveways, boilers, hot water tanks, and fixtures, or other portions of the building servicing only a particular Unit or less than all of the Units. The percentage of the separate Unit's interest in the Limited Common Elements shall be computed by determining the number of Units that have use of the Limited Common Elements and dividing that number into the total value of those Limited Common Elements.

7. Common Expenses shall mean expenses of administration, maintenance, repair or replacement of General Common Elements, expenses agreed upon as common by the Association of all Unit Owners, and expenses declared common by the Unit Ownership Act.
8. Declaration shall mean this document and all parts attached thereto or incorporated by reference.
9. Limited Expenses shall mean the expenses attributable to the maintenance, repair and replacement of Limited Common Elements, and are expenses only for Owners of Units within the respective building for which the expenses are accrued.
10. Manager shall mean the manager, the Board of Directors, management corporation, or any other person or group of persons retained or appointed by the Association of Unit Owners for the purpose of conducting the day-to-day operations of DRAGON FLY CONDOMINIUM.
11. Property shall mean the land, buildings, improvements and structures thereon, and all easements, rights and appurtenances belonging thereto, which are herewith submitted to the provisions of the Unit Ownership Act.
12. Recording Officer shall mean the county officer charged with the duty of filing and recording deeds, mortgages and all other instruments or documents relating to this Declaration and the property which is its subject.
13. Unit shall be the separate condominium Units of DRAGON FLY CONDOMINIUM and is a parcel of real property including and containing one or more rooms occupying one or more floors or a part or parts thereof, intended for any type of independent use, and with a direct exit to a public street or highway or to a common area or areas leading to a public street or highway.
14. Unit Designation shall mean the combination of letters, numbers, or words which identifies the designated Units. [Units shall be designated by Unit number and letter as Units 4276A, 4276B, 4276C, and 4276D subject to the expansion provisions set forth below].

15. Unit Owner or Owners shall mean the person or persons owning a fee simple absolute, or one who is a co-owner in any real estate tenancy relationship that is recognized under the laws of the State of Montana, in one or more Units of DRAGON FLY CONDOMINIUM.

II.

REAL ESTATE

Description

The property which is by this Declaration submitted and subject to the Montana Unit Ownership Act is described as follows:

Lot 208 of Valley West Subdivision - Phase 3A to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder, Gallatin County, Montana. (Plat No. J-421).

The condominium Units in Phase I of DRAGON FLY CONDOMINIUM shall consist of four (4) separate Units, numbered 4276A, 4276B, 4276C, and 4276D, subject to the expansion provisions of paragraph IV below.

The provisions of this Declaration and the Bylaws shall be construed to be covenants running with the land, and shall include every Unit and shall be binding upon the Unit Owners, their heirs, successors, personal representatives and assigns for as long as this DRAGON FLY CONDOMINIUM Declaration and Bylaws are in effect.

Condominium Units

Each Unit, together with the appurtenant undivided interest in the Common Elements of DRAGON FLY CONDOMINIUM, shall together comprise one condominium unit, shall be inseparable, and may be conveyed, leased, rented, devised or encumbered as a condominium unit. The Units comprising the condominium are currently contained in one (1) building, subject to the expansion provisions of paragraph IV below.

Encroachments

If any portion of the General Common Elements or Limited Common Elements encroaches upon a Unit or Units, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall and does exist. If any portion of any Unit encroaches upon the General Common Elements, or Limited Common Elements, or upon an adjoining Unit or Units, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall and does exist. Such encroachments and easements shall not be considered or determined to be encumbrances either on the General Common Elements, the Limited Common Elements, or on the Units for the purpose of marketability of title.

Parking Areas

The Limited Common Elements include areas in the garage(s) for each Unit as shown on the Site Plan. The right to use the garage space for each Unit shall be an appurtenance to that Unit.

Subsequent use and assignment of additional parking spaces shall be pursuant to regulation of the Association; provided that no change in designation of parking spaces shall be made for the benefit of any Unit Owner which discriminates against another Unit Owner without the latter's consent.

Unit Boundaries

Each Unit shall include the part of the building containing the Unit that lies within the boundaries of the Unit, which boundaries are as follows:

- a. Upper and Lower Boundaries: the upper and lower boundaries of the Unit shall be the following boundaries extended to an intersection with the perimetrical boundaries:
 1. Upper Boundary: the plane of the lowest surfaces of the ceiling joists of the uppermost floor for all Units.
 2. Lower Boundary: the plane of the highest surface of the floor joists of the lowest floor for all Units.
- b. Perimetrical Boundaries: the perimetrical boundaries of the Unit shall be the following boundaries extended to an intersection with the upper and lower boundaries;
 1. Exterior Building Walls: the plane formed by the center line of the exterior walls of the buildings except that such boundary shall be extended so as to include within it all windows in the Unit.
 2. Interior Building Walls: the vertical planes of the centerline of the walls bounding a Unit extended to an intersection with other perimetrical boundaries. Where walls between Units are of varying thicknesses, the plane of the centerline of a boundary wall shall be the median line drawn between the two outermost boundaries of such wall.

The garages shown on the plans shall be considered as part of the Units to which said garages are attached.

III.

EASEMENT, COMMON ELEMENT--INTERIOR REMODELING

Common Element Easements

A nonexclusive right of ingress, egress and support through the Limited Common Elements within the buildings is appurtenant to each Unit, and all of the General Common Elements are subject to such rights.

Easement for Utilities

Each Unit may have its air space penetrated by electrical wires and lines, gas lines, mechanical equipment including air handling ducts, hot and cold water lines, waste water lines and vents and other utility and mechanical lines, pipes or equipment. A non-exclusive easement shall exist through, over and across each Unit for inspection, installation, maintenance, replacement and repair of such utility lines and mechanical equipment for the use of all of the Unit Owners or the Unit Owners being serviced by the air space being penetrated by such lines and/or equipment to a minimum, ingress and egress for the purpose of such inspection, installation, maintenance, replacement or repair of such easement rights shall only be done under the direction and approval and with the authority of the Owners Association and/or the Manager unless an emergency exists in which event any action may reasonably be taken which is justified under the circumstances to minimize damage which would otherwise occur as a consequence of such emergency.

Interior Remodeling

Each Unit Owner shall have the exclusive right to paint, repaint, tile, wax, paper, panel, carpet, brick or otherwise

maintain, refinish and decorate the inner surfaces of the walls, ceilings, floors, windows and doors bounding his or her own Unit, and the interior thereof, so long as such Owner does not affect the structural integrity of the building in which his or her Unit is located.

IV.

OWNERSHIP AND VOTING - EXHIBITS - USE

Percentage of Interest

Each Unit Owner shall be entitled to the exclusive ownership, use and possession of his or her Unit. Additionally, each Unit Owner shall have a percentage of undivided interest in the General Common Elements of DRAGON FLY CONDOMINIUM. Such percentage represents his or her ownership interest in the General Common Elements and his or her liability for Common Expenses. The percentage of interest in the General Common Elements for the respective Owners shall be computed by taking the square footage of each Unit at the date of filing this Declaration and dividing it by the total square footage of all the Units having an interest in the General Common Elements of DRAGON FLY CONDOMINIUM. Such percentage of interest owned by each of the Units in DRAGON FLY CONDOMINIUM shall be according to the percentages set forth below:

<u>UNIT NO.</u>	<u>SQUARE FOOTAGE</u> [†]	<u>PERCENTAGE OF INTEREST IN GENERAL COMMON ELEMENTS*</u>
4276A	1444 [†]	25.3%*
4276B	1446 [†]	25.3%*
4276C	1446 [†]	25.3%*
4276D	1374 [†]	24.1%*
TOTAL	5710	100.00%*

*Subject to the expansion provisions below.

[†] The actual dimensions and boundaries of the Units are set forth above in Article II, Unit Boundaries. The square footage measurements set forth in this Article IV may not be the actual square footage measurements of the Units as said Units are defined in Article II, Unit Boundaries. The square footage measurements set forth in this Article IV are used only for the purposes of determining each Unit Owner's percentage interest in the General Common Elements and liability for Common Expenses. No representation or warranty of any kind whatsoever is made that the square footage measurements set forth above are the actual square footage measurements of any Unit.

Expansion Provisions

The Declarant intends from time to time, in phases, to construct additional Units, for a final total not to exceed sixteen (16) Units, on the following described real property ("Additional Property"):

PHASE II - Four (4) Units [4262A, 4262B, 4262C and 4262D] to be constructed on Lot 209 of Valley West Subdivision - Phase 3A to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder, Gallatin County, Montana (Plat No. J-421)

PHASE III - Four (4) Units [4240A, 4240B, 4240C and 4240D] to be constructed on Lot 210 of Valley West Subdivision - Phase 3A to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the

office of the County Clerk and Recorder, Gallatin County, Montana (Plat No. J-421)

PHASE IV - Four (4) Units [4218A, 4218B, 4218C and 4218D] to be constructed on Lot 211 of Valley West Subdivision - Phase 3A to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder, Gallatin County, Montana (Plat No. J-421)

At such time as Declarant wishes to add such additional Units to this condominium regime, Declarant shall record, for each phase, in the office of the Clerk and Recorder of Gallatin County, Montana, a Supplemental Declaration containing:

a. A site plan showing the Building or Buildings constructed on the Additional Property added to the condominium regime and showing the Common Elements of the condominium;

b. A designation of the Units within the Buildings to be constructed with the same to be shown on the site plan to be recorded;

c. Floor plans showing the Units to be contained within the additional Buildings to be constructed and added to this condominium regime together with the numbers and letters given to the specific Units;

d. A description of the buildings and the materials of which they are constructed;

e. A schedule of the percentage of undivided ownership of the specific Units to be added to the condominium regime in the General Common Elements, computed for each condominium Unit which, when added to the number of Units as a whole, will give the additional condominium Units, as well as the previously existing condominium Units, their respective percentages of interest in the expanded or new condominium regime;

f. To be and remain in compliance with the provisions of Section 70-23-306, MCA, at the time of the filing of such Supplemental Declarations, a revised site plan and floor plans together with a certificate executed by an architect, land surveyor, or engineer shall be prepared and recorded, being additions to Exhibit "A" and Exhibit "B" herein, certifying and showing that the said floor plans fully and accurately depict the layout of the Units in the floors of the buildings and that construction of each such additional new building has been completed; and

g. A description of any and all Limited Common Elements to the new Units if there shall be any changes to the description contained in the existing Declaration or any of the amendments thereto.

At the time the Declarant, or its successors or assigns, elect to file such Supplemental Declarations to this Declaration, all then existing condominium Unit Owners hereby covenant and agree that they will, upon request, join in the execution of such amendment papers agreeing, consenting and joining in such Supplemental Declaration, and further agreeing to reduce their percentage of ownership interest in the General Common Elements.

The within agreement shall be a covenant running with the land, and shall be binding upon the Owners of the then existing Units, who upon acquiring title to such Unit, by this covenant agree and consent to the filing of such Supplemental Declaration and join in the same, and by this covenant agree and consent to the appointment of either of the Declarant as its attorney-in-fact so that the Declarant may in its discretion simply file the

Declaration on his or her own initiative, having been herein given the power and authority to make such amendment for and on behalf of all subsequent condominium Owners in DRAGON FLY CONDOMINIUM.

After the recording of such Supplemental Declarations, all Owners of condominium Units in the property shall have a nonexclusive right and license subject to the provisions herein, to use and enjoy all of the General Common Elements of the property and all of the General Common Elements added to the condominium regime by such Supplemental Declarations. In addition, the Owners of the respective Units shall further have the nonexclusive right and license to use and enjoy the Limited Common Elements which are appurtenant and a part of their respective Units which may be added to the condominium regime which are limited to the use of less than all of the Unit Owners.

Except as otherwise specifically provided in this Declaration or in such Supplemental Declarations, all of the provisions, terms and definitions herein contained shall, upon recording of the same, be deemed expanded to include the additional Units.

In the event that Declarant determines not to add additional condominium units and/or additional real property to this condominium regime, Declarant shall record a document with the office of the Clerk and Recorder of Gallatin County certifying that the condominium regime is complete and stating which parcels of real property listed above as Additional Property shall not be included in this condominium regime.

Any future condominium Units and Buildings will be consistent with the initial Units in terms of quality of construction. All Units to be added to the Condominium shall be substantially completed before such Units are added to the existing Condominium regime. The Declarant's reserved right to expand the Condominium shall expire seven (7) years following the recording of this Declaration.

Before adding Additional Property to the Condominium, Declarant shall obtain the prior written consent of the following agencies/corporations that hold, insure, or guarantee any mortgage in the Condominium at the time such Additional Property is to be added: United States Department of Housing and Urban Development; United States Department of Veterans Affairs; and/or Federal National Mortgage Association. Any proposed expansion shall be deemed approved by such mortgage insurers, government agencies and/or corporations if said entity fails to object or consent to a written proposal for an expansion within sixty (60) days after receipt of notice of the written proposal by such entity, provided such notice was delivered by certified or registered mail, with a "return receipt" requested.

After expansion, reallocation of Unit Owners' percentage of undivided interest in the General Common Elements shall be calculated by taking the square footage of each Unit at the date of filing a Supplemental Declaration and dividing it by the total square footage of all the Units having an interest in the General Common Elements of the Condominium.

Floor Plans and Exhibits

Phase I of DRAGON FLY CONDOMINIUM will consist of one (1) Building and the real property described in Paragraph II above which contain a total of four (4) separate DRAGON FLY CONDOMINIUM Units as shown on the floor plans.

For identification and descriptive purposes the following Exhibits are attached and by reference hereto incorporated into and made a part of this Declaration:

Exhibit A: showing the site plan of DRAGON FLY CONDOMINIUM and the location of the Building containing DRAGON FLY CONDOMINIUM Units on the Property.

Exhibit B: showing the floor plans for each of the Units of DRAGON FLY CONDOMINIUM, the square footage of each and the designation for each Unit.

Construction Materials

The principal materials of construction of the Units are concrete for the foundations, footings, and slabs, wood and wood products for the framing, structural and finish work, sheet rock, composite board, wood products, and plywood for the interior, carpet, wood, wood products, or tile for the floors, steel and wood-product siding for exterior wall surfaces, and asphalt shingles for the roof of the buildings.

Use

The use of all of the Units in DRAGON FLY CONDOMINIUM shall be for residential purposes only and there shall be no commercial use whatsoever, except that nothing shall prohibit a Unit Owner from leasing or renting his or her Unit to third persons or holding it out for lease or rental, or entering into an Agreement or contract with others for the lease or rental of his or her Unit for residential use. Unit Owners are prohibited from leasing their Units for an initial term of less than thirty (30) days. The use of the General Common Elements shall be for the recreation and enjoyment of the Unit Owners, their guests, tenants, lessees and invitees. The Units and Common Elements shall be limited as follows:

a. There shall be no obstruction of the Common Elements, nor shall anything be stored in or on the General Common Elements without the prior written consent of the Association. Owners with Units which have usable space in the limited common area beneath the living area of their Unit may use this space for storage provided such use does not constitute a hazard to any Unit and does not block any access beneath the Unit or obstruct any easement for utility service, or result in cancellation or rate increase of Association insurance. Each Owner shall be obligated to maintain and keep in good order and repair the interior of his or her own Unit.

b. Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance on the building or contents thereof, without the prior written consent of the Association. No Owner shall permit anything to be done or kept in his or her Unit or in the Common Elements which will result in the cancellation of insurance on the building, or contents thereof, or which would be in violation of any law. No waste will be permitted on the Common Elements.

c. Unit Owners shall not cause or permit anything to be hung or displayed on the outside of windows or placed on the outside walls of a building, and no sign, awning, canopy, radio or television antenna shall be affixed to or placed upon the exterior walls or roof of any part thereof, without the prior written consent of the Association. Seasonal decorations that are promptly removed after the season and reasonable name plates or identification signs for individual Units may be allowed.

d. No nuisances shall be allowed upon the property nor shall any use or practice be allowed which is a source of annoyance to Unit Owners or which interferes with the peaceful possession and proper use of the property by its residents. No offensive or unlawful use shall be made of the property nor

any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed.

e. Nothing shall be done in any Unit or in, on or to the Common Elements which will impair the structural integrity of the building or which would structurally change the building, except as is otherwise provided herein.

f. No animals of any kind shall be raised, bred, or kept in any Unit, except that no more than a total of three (3) dogs, cats, and other household pets may be kept subject to rules and regulations from time to time adopted or amended by the Association. All dogs must be kept on a leash while on the condominium property in accordance with the laws of the City of Bozeman. Additionally, Unit Owners, their tenants, and any guests, shall be responsible for the immediate clean-up of any pet waste and the repair of any damage caused by pets to any of the General Common Elements or Limited Common Elements. Any pet which bites another animal or a human upon the premises shall be immediately and permanently removed unless it can be shown by clear and convincing evidence, as determined by the Board, that the animal was unreasonably provoked into such action. For purposes of the foregoing sentence, any animal which is restrained in some reasonable fashion but is approached by another animal or human shall be presumed to be the non-aggressor. Failure to timely remove the pet(s) can result in a fine not to exceed \$20.00 per day for each day the pet remains on the Property or in the Unit, which fine shall become part of the assessments for that Unit. Failure to pick up after an animal immediately on the common area will result in a \$25.00 fine for each offense, which shall also become a part of the assessment for Unit, regardless of whether the offending animal is owned by the Unit Owner or by a tenant of the Unit. Failure of an Owner to adhere to pet regulations and requirements shall be grounds for the Association and other Unit Owners to maintain a nuisance action to remove the offending pet(s). The Association shall have the authority to ban certain breeds of dogs or individual dogs from the Condominium, provided that such actions are based upon objective criteria related to aggressive tendencies of the breed or individual dogs. In the event that an Owner leases his or her Unit to a person who has pets, the Owner of the Unit shall be responsible for the enforcement of the pet restrictions and rules, and any fines imposed shall be a charge against the Unit, for which the Association may obtain satisfaction in the same manner as if the Unit Owner failed to pay an assessment imposed against the Unit. The Association shall have the right to file a lien against the Unit and shall have the right to foreclose said lien in the same manner as provided herein.

g. Nothing shall be altered or constructed in or removed from the Common Elements, and no easements, liens or encumbrances placed on the Common Elements, except upon the written consent of two-thirds ($\frac{2}{3}$) of the aggregate interest of the Unit Owners affected by such action.

h. All garbage shall be kept in appropriate containers, and stored inside the garage for each Unit unless put out for collection. After collection, all garbage containers shall be placed back in the garage for each Unit. However, all garages are to be used primarily for storage of Owner's vehicles. No junk, garbage, trash, equipment, parts, metals, lumber, debris, or other waste shall be allowed on the sidewalk, entrance, or driveway for any Unit, nor on any Common Element. All garbage and trash requirements of the City of Bozeman shall be observed. Garage doors shall be kept closed unless in use.

i. Campers, trailers, boats and other recreational vehicles may only be brought onto the condominium properties for loading and unloading for immediate use. No inoperable vehicles, and no campers, boats, recreational vehicles, or trailers, shall be left parked in the condominium parking areas or on driveways or garage parking pads for more than 24 hours at one time. Repeated parking of such vehicles or trailers is also prohibited. No one may reside in any recreational vehicles, trailers, or motor homes upon the Property. Violators of this paragraph are subject to towing and fines.

Exclusive Ownership

Each Owner or Owners shall be entitled to exclusive ownership and possession of their Unit. Such Owners may use the General Common Elements and Limited Common Elements in accordance with the purposes for which they are intended and as they may otherwise agree between themselves, so long as they do not hinder or encroach upon the lawful rights of other Unit Owners. The right of a Unit Owner to sell, transfer, or otherwise convey his or her Unit in the Condominium shall not be restricted by a right of first refusal or similar restriction in the Declaration and Bylaws (or any amendment thereto).

V.

THE ASSOCIATION

Membership

Any Owner of a Unit in DRAGON FLY CONDOMINIUM shall automatically, upon becoming the Owner of said Unit, be a member of the DRAGON FLY CONDOMINIUM OWNERS ASSOCIATION, hereinafter referred to as the Association, and shall remain a member of said Association until such time as his or her membership in said Association shall automatically cease. The membership shall be limited to Unit Owners as defined in this Declaration. By purchasing a Unit, each Unit Owner consents to the Association being incorporated as a nonprofit corporation if the Declarant or the Association decides to incorporate the Association.

Function

It shall be the function of the Association to:

- a. Adopt Bylaws for the governance of the Association.
- b. Make provisions for the general management and/or repairs and maintenance of DONNA WAY CONDOMINIUM.
- c. Levy fines and assessments as provided for in the Declaration, Bylaws and Unit Ownership Act.
- d. Adopt and implement a policy for the affairs of the Association.
- e. Enter into contracts or hire personnel for the management of the affairs of the Association and the maintenance and repair of the common areas.
- f. Be responsible for the perpetual maintenance of the landscaping, common open space, parking lots, and driving lanes.

Voting

For the purposes of this Declaration, the voting interest of each Unit in all matters concerning the Association of Unit Owners shall be equal to the other Units in accordance with the Bylaws of

the Association of Unit Owners, with one vote allocated to each Unit. Each Unit shall have one (1) vote. Multiple owners of a single condominium Unit shall collectively have such voting interest. In the event that Unit Owners of the same Unit cannot agree as to how to vote that Unit's interest, said Unit's vote shall be suspended for that particular matter. Except as otherwise provided in the Unit Ownership Act, this Declaration or the Bylaws, a majority of the aggregate ownership interest present at any meeting in person or by proxy shall be sufficient to act on matters brought before the Association. Meetings of the Association shall only be conducted when a quorum is present, as defined in the Association Bylaws. A Unit Owner may participate in any meeting by means of a conference telephone or similar communication equipment through which all persons participating in the meeting may communicate with the other participants. Participation in a meeting pursuant to this section constitutes presence in person at the meeting.

Failure to Comply

Each Owner shall comply strictly with the provisions of this Declaration, the Bylaws of the Association, and the rules, regulations, decisions and resolutions of the Association adopted pursuant thereto as the same may be lawfully amended from time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due, for damages or injunctive relief or both, and for reimbursement of all costs, including attorney fees incurred in connection therewith, which action shall be maintainable by the Manager in the name of the Association, on behalf of the Owner, or in the proper case, by an aggrieved Owner.

Fines

The Association, acting through the Board or the Manager, shall have the authority to levy fines against Units for any violation of the covenants set forth herein or for any violation of the rules and regulations adopted by the Board. Violations caused by a tenant shall be assessed against the occupied Unit and shall be the responsibility of the Unit Owner. For each violation, the Unit Owner may be fined according to the following fine schedule:

First Offense:	\$25.00
Second Offense:	\$50.00
Third Offense and More:	\$100.00

The fine schedule may be amended by the Board at any duly called meeting provided it is thereafter approved by two-thirds ($\frac{2}{3}$) of the Units at any regular or special meeting of the Association. All fines shall be considered final and shall be considered an assessment and a lien against the Unit unless the Unit Owner makes a written appeal to the Board within five (5) business days of receiving the fine and the Board subsequently overturns such fine. The Board shall have thirty days to meet and render its decision regarding the fine, which decision shall be final. All fines may be collected by the Association in the same manner as an assessment as set forth herein. All fines not paid within thirty (30) days shall accrue interest at the then maximum current legal rate of interest per annum on the amount of the fine from the due date thereof.

Payment of Assessments

All assessments shall be due ten (10) days from the date of mailing such assessment following the meeting at which time assessments are levied by the Association, and may be payable in one annual payment, or in quarterly or monthly installments, at the option of the Unit Owner. The amount of the Common Expenses assessed against each Unit, and the amount of Limited Expenses assessed against each Unit shall be the personal and individual debt of the Owner or Owners thereof. No Owner may exempt himself or herself from liability for this contribution toward the Common

Expenses and the Limited Expenses by waiver of the use of enjoyment of any of the General Common Elements or Limited Common Elements or by abandonment of his or her Unit.

All assessments which are not paid within thirty (30) days from the date they are due and payable become delinquent and are subject to interest and penalty charges.

The Association or Manager shall have the responsibility of taking prompt action to collect any unpaid assessment which becomes delinquent. In the event of delinquency in the payment of the assessment, the Unit Owner shall be obligated to pay interest at the then maximum current legal rate of interest per annum on the amount of the assessment from the due date thereof and any late payment charges assessed, together with all expenses, including attorney fees incurred, as are provided in the Bylaws of the Association. Suit to recover a money judgment for unpaid Common Expenses and Limited Expenses may be maintainable without foreclosing or waiving the lien securing the same.

Levying Assessments - When Made - Purposes

The Association of Unit Owners shall levy assessments upon the Unit Owners in the following manner and for the following reasons:

a. Assessments shall be made as a part of the regular business of the Association at any regular or special meeting thereof as provided in the Bylaws of the Association. Notice of the proposed assessment, amount thereof, and the purpose for which it is made whether regular or special, including an annual budget for expenditures and operation, shall be served on each Unit Owner affected by delivering a copy of the same to the Unit Owner personally or by mailing a copy of the notice to the Unit Owner at his or her address of record at least ten (10) days prior to the date for such meeting. Both the Board of Directors and the Unit Owners voting at any regular or special meeting shall have the authority to levy and fix the amount of assessments and to provide for the collection, expenditure and accounting of said assessments. In the event of any inconsistency or conflict between an assessment levied or fixed by the Board of Directors and an assessment levied or fixed by vote of the Unit Owners at a regular or special meeting, the amount and terms of the assessment levied or fixed by the Unit Owners shall control.

b. Assessments shall be made for the repair, replacement, general maintenance, management and administration of Common Elements, fees, costs and expenses of the manager, insurance, taxes for common areas if any, and as more particularly provided in the Unit Ownership Act (Section 70-23-101, et. seq., MCA), sidewalks, driveways, weed control, and any other matters that fall within the common elements of the condominium. In addition, the Association shall be responsible for all special improvement district (SIDs) applicable to the condominium, including, but not limited to, lighting districts, street maintenance, tree maintenance or any other properly created SID, and assessments shall be levied for the same. Assessments shall be based upon and computed by using the percentage of interest that each Unit Owner has in the General Common Elements.

c. Assessments may also be made for the payment of Limited Expenses for Limited Common Elements such that the Unit Owners are chargeable only for the expenses relating to their respective Units or building. Unit Owners shall share in the payment for Limited Expenses for the repair, maintenance and replacement of Limited Common Elements of their respective Units in accordance with the percentage the Unit or Units have in the Limited Common Elements for which the assessment is being made. If only one Unit is associated with the Limited

Common Elements involved, then the entire cost of such repair, maintenance or replacement shall be borne by that Unit.

d. Assessments may also be made for any purpose contemplated by this Declaration and for any purpose set out in the Montana Unit Ownership Act.

e. Common expenses and profits, if any, of the condominium shall be distributed among and charged to, the Unit Owners according to the percentage of undivided interest of each in the Common Elements.

f. In a voluntary conveyance of a Unit, the Grantee of the Unit shall be jointly and severally liable with the Grantor for all unpaid assessments by the Association against the latter for his or her share of the Common Expenses up to the time of the grant or conveyance, without prejudice to the Grantee's right to recover from the Grantor the amounts paid by the Grantee therefor. However, any such Grantee shall be entitled to a statement from the Manager or Board of Directors of the Association, as the case may be, setting forth the amount of said unpaid assessments against the Grantor due the Association and such Grantee shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments made by the Association against the Grantor in excess of the amount therein set forth.

g. Any lien of the Association for Common Expense charges and assessments becoming payable on or after the date of recordation of the first mortgage, shall be subordinate to the first mortgage on the Unit. Such a lien for Common Expense charges and assessments shall not be affected by any sale or transfer of a Unit, except that a sale or transfer of a Unit pursuant to a foreclosure of a first mortgage or trust indenture shall extinguish a subordinate lien for common expense charges and assessments which became payable prior to such sale or transfer. Any such sale or transfer pursuant to a foreclosure shall not relieve the purchaser or transferee of a Unit from liability for, nor the Unit so sold or transferred from the lien of, any common expense charges thereafter becoming due.

h. Prior to the initial sales of Units within the Condominium, an initial assessment amount, including a capital contribution (reserves), shall be established for each Unit. Said assessment amount shall be paid to the Association at the close of each Unit or upon the transfer of the deed for each Unit. The Association shall establish a reserve account for repair and replacement of Common Elements as needed to keep such in good condition and repair. Any reserve account established under this section shall be funded by separate reserve assessments against the Units in such amount as the Board may approve as a part of the annual Association budget. Any reserve account shall be established in the name of the Association. The Association shall be responsible for administering the account. Assessments paid into the reserve account are the property of the Association and are not refundable to sellers or Unit Owners.

VI.

DECLARANT'S RIGHT TO CHANGE

The Declarant reserves the right to change the interior design and arrangement of all Units, and alter the boundaries between Units, so long as the Declarant owns the Unit so altered. No such change shall increase the number of Units or alter the boundary of the General Common Elements without an amendment of this Declaration.

Until seventy-five percent (75%) of the Units have been built and sold (including those Units not yet added pursuant to the expansion provisions above), Declarant reserves the right to establish easements, reservations, exceptions and exclusions consistent with the condominium ownership project.

Notwithstanding any other provisions expressly or impliedly to the contrary contained in this Declaration, the Articles of Incorporation or Bylaws of the Association, Declarant reserves the right to exercise the rights, duties and functions of the Board of Directors of the Association until the earlier of the following:

A. 120 days after the date by which seventy-five percent (75%) of the Units (including those Units not yet added pursuant to the expansion provisions above) have been conveyed to Unit purchasers; or

B. Seven (7) years have elapsed since the Declaration and Bylaws were recorded.

During the period of development and sale of the remaining condominium Units, the monthly assessment for Common Expenses shall be based upon the estimate of the actual cost thereof, excluding therefrom any estimated amount for contingencies, reserves or sinking funds, and Declarant shall pay his pro rata share thereof only for those condominium Units which have been completed. During the period when fewer than all of the Units have been erected, the Common Expenses shall be allocated among the Owners of such existing Units.

VII.

AMENDMENT

Amendment of this Declaration shall be made in the following manner:

At any regular or special meeting of the Association of Unit Owners, such amendment may be proposed as a resolution by any Unit Owner, the Board or Manager. Upon adoption of the resolution by a majority vote of those present, the amendment shall be made a subject for consideration at the next succeeding meeting of the Association with notice thereof, together with a copy of the amendment, to be furnished to each Owner no later than thirty (30) days in advance of such meeting. At such meeting, the amendment shall be approved upon receiving the favorable vote of seventy-five percent (75%) of the voting interest of the Units. If so approved, it shall be the responsibility of the Association to file the amendment with the Clerk and Recorder's Office of Gallatin County, Montana.

An amendment may be adopted at any time without a meeting if it is approved in writing by the notarized signatures of one hundred percent (100%) of the Unit Owners.

Notwithstanding the procedure set forth above, the Declarant may amend this Declaration, or any other project document, prior to any sale or lease of a Unit or interest thereof.

Notwithstanding the procedures set forth above, Declarant reserves the right at any time, on behalf of itself and on behalf of the Association, to amend this Declaration and the Bylaws without approval of any Unit Owner for the purpose of correcting survey or other errors and for any other purpose unless the amendment would materially alter or change the rights of a Unit Owner or mortgagee, in which event consent shall be required as provided in this article.

Notwithstanding the procedures set forth above, Declarant reserves the right at any time, on behalf of itself and on behalf of the Association, to amend this Declaration and the Bylaws without approval of any Unit Owner or mortgagee for the purpose of

adding additional Units to the condominium regime pursuant to the expansion provisions set forth in Article IV. Each Unit Owner hereby appoints Declarant as his or her attorney-in-fact, and grants the Declarant all necessary authority so that Declarant may file any amendment authorized by the process described herein.

Any right granted or reserved to Declarant may not be changed by an amendment unless consented to, in writing, by the Declarant. Declarant reserves the right to assign any and all of his rights reserved or granted herein.

In addition to the amendment requirements set forth above, the approval of eligible holders of first mortgages on Units to which at least fifty-one percent (51%) of the votes of Units subject to a mortgage appertain, shall be required to materially amend any provisions of the Declaration and Bylaws or to add any material provisions thereto, which establish, provide for, govern or regulate any of the following:

- (A) Voting;
- (B) Assessments, assessment liens or subordination of such liens;
- (C) Reserves for maintenance, repair and replacement of the Common Elements;
- (D) Insurance or fidelity bonds;
- (E) Rights to use of the Common Elements;
- (F) Responsibility for maintenance and repair of the several portions of the Condominium;
- (G) Expansion or contraction of the Condominium regime or the addition, annexation or withdrawal of property to or from the regime;
- (H) Boundaries of any Unit;
- (I) The interests in the General Common Elements or Limited Common Elements;
- (J) Convertibility of Units into Common Elements or of Common Elements into units;
- (K) Leasing of Units;
- (L) Imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or otherwise convey his or her Unit in the Condominium;
- (M) Establishment of self-management by the Condominium association where professional management has been required by any of the federal department of Housing and Urban Development, the federal Veterans Administration, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

The approval of eligible holders of first mortgages on units to which at least fifty-one percent (51%) of the votes of Units subject to a mortgage appertain, shall be required to amend any provisions included in the Declaration and Bylaws of the Condominium which are for the express benefit of holders or insurers of first mortgages on Units in the Condominium.

Any proposed amendment to the Declaration and Bylaws shall be deemed approved by a mortgagee, mortgage insurer, or government agency or corporation if said entity fails to object or consent to a written proposal for an amendment within sixty (60) days after receipt of notice of the written proposal by such entity, provided such notice was delivered by certified or registered mail, with a "return receipt" requested.

VIII.

CHANGES, REPAIRS AND LIENS

Alterations by Unit Owners Association

The interior plan of a Unit may be changed by the Owner. The boundaries between Units may be changed only by the Owners of the Units affected. No Units may be subdivided. Subject to the

expansion provisions above, no change in the boundaries of Units shall encroach upon the boundaries of the Common Elements.

Boundary walls must be equal in quality of design and construction to the existing boundary walls. A change in the boundaries between Units shall be set forth in an amendment to this Declaration. In addition to compliance with the provisions of Paragraph VII above, such amendment must further set forth and contain plans for the Units concerned showing the Units after the change in boundaries, which plans shall be drawn by an architect or engineer licensed to practice in Montana, and attached to the amendment as exhibits, together with the certificate of architect or engineer required by the Unit Ownership Act. Such an amendment shall be signed and acknowledged by the Owners of the Units concerned, as well as those Owners with an interest in any Common Element affected. The amendment shall also be approved by the Board of Directors of the Association, and signed and acknowledged by all lienors and mortgagees of the Units concerned.

Maintenance by Unit Owners

Each Owner shall maintain and keep in repair the interior of his or her own Unit, including the fixtures thereof. All fixtures and equipment installed in the Unit, commencing at a point where the utilities enter the Unit, shall be maintained and kept in repair by the Owner thereof. An Owner shall do no act nor any work that will impair the structural soundness or integrity of the building or impair any easement.

Each Owner shall also keep any balcony, patio, entrance or deck area appurtenant to his or her Unit in a clean and sanitary condition. The right of the each Owner to repair, alter, and remodel is coupled with the obligation to replace any finishing or other materials removed with similar type or kinds of materials. All glass replacement shall be with similar quality, shade and design. No act or alteration, repairing or remodeling by any Unit Owner shall impair in any way the integrity of the adjoining Units or the integrity of Limited Common Elements or General Common Elements.

Exterior Alterations

No Owner may change, alter or remodel the exterior of his or her Unit without the prior written approval of the Association.

Liens for Alterations

Labor performed and materials furnished and incorporated into a Unit with the consent of or at the request of the Unit Owner, his or her agent, his or her contractor or subcontractor shall be the basis for the filing of a lien against the Unit of the Unit Owner consenting to or requesting the same. Each Unit Owner shall indemnify and hold harmless each of the other Owners from and against all liability arising from the claim of any lien against the Unit or any other Owner or against the general or Limited Common Elements for construction performed or for labor, materials, services or other products incorporated in the Owner's Unit at such Owner's request.

Liens and Foreclosure

All sums assessed but unpaid for the share of Common Expenses and Limited Expenses chargeable to any Unit shall constitute a lien on such Unit superior to all other liens and encumbrances, except only for tax and special assessment liens on the Unit in favor of any assessing authority, and all sums unpaid on a first mortgage, a first trust indenture, or contract for deed, of record. To evidence such lien, the Association shall prepare a written notice of lien assessment setting forth the amount of such unpaid indebtedness, the amount of accrued interest and late charges

thereon, the name of the Unit Owner, and a description of the Unit. Such notice shall be signed and verified by one of the officers of the Association or by the Manager, or his or her authorized agent, and shall be recorded in the office of the Clerk and Recorder of Gallatin County, Montana. Such lien shall attach from the date of recording such notice. Such lien may be enforced by the foreclosure of the defaulting Owner's Unit by the Association as provided in the Unit Ownership Act in like manner as foreclosure of a mortgage on real property. In any foreclosure, the Unit Owner shall be required to pay a reasonable rental for the Unit, if so provided in the Bylaws, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. Suit to recover a money judgment for unpaid Common Expenses and Limited expenses shall be maintainable without foreclosure or waiving the lien securing the same. In any such proceeding the Owner shall be required to pay the costs, expenses and attorney's fees incurred in filing a lien, and in the event of foreclosure proceedings, additional costs, expenses and attorney's fees incurred.

Bidding at Foreclosure

The Association shall have the power to bid on the Unit at a foreclosure or other legal sale, and to acquire and hold, lease, mortgage and vote the votes appurtenant to, convey or otherwise deal with the same. Any lienholder holding a lien on the Unit may pay, but shall not be required to pay, any unpaid general Common Expenses or Limited Expenses payable with respect to any such Unit, and upon such payment such lienholder shall have a lien on said Unit for the amounts paid of the same priority as the lien of his or her encumbrance without the necessity of having to file a notice or claim of such lien.

IX.

INSURANCE

Purchase

All insurance policies upon DRAGON FLY CONDOMINIUM property shall be purchased by the Association and shall be issued by an insurance company authorized to do business in Montana.

a. Named Insured: The named insured shall be the Association individually and as agent for the Unit Owners without naming them. Such policies shall provide that payments for losses thereunder by the insurer shall be paid to the insurance Trustee hereinafter designated, and all policies and endorsements thereon shall be deposited with the insurance Trustee. Unit Owners may obtain insurance coverage, at their own expense, upon their own personal property and for their personal liability and living expense.

b. Copies to Mortgagees: One copy of each insurance policy and of all endorsements thereon shall be furnished by the Association to each mortgagee of a Unit Owner on request.

Coverage

a. Casualty: All buildings and improvements upon the land shall be insured in an amount equal to the full insurable replacement value, and all personal property included in the Common Elements shall be fully insured, with all such insurance to be based on current replacement value, as determined annually by the Board of Directors, but subject to such deductible clauses as are required in order to obtain coverage at reasonable costs. The Association shall obtain, maintain, and pay the premiums upon, as a Common Expense, a "master" or "blanket" type policy of property insurance covering all of the Common Elements and Limited Common

Elements, (except land, foundation, excavation and other items normally excluded from coverage) including fixtures, to the extent they are part of the Common Elements of the Condominium, building service equipment and supplies, and other common personal property belonging to the Association. All references herein to a "master" or "blanket" type policy of property insurance, are intended to denote single entity condominium insurance coverage. In addition, any fixtures, equipment or other property within the units which are to be financed by a mortgage to be purchased by FNMA or FHLMC (regardless of whether or not such property is a part of the common elements) must be covered in such "blanket" or "master" policy. Such insurance policy must be consistent with state and local insurance laws and at least equal to such coverage as is commonly required by prudent institutional mortgage investors in Gallatin County, Montana. The policy shall be in an amount equal to 100% of current replacement cost of the Condominium exclusive of land, foundation, excavation and other items normally excluded from coverage. Certificates of insurance shall be issued to each Unit Owner and mortgagee upon request. Such policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in the area in which the property is located and which appropriately names FNMA and FHLMC if such corporations are holders of first mortgages on Units within the Condominium. Such policies must also provide that they may not be cancelled or substantially modified, without at least 10 days' prior written notice to the Association and to each holder of a first mortgage listed as a scheduled holder of a first mortgage in the policies. Policies are unacceptable where: (i) under the terms of the insurance carrier's charter, by-laws, or policy, contributions or assessments may be made against borrowers, FNMA, FHLMC, or the designee of FNMA or FHLMC; or (ii) by the terms of the carrier's charter, by-laws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members, or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent FNMA, FHLMC, or the borrowers from collecting insurance proceeds. The policies must also provide for the following: recognition of any, Insurance Trust Agreement; a waiver of the right of subrogation against Unit Owners individually; that the insurance is not prejudiced by any act or neglect of individual Unit Owners which is not in the control of such Owners collectively; and that the policy is primary in the event the Unit Owner has other insurance covering the same loss. The requirements stated in this paragraph are generally provided by the insurer in the form of a "Special Condominium Endorsement" or its equivalent. The insurance policy shall afford, as a minimum, protection against the following:

- (1) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement;
- (2) in the event the condominium contains a steam boiler, loss or damage resulting from steam boiler equipment accidents in an amount not less than \$50,000 per accident per location (or such greater amount as deemed prudent based on the nature of the Property);
- (3) all other perils which are customarily covered with respect to condominiums similar in construction, location and use, including all perils normally covered by the standard "all-risk" endorsement, where such is available.

If available and commonly required by prudent institutional mortgage investors in Gallatin County, Montana, such policies shall also include an "Agreed Amount Endorsement" and an "Inflation Guard Endorsement".

Insurance coverage shall afford protection against:

(1) Loss or damage by fire and other hazards covered by a standard extended coverage endorsement; and

(2) Such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use as the building on the land, including, but not limited to, vandalism and malicious mischief.

(3) Errors or Omissions Insurance for the Directors, Officers and Managers, if the Association so desires, in amounts to be determined by the Board.

The policies shall state whether air handling or service equipment, interior fixtures and carpets are included within the coverage in order that Unit Owners may insure themselves if the items are not insured by the Association.

b. Public Liability: The Association shall maintain comprehensive general liability insurance coverage covering all of the Common Elements, commercial space owned and leased by the Association, and public ways of the condominium project. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location, and use. However, such coverage shall be for at least \$1,000,000 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Elements, and legal liability arising out of lawsuits related to employment contracts of the Association. Such policies must provide that they may not be cancelled or substantially modified, by any party, without at least 10 days' prior written notice to the Association and to each holder of a first mortgage on any Unit in the Condominium which is listed as a scheduled holder of a first mortgage in the insurance policy.

c. Other Insurance: Such other insurance as the Board of Directors of the Association shall determine from time to time to be desirable and as may be required by Federal and State laws.

d. For all insurance policies, the Association shall only use generally acceptable insurance carriers

Fidelity Bonds.

In the event that the Condominium is expanded to include thirty (30) or more Units, blanket fidelity bonds shall be maintained by the Association for all officers, directors, and employees of the Association and all other persons handling, or responsible for, funds of or administered by the Association. If the Manager has the responsibility for handling or administering funds of the Association, the Manager shall be required to maintain fidelity bond coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. Such fidelity bonds shall name the Association as an obligee and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than a sum equal to 3 months aggregate assessments on all Units plus reserve funds. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions. The premiums on all

bonds required herein, except those maintained by the Manager, shall be paid by the Association as a Common Expense. The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least 10 days' prior written notice to the Association or Insurance Trustee. Such bonds shall provide that the FNMA Servicer, on behalf of FNMA, also, receive such notice of cancellation or modification.

Premiums

Premiums for insurance policies purchased by the Association shall be paid by the Association as a Common Expense, except that the amount of increase in the premium occasioned by use, misuse, occupancy or abandonment of a Unit or its appurtenances or of the Common Elements by a Unit Owner shall be assessed against the Owner. Not less than ten (10) days prior to the date when a premium is due, evidence of such payment shall be furnished by the Association to each mortgagee listed in the roster of mortgagees.

Insurance Trustee

All insurance policies purchased by the Association shall be for the benefit of the Association and the Unit Owners and their mortgagees as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to such bank in Montana with trust powers as may be designated as insurance trustee by the Board of Directors of the Association, which trustee is herein referred to as the insurance trustee. The insurance trustee shall not be liable for payment of premiums, nor for the renewal or the sufficiency of policies, nor for the failure to collect any insurance proceeds. The duty of the insurance trustee shall be to receive such proceeds as are paid and hold the same in trust for the purposes elsewhere stated in this instrument and for the benefit of the Unit Owners, and their mortgagees in the following shares, but which shares need not be set forth on the records of the insurance trustee:

- a. Unit Owners - An undivided share for each Unit Owner, such share being the same as the undivided share in the Common Elements appurtenant to his or her Unit.
- b. Mortgagees - In the event a mortgagee endorsement has been issued as to a Unit, the share of the Unit Owner shall be held in trust for the mortgagee and the Unit Owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired, and no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except distributions thereof made to the Unit Owner and mortgagee pursuant to the provision of this Declaration.

Distribution of Proceeds

Proceeds of insurance policies received by the insurance trustee shall be distributed to or for the benefit of the beneficial Owners in the following manner:

- a. Miscellaneous: Expenses of administration, the insurance trustee, and construction or remodeling supervision shall be considered as part of the cost of construction, replacement or repair.
- b. Reconstruction or Repair - If the damage for which the proceeds are paid is to be repaired or reconstructed by the Association, the remaining proceeds shall be paid to defray the cost thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to

the beneficial Owners, remittances to Unit Owners and their mortgagees being payable jointly to them.

c. Failure to Reconstruct or Repair - If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial owners, remittances to Unit Owners and their mortgagees being payable jointly to them.

d. Certificate - In making distribution to Unit Owners and their mortgagees, the insurance trustee may rely upon a certificate from the Association made by its representative or Manager as to the names of the Unit Owners and their respective shares of the distribution.

Association as Agent

The Association is irrevocably appointed agent for each Unit Owner and for each Owner of a mortgage or other lien upon a Unit and for each Owner of any other interest in the condominium property to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

Benefit to Mortgagees

Certain provisions in this paragraph entitled "Insurance" are for the benefit of mortgagees or trust indenture beneficiaries of condominium parcels, and all such provisions are covenants for the benefit of any mortgagee of a Unit and may be enforced by such mortgagee or beneficiary.

Reconstruction

A. Repair After Casualty

If any part of the condominium property shall be damaged by casualty, whether or not it shall be reconstructed or repaired shall be determined in the following manner:

1. Lesser Damage - If a Unit or Units are found by the Board of Directors of the Association to be tenantable after the casualty, the damaged property shall be repaired.

2. Greater Damage - If a Unit or Units are found by the Board of Directors to be not tenantable after the casualty, the damaged property shall be reconstructed or rebuilt.

3. Certificate - The insurance trustee may rely upon a certificate of the Association made by its president and secretary to determine whether or not the damaged property is to be reconstructed or repaired.

B. Plans and Specifications

Any reconstruction or repair must be substantially in accordance with the plans for specifications and the original improvements, or if not, then according to plans and specifications approved by: (1) the Board of Directors; (2) more than seventy-five percent (75%) of the Unit Owners, including the Owners of all Units the plans for which are to be altered; and (3) the eligible holders of first mortgages on Units to which at least fifty-one percent (51%) of the votes of Units subject to mortgages held by such eligible holders are allocated. No reallocation of interests in the General Common Elements resulting from a partial condemnation or partial destruction of the condominium project may be effected without the approval of the eligible holders of first mortgages on units to which at least fifty-one percent (51%) of the votes of units subject to mortgages held by such eligible holders are

allocated. Any such reconstruction not in accordance with the original plans and specifications must be set forth in an amendment to the Declaration, which amendment shall be prepared and filed of record in accordance with the provisions of such amended filing, more particularly set forth in Article VII and Article VIII, paragraph 1, hereinabove.

C. Responsibility

The responsibility for reconstruction or repair after casualty shall be the same as for maintenance and repair of the condominium property, and the Association shall work with the insurance trustee to carry out the provisions of this Article.

D. Assessments

If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction or repair for which the Association is responsible, or if at any time during such reconstruction or repair, or upon completion of such reconstruction or repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all Unit Owners in sufficient amounts to provide funds to the payment of such costs. Such assessments shall be in proportion to the Owner's percentage of interest in the General Common Elements.

E. Construction Funds

The funds for payment of costs of reconstruction or repair after casualty, which shall consist of proceeds of insurance held by the insurance trustee and funds collected by the Association from assessments against Unit Owners, shall be disbursed in the sound discretion of the trustee and according to the contract of reconstruction or repair, which contract must have the approval of the Board and the Unit Owners involved.

F. Surplus

It shall be presumed that the first monies disbursed in payment of costs of reconstruction and repair shall be from the insurance proceeds. If there is a balance in a construction fund after payment of all costs of the reconstruction and repair for which the fund is established, such balance shall be paid to the Association for the use and benefit of the Unit Owners.

X.

REMOVAL OR PARTITION - SUBDIVISION

Consent to Removal

All of the Unit Owners may remove the Property from condominium ownership by executing and recording an instrument to that effect if the holders of all liens affecting any of the Units consent thereto or agree, in either case by instruments duly recorded, that their liens be transferred to the undivided interest of the Unit Owner in the Property after removal from condominium ownership.

Obsolescence, Damage and Destruction

If ninety percent (90%) of the aggregate ownership interest of the Unit Owners agree that the Property is obsolete in whole or in part and that the Property should be renewed and restored, the expense thereof shall be paid by all the Unit Owners as Common Expenses. If ninety percent (90%) of the aggregate ownership interest of the Unit Owners agree that the Property is obsolete in whole or in part and that the Property should be sold, the Property shall be considered removed from condominium ownership.

If within 60 days after the date of the damage to or destruction of all or part of the Property the Association does not decide to repair, reconstruct, or rebuild, the Property shall be considered removed from condominium ownership.

Consent of Mortgagees

Any election to terminate the Condominium regime after substantial destruction or a substantial taking in condemnation of the Condominium property must require the approval of the eligible holders of first mortgages on Units to which at least sixty-seven percent (67%) of the votes of Units subject to mortgages held by such eligible holders are allocated.

Condemnation Representation

For all condemnation issues concerning the Condominium, the Association shall represent the Unit Owners in the condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the Common Elements, or part thereof, by the condemning authority. Each Unit Owner hereby appoints the Association as attorney-in-fact for such purpose.

Effect of Removal - Ownership in Common - Liens - Sale

If the Property is removed from condominium ownership as provided in this Article, the Property shall be considered owned in common by all the Unit Owners. The percentage of undivided interest of each Unit Owner in the Property owned in common shall be the same as the percentage of undivided interest previously owned by such Owner in the Common Elements. Liens affecting any Unit shall be liens, in accordance with the then existing priorities, against the undivided interest of the Unit Owner in the Property owned in common. If the Property is removed from condominium ownership as provided in this Article, it shall be subject to an action for partition at the suit of any Unit Owner. The net proceeds of sale, together with the net proceeds of the insurance on the Property, if any, shall be considered as one fund and shall be divided among the Unit Owners in proportion to their respective undivided interests after first paying out of the respective shares of the Unit Owners, to the extent sufficient for the purpose, all liens on the undivided interest in the Property owned by each Unit Owner.

XI.

NOTICE TO MORTGAGEES

A holder, insurer or guarantor of a first mortgage, upon written request to the Association, (such request to state the name and address of such holder, insurer or guarantor and the unit number), will be entitled to timely written notice of:

(A) Any proposed amendment of the Condominium instruments effecting a change in:

- (i) the boundaries of any Unit or the exclusive easement rights appertaining thereto,
- (ii) the interests in the General Common Elements or Limited Common Elements appertaining to any Unit or the liability for Common Expenses appertaining thereto,
- (iii) the number of votes in the Association appertaining to any Unit, or
- (iv) the purposes to which any Unit or the Common Elements are restricted;

(B) Any proposed termination of the Condominium regime;

(C) Any condemnation loss or any casualty loss which affects a material portion of the Condominium or which affects any Unit on which there is a first mortgage held, insured or guaranteed by such eligible holder;

(D) Any delinquency in the payment of assessments or charges owed by an Owner of a Unit subject to the mortgage of such eligible holder, insurer or guarantor, where such delinquency has continued for a period of sixty (60) days; and

(E) Any lapse, cancellation or material modification of any insurance policy maintained by the Association.

XII.

REMEDIES

All remedies provided in this Declaration and Bylaws shall not be exclusive of any other remedies which may now be, or are hereafter, available to the parties hereto as provided for by law. The Association and any aggrieved Unit Owner has a right of action against Unit Owners for failure to comply with the provisions of the Declaration and/or Bylaws or with decisions of the Association which are made pursuant to authority granted the Association by the Declaration and Bylaws. Unit Owners also have a right of action against the Association for failing to comply with the provisions of the Declaration and/or Bylaws.

XIII.

SEVERABILITY

The provisions hereof shall be deemed independent and severable and the invalidity, partial invalidity or unenforceability of any one or more provisions shall not affect the validity or enforceability of any other provision hereof.

XIV.

INTERPRETATION

The provisions of the Declaration and of the By-Laws to be promulgated and recorded herewith, shall be liberally construed to effectuate the purpose of the Declaration and By-Laws and to create a building or buildings subject to and under the provisions of the Unit Ownership Act.

XV.

MISCELLANEOUS

Utility Easements

In addition to the easements provided for herein, easements are reserved through the condominium property as may be required for utility services, including heat, air conditioning, water, sewer, power, telephone, natural gas and cable television, in order to serve DRAGON FLY CONDOMINIUM adequately. However, such easements through the property or Units shall be only according to the plans and specifications for the Unit building, as set forth in the recorded plat, or as the building is constructed, unless approved in writing by the Unit Owner.

Right of Access

The Association shall have the irrevocable right, to be exercised by the Manager or Board of Directors, to have access to each Unit from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any of the Limited Common Elements therein or accessible therefrom, or for making emergency repairs therein necessary to prevent damage to the general or Limited Common Elements or to any other Unit.

