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**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS and EASEMENTS**

for

LUPFER TOWNHOMES

THIS DECLARATION of Covenants, Conditions, Restrictions and Reservations is made effective this 30th day of March, 2005, by KNOT DESIGN & DEVELOPMENT, LLC, of 2769 Rest Haven, Whitefish, Montana 59937 ("Declarant").

WITNESSETH:

WHEREAS, Declarant is the Owner of LUPFER TOWNHOMES (the "property") and desire hereby to subject the property to the Covenants, Conditions, Restrictions and Easements (the "Covenants") set forth in this document, each and all of which are intended for the benefit of the property and for each Owner in the property.

NOW, THEREFORE, Declarant, having established a general plan for the improvement and development of the property, does hereby establish these Covenants upon which and subject to which all lots and portions of lots within said property shall be improved or sold, and do hereby declare that the property is and shall be held, transferred, sold and conveyed subject to the Covenants hereinafter set forth, all of which shall run with the land and will be binding upon all successors in title of Declarant.

**ARTICLE ONE
PROPERTY**

The property which is and shall be held, transferred, sold and conveyed subject to the Covenants hereinafter set forth below is located in Flathead County, Montana, and consists of three (3) lots described as follows:

Lots 1, 2 and 3 of Lupfer Townhouses, according to the map or plat thereof on file and of record in the office of the Clerk and Recorder of Flathead County, Montana.

**ARTICLE TWO
DEFINITIONS**

The following terms, as used in this Declaration are defined as follows:

1. "Association" shall mean the Association of Owners which shall be known as the LUPFER TOWNHOMES OWNERS' ASSOCIATION, INC.
2. "Board of Directors" shall mean the Board of Directors of the Association.

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3. "Building" shall mean the building containing the Lupfer Townhomes.
4. "By-Laws" shall mean the By-Laws of the Association.
5. "Lot" shall mean each of the three (3) lots of the property.
6. "Owner" or "Townhome Owner" shall mean the record Owner of a fee simple title to any lot within the property and the Townhome on the lot and shall include contract buyers but not contract sellers.
7. "Property" shall mean the three lots and the Townhome on each lot as one project.
8. "Townhome" shall mean the part of the building which is located on a lot intended for individual use as a commercial property. A Townhome may also be referenced as a "Unit".

ARTICLE THREE PURPOSE OF COVENANTS

One commercial building has been built upon the three (3) lots described in Article One. The interior of the building is divided into three (3) separate Townhomes as set forth on Exhibit "A" attached hereto and incorporated by reference. Each part of the building on a separate lot shall be deemed to be a Townhome owned by the Owner of the Unit; any wall on a boundary line dividing two Townhomes shall be a party wall. For purposes of description, each Townhome shall be lettered the same as the lot on which it is located, e.g., the Townhome on Lot 1 shall be referred to as Townhome #1 or Unit #1. Since the property has one building, the purpose of these Covenants is to set forth a plan for the uniform use and maintenance of the property.

ARTICLE FOUR LUPFER TOWNHOMES ASSOCIATION

Section 1. Membership. Each Townhome Owner shall be a member and the Association shall have as members the Owners of each Townhome in the property. The By-Laws of the Association are set forth on Exhibit "A" attached hereto and incorporated by reference and each lot shall be subject to such By-Laws. The business of the Association shall be under the control of the Association's Board of Directors and its members as set forth in the Association's By-Laws. The Owner of each lot shall be entitled to one vote in the Association. Membership in the Association shall be appurtenant to and may not be separated from the Ownership of the Townhome. Members shall participate in the Association in the manner prescribed by the By-Laws of the Association. The Association's purpose is to enforce these Covenants and the By-Laws and to own, control, maintain, and improve any real or personal property conveyed to it.

Section 2. Association Property. In the event any real or personal property is conveyed to or acquired by the Association, then every Owner shall have a right and easement of enjoyment in and to the Association property which shall be appurtenant to

and shall pass with the title to every lot subject to the right of the Association to charge reasonable fees for, and to impose reasonable restrictions on the use, care, maintenance and improvement of said property and the right of the Association to dedicate or transfer all or part of said property for such purposes and subject to such conditions as the Association may provide.

**ARTICLE FIVE
ASSESSMENTS**

Section 1. Assessments. The Association may from time to time establish and collect assessments as set forth in the By-Laws. Each Owner shall be deemed to agree and shall be bound to pay assessments, established pursuant to the By-Laws.

Section 2. Lien. The assessments of the Association, together with any interest, costs, penalties and reasonable attorney fees incurred in collecting same shall be a charge to each Owner's lot and shall be a continuing lien against that lot as of the date of the assessment becomes delinquent. Said amounts shall also be a personal obligation of the Owner of the lot at the time when said assessment becomes due. Liens shall be levied and enforced as set forth in the By-Laws.

**ARTICLE SIX
OWNERS' RIGHTS AND OBLIGATIONS**

Section 1. Exclusive Use. Each Townhome Owner shall be entitled to the exclusive Ownership interest and possession of his or her Townhome.

Section 2. Assessment Percentages. Assessments shall be the responsibility of and shall be charged to the Townhome Owners in the following percentages:

Unit 1	33.33%
Unit 2	33.33%
Unit 3	33.33%

Section 3. No Exemption. No Townhome Owner may exempt himself or herself from liability for assessments by waiver of the use or enjoyment or by abandonment of any of the property.

Section 4. Compliance. Each Townhome Owner shall comply with these Covenants and the By-Laws and with any other covenants, conditions, restrictions and easements in the deed to his or her lot. Failure to comply therewith shall be grounds for an action maintainable by the Association or by an aggrieved Townhome Owner.

Section 5. Alterations. A Townhome Owner shall make no alteration or perform any other work on his or her Townhome which would jeopardize the soundness or safety of the entire building, reduce the value thereof, or impair any easement or hereditament unless the consent of all of the other Townhome Owners affected is first obtained.

Section 6. Exterior Maintenance. All necessary work of maintenance, repair and replacement to the exterior of the building shall be carried out only as provided by the By-Laws and under the supervision of the Board of Directors of the Association. The exterior of the building shall include all of the roof, all exterior walls, windows, decks, railings, porches, steps, exterior doors and exterior lights.

**ARTICLE SEVEN
USE OF PROPERTY**

Section 1. Commercial Use. Each Townhome shall be used only for commercial purposes; there shall be no residential use of such Townhomes.

Section 2. Exterior Grounds. Each Townhome Owner and occupant shall keep his or her lot neatly landscaped and free of weeds.

Section 3. Laws and Sanitary Condition. Every Townhome Owner and occupant shall at all times keep his or her Townhome and lot in a clean and sanitary condition and observe and perform all applicable laws, ordinances, covenants, conditions, restrictions and rules and regulations.

Section 4. Waste. No Townhome Owner or occupant shall make or suffer any waste or unlawful, improper or offensive use of his or her Townhome or the property.

Section 5. Additions. No Townhome Owner or occupant shall make any additions or alterations to the building or build or add any improvements or structure onto the grounds of a lot.

Section 6. Garbage. No refuse, garbage or trash of any kind shall be thrown, placed or kept on the grounds of the lots outside of the disposal facilities which may be provided for such purpose. Except as provided by separate action of the Directors, all garbage shall be kept within the Townhome except on days designated for garbage collection.

Section 7. Impairment of Structure, Utilities, or Insurance. Nothing shall be allowed, done or kept in any Townhome which would overload or impair the floors, walls or roofs thereof, or cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereon maintained by or for the Association.

Section 8. Pets. No pets shall be permitted on the property.

Section 9. Protrusions. No Owner, lessee, or licensee shall install wiring for electrical or telephone installation, television antenna, machines or air-conditioning units, clotheslines or the like on the exterior of the building, or which protrude through the walls or the roof of the building except as authorized by the Board of Directors.

Section 10. Signs. No draperies, shades, awnings, or the like shall be used except as shall have been installed or approved by the Board of Directors, and no signs of any

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kind shall be placed in or on the windows, doors, facades, or other exterior surfaces of the building or a lot other than those approved by the City of Whitefish.

ARTICLE EIGHT EASEMENTS

Section 1. Association Easement. The Association is hereby granted and each lot is subject to an easement for the Association to enter upon a lot for the repair, maintenance, and replacement of any part of the building at all reasonable times and places.

Section 2. Utilities. Each lot is subject to an easement for any utility system located on a lot and any necessary easements for the repair, maintenance and replacement of any such utility system. For any shared system, each lot is granted an easement for use with any other lot owner sharing the system to use and share in such utility system.

Section 3. Overhang/Encroachment Easements. Each lot shall be subject to an easement for overhangs and minor encroachments by walls, structures and fences upon adjacent lots for the building as constructed or as reconstructed or repairs in accordance with the original plans and specifications.

Section 4. Appurtenances. All easements in this Article are considered appurtenant to any lot to whose benefit such use inures.

Section 5. Construction Easements. The area from each west wall of the Lupfer Townhomes shall be subject to an easement for the construction activities of Declarant, its contractors and assigns on Lot 4 of Lupfer Townhouses and on the West Half of Lot 7 of Block 38 of Whitefish Original Townsites.

Section 6. Sidewalk Easements. The west four (4) feet of each lot shall be subject to a nonexclusive easement for a sidewalk to be four feet (4') in width and appurtenant to the West Half of Lot 7 of Block 38 and Lots 1, 2, 3 and 4 of Lupfer Townhouses, according to the maps or plats on file and of record with the office of the Clerk and Recorder, Flathead County, Montana. The north four feet (4') of Lot 3 of Lupfer Townhouses, according to the maps or plats on file and of record with the office of the Clerk and Recorder, Flathead County, Montana, shall be subject to a nonexclusive easement for a sidewalk to be four feet (4') in width and appurtenant to Lots 1, 2, 3 and the West Half of Lot 7, Block 38, Whitefish Original Townsites and Lots 1, 2, 3, 4 and 5 of Lupfer Townhouses, according to the maps or plats on file and of record with the office of the Clerk and Recorder, Flathead County, Montana.

ARTICLE NINE PARTY WALL

Each wall within the building dividing one Townhome from another shall be a party wall. The Owner of a Townhome on either side of the wall shall have the right to use the

wall as a party wall jointly with each other. Each party wall shall be maintained and kept in good repair at all times by the parties sharing a party wall and at a cost to be equally shared by both parties. Should the wall be injured or destroyed by any act or omission of a party, whether intentional or unintentional, the wall shall be repaired or rebuilt at that party's expense. Any repairing or rebuilding of the wall shall be of the same material or similar material of the same quality as that used in the original wall or part of the wall, unless agreed to by the other party sharing the wall.

ARTICLE TEN INSURANCE

Fire and related casualty insurance shall be purchased by the Association's Board of Directors for the property. The premium for such insurance will be paid out of the Association's funds. Insurance shall be maintained with reputable companies authorized to do business in Montana. Each Townhome Owner shall be responsible to insure the contents of his or her Townhome and to obtain public liability and property damage liability insurance for liability for personal injuries to or the death of any person or damage to property resulting from the ownership, use or occupancy of a Townhome Owners' Townhome and/or lot. The Association's insurance policies shall cover the original building specifications as constructed; any insurance for upgrades from such specifications and/or remodeling enhancements to a Townhome by an Owner above the original specifications shall be the responsibility of the Owner. The Association shall also purchase any liability insurance necessary for its protection; such liability coverage shall be for limits approved by the Association. The Association shall be given a copy of all policies purchased by each Townhome Owner with regard to his or her Townhome and each Owner may obtain a copy of the Association's policies from the Association. In the event of any property damage, reconstruction or replacement shall be as stated in the By-Laws.

ARTICLE ELEVEN RIGHT OF FIRST REFUSAL

In the event any Owner of the Units shall wish to sell and shall have received a bona fide offer from a prospective purchaser, the remaining Owners shall be given written notice thereof, together with an executed copy of such offer and the terms thereof. Such notice and copy shall be given to the Board of Directors or through a person named by the Board of Directors and the Board of Directors shall have the right to purchase the subject unit upon the sale terms and conditions as set forth in the offer therefore, or find another buyer willing to make a comparable offer, provided written notice of such election to purchase or find another buyer is given to the selling owner, and a matching down payment or deposit is provided to the selling Owner during the seven (7) day period immediately following the delivery of the notice of the bona fide offer and copy thereof to purchase. In the event any owner shall attempt to sell his or her Unit without affording to a majority of the other Owners the right of first refusal herein provided, such sale shall be wholly null and void and shall confer no title or interest whatsoever upon the intended purchaser.

This right of first refusal shall not apply to sales of the Townhomes by Declarant.

In no case shall the right of first refusal reserved herein affect the right of an Owner to subject his unit to a mortgage, trust, deed, or other security instrument.

The failure of or refusal by the Owners to exercise the right to purchase shall not constitute or be deemed to be a waiver of such right to purchase when an Owner receives any subsequent bona fide offer from a prospective purchaser.

ARTICLE TWELVE AMENDMENTS AND DURATION

This Declaration may be amended from time to time by recording an instrument in writing signed and approved by all of the Owners. Amendments to be effective must be recorded in the office of the Clerk and Recorder of Flathead County, Montana. This Declaration shall be effective for twenty (20) years and shall be automatically extended for successive periods of ten (10) years unless revoked by a vote of all the Owners.

ARTICLE THIRTEEN ENFORCEMENT

The Association or any Owner shall have the right to enforce in law or in equity any or all of these Covenants and the attached By-Laws. Failure of the Association or any Owner to enforce any Covenant or By-Law shall not be deemed to be a waiver of the right to do so thereafter.

ARTICLE FOURTEEN ATTORNEY FEES

If any Owner or the Association commences legal proceedings to enforce any provisions of these Covenants, the prevailing party in such action shall be entitled to recover from the other party reasonable attorney fees and costs.

ARTICLE FIFTEEN SEVERABILITY

Invalidation of any part of this document by judgment or court order shall in no way effect the other provisions which shall remain in full force and effect.

ARTICLE SIXTEEN BINDING EFFECT

These Covenants shall be construed pursuant to the laws of the State of Montana and shall be binding upon the heirs, successors and assigns of Declarant and all Owners and time is of the essence in complying with these Covenants. These Covenants shall be broadly construed to accomplish their intended purpose. These provisions shall be Covenants running with the land and shall bind any person having any interest in a Townhome or any lot as though the provisions were recited and fully stipulated in each deed or conveyance thereof.

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DATED this 30th day of MARCH, 2005.

KNOT DESIGN & DEVELOPMENT, LLC

By: _____

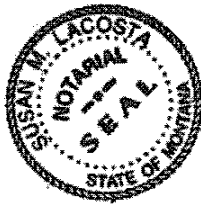
Ian Collins, Member

STATE OF MONTANA)
 :SS
County of Flathead)

On this 30 day of MARCH, 2005, before me, the undersigned, a Notary Public in and for the state aforesaid, personally appeared IAN COLLINS, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same with proper authority on behalf of KNOT DESIGN & DEVELOPMENT, LLC.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year last above written.

(SEAL)



Printed Name: SUSAN M. LACOSTA
Notary Public for the State of Montana
Residing in Whitefish, Montana
My Commission expires: 8/12/2005

EXHIBIT "A"

BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS OF

LUPFER TOWNHOMES
OWNERS' ASSOCIATION, INC.

ARTICLE I
INTRODUCTION
PLAN OF UNIT OWNERSHIP

Section 1. The provisions of these By-Laws ("By-Laws") apply to the use and occupancy of LUPFER TOWNHOMES, a townhome project located on the real property described in Section 1 of the Declaration of Covenants, Conditions and Restrictions pertaining to "LUPFER TOWNHOMES" and by this reference made a part hereof as if set forth in full at this point, as shown in the official records of the Flathead County Clerk and Recorder, and as shown on the plans submitted with the Declaration.

ARTICLE II
NAME AND OFFICES OF ASSOCIATION

Section 1. The name of this association shall be the LUPFER TOWNHOMES OWNERS' ASSOCIATION, INC., with offices located at 2769 Resthaven, Whitefish, Montana 59937.

ARTICLE III
DEFINITIONS

The following terms, as used in these By-Laws are defined as follows:

1. "Association" shall mean the Association of Owners which shall be known as the LUPFER TOWNHOMES OWNERS' ASSOCIATION, INC.
2. "Board of Directors" shall mean the Board of Directors of the Association.
3. "Building" shall mean the building containing the Lupfer Townhomes.
4. "By-Laws" shall mean the By-Laws of the Association.
5. "Common Elements" shall mean the exterior of the building containing the Lupfer Townhomes which shall be maintained, repaired and replaced by the Association. These shall include all of the roof, all exterior walls, windows, decks, railings, porches, steps, exterior doors, exterior lights, and any joint utility systems.
6. "Common Expenses" shall mean the expenses for the maintenance, repairs and replacement of the common elements, including reserve accounts and special assessments for capital improvements.

7. "Declaration" shall mean the Declaration of Covenants, Conditions, Restrictions and Easements for LUPFER TOWNHOMES filed with the Clerk and Recorder for Flathead County, Montana.
8. "Lot" shall mean each of the three (3) lots of the property.
9. "Owner" or "Townhome Owner" shall mean the record Owner of a fee simple title to any lot within the property and the Townhome on the lot and shall include contract buyers but not contract sellers.
10. "Property" shall mean the three lots and the Townhome on each lot as one project.
11. "Townhome" shall mean the part of the building which is located on a lot intended for use as an individual dwelling.

ARTICLE IV MEMBERSHIP AND VOTING

Section 1. All owners of townhomes in LUPFER TOWNHOMES shall be members of and constitute the LUPFER TOWNHOMES OWNERS' ASSOCIATION, hereinafter referred to as the "Association". The owner of any townhome shall automatically become a member of the Association and shall remain a member thereof until such time as the ownership of such townhome ceases for any reason, at which time the corresponding membership in the Association shall automatically cease; provided, however, that to such extent and for such purposes, including voting, as shall be provided by the terms of any appropriate written document filed with the Board of Directors of the Association, the mortgagee, trust indenture beneficiary, or contract seller of any townhome declared in default under such instrument shall be deemed to be the owner thereof.

Section 2. Each lot shall have one (1) vote; the votes for a lot, regardless of the number of owners of a lot, must be voted as a whole. Votes may be cast in person or by proxy by the respective owners as shown in the record of ownership of the Association. An executor, administrator, guardian or trustee may vote for any lot owned or controlled by him in such capacity, whether or not the same shall have been transferred to his name in the Association's record of ownership, provided that he shall first present evidence satisfactory to the Secretary or presiding officer that he owns or controls such townhome in such capacity. An entity owner shall designate in writing the representative of the entity. The vote for any lot owned of record by two or more persons or entities may be exercised by any one of them present.

Section 3. The authority given by any owner to another person to represent him at meetings of the Association shall be in writing, signed by such owner and filed with the Secretary, and unless limited by its terms shall continue until revoked in writing filed with the Secretary or by the death or incapacity of such owner. Voting rights transferred or pledged by mortgage, deed of trust or agreement of sale of any lot or interest therein, a true copy of which is filed with the Board through the Secretary, shall be exercised only by the person designated in such instrument until the written release or other termination thereof is filed with the Board in like manner.

ARTICLE V
MEETINGS OF MEMBERS

Section 1. There shall be an annual meeting of voting members of the Association on the first Monday of the second month after the end of each fiscal year of the Association at a time and place designated in the written notice thereof delivered to voting members by the Board of Directors at least ten (10) days prior to the date of said meeting. At the annual meeting, the Board of Directors shall present a written statement to each voting member of the financial condition of the Association, itemizing receipts and disbursements for the preceding calendar year with the allocation thereof to each Townhome Owner and a budget and assessments for the prior year. Any voting owner not present shall receive said statement within ten (10) days after the annual meeting. The first annual meeting shall not occur until after the special meeting of owners as set forth in Article VI.

Section 2. Special meetings may be called any time for the purpose of considering matters which require the approval of members. Such a special meeting shall be called by written notice mailed at least ten (10) days prior to the date of such meeting to all voting owners. Such written notice may be initiated by a majority of the Board of Directors or by fifty percent (50%) of the townhome votes. Such notices shall specify the date, time and place of the meeting as well as all matters to be considered.

Section 3. The presence at any meeting in person or by proxy of the Townhome Owners having 66-2/3% of the total votes shall constitute a quorum. Unless otherwise expressly provided herein, any action may be taken at any meeting of the voting owners upon the affirmative vote of the voting owners having 66-2/3% of the total votes present at the meeting.

ARTICLE VI
BOARD OF DIRECTORS

Section 1. The business and property of the Association shall be managed under the direction of a Board of Directors consisting of three (3) Directors who shall be elected by the members of the Association. There shall be no cumulative voting. The number of directors may be increased to any number or decreased to any number but not less than three (3) upon unanimous vote of the members. After there are two (2) lots owned by two (2) different owners, each Director shall be an owner of a townhome or an interest in an entity owning a townhome in LUPFER TOWNHOMES. Each Director shall be elected for a term of one (1) year.

Section 2. Within thirty (30) days after there are two lots owned by two (2) different Owners, the Board of Directors elected by the incorporator of the Association shall call a special meeting of the owners. Written notice of said special meeting shall be given to all voting owners at least fifteen (15) days prior to the meeting. At such special meeting, a Board of Directors shall be elected to replace the Board of Directors elected by the incorporator of the Association to serve until the following annual meeting of voting owners. At the first annual meeting of owners, such Board of Directors shall be replaced by

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Directors duly elected at the meeting. Such Directors shall then serve until the next annual meeting.

Section 3. An annual meeting of the Board of Directors shall be held on the first Monday of the second month after the end of the fiscal year of the Association after the members meeting.

Section 4. Special meetings of the Board of Directors may be called by the Chairperson or in his or her absence by the Vice-Chairperson. By unanimous consent of the Directors, a special meeting may be held without notice at any time or place.

Section 5. Notice of all regular and special meetings, except those specified in the second sentence of section 4 of this Article, shall be mailed to each Director by the Secretary at least five (5) days prior to the time fixed for the meeting. Such notice shall specify the time and place of meeting, and in the case of special meetings shall state the purpose or purposes thereof. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting.

Section 6. A quorum for the transaction of business at any regular or special meeting of the Directors shall consist of two (2) members of the Board. All votes of directors at meetings must be unanimous if only two (2) directors are present, but if three (3) are present, any matter shall require approval of two (2) of the three (3) directors. The only exception shall be as stated in Article VIII, Section 5.

Section 7. The Directors shall elect the officers of the Association specified in Article VII of the By-Laws at the Directors' meeting following each annual meeting of the members of the Association. An officer may be removed at any time by a unanimous vote of the full Board of Directors of the Association. Officers elected by the directors who were elected by the incorporator at the organizational meeting of the Association shall serve only until the meeting of owners described in Section 2 of this Article; the Board of Directors elected at the meeting shall elect officers to serve until the first annual meeting of the Board of Directors.

Section 8. Any vacancy or vacancies on the Board of Directors may be filled by the remaining Directors at any special or regular Directors' meeting after the death, incapacity, or resignation of any Director.

Section 9. The Board of Directors shall have the responsibility for, and authority to do all things necessary for:

- (a) The maintenance, repair and replacement of the common elements, and payment for the common expenses thereof;
- (b) The employment of personnel necessary for the maintenance, repair and replacement of the common elements;

- (c) The manner of collecting from the Townhome Owners their shares of the assessments for the common expenses;
- (d) The formulation and adoption of rules and regulations and the enforcement of restrictions and requirements respective to the use and maintenance, repair and replacement of the common elements, designed to prevent unreasonable interference with the use by the Townhome Owners of their respective lots.
- (e) Provision at each Townhome of all water, sewer, and such other utility services and utilities as the Board shall deem necessary either at the expense of the Townhome Owner or as a common expense as determined by the Board.
- (f) Preparation and adoption at least thirty (30) days before the beginning of each fiscal year of a budget and schedule of assessments for common expenses for such year.
- (g) The filing of any state and federal tax returns as may be required for the Association.
- (h) The payment of any real and personal property taxes and assessments of the Association.

Section 10. The Board of Directors shall have the authority to engage the services of a manager or management service for administration, set his or her compensation, and specify his or her authority. The manager may be discharged by a unanimous vote of the full Board of Directors. The management contract for any employed manager shall not be for a term of more than five (5) years and shall contain provisions allowing for its termination by either party without cause with not more than ninety (90) days notice and without payment of any termination fee or penalty. Only one manager or management service shall be hired at one time.

Section 11. (a) The Board of Directors, or the manager with its authority, shall cause the property to be insured against loss or damage by fire and related casualty ("blanket all risk") in an amount representing the full insurable value thereof as determined by the Board and according to the building's original specifications as constructed. The cost for such insurance shall be a part of the common expense. The carrying of such insurance shall not preclude any Townhome Owner from carrying insurance at his own cost for his own benefit, subject to the conditions set forth in sub-section (f) of this section. **The interior contents of any townhome and any interim upgrades in a townhome from the building's construction specifications and/or remodeling enhancements shall not be insured by the Association and insurance thereon shall be a Townhome Owner's individual responsibility.**

- (b) All policies of physical damage insurance shall contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured, and shall provide that such policies may not be canceled or substantially modified without at least ten (10) days prior written notice to all of the insureds, including all mortgagees and contract sellers of townhomes. Copies of all policies of physical damage insurance and of all renewals thereof, together with proof of payment of premiums, shall be delivered to all owners, mortgagees, and contract sellers of townhomes at least ten (10) days prior to the expiration of the then current policies. Periodically, the Board of Directors shall obtain an appraisal from a fire insurance company or otherwise of the full replacement value of the property according to its original specifications without deduction for depreciation for the purpose of determining the amount of fire insurance to be effective pursuant to this section.
- (c) In the event of a loss, the Association insurance proceeds will be paid to the Board of Directors or the designee (i.e., the Manager) of the Board of Directors as Trustee for disbursement. The Association or its designated Trustee shall be a named insured on all insurance policies purchased by the Association as hereinabove authorized. Each policy shall contain a standard mortgagee clause in favor of each mortgagee or contract sellers of any townhomes which shall provide that proceeds shall be payable to such mortgagee, beneficiary, or contract seller as its interest may appear.
- (d) The Board of Directors shall review the adequacy of limits of coverage of insurance policies and report annually its opinion regarding same to the membership of the Association at its annual meeting.
- (e) Townhome Owners shall have the responsibility to carry, at the Owner's expense, public liability and property damage insurance, insuring the Townhome Owners for liability for personal injuries to or the death of any person, or damage to property resulting from the ownership, use or occupancy of the Townhome Owners' Townhome and/or lot. The Association shall purchase at the Association's expense public liability and property damage insurance necessary for its protection.
- (f) Townhome Owners shall not be prohibited from carrying other insurance for their own benefit provided that all policies shall contain waivers of subrogation and provided that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any Townhome Owner.
- (g) The Board of Directors may maintain fidelity bonds to cover all officers, Board members, or managers who handle funds, naming the Association as obligee.

- (h) If the project is damaged by fire or other casualty which is insured against and such damage is not in excess of 75% of replacement costs of the project, the Board of Directors shall use the proceeds to rebuild or repair such damaged portion in accordance with the original plans and specifications. If such damage exceeds 75% of the replacement costs, then the decision to repair or restore shall be determined by the voting members of the Association at a meeting called for that purpose, which meeting must be held not more than 45 days after the occurrence of the damage referred to. If all of the voting members vote by written ballot in favor of repairing or restoring, any insurance proceeds available shall be used for that purpose. In either event of repair, if the insurance proceeds are insufficient to pay all the costs of repairing, the board shall levy a special assessment on all Townhome Owners as a general common expense. If all the Townhome Owners do not vote to rebuild, the insurance proceeds and any sale or other proceeds shall be made payable to the townhome holders in accordance with the share each Townhome Owner paid for expenses for the common elements after first paying out of each respective shares of a Townhome Owner, to the extent sufficient, any liens on a Townhome Owner's undivided interest. If the property is not rebuilt, a termination of the Declaration shall be filed with the Flathead County Clerk and Recorder.

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

Section 12. All checks, drafts, notes, acceptances, conveyances, contracts and other instruments shall be signed on behalf of the Association by such person or person as shall be provided by general or special resolution of the Board of Directors, or in the absence of any such resolution applicable to such instrument, by the President or Vice-President or the Secretary/Treasurer.

Section 13. The Board or its manager may enter any Townhome when necessary in connection with any maintenance, repair or construction for which the Board is responsible, and for inspection where there is reasonable cause either that a covenant set out in this statement has been violated or that a condition exists which is noxious, offensive, or dangerous to the other Townhome Owners and for correction of the above. Such entry shall be made with as little inconvenience to the occupants as practicable, and any damage caused thereby shall be repaired by the Board, at the expense of the Common Expense Fund.

Section 14. The Board shall have the authority to negotiate and enter into on behalf of the Association any agreements it deems necessary for the best interests of the Association, including any agreements with other Associations or persons or entities for maintenance, repair and replacement of any common elements.

ARTICLE VII OFFICERS

Section 1. The officers of this Association shall be a President (also referred to as Chairperson), Vice President and a Secretary/Treasurer, each of whom shall be elected for a term of one (1) year by the Board of Directors and shall hold office until their successors are duly elected and qualified. There is no requirement that an officer be a Townhome Owner. The Board may appoint such committees and committee chairpersons as appears necessary in its judgment. Any person may hold more than one (1) office, except that the offices of President and Secretary/Treasurer shall not be held by the same person.

Section 2. The President shall preside at all Directors' and members' meetings; shall have general supervision over the affairs of the Association and shall perform all such other duties as are incident to the office. In case of the absence or disability of the President, his or her duties shall be performed by the Vice President.

Section 3. The Secretary/Treasurer shall issue notices of all Directors' and members' meetings and shall attend and keep the minutes of the same; shall have charge of all Association books and records and papers, and shall have custody of all money and records and papers, and shall have custody of all money and securities of the Association and shall give bond in such amount as is required by the Directors, conditioned upon the faithful performance of the duties of this office. The Secretary/Treasurer shall keep regular books of account and shall submit them, together with all of his or her vouchers, receipts, records and other papers to the Directors for their examination and approval, at least quarterly or as often as they may require additionally; and shall perform all other duties as are incident to this office.

ARTICLE VIII FINANCE

Section 1. The funds of the Association shall be deposited in such bank or banks, building and loan or savings and loan associations as the Directors shall designate and shall be withdrawn only upon the check or order of an officer of the Association duly authorized by the Board of Directors, or by a manager if so authorized. Common expenses, unless stated otherwise herein, shall be charged to Townhome Owners as follows:

Unit 1	33 1/3%
Unit 2	33 1/3%
Unit 3	33 1/3%

Section 2. The Directors shall establish an Operating Fund into which the monthly estimated cash requirement assessments shall be deposited upon receipt from Townhome Owners and from which payment of operating expenses shall be made.

Section 3. The Directors may also establish a Reserve Fund for contingencies to be used to meet any deficiency in the Operating Funds which may result from any inadequate estimated cash requirement or as a result of delinquencies in the payment of operating assessment by Townhome Owners. Said fund shall be created and maintained by increasing the estimated cash requirements assessments to each Townhome Owner by an amount not to exceed ten percent (10%) thereof and such increase shall be the "Reserve Fund Assessment", provided, however, that said reserve fund assessment shall not be made or shall be discontinued when there is on deposit therein a total sum equal to twenty-five percent (25%) of the estimated cash requirements for the then current year but said assessments may be resumed when the amount in said reserve fund falls below said twenty-five percent (25%). The funds assessed for the Reserve Fund shall be deposited in a separate special account.

Section 4. The directors may also establish a special assessment for capital improvements or other expenses which the Board may determine to be in the best interests of the Association. Any funds assessed as a special assessment shall be deposited in a separate special account.

Section 5. The directors shall enforce the collection of all assessments. In the event of default by any Townhome Owner in paying the Association of all or part of any assessment (which include, but are not limited to the assessments specified in Section 1, 2, 3, and 4 of this Article) when due, the Association shall have the right to a lien against the lot of the nonpaying owner. The Association shall record the lien with the Clerk and Recorder of Flathead County; the lien may be signed by any officer of the Association. The Association shall also have the right to assess a late penalty amounting to \$10.00 per month for fees unpaid after the tenth day of any due date. Furthermore, when a Townhome Owner is declared to be in default, such Townhome Owner shall be obligated to pay interest at the rate of ten percent (10%) per annum on such assessment from the due date thereof together with all expenses including any reasonable attorney fees incurred by the Association in any efforts to collect such unpaid expenses. After a Townhome Owner is more than 60 days delinquent the Board shall give the owner and any mortgagee or contract seller a 15-day notice of the delinquency and demanding payment of all amounts due to date. After the 15-day period, the Board of Directors shall have the right and duty to attempt to recover such amounts together with interest thereon and the expenses of the proceeding including attorney's fees in an action brought against such Townhome Owner or by foreclosure of the lien on such lot. An action to collect without foreclosure does not waive the lien or the Association's right to foreclose. If a delinquent Townhome Owner is on the Board of Directors, he or she may not vote on any matters regarding his or her delinquency. With regard to any action on such delinquency, a quorum shall exist if all non-delinquent directors are present and their vote shall approve and allow the actions stated herein in Sections 5 and 6 of this Article.

Section 6. In any action brought by the Board of Directors to foreclose a lien on a townhome or townhomes because of unpaid assessments, the Townhome Owner shall be required to pay a reasonable rental for the use of his or her lot and the plaintiff in such action shall be entitled to the appointment of a receiver to collect such rental. The Board of Directors or the Manager acting on behalf of the Townhome Owners shall have the

power to purchase such lot or lots at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same. A suit to recover the money judgment for unpaid expenses shall be maintainable without foreclosing or waiving the lien securing the same, provided, however, that no such suit or judgment shall be brought against a purchaser who obtains title as a result of foreclosure of the first mortgage or trust indenture for costs not incurred by him as an owner.

Section 7. The Board of Directors shall promptly provide any Townhome Owner who makes a request in writing with a written statement of his or her unpaid assessments.

Section 8. The Directors shall have the authority to borrow money to meet any deficiency in the payment of Association expenses or to meet any emergency that may arise in the management of the property.

Section 9. The Board of Directors or the manager shall keep detailed records of the action of the Board of Directors and the manager, minutes of the meetings of the Board, minutes of the meetings of the Townhome Owners, and financial records and books of account of the property, including a chronological listing of receipts and expenditures, as well as a separate account for each lot relating to a single owner, which among other things shall contain the account of each assessment against such Townhome Owner, the date when due, the amounts paid thereof, and the balance remaining unpaid. A written report summarizing all receipts and expenditures of the property shall be rendered by the Board of Directors to all Townhome Owners but not later than ten (10) days prior to the annual meeting as set forth in Article V, Section 1, and to all mortgagees, trust indenture beneficiaries or contract sellers of the lots who have requested the same, as soon as is reasonably practical after the end of each fiscal year.

ARTICLE X CONDEMNATION

In the event of a taking in condemnation, or by eminent domain, of part or all of the property, the award made for such taking shall be payable to the Townhome Owners in effects in a proportional manner.

ARTICLE XI AMENDMENT

Section 1. No amendment of the By-Laws shall be effective unless approved by a vote of all of the Townhome Owners; any amendment shall become effective when approved by the Owners. Any amendment of the By-Laws shall be recorded as an Amendment of the Declaration of Covenants, Conditions and Restrictions.

Section 2. An amendment may be proposed at any regular meeting of the Board of Directors by a Director or it may be proposed by written petition of fifty percent (50%) of the votes at a regular or special meeting of the Board of Directors or owners. Such proposed amendment(s) shall be sent by registered or certified mail to each Townhome Owner, and shall be voted upon by Townhome Owners by secret ballot at an election to

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be set by the Board of Directors no more than one (1) month after such amendment is proposed.

ARTICLE XII
MISCELLANEOUS

Section 1. All notices to the Board of Directors shall be sent by registered or certified mail in care of the manager or if there is not manager, to the office of the Board of Directors as may be designated from time to time, said notices to be effective upon receipt, and all notices by the Board of Directors to Townhome Owners shall be sent postage prepaid to the address furnished by each Townhome Owner, with copies to all mortgagees or contract sellers.

Section 2. The invalidity of any part of these By-Laws shall not effect or impair in any manner the validity, enforceability, or effect of the balance of these By-Laws.

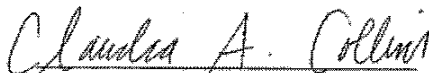
Section 3. No restriction, condition, obligation, or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, regardless of the number of violations or breaches thereof which may occur.

Section 4. IAN COLLINS and CLAUDIA COLLINS shall serve as President and Secretary/Treasurer until their successors are elected according to the provisions of Article VI, Section 7 of these By-Laws.

IN WITNESS WHEREOF, the first President and Secretary of the LUPFER TOWNHOMES has hereunto executed these By-Laws this 30th day of March, 2005, and certify them to be a true copy of the By-Laws adopted by such Association.



President



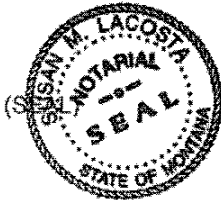
Secretary


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STATE OF MONTANA)
 :SS
County of Flathead)

On this 30 day of March, 2005, before me, the undersigned, a Notary Public in and for the state aforesaid, personally appeared IAN COLLINS and CLAUDIA COLLINS, known to me to be the President and Secretary, respectively, of the corporation that executed this instrument, or the persons who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year last above written.




Printed Name: Susan M. Lacosta
Notary Public for the State of Montana
Residing in Whitefish, Montana
My Commission expires: 8/12/2005

STATE OF MONTANA COUNTY OF FLATHEAD) ss
RECORDED IN THE RECORDS OF FLATHEAD COUNTY STATE OF MONTANA, COPY
AT THE REQUEST OF Hedman Etal ON
9/8/05 1:45 P.M. CLOCK 120 CO PAID
BY Kayla Kile DEPUTY
RETURN
DOCUMENTS

HEDMAN ETAL
204 CENTRAL AVE
WHITEFISH, MT 59937

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Plat: 200432113300