

Riverside Crossing
An Active Adult Cottage Cooperative
Prospectus Bulletin

I. Introduction.

An offer to purchase a Share in Riverside Crossing is more than an application for a place to live. Membership in a housing cooperative grants full partnership in its ownership and operation.

Riverside Crossing offers the advantage of ownership and the convenience of community living. The planned development follows the concept based on Ross Chapin's Pocket Neighborhoods model www.pocketneighborhood.net. Six pockets of 8 to 10 homes surround a shared green space making for a cozy cluster of cottages within the wider development. The shared common space opens the cottages to large front porches for meeting and greeting your neighbors and the wider community. While the front porches welcomes and engages friends, it does not come at the expense of privacy. Cottages "Nest" together adding layers of privacy as you move back through the cottage to the private rear yard.

Evaluate the advantages of cooperative membership:

- Membership in the cooperative includes cottage maintenance, lawn & landscape care, snow plowing, and more. All these services are included in the monthly service fees. Members are welcome to plant and care for beds around their cottages.
- The convenience of knowing your cottage is cared for even when traveling for long periods or snow birthing to warmer climates.
- Monthly service fees are kept as low as possible. Covering only anticipated costs for the upcoming year. At the end of the calendar year remaining allotments of service fees, if any, are returned back to members and a new budget for the coming year is developed. There are no "Profits" taken out of the cooperative. All money is either reinvested or returned to the members. This excludes the long-term reserves that are required for capital improvements and maintenance. These funds accumulate for future use.
- Long-term reserves greatly reduce the likelihood of the need for a "special assessment" to cover capital costs like roofing, road repair, etc.
- The cooperative's Board of Directors has the authority, with input from the Membership Committee, to accept or deny applications for membership. Like any other form of housing, cooperatives cannot discriminate based on the protected classes listed in the Fair Housing Act, which include race, color, religion, sex, familial status, national origin, or disability. However, many cooperatives are selective in approving memberships. As communities of people who share a financial obligation and responsibility for governing how they want to live together, it is important for cooperatives to ensure that incoming members can meet their financial obligation, will abide by the rules of the community, and understand the responsibilities of living in a cooperative housing community.

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- Members who itemize their federal and state income tax deductions can deduct their portion of real estate taxes paid by the cooperative. Since Riverside Crossing will not have a master mortgage, only members using a loan from an outside lender for share and cottage purchases will have a mortgage deduction option.
- Members of the cooperative own and, through the Board of Directors, control the property. They determine monthly fees, house rules, and community policies. The Board of Directors relies on input from select committees and members to set policies and monthly services fees.

II. Description of the Property.

The cooperative is a for-profit housing corporation chartered on July 20, 2017, according to the laws of the State of Montana under Title 35, Chapter 15, of the Montana Code Annotated.

The land is leased from the Ravalli County Council on Aging, and all cottages, garages, garden sheds, infrastructure, and other structures are owned by the cooperative. The members of the cooperative own and control all the cooperative's shares of stock.

There are 50 private cottages, one Common House, and various garden sheds on the property.

The cottages in the cooperative are single-family detached units of various sizes. There are 8 two-story cottages, 4-1½ story, and 38 single-story. Cottages have various combinations of bedrooms and baths.

For service fee calculations, each unit has an assigned pro-rata value expressed as a factor of the square footage of each cottage and garage. Cottage values are determined off original building costs for each cottage. Original, and after that, sales values will be documented on the member's Membership Certificate.

Interior furnishings, window treatments, and decorations are furnished and maintained by the member and, along with their other property, constitutes the personal property of the member.

Unless otherwise agreed, the cooperative owns and maintains the plumbing and electrical system, furnace, air conditioner, appliances, and water heater as well as the structural integrity of the building, its roof, exterior walls, windows, and foundation. The cooperative also maintains the common grounds, common house, sidewalks, fences, and parking facilities. Although the cooperative provides grounds maintenance, it is expected that the Member maintain general order and cleanliness in the area immediately surrounding their dwelling unit. This includes any flower beds, bushes, or other landscaping the Member plants or provides. Garden sheds with loaner tools will be available throughout the community for use by all the members, alleviating the need for each member to have their own tool supply. The Landscape

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and Maintenance Committee will be responsible for maintaining and keeping all tools in good working order.

III. Cooperative Ownership.

A member's ownership interest is evidenced by a Share Certificate valued at \$50,000, a Membership Certificate issued by the cooperative which indicates the total value of the cottage, less the Share cost, and an occupancy agreement that grants the right of occupancy of a specific cottage. The occupancy agreement grants the member the right to occupy the cottage for as long as the member complies with the conditions of occupancy.

To become a member of the cooperative a person buys a Share in the Cooperative. They also purchase a Membership Certificate for the remaining value of the cottage. Members occupy their private cottage pursuant to a proprietary lease called an Occupancy Agreement which gives them the exclusive right to occupy a specific cottage. Each Membership Certificate provides the Member a cooperative interest that represents an ownership interest in the common house, common areas, gardens and garden sheds, and a leasehold interest to a specified cottage.

Ownership of the cooperative interest also affords the member the right to democratic participation in the control and management of the cooperative housing community and the obligation to pay his or her share of the cost of operating and maintaining the housing cooperative. The cooperative operates with one class of membership and, therefore, allows one vote per membership certificate regardless of the number of persons owning the membership or the size of the unit.

Persons who wish to move from the cooperative may sell their membership and right of occupancy to a qualified purchaser. A more detailed and authoritative statement of this procedure is contained in Article 25 of the Occupancy Agreement available from the cooperative. The cooperative charges transfer and closing fees to record the transfer on its official books.

The cooperative is not offering condominium or fee simple ownership in the property or the cottages. Membership in the cooperative provides for the creation of a leasehold interest in the dwelling unit to which the membership certificate is applicable.

IV. Mortgage Obligations.

At final build-out, the cooperative will be debt free and there will be no master mortgage. If a member needs a Share or Certificate loan to purchase into the cooperative, several local banks have products available. You may use any lending institution that is familiar with cooperative housing lending.

V. Reserves.

A Replacement Reserve account will be established to ensure the availability of funds for

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the replacement of capital items, including but not limited to; roofs, repainting of cottages, landscaping and trees, as well as sidewalk and asphalt replacement and repair. The cooperative is required to fund this reserve each month. Disbursements can be made only with the consent of the Board of Directors. These reserves are built into the monthly service fee and are not an additional charge.

VI. Tax Considerations.

In computing over-all housing cost, the member may wish to consider the benefit of federal income tax deductions allowed to tenant-members of cooperative housing corporations under the provisions of Section 216 of the Internal Revenue Code. Members are entitled to deduct from their gross income their proportionate share of real estate taxes paid by the cooperative. At the end of each year, the cooperative will advise each member of their proportionate share of the real estate taxes paid by the cooperative.

VII. Cooperative Documents.

The Cooperative documents consist of the Statement of Intent, Bylaws, Occupancy Agreement, Share Certificate, and Membership Certificate.

The Statement of Intent were issued by and is recorded by the Secretary of State of the State of Montana, and is organized as a for-profit cooperative corporation under Title 35, Chapter 15, of the Montana Code Annotated.

The Bylaws are the governing document of the corporation and set out how the organization is structured and how it should function. It delineates the powers of its governing bodies and the rights of and restrictions on individual Members.

Occupancy Agreement: Sometimes referred to as a “proprietary lease”, is a contract between the Cooperative and the member that sets the conditions for the right to occupy a particular cottage. It contains the specific cottage number and/or location, provides the allocated monthly fee costs, and includes by reference the rules and regulations of the cooperative. The rules are created by the Board of Directors and are intended to set guidelines for occupancy and use of the property and for the efficient administration and management of the cooperative. The allocated monthly fees change from year to year, a new Occupancy Agreement is signed and recorded each calendar year.

Share Certificate: Valued at \$50,000, the Share Certificate gives the member a share in the entire cooperative.

Membership Certificate: Indicates the total value of the specific cottage the member occupies. The \$50,000 Share Certificate cost is applied to the cottage value. The Membership Certificate value is the Cost Basis of the cottage at the time of build, or sale.

The corporation is governed by a five-person Board of Directors elected by the membership. The Board of Directors is responsible to the member stockholders and is charged with the

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proper administration and management of the affairs of the Corporation. It monitors, by itself or through committees, the cooperative's finances, selects members, sets community policies, and establishes membership rules and regulations. The Board of Directors, with input from the Finance Committee, fixes the operating budget and the monthly fees required of each member.

An annual meeting of members is held to elect directors and conduct any other business that might properly come before the members.

VIII. Governance.

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IX. Membership.

To become a member of the corporation a person must be approved for the purchase of a membership by the Cooperative's Board of Directors.

The bylaws restrict the transfer value of membership by establishing the maximum resale price at which members may sell their membership interest. Members who wish to leave the cooperative must notify the cooperative in writing. Upon receipt of such notice the Co-op will offer the Owner's share to the next qualified applicant. If there is no waiting list for that specific unit the Co-op will market the Owners share on the open market until a qualified buyer is found. There will be no payment of funds to present owner until a new owner is found and qualified for purchase. See Section 7.5 Redemption of By-laws for specific details. It is the goal of the cooperative to develop a waiting list for prospective buyers. This provides an immediate buyer pool that assists in the selling member to receive their equity as soon as possible.

In the case of death of a member, the cooperative will assist the member's estate with the sale of the Share and cottage with all proceeds going to the member's estate. The Share and cottage cannot be transferred by will or intestate succession of membership.

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The cooperative provides and pays for the following utilities through the monthly service fees: domestic water & sewer; a stipend for natural gas & electric, and trash removal. The remaining utilities such as phone, cable, and internet are individually paid for by members directly to the supplier.

The cooperative is not intended for use as an investment property. Members may not sublet their cottage.

The Board of Directors may terminate membership and the Occupancy Agreement as outlined in the By-laws. Defaulting members are given notice and a right to respond in a meeting as set forth in Section 2.8 of the cooperative By-laws.

The Occupancy Agreement includes by reference the neighborhood rules of the cooperative. The rules are created by the Board of Directors and are intended to set guidelines for occupancy and use of the property and for the efficient administration and management of the corporation.

X. Management.

Riverside Crossing will support three staff positions for the cooperative. To alleviate the complexities involved in payroll, worker,s comp, and unemployment insurance the Ravalli County Council on Aging will be the employer of record for these employees. The Cooperative will pay RCCOA or their agent for this management service. They include 1 FTE Manager/Bookkeeper, .75 FTE Maintenance Director, .20 Housekeeping for Common House.

XI. Committees.

Part of the cooperative experience is participating in the operation of the cooperative. Whether through sweat equity or by serving on a committee, members are expected to participate in the successful operation of the cooperative that is owned and operated by the membership. Committees enable the Board of Directors to make informed decisions on the overall operation of the cooperative. Their suggestions and recommendations to the board are intended to represent the cooperative member's point of view.

Some of the committees include:

1. Activities Committee: Promotes activities for a healthy and enjoyable social experience for co-op members. Plans events, community picnics, speakers for workshops or education.
2. Pocket Captains: Responsible for welcoming new members, reviewing and recommending changes to the cooperatives rules and regulations, and helps resolve neighbor disputes and issues within their neighborhood pocket.
3. Finance Committee: The Finance Committee assists in the preparation of the annual budget. It may analyze and make recommendations regarding the co-op staff positions. Reviews monthly cash flow reports and recommends to the Board of Directors long-, mid- and short-term goals for the cooperative.
4. Cottage and Grounds Committee: Assists the Board in meeting its maintenance responsibilities. Reports on the maintenance and general condition of buildings and

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- grounds and makes recommendations on the upkeep of lawns and grounds beautification projects. It may process applications for making improvements to units, advise on the financial value of such improvements, and make recommendations to the Board for their approval or disapproval.
5. Membership Selection Committee: Review all applicants for cooperative membership, and recommends to the Board acceptance or denial of membership request.
 6. Paths and Pets Committee: Keeps walking trails for members and their furry friends safe and accessible. Recommends pet policy updates and helps resolve issues involving pets. (See Pet Policy attached to Occupancy Agreement).

XII. Rules and Regulations

Rules and Regulations are attached to the Occupancy Agreement as an exhibit.

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