



Bylaws of Stonehorse Homeowner's Association, Inc.

ARTICLE I NAMES, DEFINITIONS, AND OFFICES

Section 1.1 Name.

The name of the corporation is Stonehorse Homeowner's Association, Inc., a Montana not-for-profit Corporation (the "Association").

Section 1.2 Definitions.

Any definitions set forth in the Declaration of Restrictive Covenants for Stone Ridge Ranch Phase I, and Vergeront Ranch Subdivision Phase II, as amended from time to time and recorded in the office of the Clerk and Recorder of Lake County, Montana (the "Declaration"), will apply to these Bylaws. All defined terms used in these Bylaws will have the same meaning as the defined terms used in the Declaration, unless the defined terms in these Bylaws or the context of these Bylaws clearly indicates otherwise.

Section 1.3 Principal Office.

The Association's principal office shall be located either within or outside of Montana. The Association's most current "ANNUAL REPORT" filed with the Montana Secretary of State, shall identify the location of the principal office. The Association may have other offices, either within or outside of Montana. The Board of Directors may designate the location of these other offices. The secretary of the Association shall maintain a copy of all records required by Section 2.17 of Article II at the principal office.

Section 1.4 Registered Office.

The Association's "REGISTERED OFFICE" shall be located within Montana at the address of the Association's "REGISTERED AGENT". The location of the REGISTERED OFFICE may be, but need not be identical with that of the principal office if the latter is located within Montana. The Board of Directors or a majority of the Members may change the Registered Agent and the address of the Registered Office from time to time upon filing the appropriate statement with the Secretary of the State of Montana.



ARTICLE II MEMBERSHIP

Section 2.1 Members.

- a. *Membership.* Each Owner of any home site or of any residential dwelling shall be a Member of the Association with such voting and other rights and obligations as set forth herein and in the Declaration.
- b. *Membership Rights and Obligations.* All Members have the same rights, privileges, and obligations as set forth in these Bylaws and in the Declaration.

Section 2.2 Annual Membership Meeting.

The Members shall convene their annual meeting in the month of July beginning with the year 2008 at the hour of 11:00 A.M., or at another time within the month that the Board of Directors may designate. As set forth in Section 2.6 hereof, the Board of Directors shall cause written notice of the annual membership meeting to be provided to the Members at least thirty (30) days in advance of the scheduled annual membership meeting. At the annual meeting, the Members shall elect Directors and transact any other business as may come before the meeting. If the date of the annual meeting is a legal holiday in Montana, the meeting shall be held on the next succeeding business day.

Section 2.3 Special Membership Meetings

The President, Secretary, Board of Directors, or 25% of the Members may call a special membership meeting for any purpose or purposes described in the meeting notice. If 25% of the Members request a special meeting, they must do so in writing, and sign, date, and deliver the demand to any company officer at least 10 but not more than 15 days before the Association must give notice of the meeting; the President shall then call the special meeting on these Members' behalf. For purpose of determining whether the Members have met the 25% requirement, the record date is at 5:00 P.M. on the 30th day before delivery of the demand for a special meeting to any corporate officer.

Section 2.4 Membership Meetings by Conference Telephone.

Members may participate in a membership meeting, if authorized by the Board of Directors, by means of a conference telephone or similar communications equipment, provided all persons entitled to participate in the meeting received proper notice of the meeting and provided all persons participating in the meeting can hear each other at the same time. A Member participating in a meeting by conference telephone is deemed present in person at the meeting. The chairperson of the meeting may establish reasonable rules as to conducting business at any meeting at which Members participate by phone.

Section 2.5 Place of Membership Meeting.

The Board of Directors may designate any place within Lake County, Montana as the meeting place for any annual or special meeting of the Members. The Members may change the meeting place if all the Members entitled to vote at the meeting agree by written consents to another location. The written consents may be in the form of waiver of notice





or otherwise. The new location may be either within or outside the State of Montana. If the Board of Directors does not designate a meeting place, then the Members shall meet at the principal office of the Association.

Section 2.6 Notice of Membership Meeting

- a. *Required notice.* The Secretary of the Association shall deliver notice of the membership meeting to each record Member.
- b. *Manner of Communication.* The Secretary of the Association may deliver to the Members notice of the membership meeting by a separate written notice, or by a newsletter of the Association. The notice must be given in a fair and reasonable manner: it must be in writing and must state the place, day and hour of any meeting. If Members may participate telephonically, the notice, in addition to designating the time and place, must designate the appropriate telephone number for telephonic participation.
- c. *Effective Date.* The Secretary shall deliver the notice, either personally or by mail, not less than 10 nor more than 60 days before the date of the meeting. Notice shall be deemed to be effective at the earlier of the following:
 1. the date when the notice is deposited in the United States mail, if mailed postage prepaid and correctly addressed to the Member at the Member's designated address provided to the Association by such Member for notice purposes; or
 2. the date when received.
- d. *Adjourned Meeting.* If the Members adjourn any membership meeting to a different date, time, or place, the Secretary need not give notice of the new date, time and place, if the new date, time, and place is announced at the meeting before adjournment. But if the Board of Directors fix a new record date for the adjourned meeting, or must fix one pursuant to Section 2.8, then the Secretary must give notice, in accordance with the requirements of paragraphs (b) and (c) of this Section 2.6 to those persons who are Members as of the new record date.
- e. *Waiver of Notice.* A Member entitled to a notice may waive notice of the meeting (or any notice required by the Montana Nonprofit Corporation Act or these Bylaws), by a writing signed by the Member. The Member must send the notice of waiver to the Board (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the Corporation's records.

A Member's attendance at a meeting:

1. waives the Member's right to object to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.





2. waives the Member's right to object to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.
- f. *Contents of Notice.* Unless otherwise provided by the Montana Nonprofit Corporation Act, the notice of an annual membership meeting need only state in general terms a description of the meeting's purpose or purposes. However, the notice of each special membership meeting shall include a description of the meeting's purpose or purposes.

Regardless of whether the notice is of an annual or special membership meeting, if a purpose of the meeting is for the Members to consider either:

1. a proposed amendment to the Articles of Incorporation (including any restated articles requiring Member approval);
2. a plan of merger;
3. the sale, lease, exchange or other disposition of all, or substantially all of the Association's property;
4. the dissolution of the Association; or
5. the removal of a Director,

then the notice must state this purpose and be accompanied by a copy or summary, if applicable, of the:

1. amendment to articles;
2. plan of merger; or
3. transaction for disposition of all or substantially all of the Association's property.

Likewise, if the Association indemnifies or advances expenses to a Director as provided by the Montana Nonprofit Corporation Act or these Bylaws, the Secretary shall report this information in writing to all the Members with or before notice of the next membership meeting.

Section 2.7 Conduct of Membership Meetings.

- a. *Conduct of Meeting.* The President, or in the President's absence, the Vice-President, or in their absence, any person chosen by the Members present shall call the membership meeting to order and shall act as the chairperson of the meeting. The chairperson (or a person designated by the chairperson) shall establish rules of the meeting that will freely facilitate debate and decision-making. The chairperson will indicate who may speak when and when a vote will be taken. The Secretary of the Association shall act as the Secretary of all meetings of the Members, but in the Secretary's absence, the presiding officer may appoint any other person to act as the Secretary of the meeting.
- b. *Order of Business.* The order of business at a membership meeting shall be as follows:
 1. call to order,





2. reading of prior minutes,
3. election of Directors, if that is the purpose the meeting,
4. business specified by the notice,
5. unfinished business,
6. new business,
7. adjournment.

At the annual meeting, the President and Treasurer shall report on the activities and financial condition of the Association.

Section 2.8 Fixing of Record Date.

- a. *Fixing a Record Date.* For the purpose of determining the Members entitled to notice of or to vote at any meeting, or to express consent to any proposals to which Membership consent is required, the Board of Directors of the Association may fix, in advance, a date as the record date for determination of those Members who are so entitled. The Board may also fix a record date to determine which Members belong in a group for any proper purpose involving matters pertinent to the Association. The record date shall not be more than 20 days nor less than 1 day before the notice of any meeting, general or special, is first delivered to Members. In all other events the record date elected by the Directors may be no more than 10 days and no less than 3 days before the first notification of Members' rights to express consent or to belong to a group is delivered to Members.
- b. *No Record Date is Fixed.* If the Board of Directors does not fix a record date, the record date for determination of Members entitled to notice of or to vote at any meeting, or to express consent or to belong to any group, shall be at 5:00 P.M. on the day preceding the day on which notices to Members so entitled are first delivered.
- c. *Adjournment.* In the event of an adjournment, the Board of Directors may fix a new record date. The Board of Directors must fix a new record date if the meeting is adjourned to a date more than 70 days after the date fixed for the original meeting.

Section 2.9 Membership List.

- a. *Contents of List.* After the Board fixes a record date for notice to Members, the officer or agent maintaining the Association's record books shall prepare a complete record of the Members entitled to such notice. The record shall include the address of each Member.
- b. *Inspection.* The membership list must be available for inspection by any Member, beginning 2 business days after the Secretary first gives the notice for which the list was prepared. The list will continue to be available throughout the meeting. The list shall be located for inspection at the Association's principal office or at a place identified in the meeting notice in the city where the meeting is to be held. A Member or the Member's agent or attorney is entitled, on written demand, to inspect and, subject to the requirements of paragraph (c) below, to copy the list during regular business hours. The Member shall be responsible for any reasonable inspection and copying expenses. The Association shall maintain the





membership list in written form or in another form capable of conversion into written form within a reasonable time.

- c. *Limitations on Use of Membership List.* Without consent of the Board, a membership list or any part of it may not be obtained or used by a person for any purpose unrelated to a Member's interest as a Member. This prohibition against use of membership list for unrelated purposes includes but is not limited to:
1. using the list to solicit money or property unless the money or property will be used solely to solicit the votes or consents of Members in any matter submitted to Members for their approval.
 2. using the list for any commercial purposes; or
 3. the selling or purchasing of the list.

Section 2.10 Membership Quorum and Voting Requirements.

- a. *Quorum.* Forty percent (40%) of the votes entitled to be cast on a matter must be represented at a meeting of Members to constitute a quorum on that matter. Once a quorum is represented for any purpose at a meeting, the Association shall deem it present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting unless a new record date is or must be set for that adjourned meeting.
- b. *Voting.* If a quorum exists, and the votes cast in favor of an action (other than the election of Directors) constitute a majority of the votes present at the meeting, then the Association shall consider the action on a matter approved.
- c. *Number of Votes.* Each Lot, regardless of how held, shall be entitled to one vote on all matters submitted to Members for approval.

Section 2.11 Proxies.

At all membership meetings, a Member may vote in person, or by proxy. The Member may appoint a proxy to vote by signing an appointment form, either personally or by attorney-in-fact. The Association shall consider a proxy appointment valid if made in writing and filed with the Secretary of the Association before or at the time of the meeting. No proxy shall be valid after 11 months from the date it was made, unless otherwise provided in the proxy.

Section 2.12 Voting of Membership.

Each Member (subject to the provisions of Section 2.10) is entitled to one vote on each matter voted on by the Members. Unless otherwise stated in these Bylaws, when Members vote to take action on a matter, a majority vote shall carry.





Section 2.13 Association's Acceptance of Votes.

- a. *When Signature Corresponds to Member's Name.* If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a Member, the Association, if acting in good faith, is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the Member.
- b. *When Signature Doesn't Correspond to Member's Name.* If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of a Member, the Association, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the Member if:
 1. the Member is an entity as defined in the Montana Nonprofit Corporation Act and the name signed purports to be that of an officer or attorney-in-fact of the Member and, if the Association requests, evidence acceptable to the Association of the signatory's authority to sign for the Member has been presented with respect to the vote, consent, waiver, or proxy appointment;
 2. the name signed purports to be that of an officer or attorney-in-fact of the Member and, if the Association requests, evidence acceptable to the Association of the signatory's authority to sign for the Member has been presented with respect to the vote, consent, waiver, or proxy appointment;
 3. two or more persons hold the membership as households, co-tenants or fiduciaries and;
 - i. the name signed purports to be the name of at least one of the co-holders; and
 - ii. the person signing appears to be acting on behalf of all the co-holders.
- c. *Doubt About Validity of Signature.* The Association is entitled to reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature or about the signatory's authority to sign for the Member.
- d. *No Liability.* The Association and any officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this Section are not liable in damages to the Member for the consequences of the acceptance or rejection.

Section 2.14 Informal Action by Members.

The Members may act on any matter generally required or permitted at a membership meeting, without actually meeting, if 80% of the Members entitled to vote on the subject matter sign one or more written consent(s) to the action; the Members must deliver the consent(s) to the Association for inclusion in the minute book.





Section 2.15 Members Electing Directors.

- a. *Board Determination of Method.* The Board of Directors shall be vested with authority to determine how the candidates for the Board of Directors shall be selected and whether or not the Directors shall be elected at a duly called meeting or by informal action as set forth in Section 2.14 of these Bylaws.
- b. *Determination of Winners of Election.* Those nominees elected to the Board shall be those nominees receiving the largest number of votes. For example, if three Board positions are open, the three receiving the highest number of votes will be elected. Cumulative voting is not authorized.

Section 2.16 Corporate Records.

- a. *Minutes and Accounting Records.* The Association shall keep a permanent record of the minutes of all meetings of its Members and Board of Directors, a record of all actions taken by the Members or Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors acting in place of the Board and on behalf of the Association. The Association shall maintain appropriate accounting records.
- b. *Membership List.* The Association shall maintain a record of the Members' names and addresses. The membership list shall indicate each Member is entitled to one vote.
- c. *Form.* The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.
- d. *Other Records.* The Association shall keep a copy of the following records at its principal office or at a location from which the records may be recovered within 2 business days:
 - 1. its Articles or restated Articles of Incorporation and all amendments to them currently in effect;
 - 2. its Bylaws or restated Bylaws and all amendments to them currently in effect;
 - 3. resolutions adopted by its Board of Directors;
 - 4. the minutes of all membership meetings, and records of all actions taken by Members without a meeting, for the past 3 years;
 - 5. the financial statements furnished for the past 3 years to the Members;
 - 6. a list of the names and business addresses of its current Directors and officers; and,
 - 7. its most recent annual report delivered to the Secretary of State.





Section 2.17 Member's Rights to Inspect Corporate Records.

- a. *Absolute Inspection Rights of Records by Members.* A Member (or a Member's agent or attorney) is entitled to inspect and copy, at a reasonable time and location specified by the Association, any of the records of the Association described in Section 2.16. The Member must give the Association written notice or a written demand to inspect at least 5 days before the date on which the Member wishes to inspect and copy.
- b. *Conditional Inspection Right.* The Member (or the Member's agent or attorney) may inspect and copy, at a reasonable time and reasonable location specified by the Association, additional records (listed in Section 2.16) if the Member meets the following criteria:
 1. the Member must give the Association a written demand to inspect made in good faith and for a proper purpose at least 5 business days before the date on which the Member wishes to inspect and copy; and
 2. the Member must describe with reasonable particularity:
 - i. the Member's purpose; and
 - ii. the records that the Member desires to inspect; and
 3. the Association must approve that the records are directly connected with the Member's purpose.
- c. *Additional Records.* If the Member meets the requirements of paragraph (b) (1), (2) and (3) above, the Member may inspect and copy:
 1. excerpts from minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors acting on behalf of the Association, minutes of any meeting of the Members, and records of action taken by the Members without a meeting, to the extent not subject to inspection under paragraph (a) of Section 2.17; and
 2. accounting records of the Association; and
 3. subject to provisions of Section 2.16, the membership list.
- d. *Copy Costs.* The right to copy includes the right to photograph, xerox, or copy by other reasonable means. The Association may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the Member. The charge may not exceed the estimated cost of production or reproduction of the records.





ARTICLE III. BOARD OF DIRECTORS

Section 3.1 General Powers.

The business and affairs of the Association shall be managed under the direction of the Board of Directors. The Board of Directors shall have the power to:

- a. adopt and publish rules and regulations governing the use of the common area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- b. suspend the voting rights and right to use of the common area or utility systems during any period in which such member shall be in default in the payment of any assessment levied by the Association.
- c. exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration of Restrictive Covenants.
- d. declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- e. employ a manager, an independent contractor, or such other employees as they deem necessary.

Section 3.2 Number, Tenure, and Qualifications of Directors.

Subject to provisions pertaining to Declarant control as provided in the Declaration, the number of the Directors of the Association shall be 3. Each Director shall have one vote on any matter that comes before the Board. Each Director shall hold office until the next annual membership meeting or until replaced or removed in accordance with the terms of the Declaration or these Bylaws. If the Director's term expires, the Director shall continue to serve until the Members have elected and qualified a successor or until the number of Directors is decreased by action of the Directors or by the Members. Pending matters pertaining to Declarant's control, Directors need not be residents of Montana, but must be either Members of the Association or the designated voting Member of any corporation, limited liability company, partnership, or other entity which is a Member of the Association.

Section 3.3 Declarant's Control.

Article III of the Declaration provides that the Declarant shall maintain control over the conduct of affairs by the Association subject to the provisions, conditions, and requirements set forth in the Declaration. Until termination of said control, the Director's of the Association shall be appointed or placed in office at the organizational meeting by Declarant. Directors appointed by the Declarant need not be Members, shall hold office at the pleasure of the Declarant, and shall be replaced at the pleasure of the Declarant until such time as reverts to the members as provided in Article III of the Declaration .





Section 3.4 Removal of Directors.

Except for those Directors appointed by the Declarant during the term of Declarant's control, Directors may be removed, with or without cause, if a majority of the Members present at a duly constituted meeting vote for the removal. Removal is effective only if it occurs at a meeting called for that purpose. The notice of said meeting must be sent to all Members and Directors and recite specifically therein that the purpose or a purpose of the meeting is removal of the specified Director.

Section 3.5 Board of Directors Vacancies.

If a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of Directors, the Directors may fill the vacancy. If the Directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the Directors remaining in office. If a Director resigns effective at a specific later date, the Directors may fill the vacancy, before the vacancy occurs, but the new Director may not take office until the vacancy actually occurs. When the Directors elect a Director to fill a vacancy, the Director's term expires at the next membership meeting at which Members elect Directors.

Section 3.6 Meetings of the Board of Directors.

The Board of Directors shall hold a regular meeting immediately after, and at the same place as, the annual membership meeting. No notice of the Director's meeting, other than these Bylaws, is required. The Board of Directors may provide by resolution the date, time and place where additional regular meetings may be held. Unless approved by the Board of Directors unanimously, the regular meeting of the Board of Directors must be held in the county where the company's principal office is located.

Section 3.7 Special Meetings of the Board of Directors.

The presiding officer of the Board, the President of the Association, or 20% of the Directors then in office, may request a special meeting of the Board of Directors. The presiding officer of the Board shall fix the place and time where the special meeting shall be held. Unless otherwise approved by the Board unanimously, the location of any such special meeting shall be in the county where the Association has its principal office.

Section 3.8 Participation in Board of Directors Meeting by Telephone Conference.

At any meeting of the Board of Directors, including the regular meeting, upon the request of any Director, the Director or any Member of a designated committee of the Association may participate in any regular or special Board meeting by means of a conference telephone or similar communication equipment. In such an event, all persons entitled to participate in the meeting must receive proper notice of same and all persons participating must be able to hear each other at the same time. All or any persons participating by telephone or other similar communication equipment are deemed present at the meeting. The chairperson of the meeting shall establish reasonable rules to insure the intent of this paragraph is met.





Section 3.9 Notice of, and Waiver of Notice for, Special Directors Meetings.

- a. *Notice.* The Association's Secretary shall give either oral or written notice of any special Director meeting at least 5 days before the meeting. The notice shall include the meeting place, day and hour. The Secretary will use all reasonable efforts to provide that all Directors attend said meeting either in person or by telephonic or other communication means.
- b. *Effective Date.* If mailed, notice of any Director meeting shall be deemed to be effective at the earlier of:
 1. 5 days after deposited in the United States mail, addressed to the Director's business office, with postage prepaid; or
 2. the date shown on the return receipt (if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the Director); or
 3. the date when received.
- c. *Waiver of Notice.* Any director may waive notice of any meeting. The waiver must be in writing, signed by the Director entitled to the notice, and filed with the minutes or corporate records.

A Director's attendance at a meeting waives the Director's right to object to lack of notice or defective notice of the meeting; unless the Director, at the beginning of the meeting (or promptly upon arrival), objects to holding the meeting or transacting business at the meeting, and does not vote for or assent to action taken at the meeting.

Neither the Secretary nor Director needs to specify in the notice or waiver of notice the business to be transacted at, or the purpose of, any special Board meeting.

Section 3.10 Directors, Quorum, and Directors Manner of Acting.

- a. A majority of the number of Directors shall constitute a quorum for the transaction of business.
- b. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If no quorum is present, the Directors may not take action on any Board matter other than to adjourn the meeting to a later date.

Section 3.11 Directors Action Without a Meeting.

The Directors may act on any matter generally required or permitted at a Board meeting, without actually meeting, if: all the Directors take the action, each one signs a written consent describing the action taken, and the Directors file all the consents with the records of the Association. Action taken by consent is effective when the last Director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be referred to as a meeting vote in any document.





Section 3.12 Directors Committees.

- a. *Creation of Committees.* The Board of Directors may create one or more committees and appoint members of the Board to serve them. Each committee must have two (2) or more Directors, who serve at the pleasure of the Board of Directors.
- b. *Section of Members.* To create a committee and appoint members to it, the Board must acquire approval by the majority of all the existing Directors when the action is taken.
- c. *Authority.* Each committee may exercise the specific Board authority which the Board of Directors confers upon the committee in the resolution creating the committee. Provided, however, a committee may not:
 1. approve or recommend to Members dissolution, merger, or the sale, pledge, or transfer of all or substantially all of the Association's assets;
 2. elect, appoint, or remove Directors or fill vacancies on the Board of Directors or on any of its committee; or
 3. adopt, amend, or repeal the Articles or Bylaws.

Section 3.13 Compensation for Directors.

Directors Compensation. The Board of Directors may, upon approval of the majority of the Board, pay each Director expenses, if any, of attendance at each Board meeting or committee meeting of the Board. The Directors shall not be paid a salary or fee for attending the meeting. A Director may, however, serve the Association as an employee and receive compensation.

Section 3.14 Duties of Directors.

It shall be the duty of the Board of Directors to:

- a. cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting.
- b. supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.
- c. set, collect and if necessary foreclose the lien of any assessment against any property subject to assessment as provided in Articles IX herein.
- d. issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;





- e. procure and maintain adequate liability and hazard insurance on property owned by the Association and to protect the directors and members of the corporation.
- f. cause the common areas and facilities to be maintained.
- g. enforce all covenants, conditions or restrictions contained in the Declaration or determined by the Association from time to time.

ARTICLE IV. OFFICERS

Section 4.1 Number of Officers.

The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer. The Board of Directors shall appoint each of these officers. The Board may appoint other officers and assistant officers, including additional Vice-Presidents, if it deems it necessary. If the Board of Directors specifically authorizes an officer to appoint one or more officers or assistant officers, the officer may do so. The same individual may simultaneously hold more than one office in the Association.

Section 4.2 Appointment and Term of Office.

The Board of Directors shall appoint officers of the Association for a term that the Board determines. If the Board does not specify a term, the officers shall hold office for one year or, within that year, until they resign, die or are removed in a manner provided in Section 4.3.

A designation of a specified term does not grant to the officer any contract rights, and the Board can remove the officer at any time prior to the termination of the designated term.

Section 4.3 Removal of Officer.

The Board of Directors may remove any officer or agent any time, with or without cause. The removal shall be without prejudice to the contract rights, if any, of the persons removed. A Board's appointment of an officer or agent shall not of itself create contract rights.

Section 4.4 President.

The President shall be the principal executive officer of the Association. The President shall be subject to the control of the Board of Directors, and shall in general supervise and control, in good faith, all of the business and affairs of the Association. The President shall, when present, preside at all meetings of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Association that the Board has authorized, Association deed, mortgages, bonds, contracts, or other Board authorized instruments.

Section 4.5 The Vice-President.

The Vice-President, or if there is more than one, the Vice-Presidents in the order in which they were appointed, shall perform, in good faith, the President's duties if the President is





absent, dies, is unable or refuses to act. If a Vice-President acts in the absence of the President, the Vice-President shall have all Presidential powers and be subject to all the restrictions upon the President. (If there is no Vice-President or the Vice-President is unable or refuses to act, then the Secretary shall perform the Presidential duties.) The Vice-President shall perform any other duties that the President or Board may assign to the Vice-President.

Section 4.6 The Secretary.

The Secretary shall in good faith: (1) create and maintain one or more books for the minutes of the proceedings of the Members and of the Board of Directors; (2) provide that all notices are served in accordance with Bylaws or as required by law; (3) be custodian of the corporate records; (4) when requested or required, authenticate any records of the Association; (5) keep a current register of the post office address of each Member; and (6) in general perform all duties incident to the office of Secretary and any other duties that the President or the Board may assign to the Secretary.

Section 4.7 The Treasurer.

The Treasurer shall: (1) have charge and custody of and be responsible for all funds and securities of the Association; (2) receive and give receipts for monies due and payable to the Association from any source, and deposit all monies in the Association's name in banks, trust companies, or other depositories that the Board shall select; (3) submit the books and records to a Certified Public Accountant or other accountant for annual audit or review; and (4) in general perform all of the duties incident to the office of Treasurer and any other duties that the President or Board may assign to the Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful performance of the Treasurer's duties and as insurance against the misappropriation of funds. If a bond is required, it shall be in a sum and with the surety or sureties that the Board of Directors shall determine.

Section 4.8 Assistant Secretaries and Assistant Treasurers.

The assistant Secretaries and assistant Treasurers, in general, shall perform the duties that the Secretary or Treasurer, respectively, or the President or Board may assign to them. The assistant Treasurers shall, if required by the Board, give bonds for the faithful performance of their duties and as insurance against the misappropriation of funds; the bond shall be in sums and with the sureties that the Board of Directors shall determine.

Section 4.9 Salaries, Loans to, or Guarantees for Officers.

The Board of Directors may fix and or adjust salaries of the officers from time to time.

ARTICLE V. INDEMNIFICATION OF DIRECTORS, OFFICERS, AGENTS, AND EMPLOYEES

Section 5.1 Indemnification of Directors.

An officer and the Board of Directors of the Association, any persons acting on a committee of the Association who is made a party to a proceeding because individuals are or were a Director or acting on behalf of a Director, shall be and will be indemnified by the





Association against all or any liability incurred, if said individual conducted himself/herself in good faith, reasonably believed in his/her official capacity that the conduct exercised was in the Association's best interest, and had no reasonable cause to believe either, that the conduct or actions were either unlawful or were not in the best interest of the Association. In determining whether indemnification is applicable, the termination of any proceeding by judgment, order, settlement, conviction, or any plea is not of itself a determination that the Director or officer did not meet the standards described in this indemnification section. This provision for indemnification does not extend to any matters in which the Director or officer is judged liable to the Association or the Director or officer is charged with and found to have received personal benefit whether or not arising in his/her official capacity.

Nothing in the indemnification provisions herein contained is deemed to limit or in any way abrogate any mandatory indemnification provisions for officers, Directors, and agents of nonprofit corporations provided for from time to time by law.

Section 5.2 Advance Expenses for Directors.

The Association may pay for or reimburse, in advance of final disposition of the proceeding, the reasonable expenses incurred by a Director who is a party to a proceeding if:

1. by following the procedures of the Montana Nonprofit Corporation Act the Board of Directors determined that the Director met requirements (3)-(5) listed below; and
2. the Board of Directors authorized an advance payment to a Director; and
3. the Director has furnished the Association with a written affirmation of the Directors' good faith belief that the Director has met the standard of conduct described in Section 5.1 of Article V; and
4. the Director has furnished the Association with a written undertaking, executed personally or on the Director's behalf, to repay the advance if it is ultimately determined that the Director did not meet the standard of conduct; the Director's undertaking must be an unlimited general obligation, but need not be secured, and the Association may accept the undertaking without reference to financial ability to make repayment; and
5. the Board of Directors determines that the facts then known to it would not preclude indemnification under Section 5.1 of this Article V.

Section 5.3 Indemnification of Officers, Agents and Employees

The Board of Directors may choose to indemnify and advance expenses to any officer, employee, or agent of the Corporation applying those standards described in Sections 5.1 and 5.2 of Article V.





Section 5.4 Mandatory Indemnification.

Notwithstanding any other provisions of these Bylaws, the Corporation shall indemnify a Director or officer, who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the Director or officer was a party because he or she is or was a Director or officer of the Association, against expenses incurred by the Director or officer in connection with the proceeding.

ARTICLE VI. CONTRACTS, LOANS, CHECKS AND DEPOSITS; SPECIAL CORPORATE ACTS

Section 6.1 Contracts.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instruments in the name of and on behalf of the Association and such authorization may be general or confined to specific instruments.

Section 6.2 Loans.

The Association shall not allow anyone to contract on behalf of it for indebtedness for borrowed money unless the Board of Directors authorizes such a contract by resolution. The Association shall not allow anyone to issue evidence of the Association's indebtedness unless the Board of Directors authorizes the issuance by resolution. The authorization may be general or specific.

Section 6.3 Checks, Drafts, etc.

The Board of Directors shall authorize by resolution which officer(s) or agent(s) may sign and issue all Association checks, drafts or other orders for payment of money, and notes or other evidence of indebtedness. The Board of Directors shall also determine by resolution the manner in which these documents will be signed and issued.

Section 6.4 Deposits.

The Treasurer shall deposit all funds of the Association, that are not being used, in banks and other depositories; the Board of Directors shall authorize by Board resolution the exact location of the banks and depositories.

ARTICLE VII. PROHIBITED TRANSACTIONS AND PRECEDENCE

Section 7.1 Prohibited Transactions.

- a. *Prohibition Against Sharing in Company Earnings.* No Member, Director, officer, employee, committee member, or person connected with the Association shall receive at any time any of the net earnings or pecuniary profit from the operations of the Association; provided that this shall not prevent the Association's payment to any person of reasonable compensation for services rendered to or for the Association in effecting any of its purposes as determined by the Board of Directors.





- b. *Prohibition Against Issuance of Stock, Dividends, Distributions.* The Association shall not have or issue shares of stock. No dividends shall be paid. No part of the income or assets of the Association shall be distributed to any of the persons listed in Section 2.1 without full consideration. The Association is prohibited from lending money or to guarantee the obligation of a Director or officer of the Association. No member of the Association has any vested right, interest or privilege in or to the assets, property, functions or activities of the Association. The Association may contract in due course, for reasonable consideration, with its Members, Directors or officers without violating this provision.
- c. *No Personal Distributions Upon Dissolution.* None of the persons listed in Section 2.1(a) shall be entitled to share in the distribution of any of the Association's assets upon the dissolution of the Association. All Members of the Association are deemed to have expressly agreed that, upon the dissolution or the winding up of the affairs of the Association, whether voluntary or involuntary, the assets of the Association, after all debts have been satisfied, then remaining in the hands of the Board of Directors, shall be distributed, transferred, conveyed, delivered, and paid over exclusively to the organization or organizations as the Board of Directors may designate.
- d. *Other Prohibitions.* Neither the Association, nor its Directors, nor its officers have any power to cause the Association to do any of the following with Related Parties:
 - 1. make any substantial purchase of securities or other property, for more than adequate consideration in money or money's worth;
 - 2. sell any substantial part of its securities or other property, for less than an adequate consideration in money or money's worth.

For the purpose of this subsection, Related Parties means any person who has made a substantial contribution to the Association, or with a brother, sister, spouse, ancestor, or lineal descendant of the person giving, or with a corporation directly or indirectly controlled by the person giving.

Section 7.2 Recognition of Covenants.

Covenants, conditions and restrictions contained in the Declaration as same exist or as same may be amended shall take precedence over these Bylaws in the event of conflict in terms.

ARTICLE VIII. AMENDMENTS

Section 8.1 Amendments.

- a. *General.* An amendment (including adding and replacing Sections) to the Association's Bylaws must be approved by the majority of Members of the Association except that the Board may approve of amendments, if the amendment does not relate to the number of Directors, the composition of the Board, the term of office of Directors, or the method or way in which Directors are elected or selected, or the method for amending these Bylaws.





- b. *Notice of Meeting to Vote Amendment.* If the Board or the Members seek to have the amendment approved by the Members at a membership meeting, the Secretary shall give written notice to the Members of the proposed membership meeting, in accordance with Section 2.6. The notice must state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment and must contain or be accompanied by a copy or summary of the amendment.
- c. *Approval of Amendment by Written Consent or Written Ballot.* If the Board or the Members seek to have the amendment approved by the Members by written consent or by written ballot, the material soliciting the approval must contain or be accompanied by a copy or a summary of the amendment.
- d. *Member's Rights.* The Members may amend or repeal or reinstate any Bylaws amended, deleted or added by the Board of Directors.

ARTICLE IX ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid when due, same shall bear interest from the date of delinquency at ten percent (10%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waiver, or otherwise be relieved of liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

CERTIFICATE OF ADOPTION OF BYLAWS

The undersigned, being the directors and the secretary of the above Montana not-for-profit corporation, do hereby certify that the foregoing bylaws were adopted this date and the same do now constitute the bylaws of the Corporation.

Dated this _____ day of _____, 2007.

_____, Director

_____, Director

_____, Director

ATTEST:

_____, Secretary

