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**RESTATED BYLAWS
OF
CANYON RIVER HOMEOWNERS ASSOCIATION**

(Restating and Replacing all Prior Bylaws, Including the Version Dated December 29, 2004 and Recorded March 28, 2005 in Book 749 of Micro, Page 1164, Document No. 200506810, Records of Missoula County, Montana and the Unrecorded Version dated June 30, 2005)

July 22, 2010

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**RESTATED BYLAWS OF
CANYON RIVER HOMEOWNERS ASSOCIATION**

**ARTICLE I
NAME AND LOCATION**

1.1 Name and Location. The corporate name is **CANYON RIVER HOMEOWNERS ASSOCIATION** (the "Association"). Its principal office shall be located at the Canyon River Project or at such other place as may be designated by the Board of Directors.

**ARTICLE II
DEFINITIONS**

2.1 Incorporation. Definitions contained in the most recently recorded Declaration are incorporated herein by reference.

2.2 CCRs. "CCRs" shall mean and refer to the Second Restated Declaration of Covenants, Conditions, Restrictions and Easements for Canyon River recorded in Missoula County, Montana, as amended from time to time.

**ARTICLE III
MEETINGS OF MEMBERS AND VOTING**

3.1 Annual Meetings. Annual meetings shall be set by the Board. If the day for the annual meeting is a legal holiday, it shall be held at the same hour on the next weekday which is not a legal holiday.

3.2 Special Meetings. Special meetings shall be promptly scheduled by the Board in response to the vote of a majority of the Board of Directors, or in response to a request by the Board Chairman, the President, or upon written request of Members representing twenty-five (25%) of the total voting power of the Association. If Association is an obligee under a bond or other arrangement to secure performance of Declarant's commitment to complete Common Area improvements and § 9.10 of the CCRs is applicable, a special meeting may be called in accordance with § 9.10 of the CCRs.

If Association is an obligee under a bond or other arrangement to secure performance of Declarant's commitment to pay Assessments on Lots it owns, and the Assessments are delinquent for thirty (30) days, and § 9.11 of the CCRs is applicable, a special meeting may be called in accordance with § 9.11 of the CCRs.

3.3 Notice and Place of Meetings. Written notice of each annual or special meeting shall be given by or at the direction of the Secretary when the meeting has been called pursuant to Section 3.2 above by mailing a copy of such notice, first class mail, postage prepaid, at least ten (10) but not more than sixty (60) days before the meeting, to each First Lender requesting notice and to all Members, addressed to each Member's address last appearing on the

Association books, or supplied by a Member for notice purposes. The notice shall specify the place, day and hour of the meeting and the matters the Board intends to present for action by Members. Meetings shall be held within the Project or at a meeting place as close to the Project as reasonably possible. Any legally allowable matter may be presented for action at a meeting. Meetings shall be conducted in accordance with Montana law.

3.4 Quorum. The presence in person or by proxy at any meeting of Members entitled to cast a majority of the total voting power of the Association (excluding the number of votes as to which voting rights are suspended at the time of the meeting) shall constitute a quorum for any action except as otherwise provided in the CCRs or these Bylaws. If a quorum is not present or represented at a meeting, a majority of those present or represented may adjourn the meeting to a date not less than five (5) and not more than thirty (30) days later, without notice other than announcement at the meeting, until a quorum is present or represented. Quorum requirements for the adjourned meeting shall be twenty-five percent (25%) of the total voting power of the Association. If a time and place for the adjourned meeting are not fixed by those attending the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for annual meetings.

Members present or represented at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that twenty-five percent (25%) of the total voting power remains present, and provided further that any action taken shall be approved by a majority of Members required to constitute a quorum, and that the only matters that may be voted upon at said adjourned meeting are matters the general nature of which was noticed not less than ten (10) nor more than sixty (60) days before the date of the meeting to each Member entitled to vote at the meeting.

3.5 Proxies. Each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot, or upon receipt of written notice by Board Secretary of the death or judicially declared incompetence of a Member prior to counting the vote or upon the expiration of eleven (11) months from the date of the proxy. Any form of proxy shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy. The proxy shall provide that where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy also shall identify the person(s) authorized to exercise the proxy and the length of time it will be valid. In addition, voting by proxy shall comply with any other applicable requirements of Montana law.

3.6 Membership and Voting. Each Owner shall be entitled to one (1) vote for each Lot owned. Pursuant to CCR § 3.2, Declarant's ownership includes not only all platted Lots it owns, but also all parcels designated in the Master Plan to become platted Lots in the future. When more than one (1) person holds an interest in a Lot, all such persons shall be Members and the vote for such Lot shall be exercised as they among themselves determine, but in no event

shall more than one (1) vote be cast with respect to any Lot. Declarant shall have one (1) vote as a Member for each parcel designated in the Master Plan for future development as a lot intended for single family residential use and the development and maintenance thereon of a Residential Unit in the Project. The current Master Plan designates a total of 270 lots in the Project. As Lots are sold by Declarant, its votes will decrease accordingly. The voting rights of Declarant vested upon recording of the Plat Map for Phase I. The voting rights for Owners other than Declarant shall not vest until Assessments have been levied against those Lots by the Association. A "majority vote" means the vote of a majority of the voting power of the Association, including Declarant, not a majority of votes of Owners in each phase of the Project.

3.7 Eligibility to Vote. Except as to Declarant's voting rights, voting rights attributable to Lots shall not vest until Assessments against those Lots have been levied by the Association. Only Members in good standing shall be entitled to vote on any issue or matter presented to Members for approval. To be in good standing, a Member must be current in the payment of all Assessments levied against the Member's Lot and not subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Second Restated Declaration. A Member's good standing shall be determined as of the record date established in accordance with § 3.8. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of Assessments, although a delinquent Member shall be entitled to request such a hearing. A Member's good standing, if not suspended by these Bylaws, shall be maintained if the Member has a current filing with the Association of the following:

- a. the signature(s) of those authorized to vote on behalf of the Member's Lot;
- b. address where all notices shall be sent; or
- c. a proxy that names the Owner's representative and lists the representative's address.

3.8 Record Dates. For purposes of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to receive notice, to vote, to take action by written ballot, or exercise any rights with respect to any other lawful action, as the case may be, notwithstanding transfer of any membership on the Association books after the record date. Record dates established by the Board shall be not less than ten (10) nor more than sixty (60) days prior to: with respect to notice of meetings and voting at meetings, the scheduled date of the meeting; with respect to actions by written ballot, the date of first mailing the ballot; and with respect to exercising rights regarding any other lawful action, the date the action is to be taken.

3.9 Action Without Meeting. Any action that may be taken at any annual or special meeting of Members (except the election of directors) may be taken without a meeting in accordance with § 35-2-529 Mont. Code Ann. Any form of written ballot distributed shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the written ballot. The written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice.

3.10 Conduct of Meetings. Meetings shall be conducted in compliance with Montana law and in accordance with such parliamentary procedures as the Association may adopt. Notice of meetings of Members shall specify those matters the Board intends to present for action by Members, but, except as otherwise provided by law, any matter may be presented at the meeting for action. Members shall have access to Association records in accordance with Montana law. Any Member shall be permitted to speak at a meeting; however, Members are strongly encouraged to give the Board advance written notice of the subject matter, questions, concerns and related information; the Board may establish a reasonable time limit for Members to speak.

ARTICLE IV BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1 General. The Association's activities and affairs shall be administered and overseen by, and its powers exercised under the direction of, a Board of Directors. The Board may delegate management activities to any management company, to a managing agent, or committee, provided that the activities and affairs of the Association shall be directed, overseen and managed, and the corporate powers exercised, under ultimate direction of the Board.

4.2 Number. The Board shall consist of not less than three (3) or more than seven (7) directors, all of whom must be Association Members, or an officer, director, employee or agent of a Member, including Declarant. The initial directors shall be elected by the incorporator and shall hold office until the first meeting of Members as described in Section 3.1 and until their successors are elected. The initial Board shall consist of three (3) directors.

4.3 Term of Office. Directors shall serve for two (2) year terms. Newly created directorships resulting from an increase in the authorized number of directors or any vacancies on the Board due to death, resignation, retirement, disqualification, or removal, may be filled only by majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the next annual meeting of directors. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

4.4 Removal; Vacancies. Any Director other than one appointed by Declarant may be removed, with or without cause, at any regular or special meeting of the Members by a majority of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any Director removed may be elected at such meeting to fill the vacancy created by removal of the Director. A Director whose removal is proposed by the Members will be given notice of the proposed removal at least 10 days prior to the date of such meeting and will be given an opportunity to be heard at such meeting. Any Director appointed by Declarant may be removed, with or without cause, at any time by Declarant, and a successor to any Director so removed may be appointed by Declarant.

4.5 Compensation. No director shall receive compensation for any service rendered to the Association. However, any director may be reimbursed for actual and reasonable expenses incurred in the performance of his or her duties.

4.6 Indemnification of Officers and Directors. The Association shall indemnify any present or former director, officer, employee or other agent of the Association to the fullest extent authorized under § 35-2-446 through § 35-2-454, Mont. Code Ann., or any successor statutes, and may advance to any such person funds to pay expenses that may be incurred in defending, any action or proceeding.

ARTICLE V NOMINATION AND ELECTION OF DIRECTORS

5.1 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Notice to Members shall include the names of all nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

5.2 Election. The first election of the Board shall be conducted at the first meeting of the Association, when all positions on the Board shall be filled. At such election the Members or their proxies may cast as many votes as they are entitled to exercise under the Second Restated Declaration. Those receiving the largest number of votes shall be elected. Voting for directors shall be by secret written ballot. Cumulative voting shall be prescribed for all elections in which more than two (2) director positions are to be filled, subject only to the procedural prerequisites to cumulative voting prescribed in § 35-1-531, Mont. Code Ann.

ARTICLE VI MEETINGS OF DIRECTORS

6.1 Regular Meetings. Regular meetings shall be held quarterly at such place within the Project and at such hour as may be fixed from time to time by resolution of the Board. If a larger meeting room is required than exists within the Project, the Board shall select a room as close as reasonably possible to the Project. If the meeting falls upon a legal holiday, it shall be held at the same time on the next weekday that is not a legal holiday. Notice of any meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

6.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President or by any two (2) directors other than the President. The notice shall specify the meeting time and place and the nature of any special business to be considered. The notice shall be given to each director by one of the following methods: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office who would

reasonably be expected to communicate such notice promptly to the director; or (d) telefax or electronic mail. Such notice shall be posted or communicated in a manner prescribed for notice of regular meetings and shall be sent to all directors not less than seventy-two (72) hours prior to the scheduled time of the meeting; however, notice of such meeting need not be given to any director who has signed a waiver of notice or written consent to hold the meeting.

6.3 Emergency Meetings. An emergency meeting of the Board of Directors may be called by the President or any two directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide the notices required by Section 6.1. Notice of an emergency meeting may be given with as little advance notice as four (4) hours, if circumstances reasonably require it.

6.4 Quorum. A majority of directors then in office (but not less than two (2)) shall constitute a quorum. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.

6.5 Open Meetings. Except as otherwise provided herein, Board meetings shall be open to Members.

6.6 Executive Session. The Board may, with approval of a majority of its members present at a meeting in which a quorum has been established, adjourn a meeting and reconvene in executive session to discuss vote upon litigation, Member discipline, or personnel matters. The nature of any business to be considered in executive session shall first be announced in open session. Any matter discussed in executive session shall be generally noted in the Board minutes. The Board shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and that Member shall be entitled to attend that portion of the executive session.

6.7 Telephone Meetings. Any regular or special meeting may be held by conference telephone or similar communication equipment, so long as all participating directors can hear one another, and all such directors shall be deemed to be present in person at such meeting.

6.8 Waiver of Notice. Transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting each director not present signs a written waiver of notice a consent to holding the meeting; or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

6.9 Notice of Adjourned Meeting. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four

(24) hours, in which case personal notice of the time and place shall be given to the directors who were not present at the time of the adjournment and posted at the Project office.

6.10 Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all directors, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent(s) shall be filed with the minutes of the Board proceedings. An explanation of the action taken shall be posted at the Project office within three (3) days after written consents of all directors have been obtained.

6.11 Definition of Meeting. "Meeting" includes any congregation of a majority of the directors at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

ARTICLE VII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1. Duties. The Board of Directors shall undertake and fulfill the following duties:

A. Adopt Policies: The Board shall adopt policies of the Association which shall consist of such resolutions adopted by the Board of Directors that fulfill the purposes of the Association. Said policies will serve the membership and management as the statement of specific objectives and purposes for which the Association exists.

B. Oversight and Review of Administration of Association Affairs: The Board shall review and direct the Association officers and manager to assure that the policies of the Association are being accomplished in a reasonable and prudent manner and that the requirements for operation of the Project as set forth in the Project Documents and the laws applicable to the Project are fulfilled to the extent reasonable and appropriate.

C. Supervision: The Board shall supervise all Association officers, agents and employees to see that their duties are properly performed.

7.2 Powers. The Board of Directors shall have power to:

A. Manager: Employ a manager as provided in CCR § 5.2C.

B. Adoption of Rules: Adopt Rules in accordance with CCR § 5.2D.

C. Assessments, Liens and Fines: Levy and collect Assessments and impose fines as provided in CCR § 5.2F.

D. Enforcement (Notice and Hearing): Enforce these Restated Bylaws and the CCRs provided that at least fifteen (15) days prior notice of any charges (other

than Assessments) or potential discipline or fine and the reasons therefor are given to the Member affected, and that an opportunity is provided for the Member to be heard orally or in writing not less than five (5) days before the imposition of the discipline or fine, said hearing to be before the Board. Any notice required herein shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be given by first class or certified mail sent to the last address of the Member as shown on the Association records.

E. Contracts: Contract for goods and/or services in accordance with CCR § 5.2K, subject to Restated Bylaw § 7.3A.

F. Delegation: Delegate its authority and powers to officers or employees of or a manager employed by the Association. The Board may not delegate the authority to: (i) make expenditures for capital additions or improvements chargeable against the reserve funds; (ii) conduct hearings concerning compliance by an Owner or his tenant, lessee, guest or invitee with the CCRs or Rules and regulations promulgated by the Board; (iii) make a decision to levy monetary fines, impose special Assessments against individual Lots, temporarily suspend an Owner's rights as a Member or otherwise impose discipline following any such hearing; (iv) make a decision to levy annual or special Assessments; or (v) make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment of Assessments. Any delegation shall be revocable by the Board at any time. Directors, individually or collectively, shall not be liable for any omission or improper exercise by the manager or any third party of any such duty, power or function so delegated by written instrument executed by a majority of the Board.

G. Use of Recreational Facilities: Limit the number of an Owner's guests who may use the recreational facilities, if any, as provided in § 5.2M of the CCRs.

H. Appointment of Trustee: Appoint a trustee to enforce Assessment liens by power of sale as provided in the CCRs and Montana law.

I. Other Powers: In addition to any other power contained herein, the Association may exercise the powers granted to a non-profit mutual benefit corporation as enumerated in the Montana Nonprofit Corporation Act.

7.3 Prohibited Acts: The Board shall not take any of the following actions, except upon approval by a majority vote of the Association voting power at an Association meeting:

A. Entering into a contract for the furnishing of goods or services for the Common Area or the Association for a term longer than one (1) year, except:

(1) a contract with Canyon River Golf Course, LLC for HOA maintenance and a contract with Canyon River Development, LLC, its successor or assignee to provide water to the Association for irrigation of the Meadows Lots, the Estate Lots and the Common Area provided that rates for the supply of water shall be

equal to or less than the rates for which the Association could obtain water from a company regulated by the Montana Public Service Commission ("PSC");

(2) a contract with a public utility company if rates charged are regulated by the PSC provided, however, that the contract term shall not exceed the shortest term for which the supplier will contract at the regulated rate.

B. Paying compensation to directors or officers for services performed in conducting Association business; however, the Board may reimburse a director or officer for actual, reasonable expenses incurred in the performance of his or her duties.

ARTICLE VIII ASSOCIATION DUTIES AND RESPONSIBILITIES

8.1. Association Duties. The Association shall, as provided in these Bylaws or as the Board may otherwise direct through its manager, undertake the following duties and responsibilities:

A. Maintenance: Perform the maintenance described in § 5.1A of the CCRs.

B. Insurance: Maintain insurance as required by § 8.1 of the CCRs. The Association shall prepare and distribute to its Members the summaries of the Association's insurance policies.

C. Discharge of Liens: Discharge by payment, if necessary, any lien against the Common Area and assess the cost thereof to the Member(s) responsible for the existence of the lien (after notice and hearing as required by these Bylaws).

D. Assessments: Fix, levy, collect and enforce Assessments as set forth in Article IV of the CCRs.

E. Expenses and Obligations: Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

F. Enforcement: Enforce these Bylaws, the CCRs and the Rules.

G. Records: Cause to be kept a complete record of all its acts and affairs and to present a statement thereof to Members at the annual meeting of Members, of at any special meeting when such statement is requested in writing by twenty-five percent (25%) of the Members; keep adequate and correct books and records of account, minutes of proceedings of its Members, Board and committees, and a record of its Members giving their names and addresses.

H. Contracts: Contract for goods and/or services in accordance with § 5.2K of the CCRs.

I. Financial Requirements: Comply with the Financial Requirements set forth in Article XII of these Bylaws.

ARTICLE IX OFFICERS AND THEIR DUTIES

9.1 Enumeration of Officers. Association officers shall be a President and Vice President, who shall at all times be members of the Board, a Secretary, and a Chief Financial Officer, and such other officers as the Board may designate from time to time by resolution.

9.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

9.3 Term. Officers shall be elected annually by the Board and each shall hold office for one (1) year unless he resigns or shall be removed or otherwise disqualified to serve.

9.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may determine from time to time.

9.5 Resignation and Removal. Any officer may be removed from office (but not from the Board, if the officer is also a Board member) by the Board with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.7 Duties. The duties of the officers are:

A. President: The President shall preside at all meetings of the Board of Directors, see that orders and resolutions of the Board are carried out, sign all leases, mortgages, deeds and other written instruments including promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a Montana nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or these Bylaws.

B. Vice President: The Vice President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

C. Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members, serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members and addresses, and perform such other duties as required by the Board.

D. Chief Financial Officer: The Chief Financial Officer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board, sign all Association promissory notes, keep proper books of account, prepare and distribute budgets and financial statements to each Member as required by these Bylaws and applicable laws.

ARTICLE X COMMITTEES

10.1 Nominating Committee. A Nominating Committee may be appointed as provided in § 5.1 of these Bylaws.

10.2 Other Committees. The Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

10.3 Limitations on Committees. No committee, regardless of Board resolution, may: (a) take any final action on matters which, under Montana law, also requires Member approval; (b) fill vacancies on the Board or any committee; (c) amend or repeal Bylaws or adopt new Bylaws; (d) amend or repeal any resolution of the Board; (e) appoint any other committees of the Board or the members of those committees; or (f) approve any transaction to which the Association is a party and in which one (1) or more directors have a material financial interest.

10.4 Purpose of Committees. The purpose of all committees shall be to assist the Board in developing policies and to assist in the oversight and assessment of such policies. No committee shall be assigned, delegated or chartered in any manner which would authorize it to take final action in the name of the Association. No committee, or committee officer or member shall take any action that is assigned to the office of the President or other officers of the Association. All committees shall report to the Board and shall serve at its pleasure. Board committees shall not have authority to direct contractors, agents or officers of the Association.

ARTICLE XI BOOKS AND RECORDS

11.1 Inspection by Members. The membership register (including names, mailing addresses, telephone numbers and voting rights), books of account and minutes of meetings of Members, the Board, and committees, shall be made available for inspection and copying by any Member or his duly appointed representative at any reasonable time and for a purpose reasonably

related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe. Board minutes shall be available to Members within thirty (30) days of the meeting, and shall be distributed to any Member upon request and upon reimbursement of the costs in making that distribution.

11.2 Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made; and
- (c) Payment of the cost of copying documents requested by a Member.

11.3 Inspection by Directors. Each director has an absolute right at any reasonable time to inspect all Association books, records, documents and owned or controlled physical properties, including the right to make document extracts and copies at the Association's expense.

11.4 Documents Provided by Board. Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide an Owner with a copy of the governing documents of the Project, a copy of the most recent budget and statements of the Association distributed pursuant to § 12.1, with an accurate written statement as to the amount of its current regular and special Assessments and fees, as well as any Assessments levied upon the Owner's interest which are unpaid on the date of the statement, including late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Lot. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents. At the time the pro forma operating budget is distributed, or at the time of any general mailing, Members of the Association shall be notified in writing of their right to have copies of Board minutes and as to how and where those minutes may be obtained and the cost of obtaining such copies.

ARTICLE XII FINANCIAL REQUIREMENTS

12.1 Budgets and Financial Statements. The Association shall cause budgets, financial statements and tax returns to be prepared and, along with insurance coverage documents, made available for inspection by each Member at each quarterly Board and/or Member meeting.

- (a) A pro forma operating budget for each fiscal year shall be prepared at least forty-five (45) before the beginning of the fiscal year consisting of:
 - (1) Estimated revenue and expenses on an accrual basis;
 - (2) A summary of Association reserves based upon the most recent review or study conducted pursuant to § 12.2, which shall include:

- (A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component;
 - (B) As of the end of the fiscal year for which the summary is prepared:
 - (i) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components;
 - (ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components;
 - (C) The percentage that accumulated cash reserves actually set aside is of the current estimate of cash reserves necessary;
- (3) A statement as to whether the Board has determined or anticipates that the levy of one or more special Assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor;
- (4) A general statement setting forth the procedures used in the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Association is obligated to maintain;
- (b) A report consisting of the following shall be made available for Members within one hundred twenty (120) days after the close of the fiscal year: (i) for any fiscal year in which the gross income of the Association exceeds \$75,000, a review of the financial statement of the Association prepared in accordance with generally accepted accounting principles by a certified public accountant; (ii) a balance sheet as of the end of the fiscal year; (iii) an operating (income) statement for the fiscal year (which shall include a schedule of Assessments received and receivable identified by the numbers of the Lots and the names of the Owners assessed); (iv) a statement of changes in financial position for the fiscal year; and (v) any additional information required to be reported under Montana law;
- (c) In lieu of the pro forma operating budget, the Board may elect to make available or distribute a summary of the items described above to all Members, with written notice that the budget is available at the Association office or at another suitable location within the boundaries of the Project and that copies will be provided upon request and at the expense of the Association. If any Member requests a copy of the pro forma operating budget, including the items referred to above, the Association shall provide the copy to the Member by first-class U.S. mail at the expense of the Association. Written notice distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the summary of the budget;

(d) A statement describing the Association's policies and practices in enforcing lien rights, or other legal remedies for default in payment of Assessments against its Members, and a statement of the place where the names and addresses of the current Members are located shall be available to Members.

(e) With respect to insurance:

(1) A summary of the Association's property, general liability, and any earthquake and flood insurance policies that includes the following information about each policy shall be available to each Member:

- (A) Name of insurer;
- (B) Type of insurance;
- (C) Policy limits;
- (D) Amount of deductibles, if any;

(2) The Association shall, as soon as reasonably practicable, notify Members by first-class mail if any of the policies described in paragraph (1) have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies; if the Association receives any notice of nonrenewal of a policy described in paragraph (1), the Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse;

(3) To the extent any information required to be disclosed by paragraph (1) is specified in the insurance policy declaration page, the Association may meet its obligation to disclose by making copies of that page available to all Members,

(4) The summary shall for all purposes be deemed to include, by reference, the following statement: "This summary of the Association's policies of insurance provides only certain information and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

12.2 Reserves. With respect to reserves, the following shall apply:

(a) The Board shall at least quarterly review the following:

- (1) A current reconciliation of the Association's operating accounts;
 - (2) A current reconciliation of the Association's reserve accounts;
 - (3) The current year's actual reserve revenues and expenses compared to the current year's budget;
 - (4) The latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and
 - (5) An income and expense statement for the Association's operating and reserve accounts.
- (b) The signatures of at least two persons, who shall be members of the Board, or one officer who is not a Board member and a Member of the Board, shall be required for withdrawal of moneys from reserve accounts.
- (c) Use of reserve funds shall be in accordance with the following:
- (1) The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established.
 - (2) However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses, provided the Board has made a written finding recorded in the Board minutes explaining the reason the transfer is needed and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Project, delay restoration until the time the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account and shall, if necessary, levy a special Assessment to recover the full amount of the expended funds within such required time limits. Unless the special Assessment is to pay for legal costs associated with litigation involving major Association components, the special Assessment is subject to the limitation imposed by § 4.4 of the CCRs. The Board may, at its discretion, extend the date the payment on the special Assessment is due.

(d) When a decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of that decision in the next available mailing to all Members and of the availability of any accounting of those expenses. Unless the Project Documents impose more stringent standards, the Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association office.

(e) At least every three years the Board shall cause a study of the Project reserve account requirements to be conducted if the current replacement value of the major components the Association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the Association's gross budget for any fiscal year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

The study required by this section shall at a minimum include:

(1) Identification of the major components the Association is obligated to repair, replace or restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;

(2) Identification of the probable remaining, useful life of the components identified in paragraph (1) as of the date of the study;

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in paragraph (1) during and at the end of its useful life: and

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

(5) As used in this section "reserve accounts" shall mean moneys that the Board has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

(6) As used in this section "reserve account requirements" means the estimated funds the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

