

BYLAWS
of
CREST VIEW CONDOMINIUM OWNERS ASSOCIATION

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SECTION 1. INTRODUCTION

- 1.1 **Application.** These Bylaws, upon being recorded with the Clerk and Recorder of Gallatin County, Montana, apply to and govern the CREST VIEW CONDOMINIUM OWNERS ASSOCIATION ("Association"). Pursuant to Section 5.1 of the Declaration, the Association may be incorporated and operate as a non-profit, mutual benefit corporation under the Montana Nonprofit Corporation Act, Title 35, Chapter 2, of the Montana Code Annotated ("Act"). The Association is authorized and created by the Declaration for Crest View Condominium ("Declaration"). All Unit Owners shall have the rights and responsibilities described in these Bylaws and shall be subject to the provisions thereof. Unless the context requires otherwise, capitalized terms in these Bylaws shall have the meanings given them in the Declaration.
- 1.2 **Association Powers.** The Association shall have all the powers set forth in the Declaration and these Bylaws. If incorporated, the Association shall additionally have all of the powers enumerated and set forth in the Act, except as expressly limited by its articles of incorporation, the Declaration, and these Bylaws.
- 1.3 **Relation to other Documents; Conflicts.** If the Association is incorporated, these Bylaws shall be subject to and governed by the articles of incorporation of the Association. These Bylaws are further subject to the Declaration, as such may be from time to time amended. If there is any conflict between these Bylaws and the Declaration, the Declaration shall control. No acts by the Association or its Board of Directors shall be contrary to the Declaration.

SECTION 2. OFFICES

- 2.1 **Registered Office.** The Association's registered office shall be located within Montana at the address of the Association's registered agent. If the Association is incorporated, the Board of Directors or Members holding a majority of Member Votes 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 State. If the Association is not incorporated, the Board of Directors or Members holding a majority of Member Votes may change the registered agent by amending the Declaration as provided in Section 70-23-902 of the Montana Code Annotated.

- 2.2 **Principal Office.** The Association's principal office shall be within Gallatin County, Montana, at such location as may be designated by the Board of Directors upon notice to the Members. The principal office need not be identical with that of the registered office.

SECTION 3. MEMBERSHIP

- 3.1 **Mandatory Membership.** Every Person who is an Owner of a Condominium Unit shall be a Member of the Association. Persons holding a Mortgage in a Unit or any other interest in a portion of the Property merely as security for the performance of an obligation shall not be entitled to membership.
- 3.2 **Membership Interest.** Ownership of each Condominium Unit shall entitle the Owner thereof to a specified number of Member Votes based on such Unit's Allocated Interest. The Member Votes allocated to each Unit shall be as provided in the Declaration and any amendments thereto. Multiple Owners of a single Unit shall have, collectively, the Member Votes allocated to such Unit. If an Owner owns more than one Unit, such Owner shall have the Member Votes allocated to all of its Units.
- 3.3 **Transfer of Membership.** A membership interest shall run with the land. A membership interest is an incident to ownership that is created when ownership of a Unit is acquired and terminated when ownership is divested. Except as otherwise provided in the Declaration, a membership may not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon transfer of the corresponding ownership interest in a Unit, and then only to the transferee of that ownership interest. Any attempt to transfer membership in the Association other than by a transfer of the corresponding ownership interest shall be null and void.
- 3.4 **Annual Membership Meeting.** The Association shall hold an annual meeting of the membership at such date, place, and time as shall be set by the Board of Directors. At the annual meeting, the Members elect directors and transact any other business as may come before the meeting.
- 3.5 **Special Membership Meetings.** The president (or vice-president in absence of the president) may call a special membership meeting for any purpose or purposes described in the meeting notice. Members having the requisite Member Votes specified in the Declaration may call a special membership meeting to review Assessments. Members holding 25% of the total Member Votes may call a special membership meeting for other purposes described in the meeting notice. If Members request a special membership meeting, they must do so in writing, and sign, date, and deliver the demand to any corporate officer at least 10 days before the Association must give notice of the meeting. The president shall then call the special meeting on these Members' behalf. For purposes of determining whether Members hold the requisite number of Member Votes to call a special meeting, the record date is the close of business on the 30th day before delivery of the demand or demands for such meeting to any corporate officer.
- 3.6 **Place of Meeting.** The Board of Directors may designate any place within Gallatin County, Montana, as the meeting place for any annual or special meeting of the Members. If the Board of Directors does not designate a meeting place, the Members shall meet at the principal office of the Association.

3.7 Notice of Membership Meetings.

- (a) *Notice Required.* The secretary of the Association shall deliver notice of all annual or special membership meetings to each record Unit Owner.
- (b) *Manner of Notice.* Notice of annual and special membership meetings shall be given by separate written notice. Unless otherwise provided in the Declaration, notice shall be given not less than 10 or more than 30 days before the date of the meeting. Notice shall be deemed effective at upon personal delivery of the notice to a Member or upon the date when the notice was deposited postpaid in the United States mail. Notice by United States mail shall be addressed to each Member at the address listed in the records of the Gallatin County Assessor's office unless the Member has provided the Association in writing another mailing address.
- (c) *Contents of Notice.* The notice shall state the place, day and hour of any annual or special membership meeting. Unless otherwise required by the Declaration or the Act, the notice of an annual membership meeting need not include a description of the meeting's purpose or purposes. The notice of each special membership meeting, however, shall include a description of the meeting's purpose or purposes.
- (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.
- (e) *Waiver of Notice.* A Member entitled to a notice of a meeting, or to any other notice required by the Act, the Declaration, or these Bylaws, may waive such notice by a writing signed by the Member. The Member must send the notice of waiver to the Association (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the Association's records. A Member's attendance at a meeting: (i) 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; and (ii) 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.

3.8 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
 - (i) Call to order;
 - (ii) Reading of prior minutes;
 - (iii) Election of directors, if that is the purpose of the meeting;
 - (iv) Business specified by the notice;
 - (v) Unfinished business;

- (vi) New business;
- (vii) Adjournment.

At the annual meeting, the president and treasurer shall report on the activities and financial condition of the Association.

3.9 Membership Quorum Requirements

- (a) *Annual Meeting Quorum.* There is no quorum requirement for an annual meeting. Unless the Declaration, Bylaws or Montana Nonprofit Corporation Act require a greater than majority vote for a particular matter, actions may be taken on matters coming before the annual meeting by Members holding a majority of Member Votes present at the meeting in person or by proxy.
- (b) *Meeting Quorum.* Unless otherwise provided by the Declaration, fifty percent (50%) of the total Member Votes of the Association, either present or by proxy, shall constitute a quorum at any meeting of the membership other than an annual meeting. If the required quorum is not present, another meeting may be called subject to the notice requirements of Section 3.7 of these Bylaws, and the required quorum at such subsequent meeting shall be one-half of the required quorum at the preceding meeting; provided, however, that no such subsequent meeting may be held more than 60 days following the preceding meeting.

3.10 **Proxies** A Member may vote in person or by proxy at all membership meetings. 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. The Association, and its director, officer or agent who accepts or rejects a proxy appointment in good faith, is not liable in damages to a Member for the consequences of such acceptance or rejection.

3.11 **Voting of Membership** Each Member is entitled to exercise the number of Member Votes attributable to such Member's Unit on each matter voted on by the Members. If a membership stands of record in the names of two or more Persons, then the vote of one representative shall bind all names on that one membership. Except as specifically provided otherwise in the Declaration or these Bylaws, when Members vote to take action on a matter, a majority of Member Votes shall carry.

3.12 **Action by Written Consent** The Members may act on any matter generally required or permitted at a membership meeting, without actually meeting, if: all the Members take the action, each one signs a written consent describing the action taken, and the Members file all the consents with the records of the corporation. Action taken by consents is effective when the last Member 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. The record date for determining Members entitled to take action without a meeting is the earliest date that a Member signs a consent.

SECTION 4. DIRECTORS

4.1 Number, Tenure and Qualifications of Directors.

- (a) *Election of Directors.* The Members may set the number of directors, provided that such number shall be no less than 3 and no more than 5. A director shall be elected by the Members for a term set by the membership, provided that such term shall be not less than 1

- year nor greater than 3 years. Directors' terms shall be staggered so that the terms of at least one-third of the directors on the Board expire annually. If a director's term expires, the director shall continue to serve until the Members have elected and qualified a successor or until there is a decrease in the number of directors. If a vacancy occurs on the Board of Directors prior to a membership meeting, the remaining directors may fill the vacancy. 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. Directors shall be either individual Members of the Association or authorized representatives of entity Members of the Association.
- (b) *Nomination and Voting.* The Board may nominate qualified persons for vacant director positions. Members may also make such nominations from the floor at a meeting where directors are to be elected. Each Member (or if more than one Person holds a membership interest, their representative) shall be entitled to cast the number of Member Votes allocated to such Member's Unit as set forth in the Declaration with respect to each vacancy to be filled at any election of directors. The candidates receiving the greatest number of votes shall be elected.
- 4.2 **Removal of Directors.** One or more directors elected by the Members may be removed, with or without cause, if a majority of the Member Votes present at a duly constituted meeting affirmatively votes for such removal. Notice must be sent to all Members and directors that a purpose of the meeting is removal.
- 4.3 **Regular 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 meeting other than this Bylaw is required. The Board of Directors may provide, by resolution, the date, time, and place (which shall be within Gallatin County, Montana) of additional regular meetings. Regular Board meetings may be held by conference telephone, if convened in accordance with Section 4.5.
- 4.4 **Special Meetings of the Board of Directors.** The president, or one-third of the directors then in office may call and give notice of special meetings of the Board of Directors. Those authorized to call special Board meetings may fix any place within Gallatin County, Montana, as the special meeting place. Special Board meetings may be held by conference telephone, if convened in accordance with Section 4.5.
- 4.5 **Board of Director Meetings by Conference Telephone.** If authorized by the Board of Directors, the Board or any designated committee of the Association may participate in a Board or committee meeting by means of conference telephone or similar communications equipment, provided all persons entitled to participate in the meeting receive proper notice of the telephone meeting (see Section 3.9), and provided all persons participating in the meeting can hear each other at the same time. A director participating in a conference telephone meeting is deemed present in person at the meeting. The chairperson of the meeting may establish reasonable rules governing conduct of the meeting by phone.
- 4.6 **Notice of Special Director Meetings; Waiver.** The Association's secretary shall give either oral or written notice of any special Board meeting at least 2 days before the meeting. The notice shall include the meeting place, day and hour. If the meeting is to be held by conference telephone, the secretary must provide instructions for participating in the telephone meeting. 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; this shall be true 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.

4.7 Directors, Manner of Acting.

- (a) *Required Number to Constitute Act.* The act of a majority of the directors of the Association shall be the act of the Board of Directors.
- (b) *Director Approval.* The Association shall deem a director to have approved of an action taken if the director is present at a meeting of the Board unless:
 - (i) The director objects at the beginning of the meeting (or promptly upon arrival) to holding it or transacting business at the meeting; or
 - (ii) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or
 - (iii) The director delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the Association immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.8 Conduct of Board of Directors Meetings. The president, or in the president's absence, the vice-president, or in their absence, any person chosen by the directors present shall call the meeting of the directors to order and shall act as the chairperson of the meeting. The chairperson, or the chairperson's designee, 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 directors, but in the secretary's absence, the presiding officer may appoint any other person to act as the secretary of the meeting.

4.9 Director 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 consents 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.

4.10 Director Compensation. Directors shall not receive compensation for services rendered to the Association. Directors shall, however, be entitled to reimbursement for actual expenses incurred in the performance of their duties.

4.11 General Powers. Except as otherwise provided by the Declaration and articles of incorporation, all Association powers shall be exercised by or under the authority of the Board of Directors, and the Board shall manage and direct the business and affairs of the Association. Without limiting the generality of the foregoing, the Board of Directors is empowered to do the following things:

- (a) Exercise ultimate decisional power in and on all matters affecting the Association, except for those matters reserved to the Members or the Declarant.
- (b) Enter into contracts and agreements as are necessary to conduct the business of the Association.

- (c) Promote, conserve, and preserve the Common Elements.
- (d) Designate, hire and dismiss the personnel necessary for the Association's operation and for the maintenance, operation, repair, and replacement of the Common Elements. The Board may, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties.
- (e) Make and establish rules and regulations for the governance of the Condominium as provided in the Declaration.
- (f) Prepare budgets and levy Assessments as described in these Bylaws and the Declaration.
- (g) Establish accounts in banks or other financial institutions for operating and reserve funds as set out in the Declaration.
- (h) Pay the expenses of the Association, including all property taxes and assessments.
- (i) Obtain and carry insurance against casualties and liabilities, as provided in the Declaration, and pay the premium cost thereof, and provide for the use and disposition of insurance proceeds in the event of loss or damage to Association property.
- (j) To provide a means of hearing grievances of unit owners and to respond appropriately thereto.
- (k) To take appropriate legal action to collect any delinquent assessments, payments or amounts due from Unit Owners or from any person or persons owing money to the Association, to levy a penalty, to charge interest on unpaid amounts due and owing, and, in a foreclosure proceeding, to charge a reasonable rental for the Unit. However, other than for the collection of delinquent assessments or accounts, the Board of Directors shall not initiate any litigation or lawsuit without prior approval of a majority of the Member Votes.
- (l) To defend in the name of the Association any and all lawsuits wherein the Association is a party defendant.
- (m) Call meetings of the Association, both annual and special, preside over such meetings. and give appropriate notice of such meetings as required by these Bylaws.
- (n) Formulate and introduce resolutions at the meetings of the Association.
- (o) To act on behalf of the Association in matters concerning the Association's membership, if any, in any subdivision owner's association.
- (p) In general, to act for and carry on the administration and affairs of the Association as authorized and prescribed by the Declaration, and to do all those things which are necessary and reasonable in order to carry out the governance and operation of the Condominium.

4.12 **Committees.** Pursuant to the Montana Nonprofit Corporation Act, Montana Code Annotated §35-2-433, and subject to the limitations therein, the Board of Directors may create one or more committees and appoint members of the Board to serve on them. Each committee must have two or more members. Committees shall serve at the pleasure of the Board of Directors.

- 4.13 **Managing Agent.** The Board of Directors may employ for the Association a professional management agent at a compensation established by the Board to perform such day-to-day operations of the Association as the Board shall authorize. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager. No management contract may have a term in excess of one year and must permit termination by either party without cause and without termination fee on 30 days' or less written notice.
- 4.14 **Borrowing.** The Board of Directors shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Common Elements without the approval of the Members of the Association. The Board shall also have the power to borrow money for other purposes; provided, the Board shall obtain Member approval in the same manner provided in Section 6.4(b) of the Declaration for Special Assessments if the proposed borrowing is for the purpose of modifying, improving or adding amenities and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.
- 4.15 **Enforcement.** The Board shall have the power to impose reasonable fines for violation of any duty imposed under the Declaration, these Bylaws or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a Unit or to suspend an Owner's right to vote due to nonpayment of assessments. In the event that any occupant of a Unit violates the Declaration, Bylaws or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, that if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, Bylaws or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.
- (a) *Notice.* Prior to imposition of any sanction, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written request to the Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.
- (b) *Hearing.* If a hearing is requested in a timely manner, the Board shall conduct a hearing affording the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board of Directors may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any person.
- (c) *Additional Enforcement Rights.* Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these Bylaws or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set

forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs actually incurred, including reasonable attorney's fees.

SECTION 5. OFFICERS

- 5.1 **Number of Officers; Qualification.** The officers of the Association shall be a president, a secretary, and a treasurer. The same person may hold the offices of secretary and treasurer. The Board may appoint a vice-president if it deems such office necessary. All officers must be individual Members of the Association or authorized representatives of entity Members of the Association. The president and vice-president shall be appointed from among the directors. The secretary and treasurer need not be directors.
- 5.2 **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 until the next annual meeting of the Board.
- 5.3 **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 Members and of the Board of Directors.
- 5.4 **Vice President.** The vice president, if one is appointed, shall perform, in good faith, the president's duties if the president is absent, dies, is unable or refuses to act. If the 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. The vice president shall perform any other duties that the president or Board of Directors may assign to the vice president.
- 5.5 **Secretary.** The secretary shall in good faith: (a) create and maintain one or more books for the minutes of the proceedings of the Members and of the Board of Directors; (b) provide that all notices are served in accordance with these Bylaws, the Declaration, or as required by law; (c) be custodian of the Association's records; (d) when requested or required, authenticate any records of the Association; (e) keep a current list of the mailing addresses of the Members; (f) sign, on behalf of the Association, all records, documents and instruments when such are authorized to be signed by the Association; and (g) in general perform all duties incident to the office of secretary and any other duties that the president or the Board of Directors may assign to the secretary.
- 5.6 **Treasurer.** The treasurer shall: (a) have charge and custody of the accounts of the Association; (b) receive and give receipts for moneys due and payable to the Association from any source, and deposit all moneys in the Association's name in banks or other depositories that the Board shall select; (c) prepare and provide such periodic accounting as shall be required by the Association; and (d) in general perform all of the duties incident to the office of treasurer and any other duties that the president or Board of Directors may assign to the treasurer.
- 5.7 **Officer Compensation.** Officers shall not receive compensation for services rendered to the Association. Officers shall, however, be entitled to reimbursement for actual expenses incurred in the performance of their duties.

SECTION 6. INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS**6.1 Indemnification of Directors**

- (a) *General.* An individual made a party to a proceeding because the individual is or was a director of the Association may be indemnified against liability incurred in the proceeding, but only if the indemnification is both:
- (i) Determined permissible; and
 - (ii) Authorized, as defined in subsection (b) of this Section 6.1. The indemnification is further subject to the limitation specified in subsection (d) of this Section 6.1.
- (b) *Determination, and Authorization.* The Association shall not indemnify a director under Section 6.1 unless:
- (1) Determination. Determination has been made in accordance with procedures set forth in the Montana Nonprofit Corporation Act that the director met the standard of conduct set forth in subsection (c) below; and
 - (2) Authorization. Payment has been authorized in accordance with procedures listed in the Montana Nonprofit Corporation Act based on a conclusion that the expenses are reasonable, the Association has the financial ability to make the payment, and the financial resources of the Association should be devoted to this use rather than some other use by the Association.
- (c) *Standard of Conduct.* The individual shall demonstrate that:
- (i) The individual acted in good faith; and
 - (ii) The individual reasonably believed:
 - (A) In acting in an official capacity with the Association, that the individual's conduct was in the Association's best interests;
 - (B) In all other cases, that the individual's conduct was at least not opposed to the Association's best interests; and
 - (C) In the case of any criminal proceeding, that the individual had no reasonable cause to believe that the conduct was unlawful.

The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, is not, of itself, a determination that the director did not meet the standard of conduct described in this section.

- (d) *No Indemnification Permitted in Certain Circumstances.* The Association shall not indemnify a director under Section 6.1 if
- (i) The director was adjudged liable to the Association in a proceeding by or in the right of the Association; or

- (ii) The director was adjudged liable in any other proceeding charging that the director improperly received personal benefit, whether or not the individual acted in an official capacity.
- (e) *Indemnification Limited.* Indemnification permitted under Section 6.1 in connection with a proceeding by the Association or in the right of the Association is limited to the reasonable expenses incurred in connection with the proceeding.

6.2 **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:

- (a) By following the procedures of the Montana Nonprofit Corporation Act the Board of Directors determined that the director met requirements (c)–(e) listed below;
- (b) The Board of Directors authorized an advance payment to a director;
- (c) The director has furnished the Association with a written affirmation of the director's good faith belief that the director has met the standard of conduct described in Section 6.1;
- (d) The director has provided 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
- (e) The Board of Directors determines that the facts then known to it would not preclude indemnification under Section 6.1 of these Bylaws or the Montana Nonprofit Corporation Act.

6.3 **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 Association applying those standards described in Sections 6.1 and 6.2 of these Bylaws.

6.4 **Mandatory Indemnification** Notwithstanding any other provisions of these Bylaws, the Association 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.

SECTION 7. BOOKS AND RECORDS; INSPECTION

7.1 **Corporate Records.**

- (a) *Minutes and Financial Records.* The Association shall keep a 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 financial 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:
 - (i) Its articles or restated articles of incorporation and all amendments to them currently in effect;
 - (ii) Its Bylaws or restated Bylaws and all amendments to them currently in effect;
 - (iii) A copy of the Declaration;
 - (iv) Resolutions adopted by its Board of Directors;
 - (v) The minutes of all membership meetings, and records of all actions taken by Members without a meeting, for the past 3 years;
 - (vi) The financial statements, if any, furnished for the past 3 years to the Members;
 - (vii) A list of the names and business addresses of its current directors and officers; and,
 - (viii) Its most recent annual report delivered to the Secretary of State.

7.2 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 7.1(d). 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 7.2(c) if the Member meets the following criteria:
 - (i) 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
 - (ii) The Member must describe with reasonable particularity:
 - (A) The Member's purpose and
 - (B) The records that the Member desires to inspect; and
 - (iii) 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 Section 7.2(b), the Member may inspect and copy:

- (i) 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 subsection (a) of Section 7.1;
 - (ii) Financial records of the Association; and
 - (iii) The membership list.
- (d) *Copy Costs.* The right to copy includes the right to photocopy. 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.

SECTION 8. MISCELLANEOUS

- 8.1 **Contracts.** The Board of Directors may authorize any officer(s) or agent(s) to enter into any contract or to execute or deliver any instrument in the name of and on behalf of the Association. The authorization may be general or specific. In the absence of another designation, the president and the secretary shall make all corporate deeds, mortgages and instruments of assignment or pledge.
- 8.2 **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.
- 8.3 **Deposits.** The treasurer of the Association shall deposit in banks and other depositories all Association funds that are not being used. The Board of Directors shall authorize by Board resolution the exact location of the banks and depositories.
- 8.4 **Insurance.** The Board of Directors may purchase insurance policies to protect the property of the Association against casualty loss and to protect the Association, and its Board of Directors, officers and agents, when acting in their official capacity from liability.
- 8.5 **Fiscal Year.** The fiscal year of the Association shall be the calendar year or as otherwise set by resolution of the Board of Directors.

SECTION 9. AMENDMENTS

- 9.1 **Amendments.** Prior to the conveyance of the first Unit, Declarant may unilaterally amend these Bylaws. Thereafter, these Bylaws may amended by the Association upon approval of 75% of the Member Votes at a meeting duly noticed and called for such purpose. If a proposed amendment is favored by a majority of the votes cast at a meeting, but such vote is less than the requisite 75% of the votes of the membership interests, Members who were not present in person or by proxy may give their assent to any amendment in writing, provided that the same is received by the Secretary of the Association not later than thirty (30) days from the date of such meeting wherein the action was voted upon. No amendment shall be effective until a copy of the Bylaws, as amended, certified by the president and secretary of the Association is recorded in the Public Records. No amendment may remove, revoke or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

IN WITNESS WHEREOF, the Declarant hereby approves and adopts the foregoing Bylaws on June ____, 2008.

NHB, LLC, a Montana limited liability company.

by: _____
Benjamin E. Nistler, Manager

STATE OF MONTANA)
 : ss.
County of Gallatin)

This instrument was acknowledged before me on June ____, 2008, by Benjamin E. Nistler as Manager of NHB, LLC, a Montana limited liability company.

Printed Name: _____
NOTARY PUBLIC for the State of Montana
RESIDING AT _____, Montana
My Commission Expires _____, 20__

[Seal]