

BYLAWS

OF

THE TIMBERS SUBDIVISION PROPERTY OWNERS ASSOCIATION

THESE BYLAWS OF THE TIMBERS SUBDIVISION PROPERTY OWNERS ASSOCIATION (these “Bylaws”) apply to the **TIMBERS SUBDIVISION PROPERTY OWNERS ASSOCIATION** (the “Association”) for **THE TIMBERS SUBDIVISION**, which has been formed pursuant to the Declaration of Covenants, Conditions and Restrictions and Design Guidelines for The Timbers Subdivision recorded with the Yellowstone County Clerk and Recorder on the ____ day of _____, 2023 under Document No. _____ (the “Declaration”) and is located on real property in Yellowstone County, Montana more particularly described as follows (the “Property”):

Being a portion of Tract A and Tract B of Certificate of Survey 3795 located in the southeast one-quarter, southwest one-quarter, northwest one-quarter, and northeast one-quarter of Section 19, Township 1 north, Range 26 east, Principal Meridian Montana, City of Billings, Yellowstone County, Montana.

All present or future Owners, or any other person having any right, title or interest in any of the Property and their heirs, successors, and assigns are subject to the provisions of these Bylaws.

SECTION 1

REGISTERED OFFICE & AGENT; CAPITALIZED TERMS

11 Registered Office & Agent. The Association shall maintain a registered agent and office within the State of Montana. Such office may, but need not be, identical to the Association’s principal office if the principal office is also located in the State of Montana. The Association’s directors (collectively, the “Board” and individually a “Director”) may from time to time change the Association’s registered agent or registered office as long as such changes comply with the provisions of the Montana Nonprofit Corporation Act (the “Act”) as then in effect.

12 Capitalized Terms. All capitalized terms not otherwise herein defined have the same meanings given them in the Declaration.

SECTION 2

MEMBERS

21 Membership. Each Owner is a member of the Association (each, a “Member” and, collectively, the “Members”); if a Lot is owned by more than one (1) person, then the co-owners shall be treated as one (1) Member. Developer shall be deemed the Owner of each Lot owned by it, and shall have one (1) vote for each such Lot.

22 Annual Meeting. The Association shall hold a meeting of Members on the second Tuesday of June every year at a time to be determined by the Board, or at another date and time as may be fixed by or under the authority of the Board, for the purposes of (i) electing Directors and (ii) conducting all other business that properly comes before the meeting. If the Members do not elect Directors at the annual meeting, or at any continuation of such meeting after adjournment, then the Board shall cause the election of Directors to be held at a special meeting of Members as soon afterwards as is convenient.

23 Special Meetings. A special meeting of Members may be called by either (i) the Board, or (ii) 10 or more Members by written notice to the Association and the other Members, which notice shall describe the purpose(s) for which the meeting is to be held. The Members may conduct only the business set forth in notice preceding such special meeting.

24 Place of Meetings. Unless the Board directs otherwise, all meetings of Members shall be held at the Association's principal place of business.

25 Participation in Meetings by Conference Telephone or Videoconference. The Members may participate in an annual or special meeting of Members through a conference telephone, videoconference (*e.g.*, Zoom), or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in this manner constitutes presence in person at a meeting. The presiding officer of the meeting may establish reasonable rules for conducting business at any meeting in which Members participate by telephone.

26 Notice of Meetings.

- (A) **Required Notice.** The Association shall notify the Members of the date, time, and place of each annual and special meeting of Members not less than ten (10) or more than sixty (60) days before the meeting date.
- (B) **Adjourned Meeting.** If any meeting of Members is adjourned to a different date, time or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment. If, however, a new "record date" (defined below in Section 2.7) is or must be fixed, then notice of the adjourned meeting must be given to persons who are Members as of the new record date.
- (C) **Manner of Giving Notice.** Any notice to be given hereunder shall be in writing and shall be delivered either personally or by private carrier, mail, electronic mail, or facsimile, by or at the direction of any officer or persons calling the meeting, to each Member of record entitled to vote at such meeting. Notice shall be deemed to be effective at the earliest of the following: (i) when received, (ii) when deposited in the United States mail, addressed to the Member at the Member's address shown in the Association's current record of Members, with postage thereon prepaid, (iii) when faxed to the intended recipient's facsimile number on file in the Association's records, or (iv) when sent by electronic mail to the intended recipient's electronic mail address on file in the Association's records. A Member wishing to change his

designated address shall do so by notice in writing to the Association. Rejection or other refusal to accept notice, or the inability to deliver notice because of changed address of which no notice was given, shall be deemed to be receipt of the notice.

(D) Contents of Notice.

- (1) Annual Meeting.** Notice preceding an annual meeting of Members must provide the date, time, and place for the meeting. Except as set forth below, the notice need not describe the purpose(s) for which the meeting is called.
- (2) Special Meeting.** Notice preceding a special meeting of Members must **(i)** provide the date, time, and place for such meeting, **and** **(ii)** describe the purpose(s) for which the meeting is called.
- (3) Special Rules.** Regardless of whether the notice precedes an annual or special meeting of Members, if a purpose of the meeting is to consider:
 - (A)** the amendment or restatement of any Governing Documents;
 - (B)** the dissolution of the Association;
 - (C)** the removal of a Director; or
 - (D)** a Special Assessment.

then the notice preceding such meeting shall **(i)** state which of the foregoing purpose(s) applies, and **(ii)** be accompanied, as applicable, by

- (1)** a copy of the summary of the proposed amendment or restatement of one (1) or more of the Governing Documents;
- (2)** a copy of the plan of dissolution;
- (3)** the name of the Director who may be removed, and the reasons for such removal; or
- (4)** the amount of the proposed Special Assessment, and the reason(s) for such Assessment.

(E) Waiver of Notice.

- (1) Written Waiver.** A Member may waive any notice that the Act, the Governing Documents, or these Bylaws require either before or after the date and time stated in the notice. The waiver must be in a writing that the Member signs and delivers to the Association.
- (2) Attendance at Meeting.** A Member's attendance at a meeting of Members:

- (a) waives objection to lack of notice or defective notice of the meeting unless, at the beginning of the meeting, the Member objects to holding the meeting or transacting business at the meeting; **and**
- (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice unless the member objects to considering the matter when it is presented.

27 Record Date.

- (A) **Purpose of Fixing Record Date.** The Board may fix in advance a date as the record date in order to determine the Members who are entitled to (i) receive notice of any meeting of Members, (ii) demand a special meeting, (iii) vote, or (iv) take any other action. A record date fixed under this bylaw shall not be more than seventy (70) days before the meeting or action requiring a determination of Members.
- (B) **If No Record Date Is Fixed.** If the Board does not fix a record date for any purpose described in Section 2.7(A), then the record date for the determination of Members shall be as follows:
 - (1) For determining Members entitled to notice of or vote at any meeting of Members, the day before the meeting notice is delivered to Members;
 - (2) For determining Members entitled to demand a special meeting, the date the first Member signs the demand for the special meeting; and
 - (3) For determining Members entitled to take action without a meeting, the date the first Member signs a consent.
- (C) **Fixed Record Dates and Adjournment.** A determination of Members entitled to notice of and vote at a meeting of Members is effective for any adjournment of the meeting unless the Board fixes a new record date, which the Board must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.
- (D) **List of Members.** After fixing a record date for a meeting of Members, the “Secretary” (defined below) of the Association shall prepare an alphabetical list of the names and addresses of all Members entitled to notice of the meeting. The list of Members must be available for inspection by any Member beginning two (2) business days after notice is given of the meeting for which the list was prepared and continuing through the meeting and any adjournment thereof. The list shall be available at the Association’s principal office or at a place identified in the meeting notice in the city where the meeting will be held.

28 Voting. Each Lot within the Association, regardless of the number of Owners of each Lot, is entitled to one (1) vote. There are no fractional votes among the various Owners of a single Lot. Whenever a Lot is owned by two (2) or more persons, any one of such Owners may

vote on behalf of the Lot, in absence of protest of the other Owners. Except as otherwise provided herein, or by law, all decisions and resolutions of the Association at a meeting in which a quorum is present shall require the approval of a majority of the Members represented and voting.

2.9 **Quorum.** One-third (1/3) of the votes entitled to be cast on a matter constitutes a quorum of the Members for action on such matter. Once a Member is represented for any purpose at a meeting, either in person or by proxy, then the votes of that Member are deemed 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 the adjourned meeting.

2.10 **Proxies.** Members may vote in person or by proxy. A Member may appoint a proxy to vote or otherwise act for that Member by signing an appointment form, either personally or by an attorney-in-fact. The appointment of a proxy becomes effective when received by the Secretary, and ceases to be effective after eleven (11) months unless otherwise provided in the appointment form.

2.11 **Action Without Meeting.** Action required, or permitted to be taken, at a meeting of Members may be taken without a meeting if the action taken is approved by Members holding at least 75% of the voting power. The action must be (i) evidenced by one or more written consents describing the action taken, (ii) signed by Members representing at least 75% of the voting power, and (iii) delivered to the Association. A consent signed under this Section 2.11 has the effect of a meeting vote and may be described as a vote in any document.

SECTION 3 BOARD OF DIRECTORS

3.1 **Authority.** The Association's powers shall be exercised by or under the authority of the Board, which shall have the authority to supervise, control and direct the Association's affairs.

3.2 **Number.** Prior to the sale of all the Lots by Developer, the Board shall consist of two (2) Members appointed by the Developer. After the sale of all the Lots by Developer, the Board shall consist of three (3) Members as elected below. Also after the sale of all the Lots by Developer, the Members may increase or decrease the number of Directors upon an affirmative vote of 75% of the Members entitled to vote as long as no decrease shall have the effect of shortening the term of any incumbent Director or shall result in the Board consisting of less than three (3) members.

3.3 **Election.** The Members shall elect the Directors from the floor at each annual meeting; provided however that _____ and _____, as representatives of Developer, shall serve as the two (2) Directors until all Lots are sold by Developer, after which the Board shall consist of three (3) elected Members. Directors shall be elected by a plurality of votes.

3.4 **Term.** Each Director holds office until the **earlier to occur of** (i) the next annual meeting of Members, or (ii) the resignation, removal, or death of the Director. A Director shall

continue to serve as a Director after expiration of such Director's term until either (i) a successor Director has been elected and qualified, or (ii) there is a decrease in the number of Directors.

3.5 Qualification. Directors must be Members of the Association, or in the case of Members that are entities, a designated representative of such Member.

3.6 Resignation. A Director may resign at any time by delivering written notice to the Board. A Director's resignation is effective upon delivery of the notice of resignation to the Secretary unless the Board authorizes otherwise.

3.7 Removal. Any Director, except those serving as representatives of the Developer, may be removed by the Members with or without cause, at a duly constituted meeting of Members at which a quorum is present. A Director elected by the Board may be removed only by the affirmative vote of the holders of 75% of the votes entitled to vote at an election of Directors.

3.8 Vacancies. If a vacancy occurs on the Board, including a vacancy resulting from an increase in the number of Directors, then the Members may fill the vacancy. If the Members fail or are unable to fill the vacancy within sixty (60) days, then the Board shall fill the vacancy. If the Directors remaining in office constitute fewer than a quorum of the Board, then the Board may fill the vacancy by the affirmative vote of a majority of all Directors remaining in office. A vacancy that will occur at a specific later date may be filled before the vacancy occurs as long as the new Director may not take office until the vacancy occurs. A Director elected to fill a vacancy shall be elected for the unexpired term of the Director's predecessor in office.

3.9 Regular Meetings. The Board shall hold an annual meeting of Directors immediately after, and at the same place as, the annual meeting of Members. No notice of an annual meeting other than this Section 3.9 is required. The Board may provide by resolution the date, time, and place of additional regular meetings without notice other than the resolution authorizing such additional regular meetings.

3.10 Special Meetings. The Board shall hold a special meeting upon either (i) the written request of one (1) or more Directors, or (ii) the request of the President.

3.11 Notice of Meetings.

(A) **Required Notice.** Regular meetings of the Board may be held without notice. Special meetings must be preceded by at least two (2) days' notice to each Director of the date, time and place of the meeting.

(B) **Manner of Giving Notice.** Any notice to be given hereunder shall be in writing and shall either be served upon a party personally or by private carrier, mail, electronic mail, or facsimile. Notice shall be deemed to be effective at the earliest of the following: (i) when received, (ii) when deposited in the United States mail, addressed to the Director at the Director's address shown in the Association's records, with postage thereon prepaid, (iii) when faxed to the intended recipient's facsimile number on file in the Association's records, or (iv) when sent by electronic mail to the intended recipient's electronic mail address on file in the

Association's records. A Director wishing to change his/her/its designated address shall do so by notice in writing to the Association. Rejection or other refusal to accept notice, or the inability to deliver notice because of changed address of which no notice was given, shall be deemed to be receipt of the notice.

- (C) **Contents of Notice.** Any notice required to be given shall state the date, time, and place of the meeting. The notice preceding a special meeting is not required to describe the purpose of the meeting.
- (D) **Waiver of Notice.** A Director may waive any notice that the Act, the Governing Documents, or these Bylaws require either before or after the date and time stated in the notice. The waiver must be (i) in writing, (ii) signed by the Director entitled to notice, and (iii) delivered to the Association for inclusion in the minutes or filing with the Association's records. A Director's attendance at or participation in a meeting of Directors waives any required notice to the Director of the meeting unless the Director, at the beginning of the meeting or promptly upon the Director's 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.

3.12 Quorum. A quorum of the Board consists of a majority of the number of Directors in office immediately before the meeting begins.

3.13 Manner of Acting. If a quorum is present at a meeting of the Board, then the affirmative majority vote of the Directors constitutes the act of the Board. The Board may not take any action unless a quorum of the Board is present. Each Director has one (1) vote.

3.14 Presumption of Assent. A Director present at a meeting of the Board at which the Board takes any action is presumed to assent to such action unless (i) the Director objects at the beginning of the meeting or promptly upon the Director's arrival to holding the meeting or transacting business at the meeting and delivers written notice of the Director's objection to the presiding officer before its adjournment or to the Association immediately after adjournment of the meeting, (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 his/her/its dissent or abstention to the presiding officer of the meeting before its adjournment or to the Association immediately after adjournment of the meeting. A Director who voted in favor of such action shall not have the right of dissent with respect to such action.

3.15 Participation in Meeting by Conference Telephone. The Board may permit any or all Directors to participate in a regular or special meeting by, or conduct the meeting through, the use of any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting in this manner is considered present at the meeting. The presiding officer of the meeting may establish reasonable rules for the conduct of the meeting in which any Director participates in this manner.

3.16 Compensation. No Director shall receive any compensation from the Association in respect of services rendered as a Director, unless salaries for Directors are approved by 90% of

the Members. The Association may, however, reimburse Directors for any reasonable expenses that they may incur in the execution of their official duties, including reasonable travel expenses. Nothing contained herein shall be construed to preclude any Director from serving the Association in any other capacity and receiving reasonable compensation for services rendered to the Association.

3.17 Limitation of Directors' Liability. Directors are not liable to the Association for monetary damages for breach of a Director's duties to the Association. The foregoing limitation of liability neither eliminates nor limits a Director's liability for (i) the amount of a financial benefit received by a Director to which the Director is not entitled, (ii) an intentional infliction of harm on the Association or the Members, or (iii) intentional violations of criminal law.

3.18 Chairman of the Board. The Board may, by affirmative majority vote, appoint from the Directors a Chairman. The Chairman shall preside at all meetings of the Board and shall have such other duties as the Board may determine.

3.19 Qualification. Directors must be Members of the Association, or, in the case of Members that are entities, a designated representative of an entity Member.

3.20 Attorney-in-Fact. The Board is hereby irrevocably appointed as agent and attorney-in-fact for the Owners, to manage, control, and deal with the interests of the Owners in the exterior of the Lots as necessary to permit the Board to fulfill all of its powers, rights, functions, and duties. The Board is hereby irrevocably appointed as agent and attorney-in-fact for each Owner, mortgagee, and named insured, and their beneficiaries, and any other holder of a lien or other interest in the Lots or the Property to: (i) adjust and settle all claims arising under insurance policies purchased by the Board and/or Association; (ii) execute and deliver releases upon the payment of claims; and (iii) act on their behalf in any condemnation proceeding or act of eminent domain. The mortgagee and guarantor of a mortgage on any Lot shall have the right to timely written notice of any condemnation or casualty loss that affects a material portion of the Property or the Lot securing its mortgage.

3.21 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not by law, the Declaration, or these Bylaws directed to be exercised by the members, any other person, or committee. In addition, the Board of Directors shall have the following powers and duties:

- (A) To enforce the provisions of the Declaration of Covenants, Conditions, Restrictions, and Design Standards and these Bylaws by appropriate action.
- (B) To determine the annual budget and the amount of Regular Assessments payable by the unit owners for common expenses and to allocate and assess said expenses among unit owners as directed in the Declaration. Assessments shall include reasonable reserve funds. The Board shall have the authority to invest reserve funds in any manner not inconsistent with the needs of the Association.

- (C) In its discretion, to impose Extraordinary Assessments and Special Assessments as provided for in the Declaration.
- (D) To send written notice of any change in the regular assessments and written notice of any special assessment to each owner at least 30 days before its due date.
- (E) To record and foreclose a lien against any unit for unpaid assessments or other monies owed the Association by an owner or to bring an action at law against the owner personally obligated to pay the same.
- (F) To adopt a schedule of rules, fines and late fees as provided in Section 10.3 of these Bylaws.
- (G) To issue, or to cause an appropriate officer to issue, upon demand by any persons, 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.
- (H) To procure and maintain insurance required or authorized to be purchased by the Association.
- (I) To pay all debts of the Association.
- (J) To contract for repairs, maintenance, alterations, additions, and improvements to common areas which are the obligation of the Association.
- (K) Upon written request from any person, agency or corporation having an interest or prospective interest in a unit, to prepare and furnish within a reasonable time an audited financial statement of the Association for the immediately preceding tax year, at the requesting party's expense. The Board shall require that audit expenses be paid in advance of beginning the audit.
- (L) To file annual corporate reports with the Montana Secretary of State and to pay the required fee.
- (M) To prepare income tax returns for the Association, if required by state or federal law, and to pay all taxes owed.

- (N) To provide any notices required by these Bylaws and Declarations.
- (O) In its discretion, to delegate any of the above-mentioned powers and duties to one or more officers or employees of the Association or to an independent contractor or agent.
- (P) To engage the services of a paid manager or managing agent to conduct the day-to-day operation of the Association.
- (Q) To supervise all officers, agents, and employees of the Association to ensure that they properly perform their duties.

SECTION 4 OFFICERS

41 Officers. The Association shall have a President, a Secretary, a Treasurer and such other officers as the Board may hereafter appoint. No two (2) offices may be held by the same person except the offices of the Secretary and Treasurer.

42 President. Subject to the control of the Board, the President is the principal executive officer of the Association and generally supervises and controls the conduct of the Association's affairs. The President presides at all meetings of the officers. The President may sign any deed, mortgage, bond, contract or other instrument on the Association's behalf unless the Board expressly grants such authority to another officer or agent of the Association. The President shall perform all duties and possess all powers normally and reasonably incident to the office of President, in addition to such other duties and powers as the Board may from time to time prescribe or delegate to the President.

43 Secretary. The Secretary shall (i) prepare the minutes of all meetings of the Board and officers, (ii) serve all required notices for the Association, (iii) authenticate the Association's records, and (vi) perform all other duties as either the Board or the President may from time to time prescribe.

44 Treasurer. The Treasurer serves as the Association's chief financial officer. The Treasurer (i) has charge and custody of, and responsibility for, the Association's financial assets, (ii) receives and gives receipts for monies due and payable to the Association, (iii) deposits all monies that the Association receives in the name of the Association in banks, trust companies, or other depositories that the Board selects, (iv) generally performs all duties normally and reasonably incident to the office of Treasurer, and (v) reviews and oversees the Association's finances in addition to the duties as the Board or the President may from time to time prescribes.

45 Appointment. The Board shall annually appoint the officers of the Association at the annual meeting of Directors. If the appointment of officers is not held at the annual meeting of Directors, then the appointment shall be held as soon afterwards as is convenient.

_____ and _____ shall serve as interim President and Secretary, respectively, until the first annual meeting of the Association.

46 **Term.** Each officer shall hold office until the earlier to occur of the appointment of a successor, or the resignation, removal, or death of the officer.

47 **Resignation.** An officer may resign at any time by delivering written notice to the Board. An officer's resignation is effective upon delivery of the notice of resignation to the Secretary unless the Board authorizes otherwise.

48 **Removal.** An officer may be removed, with or without cause, if a majority of the Directors present at a duly constituted meeting of the Board at which a quorum is present votes to remove such officer.

49 **Vacancies.** The Board shall promptly fill any vacant office at either a regular or special meeting of the Directors.

SECTION 5 CONTRACTS, LOANS, CHECKS, AND DEPOSITS

5.1 **Contracts.** The Board may authorize any officer, agent, or group of either of the preceding to enter into any contract or deliver any instruments in the name and on behalf of the Association. Such authorization may be general or confined to specific instruments.

5.2 **Loans.** The Association shall not allow anyone to contract for indebtedness on the Association's behalf unless the Board authorizes such action by written resolution, which shall be filed with the Association's records. Such authorization may be general or confined to specific instruments.

5.3 **Checks, Drafts or Other Orders.** All checks, drafts, or orders for the payment of money on behalf of the Association shall be signed by such officer, agent, or group of either of the preceding as the Board shall from time to time determine by resolution. All checks over \$500.00 shall be signed by two officers and any officer signing checks must a Member of the Association.

5.4 **Deposits.** All monies, funds, and other financial instruments of the Association shall be deposited into accounts in the name of the Association as the Board shall by written resolution select.

SECTION 6 INDEMNIFICATION AND ADVANCE FOR EXPENSES

6.1 **Mandatory Indemnification.** The Association shall indemnify a Director or former Director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which such person was a party because the person is or was a Director against the reasonable expenses that the Director incurred in connection with such proceedings.

6.2 Permissible Indemnification. The Association shall indemnify a Director or former Director who is made a party to a proceeding because of that person's status as a Director or former Director against liability incurred in such proceeding if the determination to indemnify such Director complies with Section 35-2-447 of the Act.

6.3 Advances for Expenses. The Association may pay for or reimburse the reasonable expense that a Director may incur in a proceeding before the final resolution of such proceeding if the following requirements are satisfied: **(i)** the Director provides to the Association a written affirmation of the Director's good faith belief that the Director meets the standard for indemnification under Section 35-2-449 of the Act, **(ii)** the Director provides to the Association a written undertaking, executed personally or by one authorized to execute the undertaking on behalf of the Director, pursuant to which the Director promises to repay the advance if it is ultimately determined that the Director did not meet the standard of Section 35-2-449 of the Act, and **(iii)** the Board determines, based on the then available information, that making the advance does not preclude indemnification under the Act.

6.4 Indemnification of Officers. Officers are entitled to the mandatory indemnification set forth in Section 6.1 to the same extent as a Director. The Association may also indemnify and or advance expenses to officers in the same manner as is available to Directors under Sections 6.2 and 6.3 if the determination to indemnify such officer or advance such expenses complies with Section 35-2-449 of the Act.

SECTION 7 DISSOLUTION

7.1 Dissolution. The Members may dissolve the Association if two-thirds (2/3) of all the votes entitled to be cast on the proposal vote in favor of dissolution.

7.2 Articles of Dissolution. If the Members vote to dissolve the Association, then the Association shall deliver to the Montana Secretary of State articles of dissolution in compliance with the Act.

SECTION 8 INSURANCE

8.1. Association Insurance. The Association shall obtain the following insurances:

(A) Public Liability and Property Insurance. The Association shall obtain public liability and property damage insurance, insuring the Association for liability for personal injuries to, or the death of, any person, or damage to property resulting from the ownership or use of the Common Area and Common Area Improvements, with policy limits to be determined by the Association, but not less than \$1,000,000.00 per occurrence and \$2,000,000.00 in the aggregate.

(B) Special Perils Coverage. The Association shall insure the Common Area Improvements, against loss or damage by special perils in an amount representing the full insurable value thereof, less a deductible in an amount to be determined by the Board.

(C) **Fidelity Coverage.** The Association shall purchase fidelity insurance coverage for all persons handling Association monies, naming the Association as insured, in an amount equal to the maximum funds held by the Association. If the Board employs a manager, the manager must have separate fidelity insurance, providing the same coverage required above.

(D) **O&D Coverage.** The Association shall obtain Officers and Directors liability insurance, covering each Director, officer, employee, contractor, or agent of the Association (i) against liability asserted against or incurred by such person acting in such capacity, or (ii) arising from that person's status as a Director, officer, employee, contractor, or agent of the Association, whether or not the Association has the power to indemnify the person against such liability under the Act. The amount of such coverage shall be determined by the Board.

(E) **Cost.** The premium cost of all insurance to be obtained by the Association shall be a Common Expense. The deductible for any insurance purchased by the Association shall be paid by the Association, except when the damage is caused by an Owner, or the Owner's tenants, agents, employees, invitees, or guests, in which case, the deductible shall be paid by that Owner.

(F) **Review.** The Board shall from time to time, as it deems necessary, review the adequacy of limits of coverage of insurance policies, shall obtain a valuation from an insurance company or other knowledgeable person or business of the full replacement value of the covered improvements, without deduction of depreciation for the purposes of determining the amount of property insurance required under this section, and report its findings and opinion regarding insurance to the Members at an annual meeting.

(G) **General Requirements.** All insurance policies obtained hereunder shall contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured. All insurance policies to be obtained hereunder shall be issued by an "A" rated or better company approved by FNMA. Directors shall seek to obtain the best insurance value, considering the coverage, the price, the financial stability of the insurer, and the history of the insurer in promptly and properly handling claims.

SECTION 9 MAINTENANCE

91 **Association Obligations.**

(A) The Association shall be responsible for any maintenance, repair, and replacement of the Common Area and Common Area Improvements, including but not limited to the internal trail system, park area, and any private roads designated in the Declaration.

(B) The Association shall be responsible for all maintenance, repair, and replacement of the storm water facilities, including a hydrodynamic storm treatment device and ponds. The storm water detention system for the Property includes underground pipes with storm inlets and a sump beneath each inlet and manholes at various locations. The Association shall be responsible for keeping the stormwater inlets free of debris, for periodically cleaning debris and silt out of the sumps beneath the inlets.

(C) The Association shall be responsible for the operation, maintenance, repair, and replacement of the common irrigation water facilities which includes a pump station, water main and appurtenances up to the service connection to each Lot (collectively, the "Irrigation

Facilities”). The Association shall hold on behalf of the Owners, the water right shares, relating to the Property. The Association shall be responsible for the maintenance, repair of the irrigation.

(D) The Association shall be responsible for the maintenance and repair of metal railing within the public right of way of Timber Boulevard South adjacent to the intersection of Timbers Boulevard South and Sugar Pine Road.

(E) The Association shall be responsible for the installation, ownership, maintenance, and repair of the community fence along Alkali Creek Road on Lots 27 and 2-11 of Angel Oaks (Block 1). The Association shall have access across said Lots to maintain the community fence.

(F) The Association shall pay for the cost of snow removal from the private roads when snow has accumulated at a depth of two (2) inches, and the mowing, watering, fertilizing, and other maintenance of all lawns and landscaping included in the Common Area.

(G) The Association may employ personnel necessary for the maintenance, upkeep, and repair to which it is responsible. The Association shall use a reasonably high standard of care in providing such maintenance, management and repair, so that the Property will reflect a high pride of ownership.

92 Owner Obligations. Each lot owner shall be responsible for all maintenance, upkeep, and repairs to their perspective lot and all installations and Improvements thereon in accordance with the duties and obligations established by the Declaration, including all utility lines and pipes, fixtures, and equipment servicing the lot. Each lot and the exterior appearance of Improvements thereon shall be maintained in a clean, neat, and orderly condition at all times by the Owner.

SECTION 10 MISCELLANEOUS

101 Employment of Personnel. The Board may retain all personnel that it deems reasonably necessary to discharge the Association’s obligations under the Governing Documents. The Board may retain any person, entity, or organization who is also an Member *as long as* (i) the terms and conditions of such employment are fair and reasonable to the Association, (ii) have been fully disclosed to the Members, and (iii) the Member(s) that the Board proposes to retain abstains from the vote approving of such employment.

102 Liability of the Association and Owners. The Association shall not be liable to any Owner or any occupant of a Lot for any failure to provide discharge its obligations under the Governing Documents, or for any uninsured injury or damage to person or property caused by the elements or resulting from water, snow or ice which may leak or flow from any pipe, drain, conduit, appliance or equipment onto a Lot. The Association shall not be liable to any Owner or any occupant of a Lot for uninsured loss or damage of articles, by theft or otherwise. This shall not be deemed to be a waiver of any liability between Owners. No diminution or abatement of any Assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements, or from any action taken by the Association to comply with any law, ordinance or

with the order or directive of any government authority. The Association shall not be liable to any Owner or any occupant of a Lot for uninsured injury or damage to person or property caused by another Owner. Any such liability shall be attributable solely to the responsible Owner. The Association shall not be liable to any Owner or any occupant of a Lot for uninsured personal injuries or uninsured injuries to property.

103 Administrative Rules; Modification. The Board may adopt reasonable rules relating to (i) the Property, and (ii) the conduct of the Owners, their agents, employees, tenants, guests, and invitees with respect to the Property and other Owners. Written copies of the rules and any schedule of fines shall be furnished to the Owners. The Board may not adopt rules that either conflict with, or eviscerate, provisions of the Declaration or these Bylaws. The Board may modify any rules that it adopts at a meeting that is preceded by notice to the other members of the Board that (i) states that one of the purposes of the meeting is to consider a modification to the rules, and (ii) discloses the language of the proposed modification.

104 Books and Records. The Association shall keep correct and complete books and records of accounts including, but not limited to (i) minutes of all meetings of the Board, officers and Members, (ii) records of all actions that the Board takes without a meeting, (iii) a record of all actions that committees of the Board, if any, take, (iv) the Governing Documents and all amendments thereto, (v) these Bylaws and all amendments hereto, (vi) the names and addresses of the Association's current Members, Directors and officers, (vii) financial statements showing the Association's assets and liabilities for the most recent three (3) years, and (viii) the Association's most recent annual report filed with the Montana Secretary of State. The books and records of the Association shall be open for inspection by any Member, and by holders, insurers and guarantors of first mortgages on Lots, at any reasonable time, after reasonable notice to the Secretary.

105 Fiscal Year. The Association's fiscal year begins on January 1 and ends on December 31 each year, unless the Board establishes a different fiscal year.

106 Amending Bylaws. Prior to the sale of all the Lots by Developer, the Developer may, in its sole discretion, at any time and from time to time, amend and modify any portion of these Bylaws. After the sale of all the Lots by Developer, these Bylaws may be altered, amended, supplemented or repealed by at least 75% of the Owners, as may be necessary or appropriate to carry out the purposes of the Association to the extent permitted by law; except that no such amendment shall take effect without the approval of the Developer until such time as all Lots have been sold by Developer.

107 Gender and Number. Whenever the context of these Bylaws requires, the masculine gender includes the feminine and neutral, and the singular number includes the plural and vice versa.

108 Conflicts. If these Bylaws conflict with the Declaration, then the Declaration shall control.

109 Covenants Running with the Property. These Bylaws shall be covenants running with the land and are binding on all parties having any right, title or interest in any of the Property and their heirs, successors, and assigns.

10.10 Enforcement and Non-waiver. These Bylaws may be enforced in the manner set forth in the Declaration and in these Bylaws. In the event the Board shall refuse or neglect to enforce the provisions of these Bylaws, the Declaration, or duly adopted rules and regulations, any Owner shall have the right to do so. Failure of the Association, its Board, or any Member to enforce the provisions of these Bylaws or the Declaration or any rules and regulations adopted by the Association shall not be deemed a waiver of the right to do so in the future. The losing party in any lawsuit or arbitration proceeding brought to enforce these Bylaws or the Declaration or to foreclose a lien described in the Declaration or these Bylaws shall be obligated to pay the reasonable attorney and paralegal fees incurred by the prevailing party, together with costs incurred in the lawsuit or arbitration proceeding. In the event the services of an attorney are used by the Association or its Board to enforce these Bylaws without filing a lawsuit or initiating arbitration, the party violating these Bylaws shall be obligated to pay the attorney and paralegal fees incurred by the Association; the attorney and paralegal fees shall be a lien on the Lot of the violating Owner. The lien may be enforced in the same manner as a lien for unpaid Assessments.

CERTIFICATE OF ADOPTION OF BYLAWS

The undersigned, being the Owner of the Property to which these Bylaws apply and being the interim President and Secretary of the Association, has executed this instrument as evidence of the adoption of the aforesaid Bylaws of the Association and hereby certify that the foregoing is a true and correct copy of the Bylaws of the Association.

[SIGNATURE PAGE FOLLOWS]

[remainder of page intentionally left blank]

