

**BYLAWS
OF AND FOR
GALLATIN HEIGHTS COMMUNITY ASSOCIATION, INC.**

ARTICLE I

NAME

The following shall prevail throughout these Bylaws in the interpretation thereof unless specific provisions direct otherwise:

Gallatin Heights Community Association, Inc., is the incorporated organization which is to be governed by and which is empowered to act in accordance with these Bylaws. Hereinafter said corporation shall be referred to as the "Association".

ARTICLE II

ADDRESS

The address of the initial principal office of the Association shall be 234 E. Mendenhall, Bozeman, MT 59715, the mailing address is 1777 Sun Peak Drive, Park City, UT 84098.

ARTICLE III

POWERS

The Association shall have all the powers of a nonprofit corporation enumerated and set forth in Title 35, Chapter 2, M.C.A. The purposes of the Association are those set forth in the Articles of Incorporation. The Association shall have the Powers delineated herein and provided in the Declaration of Covenants, Conditions and Restrictions for Gallatin Heights Subdivision ("Covenants"). If a conflict exists between these By-Laws and the Covenants the Covenants shall prevail and apply.

ARTICLE IV

MEMBERSHIP INTEREST

Every person, group of persons, partnership, corporation, or association who is a fee owner of real property within the boundaries of the area described as Gallatin Heights Subdivision on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana, shall be a member of the Association. By this provision, each tract as shown on the plat and amendments thereto shall entitle the owner of one membership interest in the Association.

Multiple owners of a single parcel of real property would have collectively one such membership or voting interest. If more than one tract is owned, the owner or owners thereof would have one membership or voting interest for each separate parcel of real property or as provided in the Covenants, Conditions and Restrictions.

Membership interest shall run with the land so that said interest is an incident to ownership beginning when ownership rights are acquired and terminating when such rights are divested. Accordingly, no member shall be expelled, nor shall he be permitted to withdraw or resign while possessing a membership interest.

ARTICLE V

MEETINGS

There shall be an annual meeting of the membership. The date, hour and place of such meeting shall be contained in the notice of meetings as hereinafter described. The annual meeting shall be the time for the conduct of any and all legitimate business of the Association, including election of directors and presentation of reports. Voting at all meetings shall be in the manner prescribed in these Bylaws.

Special meetings may be called at any time upon the initiative of the Board of Directors. A special meeting must be called when a Petition signed by fifty percent (50%) of the membership interest outstanding and eligible to vote at the time has been presented to any member of

the Board of Directors. Such special meeting shall be called as soon as practicable after receipt of said Petition. Notice of any such special meeting shall state the hour, date and place of the meeting and shall further precisely state the reasons of such meeting, and said special meeting held shall be strictly confined to the matters set forth in the notice unless seventy-five percent (75%) of the said membership interest present agree otherwise.

All meetings both annual and special shall be presided over by the President of the Board of Directors or his/her appointed representative.

Any meeting may be adjourned by the Board of Directors at their discretion, but any meeting adjourned before all its business is disposed of shall be reconvened within thirty (30) days of such adjournment upon due notice given.

Resolutions as hereinafter described may be introduced by any member at any annual meeting provided such resolution in written form is presented to the Secretary of the Board no later than ten (10) days prior to the date of such meeting.

Written notice of all meetings, annual and special, shall be mailed to every member of record no later than ten (10) days and not more than fifty (50) days before the date of the meeting. It shall be the duty of each member to advise the Association of his current address. In the absence of such notice, the member's address shall be the address of record with the Gallatin County Assessor's office or the Gallatin County Clerk and Recorder's Office.

ARTICLE VI

VOTING

Each membership interest, as defined in Article IV of these Bylaws and the Covenants, Conditions and Restrictions shall have one (1) vote on all matters to come before the Association meeting. (Class B Votes). Declarant shall have three (3) votes for every lot it owns in Gallatin Heights until such time as it transfers the control of the Association and Gallatin Heights

fully over to the Association in writing and in accordance with these By-Laws and the Covenants. (Class A Votes). Voting of such interest shall be in the manner provided by the Board of Directors, Covenants, and in these Bylaws. Cumulative voting shall be provided for election or removal of the Board of Directors. Voting may be in person or by proxy.

ARTICLE VII

RESOLUTIONS

All matters that are the business and concern of the Association shall be presented to the Association and meetings of the Association in the form of resolutions directed to the Board of Directors. Such resolutions as are passed by over fifty percent (50%) of the said membership interest of record and eligible to vote shall be binding on the Board of Directors. Such binding resolution shall have the effect of compelling the Board of Directors to take positive action in response to the general inclination of the resolution. However, the scope, extent, and specific character of all such action shall be within the final discretion of the Board of Directors. The Board shall not pass any resolutions which conflict with the Covenants or the Gallatin County Required Covenants therein.

ARTICLE VIII

POWERS AND DUTIES OF BOARD

The Board of Directors shall have the following powers and duties:

- A. To enter into contracts and agreements as are necessary to affect the business of the Association. To provide insurance coverage for the Association.
- B. To provide for the construction, installation, acquisition, replacement, operation, maintenance, and repair by the Association of buildings, equipment, common areas, facilities, and services streets, roads, bridges, lighting, garbage removal and disposal in common areas, security of persons or property, fire protection, and other municipal or quasi-municipal services and functions. Contracts for such work with third parties which provide for a term or duration in excess of one year must be approved by a majority of the members, which approval may be ratified at the annual or any special meeting of the Association.

- C. To make and establish rules and regulations for the governance of facilities and the performing of such functions, the taking of such action and operating in such areas as are within the jurisdictions of the Association.
- D. To make assessments as described in these Bylaws and the Declaration of Covenants, Conditions and Restrictions Including Design Regulations on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana.
- E. To take necessary and appropriate action to collect assessments from members, including the filing of liens and prosecuting foreclosures as provided in these Bylaws and to hire legal counsel if necessary.
- F. To call meetings of the Association, both annual and special, and to preside over such meetings and to give appropriate notice of such meetings as required by these Bylaws.
- G. To formulate and introduce resolutions at the meetings of the Association.
- H. To hold meetings of the Board of Directors as are necessary to conduct Association affairs.
- I. To exercise ultimate decisional power in and on all matters affecting the Association.
- J. To pay the expenses of the Association, including all taxes or assessments and to contract and pay for such insurance as may be necessary in the best interests of the Association, and to provide for the use and disposition of the insurance proceeds in the event of loss or damage.
- K. To fill vacancies on the Board by a majority vote of the remaining Board members, should the vacancy not, however, be filled by the Board, it may be filled by an election at an annual or special meeting wherein each membership interest shall have one (1) vote.
- L. To maintain lists of members.
- M. To keep records in a good and businesslike manner of all assessments made, all expenditures, and the status of each member's payments of assessment; and to make such records accessible at reasonable times to all members.
- N. To provide municipal type facilities for the safety, comfort, health, well-being, and pleasure of the owners, their guests and invitees.
- O. To promote, conserve, and preserve the premises.
- P. To do any and all things necessary to carry into effect these Bylaws and to implement the purposes as stated in the Articles of Incorporation and to do

any and all things necessary to require compliance with and enforce the Declaration of Covenants, Conditions and Restrictions Including Design Regulations which, by Article XIX, are made a part of these Bylaws.

- Q. To deal with agencies, officers, boards, commissions, departments, and bureaus or other governmental bodies in a federal, state, county and local basis to carry out the above powers, duties, and responsibilities.
- R. To establish accounts for operating and/or development funds as set out in the Declaration of Covenants, Conditions and Restrictions Including Design Regulations.
- S. To select a chairman of the Board of Directors.
- T. In addition to the above powers, the Board of Directors shall act and perform the functions of the Committee for Design Review referenced in the Covenants, Conditions and Restrictions Including Design Regulations on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana, and shall have all of the powers, duties, obligations and responsibility set forth in said document.

ARTICLE IX

ASSESSMENTS

The Association, acting through the Board of Directors, shall have the power to levy assessments on its members. The assessments levied by the Association shall be used exclusively to promote health, safety and welfare of the owners of the property, their guests and invitees and for the improvement of the maintenance of the common areas open spaces and park areas, to include common road maintenance and utility line maintenance, landscape maintenance in common areas and in parks, property liability insurance, Association employees' wages, mailing costs, common signage, common utility expenses and traffic control signs, and other related expenses incurred on behalf of the Association as further described hereafter.

The assessments provided for herein shall commence as to all lots subject to assessment on the 1st day of the month following the conveyance of the first lot by the developer to any third party or entity.

There shall be two classes of assessments allowable under these Bylaws: (1) Capital assessments, and (2) Operating assessments.

Capital assessments shall be for the purpose of acquiring, replacement, or the construction of new facilities, or the major repair or renovation of existing facilities.

Operation assessments shall be for the purpose of sustaining day-to-day activities of the Association, including maintenance of real property including open space, common areas and parks, maintenance of common landscaping, minor repairs, accounting for the association, common utility expense, liability insurance and other ordinary expenses.

The Board of Directors shall have the final authority to determine under which general heading to make various assessments. Further, the Board may create assessments in either or both categories on each person or persons or entity having a membership interest.

The Board of Directors must first obtain the approval of at least fifty-one percent (51%) of the membership interests before taking the following action:

- A. Making any assessment for a capital improvement costing in excess of \$1,000.00.
- B. Mortgaging, encumbering, or otherwise disposing of any property of the corporation, whether real or personal, in excess of the amount of value of \$1,000.00.
- C. Making any assessment to make up a deficiency in insurance proceeds.
- D. Electing not to rebuild any corporation structure destroyed or rendered incapable of continued use.

Assessments shall be made on a quarterly basis on the 1st day of January, April, July and October of each year and notice thereof shall be mailed by the Secretary of the Board to each member at his address of record.

All assessments become due ten (10) days after the date of mailing and must be paid within thirty (30) days of the said due date, after which they will become delinquent. The Board

shall have authority to impose reasonable interest charges and penalties on amounts which are overdue. Any assessment not paid within thirty (30) days as set forth above shall bear interest at the maximum amount allowed by law. The Association may bring an action against the owner personally obligated to pay the assessment, or foreclose a lien filed against the property and request the Court to award attorney's fees and costs to the prevailing party. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use or abandonment of his tract.

All assessments shall be based upon the total number of tracts within the boundaries of the subdivision at the time of such assessment. The assessments must be made on a pro-rata basis equally against all of the said lots, tracts, and parcels, the board may, at its discretion assess commercial unit or commercial lot owners at a different rate. The Board shall not levy assessments for lots owned by Declarant which do not have a completed house located thereon.

ARTICLE X

BUDGETS

On or before September 30th of each year, the Board shall prepare and mail to each member a budget for both capital and operating expenses for the forthcoming calendar year. The two budgets shall be divided by the total number of tracts in the subdivision at the time, and assessments shall be made against each membership interest on the basis of such division. The Board shall cause a copy of an operating statement to simultaneously be prepared showing income and disbursements for the preceding fiscal year, which statement shall be mailed to each member within thirty (30) days of the end of the fiscal year.

ARTICLE XI

LIENS FOR ASSESSMENTS AND FORECLOSURES

All sums assessed, but unpaid for either capital or operating assessments, shall constitute a lien against any tract where the said assessment remains unpaid after three (3) months following the date when the same became delinquent, as set forth in paragraph IX above. Such lien shall be superior to all other liens and encumbrances, except for tax and special assessment liens placed by a statutory authority, other statutory liens, and the lien of any first mortgage or a first trust indenture of record.

To evidence such liens, the Association shall prepare a written notice of lien assessment, setting forth the amount of such unpaid indebtedness, the amount of the accrued interest, the late charges thereon, the name of the owner of the tract and a description of the of real property. Such notice shall be signed and verified by the Chairman of the Board of Directors and shall be recorded in the office of the County Clerk and Recorder. Such lien shall attach from the date of the recording of such notice. Such lien may be enforced by the foreclosure of the defaulting membership interest by the Association in like manner as a mortgage on real property as otherwise provided by law upon the recording of a notice or claim thereof. In any such proceedings, the owner shall be required to pay the costs, expenses, and attorney's fees incurred for filing a lien, and in the event of foreclosing proceedings, additional costs, all expenses, and reasonable attorney's fees incurred.

ARTICLE XII

QUORUM

Meetings of the Association shall be convened at the time and place contained in the notice of such meeting only if a quorum of the membership interest is present either in person or by proxy. A quorum shall consist of fifty percent (50%) of the total membership interest of the Association qualified and eligible to vote at the time. Any membership interest may be represented by the owner thereof or by his agent who has written authority to so act.

ARTICLE XIII

VOTING INTEREST

Whenever any tract is owned or leased by two or more persons or by an entity or contains a condominium comprised of various owners, such person or persons or entity must, prior to a meeting where voting may be allowed, among and between themselves determine who is entitled to vote the membership interest and in what manner it shall be voted. If, in the judgment of the Board, a bona fide and irreconcilable dispute arises as to the voting or right to vote a membership interest, such interest may be declared to be a dispute and for the time such interest is in dispute, it shall have no voting rights.

ARTICLE XIV

SECRETARY

The Secretary of the Board of Directors shall maintain a record of all membership interests in the Association. In order to make a determination of membership interest for any purpose stated in these Bylaws or the laws of the State of Montana, the Board may order the record closed for a stated period of time. Notice of assessments and liability for assessments shall be in the name of the registered owner on the membership list at the time assessments are declared by the Board.

ARTICLE XV

BOARD MEMBERS

The Board of Directors shall be consist of a minimum of three (3) and a maximum of seven (7) persons.

Until seventy-five percent (75%) of the tracts have been sold and title transferred to Owners, the Declarant reserves the right to appoint and remove all members of the Board and to exercise the powers and responsibilities otherwise assigned by the Declaration of Covenants, Conditions and Restrictions Including Design Regulations and these Bylaws. By express written

declaration, the initial directors shall have the option at any time to transfer the total responsibility for electing and removing members of the Board to the Association.

Members of the Board and their officers, assistant officers, agents and employees acting in good faith on behalf of the Association:

(1) shall not be liable to the Owners as a result of their activities as such for any mistake of judgment, negligence or otherwise, except for their own willful misconduct or bad faith;

(2) shall have no personal liability in contract to an Owner or any other person or entity under any agreement, instrument or transaction entered into by them on behalf of the Association in their capacity as such;

(3) shall have no personal liability in tort to any Owner or any person or entity, except for their own willful misconduct or bad faith.

(4) shall have no personal liability arising out of the use, misuse or condition of the Property which might in any way be assessed against or imputed to them as a result of or by virtue of their capacity as such.

ARTICLE XVI

TERMS AND REPLACEMENT

The terms of office for members of the Board shall be determined the Board of Directors but shall not be less than one (1) year. Positions on the Board of Directors shall be filled in the manner hereinafter described. At the first annual meeting of the Association, the members shall elect by majority vote the third member of the initial Board. Immediately following each tri-annual meeting of the Board of Directors, the members by majority vote shall elect a new Board of Directors, as provided in Article VI, cumulative voting being allowed.

Any vacancy created by resignation shall be filled immediately by appointment by the remaining Board members. Such appointment must be approved by a majority of the members of the

Association at the next meeting of the Association, whether general or special. If the appointment is not approved, then the members shall fill the vacancy by a majority vote. At any time and for any reason that a vacancy occurs on the Board and an agreement cannot be reached on a successor, then such vacancy shall be filled by the membership interest at large at a special meeting held for that purpose. At such election any membership interest may nominate candidates from the floor and voting shall be by ballot and each membership interest shall have one (1) vote. The person receiving the highest number of votes shall be deemed to be elected to the vacant position on the Board of Directors.

At any meeting, whether general or special, any one or all of the members of the Board may be removed and replacements elected upon a majority vote of the total membership interests outstanding and eligible to vote at that time.

ARTICLE XVII

COMMITTEES

Pursuant to the Title 35, Chapter 2, M.C.A. and subject to the restrictions stated therein the Board may appoint committees to act for the Board and to exercise the authority of the Board on matters referred to them by the Board. Such committees may be dissolved at any time by the Board of Directors.

Notwithstanding the foregoing, the Board of Directors itself shall be the Committee for Design Review as provided in Article VIII T above.

ARTICLE XVIII

INSURANCE

The Board shall purchase insurance policies to protect the property of the Association against casualty loss and to protect the Association and the Board members, when acting in their

official capacity, from liability. The extent and specific nature of coverage shall be determined by the Board.

ARTICLE XIX

COVENANTS

No acts by the Association or by the Board of Directors shall be contrary to the Declaration of Covenants, Conditions and Restrictions Including Design Regulations on file with the Clerk and Recorder of Gallatin County, Montana, and amendments thereto. On its own initiative, the Board may take such action as it deems necessary, including the taking of legal action and initiating suit to enforce the Declaration of Covenants, Conditions and Restrictions Including Design Regulations.

ARTICLE XX

OFFICERS

The Board of Directors shall appoint a secretary for the Association. The Board of Directors may, at its discretion, appoint additional officers to generally supervise and control the business of this corporation and delegate certain powers, duties and responsibilities to such officers. The manner of selection, the qualifications, salaries if any, the term of office, the method of removal, the scope of duties and responsibilities, and the number of such officers shall be determined by the Board of Directors.

ARTICLE XXI

COMPENSATION

Board members shall be reimbursed for any out-of-pocket expenses incurred while acting in their official capacity and may be entitled to a nominal fee for their services as members of the Board of Directors.

ARTICLE XXII

My Commission Expires _____