

BYLAWS
OF THE
DRAGON FLY CONDOMINIUM OWNERS ASSOCIATION

TABLE OF CONTENTS

PURPOSE AND APPLICATION.. 1

MEMBERSHIP. 1

OBLIGATIONS.. 1

MEETING AND VOTING. 1

VOTING INTEREST.. 2

BOARD OF DIRECTORS. 2

OFFICERS OF THE BOARD OF DIRECTORS. 3

POWERS AND DUTIES OF BOARD OF DIRECTOR. 3

VACANCIES AND REMOVAL.. 5

COMPENSATION. 5

MANAGERS. 5

AMENDMENT OF BYLAWS.. 6

ASSESSMENTS.. 7

THE DECLARATION.. 7

I.

PURPOSE AND APPLICATION

These Articles are and shall be the Bylaws of THE DRAGON FLY CONDOMINIUM OWNERS ASSOCIATION. These Bylaws shall, upon being recorded with the Clerk and Recorder of Gallatin County, State of Montana, govern and control the administration of DRAGON FLY CONDOMINIUM. All Unit Owners, their employees, business invitees, guests and any renters or sublessees, present and future, shall have the rights and responsibilities described in these Bylaws and shall be subject to the provisions thereof.

The acquisition of an ownership interest in a Unit in DRAGON FLY CONDOMINIUM signifies that the Owner accepts, ratifies and agrees to comply with these Bylaws and, if the Association decides to incorporate the Dragon Fly Condominium Owners Association as a non-profit corporation, with the bylaws of said non-profit corporation.

II.

MEMBERSHIP

Persons owning a Unit in DRAGON FLY CONDOMINIUM or an interest in a Unit, or owning a Unit in any real estate tenancy relationship recognized by the State of Montana, shall be a member of the Association. An owner may not decline membership in the Association. Membership begins concurrently with the acquisition of an ownership interest and terminates at the time such ownership interest is terminated. Such termination shall not relieve any owner of liability for obligations incurred while a member of the Association; further, membership in the Association does not in any way negate or impair any owner's legal remedies, right to bring legal action, or defenses to any and all actions involving the Association, other Unit Owners, or the Management, which may arise from or be incidents of unit ownership.

III.

OBLIGATIONS

Each Unit Owner shall be obligated to comply with these Bylaws, the Declaration, and the laws of the City of Bozeman, the County of Gallatin, and the State of Montana. Such obligations shall include, but not be limited to, the paying of assessments levied by the Association, and the adherence to the protective covenants which are a part of the Declaration. Failure of any owner to abide by these Bylaws, and all rules made pursuant thereto, the Declaration, and the laws of the City of Bozeman, the County of Gallatin, and the State of Montana, shall be grounds for appropriate legal action by the Association or by an aggrieved Unit Owner against such noncomplying Owner.

IV.

MEETING AND VOTING

There shall be a regular meeting of the Association annually at a date, time, and place fixed by the Board. The first annual meeting shall be called by the Declarant and held within ninety (90) days of the closing of the sale of seventy-five percent (75%) of the Units of the condominium (including those Units to be added to the condominium regime pursuant to Article IV of the Declaration).

Pursuant to these Bylaws, the Association may at any time hold special meetings. Such special meetings may be called: on the initiative of the Chairman of the Association; by the Board of Directors; by a signed request of the Manager; or by a petition

signed by a majority of the Unit Owners in the Condominium. Notice of any special meeting must specify the reason for such meeting and the matters to be raised. Only matters set forth in the petition or request may be brought before such meeting unless more than fifty-one percent (51%) of the Unit Owners present agree otherwise.

A. Notice.

Notice of all meetings, regular or special, shall be mailed by the Association's Secretary to every Unit Owner of record at his address of record at least ten (10) business days prior to the time for holding such meeting. Such notice shall specify the date, time and place of the meeting and shall make provisions to allow for the voting of each Unit Owner's interest by proxy at the discretion of the owner. The mailing of a notice in the manner provided in this paragraph or the personal delivery of such notice by the Secretary of the Association shall be considered as notice served.

B. Quorum.

No meeting, regular or special, shall be convened to conduct business unless a quorum is present in person or by proxy. A quorum shall consist of a majority of the Unit Owners of DRAGON FLY CONDOMINIUM. A Unit Owner may participate in any meeting by means of a conference telephone or similar communication equipment through which all persons participating in the meeting may communicate with the other participants. Participation in a meeting pursuant to this section constitutes presence in person at the meeting. At any time, during any meeting that a quorum is not present, such meeting shall be adjourned forthwith.

V.

VOTING INTEREST

Each Unit at Association meetings shall have a voting interest equal to all other Units. There shall be one vote per Unit. Multiple Owners of a single condominium Unit shall collectively have such voting interest. In the event that Unit Owners of the same Unit cannot agree as to how to vote that Unit's interest, said Unit's vote shall be suspended for that particular matter. Voting upon matters affecting Limited Common Elements and assessments for Limited Expenses shall be only by owners having a Unit or interest in Units located in the building affected. In the event that a Unit is delinquent in payment of assessments, that Unit's vote shall be suspended until such time as said delinquent assessment is brought current

Whenever a quorum is present at a meeting of the Association or the Board of Directors, those present may do any and all acts they are empowered to do unless specific provisions of these Bylaws, the Declaration, or the laws of the State of Montana direct otherwise.

VI.

BOARD OF DIRECTORS

The governance of DRAGON FLY CONDOMINIUM shall be by a Board of three (3) Directors, elected among the Unit Owners. Until at least seventy-five percent (75%) of the condominium Units have been sold (including those Units not yet added pursuant to the expansion provisions set forth in the Declaration), the Board shall consist of one person, as listed below, appointed by the Declarant who shall serve until the first annual meeting of the Association, at which time a new Board shall be elected. The Board shall have all powers and responsibilities attendant to the general administration and control of the condominium. Additionally, the Board shall have the authority necessary to carry into effect the powers and duties specified by these Bylaws.

VII.

OFFICERS OF THE BOARD OF DIRECTORS

The Association shall elect from its membership a Board of Directors which shall consist of a President, Secretary, and Treasurer, who shall all serve for a term of one (1) year. The manner of election of the Board of Directors shall be as follows:

At the first and all subsequent annual meetings of the Association, nominations for positions on the Board shall be accepted from any of the Unit Owners present. Voting will be noncumulative, with each Unit having one vote for each nominated person. Board members shall be elected by majority vote of the Unit Owners present or voting by proxy at any annual or special meeting at which a quorum is reached.

VIII.

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

- A. To call annual meetings of the Association and give due notice thereof.
- B. To conduct elections of the Board of Directors.
- C. To enforce the provisions of the Declaration, Bylaws, and protective covenants of DRAGON FLY CONDOMINIUM by appropriate action.
- D. To promulgate and adopt rules and regulations for the use of the Common Elements and for the occupancy of the Units so as not to interfere with the peace and quiet of all the residents. Such rules must be approved by two-thirds ($\frac{2}{3}$) of Units in the condominium at any regular or special meeting of the Association.
- E. To provide for the management of DRAGON FLY CONDOMINIUM by hiring or contracting with suitable and capable management and personnel for the day-to-day operation, maintenance, upkeep and repair of the General Common Elements and Limited Common Elements.
- F. To levy assessments as allowed by the Declaration, these Bylaws and the State of Montana, and to provide for the collection, expenditure and accounting of said assessments.
- G. To pay for the expenses of the maintenance, repair and upkeep of the General Common Elements and the Limited Common Elements, and to approve payment vouchers either at regular or special meetings.
- H. To delegate authority to the Manager for the routine conduct of condominium business, however, such authority shall be precisely defined with ultimate authority at all time residing in the Board of Directors.
- I. To provide a means of hearing grievances of Unit Owners and to respond appropriately thereto.
- J. To meet at regularly scheduled times and to hold such meetings open to all Unit Owners or their agents.
- K. To prepare an annual budget for the condominium in order to determine the amount of the assessments payable by the Unit Owners to meet the Common Expenses and Limited

Expenses, and allocate and assess such charges among the Unit Owners according to their respective interests in the General Common Elements and Limited Common Elements.

- L. To levy and collect special assessments whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses, costs, or additional capital expenses, or because of emergencies.
- M. 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 condominium, and to levy a penalty and to charge interest on unpaid amounts due and owing. However, other than for the collection of delinquent assessments or accounts, the Board shall not initiate any litigation or lawsuit without prior approval of at least two-thirds ($\frac{2}{3}$) of the Units in the condominium.
- N. To defend in the name of the Association any and all lawsuits wherein DRAGON FLY CONDOMINIUM is a party defendant.
- O. To enter into contracts necessary to carry out the duties herein set forth.
- P. To establish a bank account for DRAGON FLY CONDOMINIUM, and to keep therein all funds of the Association. Withdrawal of monies from such accounts shall only be by checks signed by such persons as are authorized by the Board of Directors.
- Q. 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 DRAGON FLY CONDOMINIUM.
- R. To make repairs, alterations, additions, and improvements to the General Common Elements and Limited Common Elements consistent with managing the condominium in a first class manner and in the best interest of the Unit Owners.
- S. To provide for the perpetual maintenance of the general common open area and landscaping, the parking areas and driving lanes, and any stream/ditch and irrigation canals, and to make any assessments necessary for such maintenance as provided herein. Such maintenance shall specifically include the control of County declared noxious weeds.
- T. To arrange, keep, maintain and renew the insurance for the Association as set forth in the Declaration.
- U. If applicable, to receive and make payment for common utility expenses for all of the condominium Units. The pro-rata portion of the utility expenses shall be paid by the unit owners as part of, or in addition to, their condominium assessment, with the method of payment to be determined by the Board.
- V. To levy fines as more particularly set forth in the Declaration.
- W. To carry out the duties and responsibilities of the Board in all other matters as may be authorized, needed or required by the Declaration.

IX.

VACANCIES AND REMOVAL

Should a vacancy occur on the Board of Directors, the Board, subject to the exception described below, shall appoint a member of the Association to serve for the unexpired term. Such vacancy shall be filled no later than the next regular Board meeting after which it occurs. Should such vacancy not be filled by the Board by the next regular meeting of the Association, the Association may fill such vacancy.

Subject to Declarant's right to appoint the sole member of the Board set forth above, at any regular or special meeting of the Association, any member of the Board may be removed by majority vote of the Unit Owners. Such vacancy shall be filled by the Association's members. Such removal matter must be announced in the notice of such regular or special meeting.

X.

COMPENSATION

No member of the Board of Directors shall receive any compensation for acting as such. Nothing herein, however, shall be construed to preclude compensation being paid to Managers who are hired by the Board of Directors.

XI.

MANAGERS

If the Board elects to hire a Manager, said Manager shall be appointed and/or removed by the Board of Directors. The Manager (or any member of the Board or Association handling Association funds or having power to withdraw or spend such funds) shall be bonded if required by the Board of Directors, and shall maintain the records of the financial affairs of the condominium.

- A. Accounts: The Manager shall keep detailed accurate records in chronological order of the receipts and expenditures affecting the Common Elements, itemizing the maintenance and repair expenses of the Common Elements and any other expenses incurred. The receipts and expenditures of the Association shall be under the direction of the Manager and be classified as appropriate into Common Expenses and Limited Expenses, and shall include a provision for current expenses which shall include all receipts and expenditures to be made within the year for which the budget is made, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves or betterments. The balance in this fund at the end of each year shall be applied to reduce the assessments for current expenses for the succeeding year. Other budget items may be provided for in the discretion of the Manager. All records shall be available for examination during normal business hours to any Unit Owner or his assigned representative. All functions and duties herein provided for the Manager may be performed by the Board, or the President, if the Board should decide not to have a Manager.
- B. Budget: The Manager shall prepare and submit to the Board each calendar year, a budget, which must be approved and adopted by the Board. The budget shall include the estimated funds required to defray the Common Expenses and Limited Expenses and to provide and maintain funds for the foregoing accounts according to good accounting practices.

Copies of the budget and proposed assessments shall be transmitted to each Unit Owner on or before December 15 of the year preceding the year for which the budget is made. If the budget is subsequently amended, a copy of the amended budget shall be furnished to each Unit Owner.

- C. Financial Report: A financial report of the accounts of the Association may be made annually by a Certified Public Accountant, if required by the Board of Directors, and a copy of the report shall be furnished to each Unit Owner no later than March 1st of each year for which the audit is made.
- D. Audit: The Association shall prepare and furnish, within two (2) weeks of receipt of a written request, an audited financial statement of the Association for the immediately preceding year to the following agencies/corporations: United States Department of Housing and Urban Development (HUD); United States Department of Veterans Affairs (VA); Federal National Mortgage Association (FNMA); and Federal Home Loan Mortgage Corporation (FHLMC).

The Manager shall generally operate and manage the condominium for and on behalf of the Unit Owners and shall have such other powers and authority as the Board may designate. If there is no Manager or if the Manager resigns, is terminated or his contract expires, the Board shall perform all the duties of the Manager.

XII.

AMENDMENT OF BYLAWS

These Bylaws may be amended at any regular or special meeting of the Association providing that a copy of the proposed revision is included in the notice of such meeting. Upon a vote of at least seventy-five percent of the voting interest of the Units, the amendment shall be declared adopted.

An amendment may also be adopted at any time without a meeting if it is approved in writing by the notarized signatures of one hundred percent (100%) of the Unit Owners.

In addition to the aforementioned Unit Owner approval for an amendment to the Bylaws, the approval of eligible holders of first mortgages on Units to which at least fifty-one percent (51%) of the votes of Units subject to a mortgage appertain, shall be required to materially amend any provisions of the Bylaws or to add any material provisions thereto, which establish, provide for, govern or regulate any of the following:

- (A) Voting;
- (B) Assessments, assessment liens or subordination of such liens;
- (C) Reserves for maintenance, repair and replacement of the Common Elements;
- (D) Insurance or fidelity bonds;
- (E) Rights to use of the Common Elements;
- (F) Responsibility for maintenance and repair of the several portions of the Condominium;
- (G) Expansion or contraction of the Condominium regime or the addition, annexation or withdrawal of property to or from the regime;
- (H) Boundaries of any Unit;
- (I) The interests in the General Common Elements or Limited Common Elements;
- (J) Convertibility of Units into Common Elements or of Common Elements into units;
- (K) Leasing of Units;
- (L) Imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or

otherwise convey his or her Unit in the Condominium;

(M) Establishment of self-management by the Condominium association where professional management has been required by any of the federal department of Housing and Urban Development, the federal Veterans Administration, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

The approval of eligible holders of first mortgages on units to which at least fifty-one percent (51%) of the votes of Units subject to a mortgage appertain, shall be required to amend any provisions included in the Declaration and Bylaws of the Condominium which are for the express benefit of holders or insurers of first mortgages on Units in the Condominium.

Any proposed amendment to the Bylaws shall be deemed approved by a mortgagee, mortgage insurer, or government agency or corporation if said entity fails to object or consent to a written proposal for an amendment within sixty (60) days after receipt of notice of the written proposal by such entity, provided such notice was delivered by certified or registered mail, with a "return receipt" requested.

The Secretary shall as soon as practicable after adoption, prepare a copy of these Bylaws as amended for certification by the President and Secretary of the Association. Such amended and certified Bylaws shall then be filed and recorded in the office of the Clerk and Recorder of Gallatin County, State of Montana. Bylaws as amended shall become effective at the time of such recording.

XIII.

ASSESSMENTS

In accordance with the percentage of interest in the General Common Elements as set forth in the Declaration, each Unit Owner shall be assessed for Common Expenses, which shall include the expenses of any properly created special improvement districts (SIDs) affecting the property, including, but not limited to, lighting districts, street maintenance and tree maintenance. Such assessments, and assessments for Limited Expenses, shall be collected and paid according to the terms and under the procedures more particularly set forth in the Declaration. The amount of assessments described above and any other assessments allowed by these Bylaws, the Declaration, and by the State of Montana, shall be fixed by the Board of Directors or by vote of the Unit Owners at any regular or special meeting. Notice of each Unit Owner's assessments shall be mailed to said owner at his or her address of record.

XIV.

THE DECLARATION

The undersigned has filed, along with these Bylaws, a Declaration whereby the properties known as DRAGON FLY CONDOMINIUM are submitted subject to Title 70, Chapter 23, M.C.A. The Declaration shall govern the acts, powers, duties and responsibilities of the Association, and in the event these Bylaws and the Declaration are in conflict, the Declaration shall prevail.

The definition of terms set forth in the Declaration shall be applicable throughout these Bylaws and the interpretation thereof.

By virtue of these Bylaws and the Declaration, each Unit Owner has the right to membership in the Association and any Unit Owner may be on the Board of Directors of DRAGON FLY CONDOMINIUM.

The Association and its Board of Directors shall have the

