

BYLAWS

**OF
CANYON RANCHES SUBDIVISION HOMEOWNERS' ASSOCIATION, INC.
a Montana mutual benefit, non-profit corporation**

ARTICLE I

BOARD OF DIRECTORS

Section 1.1. *General Powers.* All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under the direction of, the board of directors.

Section 1.2. *Number, Tenure and Qualifications; Declarant's right to Appoint Directors.* The number of directors of the Corporation shall not be less than three (3) nor more than seven (7); with three (3) directors initially, increasing to five (5) directors at the second annual meeting. The three initial directors shall be appointed by Christopher A. Houden and Jeffrey J. Houden, Declarants under the Declaration of Protective Covenants, Conditions, Restrictions and Reciprocal Easements (hereinafter "Declaration") regarding the Canyon Ranches Subdivision in Carbon County, Montana (hereinafter "the Subdivision"). The initial directors shall serve until the second annual meeting of the members. At the second annual meeting of the members, three of the five directors shall be elected by the members, and the remaining two of the five directors shall be appointed by the Declarants, Christopher A. Houden and Jeffrey J. Houden, provided that Christopher A. Houden and Jeffrey J. Houden or their successors or assigns remain as of the date of the second annual meeting the Owners of thirty-three percent (33%) or more of the Lots within the Subdivision (as such terms are defined in the Declaration). One of the three directors elected by the members shall be elected to a term of one (1) year; one shall be elected to a term of two (2) years; and the third to a term of three (3) years. Of the appointed directors, one shall be appointed to a term of two (2) years, and the other to a term of three (3) years. The successors to the elected directors shall be elected to three (3) year terms, and so long as Christopher A. Houden and Jeffrey J. Houden or their successors or assigns remain the Owners of thirty-three percent (33%) or more of the Lots within the Subdivision (as such terms are defined in the Declaration), Christopher A. Houden and Jeffrey J. Houden or their successors or assigns shall be entitled to appoint the fourth and fifth directors each time their terms expire to a three year term.

Each director shall hold office until the expiration or sooner termination of his or her term and until that director's successor is elected and qualified. Directors need not be residents of the State of Montana, but shall be members of the Corporation, or principals, officers or partners in, or agents or employees of, entities which are members of the Corporation. Directors may be reelected, or appointed as the case may be, to additional or successive terms.

Section 1.3. *Annual Meeting.* Unless otherwise designated by the board of directors, the annual meeting of the directors shall be held on the third Tuesday in January of each year at 10:00 a.m. at the Corporation's principal office, or at such other location as the Board of Directors may determine, concurrently with the annual meeting of the members for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting

is a legal holiday in the State of Montana the annual meeting shall be held on the next succeeding business day.

Section 1.4. *Regular Meetings.* Regular meetings of the board of directors shall be held at such time(s) and place(s) as shall be determined by a two-thirds' majority of the Board, but not less than quarterly.

Section 1.5. *Special Meetings.* Special meetings of the board of directors may be called by or at the request of the president or any two (2) directors. The person or persons calling such special meeting of the board of directors may fix any place, either within or without the State of Montana, as the place for holding such special meeting, provided that all directors shall have adequate notice thereof and a reasonable opportunity to attend in person or by telecommunications.

Section 1.6. *Notice.* Written notice of the date, time, and place of the annual meeting or any regular meeting of the board of directors shall be given at least ten (10) days prior to the date set for such meeting. Written notice of the date, time and place of any special meeting of the board shall be given at least three (3) days prior to the date set for such meeting, and shall set forth the purpose(s) of such meeting. Such notices shall be given personally, by mail, or by such other manner as permitted by the Montana Nonprofit Corporation Act. Such notices shall be given by the secretary or by the person or one of the persons authorized to call directors' meetings. If such written notice is mailed, correctly addressed to a director's address shown in the corporation's current records, the notice shall be deemed to have been given to the director at the time of mailing. Otherwise notice is effective when received by the director. Notice of any directors' meeting may be waived by any director before or after the date and time of the meeting. Such waiver must be in writing, must be signed by the director, and must be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. The attendance of a director at a meeting of the board of directors shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully convened.

Section 1.7. *Quorum.* A quorum of the board of directors consists of a two-thirds' majority of the number of directors specified in, or fixed in accordance with, these Bylaws. If a quorum is present when a vote is taken, the affirmative vote of a two-thirds' majority of directors present is the act of the board of directors.

Section 1.8. *Action by Directors Without a Meeting.* Any action required or permitted to be taken at a directors' meeting may be taken without a meeting if one or more written consents, setting forth the action so taken, shall be signed by all the directors. Any such action taken shall be effective when all consents have been delivered to the Corporation, unless the consent specifies a later effective date.

Section 1.9. *Telephone Meetings.* Any director may participate in a meeting of the directors by any means of telecommunication by which all persons participating in the meeting can hear one another during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 1.10. *Proxies.* Only directors will be allowed an official vote. No proxies shall be allowed under any circumstances.

Section 1.11. *Powers and Duties of Directors.* The board of directors shall have the powers and duties necessary for the administration of the affairs of the Corporation, and may do all acts and things as are not by law, these Bylaws, or the Declaration directed or required to be done or exercised by the members. The powers and duties of the Board shall include, without limitation:

(a) *The power to contract for the repair of the Common Area or Common Improvements within the Subdivision (as defined in the Declaration) in the event of a break or emergency, and the power to contract for the routine maintenance of the Common Area and/or Common Improvements;*

(b) *The power to install, cause or require the installation and/or maintenance of water meters and/or backflow prevention devices on each Lot within the Subdivision to monitor and control water distribution and usage from or in connection with the private community water system serving the Subdivision, including, without limitation, the authority to enter upon each such Lot for the purposes of installing and servicing such meters and/or devices and for reading such meters; which meters, backflow prevention devices and accessions thereto shall be and remain the property of the Corporation; provided, however, that nothing herein shall be construed to obligate the Corporation or its Board of Directors to construct or cause to be constructed water service lateral connections between the community water service main or mains and any building or improvement on a Lot within the Subdivision;*

(c) *The power and authority to enact and enforce such rules and regulations as the board may consider necessary or desirable concerning water usage and/or conservation practices and procedures, installation and maintenance procedures and charges, water service charges, and/or interconnections with the private community water system within the Subdivision;*

(d) *The power to interpret and enforce the terms, conditions and provisions of the Declaration, including without limitation, the power to levy and collect assessments for the purposes and in the manner prescribed in the Declaration; and the power to levy and collect water service charges, based upon metered usage, and to levy and collect reasonable charges for maintenance and repair of the water system, including without limitation, the authority to suspend or terminate water service due to nonpayment, refusal to permit access for the installation, reading and/or maintenance of meters, backflow prevention devices and/or other components of the water system, or continuing violation of rules or regulations regarding the same;*

(e) *The power to enforce the remedies reserved to the Corporation (also described as "the Association" in the Declaration) in the event of nonpayment of assessments or charges, or breach of the terms of the Declaration by the Owner or Owners of a Lot or Lots within the Subdivision; including without limitation, the power to levy interest on delinquent assessments, and to impose and enforce the liens for assessments described in the Declaration;*

(f) *The power to contract for the installation, construction, planting, modification or extension of Common Landscaping or Common Improvements (as defined in the Declaration), water meters and/or backflow prevention devices believed by the Board in its discretion to be reasonably necessary for the use and benefit of the Lots within the Subdivision;*

(g) *The duty to open and maintain an account or accounts for the Corporation; to keep records of the Corporation's financial affairs and transactions in accordance with common accounting practices; to prepare and submit to the membership an annual budget and periodic financial reports; and to contract for the performance of legal and accounting services, and other services within the Subdivision upon terms and conditions considered by the Board in its discretion to be reasonable, prudent and in the best interest of the Corporation and its members.*

Section 1.12. *Removal.* Any director may be removed for good cause by a two-thirds' majority of the votes of the members entitled to be cast at any regular or special meeting of the members called for that purpose. In the event of removal, a successor may be elected then and there to serve out the remaining unexpired term of the removed director.

Section 1.13. *Vacancies.* Any vacancy occurring on the board of directors for any reason, except removal of a director by vote of the members, shall be filled by the affirmative vote of a majority of the remaining directors though there is less than a quorum of the board of directors. If the directors in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors in office. A director elected to fill a vacancy shall be elected for the unexpired term of his/her predecessor in office.

Section 1.14. *Reimbursement of Expenses.* The members may (but shall not be required to) resolve at any regular or special meeting called for the purpose to reimburse the directors for their expenses, if any, of attendance at each or any meeting of the board of directors or for out-of-pocket expenditures made by the directors in furtherance of the purposes of the Corporation or on the behalf of the Corporation or its members.

Section 1.15. *Presumption of Assent.* A director of the Corporation who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken 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; (ii) such 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 the director's dissent or abstention to the presiding officer of the meeting before the adjournment of the meeting or to the Corporation's secretary or registered agent within a reasonable time after adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE II

MEMBERSHIP

Section 2.1. *Eligibility.* The Corporation's membership shall be limited to those persons or entities, whether one or more, who are the holders of fee simple title in any form of tenancy recognized under Montana law, or the purchasers under a contract for deed notice of which has been filed of record, of a Lot or Lots within the Subdivision. Co-owners or joint owners of a single Lot shall be deemed to be one member for the purposes of voting and assessment; provided, however, that the Owner of more than one Lot within the Subdivision shall be entitled to a membership interest and vote on account of each Lot,

and shall be subject to assessment as to each Lot owned; and provided further that as to Lots subject to contracts for deed not yet fully satisfied, the purchaser(s) of record shall be deemed the Owner. Vacant tract owners shall have one (1) vote; owners of developed tracts shall have two (2) votes; provided, however, that the owner of any Lot in excess of thirty-five (35) acres shall have three (3) votes while such tract is vacant and five (5) votes once such tract is developed. No Owner of a Lot within the Subdivision may opt not to be a member of the Corporation or withdraw from or resign such membership; and the successor in title as to each Lot shall automatically succeed to the membership interest attributable to the Lot. A membership shall not be transferable except upon transfer of the Lot within the Subdivision to which such membership is attributable.

Section 2.2. *Annual Meeting; Notice.* The annual meeting of the members for the election of directors, approval of an annual budget, and the transaction of such other business as may come before the meeting shall occur immediately prior to the annual meeting of the Corporation's directors, at the same place. The Corporation shall give written notice of the date, time and place of the annual meeting to all members entitled to vote at the meeting not less than ten (10) days prior to the meeting, if such notice is delivered personally, or not less than thirty (30) nor more than sixty (60) days prior to the meeting if the notice is delivered by mail, in which event the notice shall be deemed delivered when deposited in the United States Mail, postage prepaid, addressed to the member's most recent address as it appears in the Corporation's records.

Section 2.3. *Special Meetings.* Special meetings of the members may be called by any two (2) directors, or by not less than twenty five percent (25%) of the members entitled to vote at the meeting. Notice of special meetings shall be given in the same manner as notice for the annual meeting provided, however, that notice of a special meeting shall set forth the purpose or purposes for which the meeting is called. Any member may waive notice of any meeting, and no notice of any meeting need be given to any member who attends in person or by proxy. Members' attendance at and participation in any regular or special meeting may be by means of conference telephone or other device permitted under Section 1.9 of these bylaws if reasonably feasible without undue expense to the Corporation.

Section 2.4. *Quorum.* A majority of the members entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of members. The members in a duly called meeting at which a quorum was present when the meeting was convened may continue to transact business until the meeting is adjourned, notwithstanding the withdrawal of a member or members leaving less than a quorum. If a quorum is present the affirmative vote of a majority of the members represented at the meeting shall be the act of the members unless a greater number is required by the Corporation's Articles, these Bylaws, the Declaration, or applicable Montana law.

Section 2.5. *Action Without a Meeting.* Any action that may be taken by the members at a meeting may be taken without a meeting by one or more written consents, setting forth the action so taken, signed by all members entitled to be present and vote at a meeting.

Section 2.6. *Proxies.* Every proxy must be dated and signed by a member. No proxy shall be valid after the expiration of 11 months from the date of its execution. Every proxy shall be revocable by the member who executed it.

Section 2.7. *Order of Business.* The following shall be the order of business at all meetings of the members:

- (a) Proof of notice or waiver of notice;
- (b) Reading of minutes of previous meeting;
- (c) Reports;
- (d) Old business;
- (e) New business.

ARTICLE III

OFFICERS

Section 3.1. *Number.* The board of directors shall elect a president and a secretary/treasurer. The board may also, at its discretion, elect one or more vice-presidents. The board of directors, in its discretion, may also elect such other officers and assistant officers as it shall from time to time deem proper. Any two or more offices may be held by the same person, except that the offices of president and secretary/treasurer shall not be held simultaneously by one person. The board may choose not to fill any of the other officer positions for any period.

Section 3.2. *Appointment and Term of Office.* The officers of the Corporation shall be elected by the board of directors at the first meeting of the directors or by the Corporation's initial resolution if no such meeting is held. If such election of officers shall not be held at such meeting, it shall be held as soon thereafter as may be convenient. Each officer shall hold office until the next annual meeting of the directors or until a successor shall have been duly elected and qualified or until the officer's death, resignation, or removal in the manner hereinafter provided.

Section 3.3. *Removal.* Any officer or agent elected by the board of directors may be removed by a two-thirds' majority vote of the directors at any time with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 3.4. *Vacancies.* A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the board of directors.

Section 3.5. *President.* The president shall be the principal executive officer of the Corporation and, subject to the control of the board of directors, shall in general supervise and direct and control the business and affairs of the Corporation; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time. The president shall preside at all meetings of the Board and of the members.

Section 3.6. *Vice President.* In the absence of the president or in the event of the president's death, inability or refusal to act, the vice president (if any) shall perform the duties of the president, and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to the vice president by the president or by the board of directors.

Section 3.7. *The Secretary/Treasurer. The secretary/treasurer shall: (a) prepare the minutes of the board of directors' meetings and keep them in one or more books provided for that purpose; (b) authenticate such records of the Corporation as shall from time to time be required; (c) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (d) be custodian of the corporate records and of the seal of the Corporation, if any, and see that the seal of the Corporation, if any, is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (e) keep a register of the post office address of each member; (f) have charge and custody of and be responsible for all funds and securities of the Corporation; (g) receive and give receipts for money due and payable to the Corporation from any source whatsoever, and deposit all such money in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the board of directors; and (h) in general perform all duties incident to the offices of secretary treasurer and such other duties as from time to time may be assigned by the president or the board of directors.*

Section 3.8. *Committees. The Board of Directors shall also have the authority to appoint such committees from among the members as the Board may deem necessary or appropriate, which may include, without limitation, an Architectural Committee to review and/or approve site plans and plans for the construction, addition or modification of Structures, including Dwelling Units, and/or other Improvements, on Lots within the Subdivision (as such terms are defined in the Restated Declaration).*

ARTICLE IV

OFFICES

The principal place of business of the Corporation in the State of Montana shall be located at Red Lodge, Montana, and its registered address shall be 100 North 27th Street; Suite 200, Billings, Montana 59101. Its mailing address shall be 6417 Normandy Lane, Madison, Wisconsin 53719 at present, but may be changed by resolution of the board of directors at any regular or special meeting.

The Corporation shall have such other offices as the board of directors may designate or the business of the Corporation may require from time to time.

ARTICLE V

CONTRACTS, LOANS, CHECKS, DEPOSITS

Section 5.1. *Contracts. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.*

Section 5.2. *Loans. No loans shall be made, or accepted, on behalf of the Corporation, and no evidences of indebtedness shall be issued in the Corporation's name, unless authorized by a resolution of the board of directors, confirmed or ratified by the affirmative vote of not less than three-fifths (3/5) of the members. Such authority may be general or confined to specific instances.*

Section 5.3. *Checks, Drafts, Notes.* All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the board of directors. Checks payable to members of the Canyon Ranches Subdivision Homeowners' Association, Inc. shall be signed by two (2) of the Corporation's officers.

Section 5.4. *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the board of directors may select.

ARTICLE VI

FISCAL YEAR

Unless otherwise determined by the board of directors, the fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE VII

WAIVER OF NOTICE

Whenever any notice is required to be given to any director of the Corporation under the provisions of these bylaws or under the provisions of the Articles of Incorporation or of the Montana Nonprofit Corporations Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VIII

CORPORATE OPPORTUNITIES

Except to the extent regulated or prohibited by Federal or state law, or prohibited by a contract to which the Corporation is then a party, no officer or director of the Corporation shall be disqualified by such person's office or membership on the board of directors, from dealing or contracting with the Corporation as a vendor, purchaser, employee, agent, or in any other similar or dissimilar capacity; nor shall any transaction, contract or act of the Corporation be void or voidable or in any way affected or invalidated by reason of the fact that any such officer or director of the Corporation, any firm of which such person may be a member, or any other corporation of which such person may be an officer, director or shareholder, is in any way interested in such transaction, contract or act, provided the interest of such officer or director is disclosed to or known by the board of directors of the Canyon Ranches Subdivision Homeowners' Association, Inc. or such members thereof as shall be present at any meeting at which action is taken upon any such transaction, contract or act. Neither shall such officer or director be accountable or otherwise responsible to the Canyon Ranches Subdivision Homeowners' Association, Inc. for or in connection with any such transaction, contract or act, or for any gains or profits realized by such person

by reason of the fact that such person, any firm of which such person is an officer, director, or shareholder, is interested in any such transaction, contract or act.

ARTICLE IX

DISSOLUTION

The Corporation may not be dissolved without the consent of not less than seventy-five percent (75%) of all members entitled to vote, unless a higher proportion or percentage is required under Montana law. Upon dissolution, the funds and assets of the Corporation shall be divided among its voting members after payment of all debts and satisfaction of all liabilities of the Corporation.

ARTICLE X

AMENDMENT

These Bylaws may be amended, altered or repealed and new bylaws adopted by a two-thirds (2/3) majority vote of the directors at any regular or special meeting, ratified or confirmed by the affirmative vote of not less than three-fifths (3/5) of the members entitled to vote.

The undersigned initial directors of the Canyon Ranches Subdivision Homeowners' Association, Inc., hereby certify that the foregoing constitute the Bylaws of this Corporation as adopted and in full force and effect on this ____ day of _____, 2002.

Director

Director

Director