

King Ranch Estates Homeowner's Association, Inc.

"Bylaws"

November 27, 2000

ARTICLE I:

The name of this organization is King Ranch Estates Homeowner's Association, Inc. of Frenchtown, Montana, hereinafter called the "Association."

ARTICLE II: PURPOSE

The purposes for which the association is established and organized are as follows:

- A. Provide proper maintenance of entrances and other common areas that may be appropriate
- B. Speak as one powerful voice on issues impacting the Association membership
- C. Prepare a strong and consistent Code Enforcement program to ensure that neighborhood standards are met
- D. Promote everything which may help to increase the Association members' property values while also protecting the uniqueness of the Common Area for the benefit of wildlife as stated in the Declaration of Covenants (Article VI, item 14)
- E. Supply a resource to obtain information on local government impact on Kings Ranch Estates.

ARTICLE III: DEFINITIONS

Section 1. "Association" shall mean and refer to King Ranch Homeowner's Association, its successors and assigns. Declarant reserves the right to incorporate the association as King Ranch Homeowners Association, Inc. Or such other name as may be acceptable to the Secretary of State of the State of Montana. In the event of incorporation, the corporation shall have all rights of the Association hereunder.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the properties, including contract buyers, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association. Declarant represents that the Properties as shown on the plat of the property shall be developed in three (3) phases. The phases shown as First Phase, Second Phase and Third Phase are set forth in the plat of King Ranch.

Section 4. "Common Area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association is designated as "Common Area" on the plat of King Ranch and shall be owned by the Association prior to the time of the conveyance of the first lot, and shall also include a multi-family water system constructed on each of the three (3) phases of the property, including any wells, pump houses, storage areas, mains and other parts of said water systems.

Section 5. "Lot" Shall mean and refer to any plot of land shown upon any recorded subdivision maps of the Properties with the exception of the Common Area.

Section 6. "Declarant" shall mean and refer to Bud King Construction Co., its successors and assigns.

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Section 7. "Member" shall mean and refer to every owner whose membership dues are paid up through the current calendar year. Every owner shall be a member of the Association if title to a Lot is held by more than one person, each of the persons can be members. An owner of more than one Lot shall be entitled to one membership for each Lot owned by him/her. Each such membership is appurtenant to the Lot which it is based and is transferred automatically by conveyance of the Lot (exception: a contract seller may assign his membership and voting rights to his buyer in possession)

Section 8. "Class A Vote" As of January 12, 2000, the Association has one class of voting membership. Class A membership. Members are owners and are entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons can be members, but may only cast one vote with respect to any Lot Prior to the time of any meeting. Each co-owner files the name of the voting co-owner with the Association Secretary in order to be entitled to vote at such meeting. A complete list of the members in good standing shall be prepared by the Treasurer of the Association and kept on file and available at the time and place of the meeting, and subject to inspection by any member at any time during the meeting.

Section 9. "Notification" shall mean all parties will be deemed notified when the Secretary of the Association shall deliver such articles of notification to the US Postal service for delivery.

ARTICLE IV: GENERAL MEMBERSHIP MEETINGS

Section 1. General: Meetings of the members shall be held at any place within the State of Montana that the Board of Directors may from time to time elect until amended. The general membership meeting of the Association shall meet in January of each year. The meeting is held upon such notice as required in these Bylaws and will transact business which include, but may not be limited to:

A. Submit an annual report of receipts and expenditures for the past year, in July of each year, publish an annual report for the preceding year.

B. Identify and discuss the past year's accomplishments; in January, the board prepares a written report for historical purposes which will be made available.

C. At the January Meeting, the board will recommend for approval by the general membership the annual assessment required for the upcoming calendar (fiscal) year.

Section 2. Special Meeting: Special meetings of the members may be called at any time by the President or the Board of Directors, or upon written request of one-fourth of the current members. The call for such meeting shall be in accordance with these by-laws.

Section 3. Action by written Agreement: The members can act by written agreement of the members without meetings on the condition that the written agreement is agreed to and signed by at least sixty-seven percent (67%) of the members.

Section 4. Notice of Meetings: Notice of each meeting shall be given by, or at the direction of, the Association Secretary. The notices shall specify the place, day, and hour of the meeting, and in the case of special meetings, the purpose thereof. Notice of any meeting called for the purpose of increasing the annual dues, or requesting a special assessment shall be given to all members not less than thirty (30) days in advance of such meeting.

Section 5. Quorum: The presence, in person or by proxy, at a general membership meeting of sixty-seven (67%) of the voting members present entitled to vote shall constitute a quorum of the members to transact business. Decisions shall be made by a majority of the members represented at a meeting at which a quorum is present and the affirmative vote of those members present and entitled to vote shall be the act of the Association. At a duly organized meeting, members present can continue to do business until adjournment even though enough members withdraw to leave less than a quorum.

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Section 6 Proxies: A member entitled to vote may vote by proxy executed in writing by the member. All proxies shall be notarized and in writing and filed with the Secretary of the Association. Any proxy given shall be effective only for the specific meeting for which originally given and any lawfully adjourned meeting thereof. In no event shall any proxy be valid for longer than ninety (90) days after the date of the first meeting for which it was given. Every proxy shall be revocable at any time at the pleasure of the member executing it.

Section 7. Conduct: All meetings of the Association and its committees are conducted generally in accordance with Robert's Rules of Order and these bylaws. In the event there are questions as to procedure, the presiding officer will refer to Robert's Rules of Order and make the ruling. Unless authorized by the President, only members in good standing may address the chair.

Section 8. Order of Business: Employing the general guidelines of Robert's Rules of Order, the order of business at all annual or special meetings shall be as follows;

- A. Roll Call
- B. Proof of notice of meeting or waiver of notice
- C. Reading of minutes of previous meeting
- D. Report of officers
- E. Report of committees
- F. Election of directors (1st General Membership Meeting each year)
- G. Unfinished business
- H. New business
- I. Adjournment

Section 9 Minutes: Minutes of all meetings shall be kept in a businesslike manner and shall be available for inspection by the members or their authorized representatives and board members at reasonable times. The Association shall retain those minutes for a period of not less than seven (7) years.

ARTICLE V. BOARD OF DIRECTORS, SELECTION AND TERM OF OFFICE

Section 1. Number: The Business and affairs of the Association shall be managed and governed by a Board of Directors composed of five (5) members all of whom must be members in good standing.

Section 2. Nomination and Election: The Board of Directors will be selected at the first General Membership Meeting in each fiscal (calendar) year. In order to ensure continuity of the board, three of the five directors are representatives from their respective phase and serve for three years periods (for initial establishment purposes, the Phase III Director is elected Again in 2001, Phase II Director in 2003. and Phase I Director in 2002). Two Member-at-Large directors will be nominated and voted upon at the first General Membership Meeting of each year. By February 1st the newly appointed Board of Directors will select the President, Vice-President, Secretary, and Treasurer within the five members. Again, all votes are equal. A director shall continue in office until his/her successor shall be elected and qualified, unless he or she sooner dies, resigns or is otherwise disqualified to serve.

Section 3. Removal and Vacancies: Any director may be removed from the board, with or without cause, by a majority vote of the members of the Association at any regular or special meeting provided thirty (30) days advance notice has been provided. Any vacancy in the Board of Directors for any reason shall be filled by the remaining members of the board and shall serve until the next annual meeting of the members, at which time a successor shall be duly elected by the members for a one (1) year term.

Section 4. Compensation: No director shall receive compensation for services he or she may render to the Association. However, any director may be reimbursed for actual expenses incurred in the performance of his or her duties.

Section 5. Fiduciary Duty: The directors of the Association have a fiduciary duty to the members when acting on behalf of the Association.

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Section 6. Customary Duties: The officers, in addition to the duties above, perform the duties of those offices customarily performed by officers of corporations.

ARTICLE VI. GENERAL AND SPECIFIC DUTIES OF DIRECTORS

Section 1. General Responsibilities: It shall be the duty of Board of Directors to:

A. Keep a complete record of all its acts and corporate affairs and to present a statement to the members at the January General Membership meeting, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote.

B. Supervise all officers, agents and employees of this Association, and see that their duties are properly performed.

C. As more fully provided in the Declaration, to:

(1) send written notice of the amount of the annual assessment to every owner at least sixty (60) days in advance of each annual assessment period:

(2) file and record the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring in action at Law against the owner personally obligated to pay the same.

D. Issue, or cause an appropriate officer to issue, upon demand by any association member a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

E. Procure and maintain adequate liability and hazard insurance on property owned by the Association.

F. Cause all officers or employees having fiscal responsibilities to be bonded, or as it may deem appropriate.

G. Cause the Common Area to be maintained in accordance with the Declaration.

Section 2. Specific Duties. Duties of the officers are as follows:

A. President. The President presides at all meetings of the Board of Directors, sees that orders and resolutions of the Board are carried out; signs all leases, mortgages, deeds and other written instruments as if determined by resolution of the Board, and co-signs all checks greater than two hundred (200) dollars; and has all the powers and duties which are normally vested in the office of the President of a corporation.

B. Vice President. The Vice President acts in the place and stead of the President in the event of his or her absence, inability or refusal to act; and exercises and discharges other duties as may be required of him or her by the Board of Directors.

C. Secretary. The Secretary records the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the members, serves notice of meetings of the Board of Directors and of the members - keeps appropriate current records showing the members of the Association together with their addresses, and performs other duties as may be required by the Board of Directors.

D. Treasurer. The Treasurer receives and deposits in appropriate bank accounts all monies of the Association; disburses funds as directed by resolution of the Board of Directors, signs all checks and promissory notes of the Association, keeps proper books of account and, if determined by resolution of the Board, requests an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and prepares a statement of income and expenditures to be presented to the membership at its regular annual meeting; and provides a copy of the statement to any member who requests it.

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ARTICLE VII: MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held as deemed necessary by the Board of Directors at such place, date and time as may be fixed from time to time by the Board.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President, or by any two (2) directors of the Board, after not less than three (3) days notice to each director.

Section 3. Emergency Meetings. Emergency meetings may be held at the request of the President, by telephone conference. Members of the Board may be polled over the telephone and a majority of affirmative votes will be the action of the Board. Minutes are then filed by the Secretary

Section 4. Action by Written Agreement. The Board of Directors may act by written agreement without meeting provided the agreement is signed by a majority of the officers and confirmed at the next regular meeting.

Section 5. Open Meetings. All regular and special meetings of the Board shall be open to all members of the Association. Any member desiring to address the Board must contact the President or Vice President at least one (1) day in advance of the meeting to make appropriate arrangements.

Section 6. Quorum. Three of five board members will constitute a quorum for conducting business. Every decision or act made by the majority of the directors present at a meeting at which a quorum is present will be considered an act of the Board if at a meeting a quorum is not present. the meeting may be adjourned until a quorum is present. A director may join in the action of a meeting by signing the minutes thereof and as such constitute the presence of such director for the purpose of determining a quorum.

Section 7. Notice of Directors Meeting. When practical, notice of Directors meetings shall be provided to all owners at least forty-eight (48) hours in advance, except for emergency meetings. Notice of any Directors meeting in which dues are to be considered for any reason shall specifically contain a statement that assessments will be considered and the nature of such assessments. Notice of special meetings shall contain the purpose or purposes of the meeting.

Section 8. Waiver of Notice. A Director may waive in writing notice of a regular or special meeting of the Board of Directors either before or after the meeting and his waiver shall be deemed the equivalent of getting notice. Attendance of a director at any meeting shall constitute waiver of notice of that meeting unless the director attends with the express purpose of objecting to the transaction of business because the meeting has not been lawfully called or convened.

Section 9. Minutes. Minutes of all meetings of the Board of Directors shall be kept in a businesslike manner and shall be available for inspection by members, or their authorized representatives and Board Members at reasonable times upon appropriate advance notice to the Secretary. The Association shall retain these minutes for a period of not less than seven (7) years.

Section 10. Budget. The annual budget of the Association shall be adopted by the Board of Directors at the first regular Board meeting following the annual meeting of the membership. This meeting shall be open to all members of the Association.

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ARTICLE VIII: OFFICERS

Section 1. Enumeration of Officers. The officers of the Board of Directors and the Association shall be one and the same and shall be a President, Vice President, Secretary and Treasurer, and such other officers as the Board may from time to time by resolution create. All officers shall at all times be members of the Board of Directors, be association members in good standing, and no officers may be elected or appointed who are not members of the Board of Directors.

Section 3. Term. The officers shall be elected annually by the Board of Directors and shall hold office for one year unless he or she shall sooner resign, or shall be removed or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine. Such additionally elected officers shall be chosen from the Board of Directors and shall at all times be members of the Board of Directors.

Section 5. Committees. The Board may appoint regular and special committees to serve for the purposes designated by the Board and for such terms as determined by the Board. One of the standing committees, the Architecture Compliance Committee, or ACC will continue to govern as stated in the Association Covenants Other committees are: Water, Insurance, Social & Finance, and Common Area.

Section 6. Resignation and Removal. Any officer may be removed from office with or without cause by a majority vote of the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at such later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7. Vacancies. A vacancy in any office may be filled by appointment by a majority vote of the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 8. Multiple Offices. The offices of President and Secretary may not be held by the same person. The offices of President and Vice President may not be held by the same person.

ARTICLE IX: ACCOUNTING RECORDS- FISCAL MANAGEMENT: ASSESSMENTS

Section 1. Books and Records. The Association shall keep correct and complete books and records of account including all receipts and expenditures. The books and records of the Association shall be open to inspection by members or their authorized representatives at reasonable times upon appropriate advance notice to the Board of Directors. Such authorization as a representative of a member must be in writing and signed by the person giving the authorization and dated within thirty (30) days of the date of the inspection. Written summaries of the accounting records may be made available to the members. Such records if made available shall include a record of all receipts and expenditures.

Section 2. Fiscal Year. In administering the finances of the Association, the following procedures shall govern: the fiscal year is be the calendar year; any money received in any calendar year may be used by the association to pay expenses incurred in the same calendar year subject to the provisions for excess revenues (TBD); and the Association will operate on a cash basis accounting system.

Section 3. Annual Dues. Annual Dues are recommended, approved and assessed annually by the Board of Directors in the final quarter of the calendar year (Except in the first year of establishment of the association; the board will recommend the assessment and the membership approve the annual assessment at the Jul '00 General Membership Meeting) in accordance with provisions stated elsewhere in these bylaws. The annual dues will be approved by a quorum of members at the January meeting.

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Section 4. Payment of Dues. Two installments of the annual assessment are payable upon receipt of the billing statements (Jan 1—Jun 30, due: Jul 31; Jul 1—Dec 31, due: Jan 31)

Section 5. Depository. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board of Directors in which the moneys of the Association shall be deposited. Withdrawal of moneys from such account shall be only by checks signed by such persons as are authorized by the Board.

ARTICLE X: INDEMNIFICATION

The Association may be empowered to indemnify any officer or director or any former officer or director, by a majority vote of a quorum of directors, or by a majority vote of a quorum of members, who are not parties to such action, suit or proceedings, in the manner provided in appropriate legal documents of the Montana Statutes, as identified and amended. If such indemnification is authorized by the Directors or members, expenses incurred in defending such civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding, in the manner described in said legal documents of the Montana Statutes, as identified and amended, upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay such amount unless he or she is found to be entitled to such indemnification.

ARTICLE XI: AMENDMENT OF BY-LAWS

Following a recommendation by the board or by any member making a motion, the association bylaws may be amended at any time by a vote of at least 51% of the membership during any General Membership Meeting. Any amendment must be recorded.

ARTICLE XII: LOANS

No loans shall be contracted on behalf of the Association, and no evidences of indebtedness shall be issued in its name, unless authorized by a resolution of the Board of Directors.

ARTICLE XIII: INTERESTED DIRECTORS

Conflict of Interest. No contract or other transaction between the Association and one or more of its directors, or between the Association and any other corporation, firm, association or other entity in which one or more of its directors are directors or officers, or are financially interested, is either void or voidable for this reason alone or by reason alone that such director or directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or that his/her or their votes are counted for such purposes.

A. If the fact of such common directorship, officership or financial interest is disclosed or known to the Board or committee, and the Board or committee approves such contract or transaction by vote sufficient for such purpose without counting the vote or votes of such interested director or directors, or

B. If such common directorship, officership, or financial interest is disclosed or known to the members entitled to vote thereon, and such contract or transaction is approved by a vote of the members, or

C. If the contract or transaction is fair and reasonable as to the Association at the time it is approved by the Board, a committee or the members.