

BY - LAWS
OF
SWEETWATER ESTATES HOMEOWNERS' ASSOCIATION

ARTICLE I

APPLICATION OF BY-LAWS

Section 1. Name. The name of the corporation is SWEETWATER ESTATES HOMEOWNER'S ASSOCIATION, hereinafter referred to as the "Association". The principal office of the Association shall be located in Beaverhead County, Montana.

Section 2. Property. The project is located on Lots 1 thru 16 as shown on the Final Plat Sweetwater Estates Phase 1 Major Subdivision, of record in the office of the Clerk and Recorder of Beaverhead County, Montana together with future contiguous lots to be developed. The Term "Project" as used herein shall include the land and all structures and improvements thereon.

Section 3. By-Laws Applicability. The provisions of these By-Laws are applicable to the Project and to the Members of the Association.

Section 4. Personal Application. All present or future owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the project in any manner, are subject to the regulations set forth in these By-Laws, and to the recorded Declaration of Protective Covenants regarding the Project and filed contemporaneously herewith.

The mere acquisition or rental of any of the units of the project or the mere act of occupancy of any of the units will signify that these By-Laws are accepted, ratified, and will be complied with.

ARTICLE II

**MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM,
PROXIES**

Section 1. Membership and Voting. Voting rights of Class A and B owners shall not vest until assessments have been levied against the ownership of a lot. The Corporation shall have three classes of voting membership.

- (a) Class A members shall be all owners of Lots 1 through 16 as shown on the Final Plat Sweetwater Estates Major Subdivision, Phase 1 and all equal class owners of subsequent lots on file and of record in the office of the Clerk and Recorder of Beaverhead County, Montana as a part of Sweetwater Estates Subdivisions. Each Class A member shall be entitled to 2 votes for each lot owned.
- (b) Class B members shall be all owners owning a second or more lots that are undeveloped. Each Class B member shall be entitled to 1 vote for each additional undeveloped lot owned. Class B membership will cease and be converted to Class A membership upon the sale or development of the Class B lot or the sale of lots where a lot owner has one lot only.
- © Class C member shall be the Declarant entitled to 4 votes for each lot filed and recorded but unsold. Class C membership shall cease and be converted to Class A membership on the happening of the first to happen of the following events:
- (1) When the total votes outstanding in Class A reach 51% of the vote provided for herein, or
 - (2) On December 31, 2014.

Section 2. Majority of Owners. As used in these By-Laws, the term "majority of owners" shall mean those owners holding fifty-one percent (51%) of the votes.

Section 3. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of 35% of the members of the Corporation shall constitute a quorum.

Section 4. Proxies. Votes may be cast in person or by proxy. Proxies must be in writing, dated, signed by the members and filed with the Secretary before the appointed time of each meeting. No proxy shall extend beyond 11 months after filing with the Secretary and shall automatically cease upon the sale of the member's lot or upon the death or judicially declared incompetence of a member.

ARTICLE III

ADMINISTRATION

Section 1. Association Responsibilities. The Association shall have the responsibility of administering the Project, approving the annual budget, and establishing and collecting assessments and such other responsibilities as may be set forth in the Declaration of Protective Covenants filed contemporaneously herewith. Except as otherwise provided, resolutions of the Association shall require approval by a majority of owners.

Section 2. Place of Meetings. Meetings of the Association shall be held at such suitable place convenient to the owners and within Beaverhead County as may be designated by the Board of Directors.

Section 3. Annual Meetings. The first annual meeting shall be held not later than six (6) months after sale of the first unit in the Project. Thereafter, the annual meetings of the Association shall be held on the fourth Tuesday of June of each succeeding year. At such meetings, there shall be elected by a ballot of the owners a Board of Directors in accordance with the requirements of Section 5 of Article IV of these By-Laws. The owners may also transact such other business of the Association as may properly come before them.

Section 4. Special Meetings.

(a) Authorized persons who may call. A special meeting of the members may be called at any time by any of the following: The Board of Directors, the President, or by written request signed by members representing not less than 25% of the total voting power of the Association.

(b) Calling meetings by members. If a special meeting is called by members other than the President, the request shall be submitted by such members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, and Vice-President, or the Secretary of the Corporation. The Officer receiving the request shall cause notice to be promptly given the members entitled to vote, in accordance with the provisions of Section 5 of this Article III, that a meeting will be held, and the date for such meeting, which date shall not be less than 20 or more than 45 days following the receipt of the request. If the notice is not given within 10 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of members may be held when the meeting is called by action of the Board of Directors.

Section 5. Notice of Meetings.

(a) General Notice Contents. All notices of meetings of members shall be sent or otherwise given in accordance with this Section 5 of this Article III not less than 10 or more than 90 days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and that no other business may in that case be transacted, or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the members.

(b) Notice of Certain Agenda Items. If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s):

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board of Directors by the members;
- (iii) Amending the Articles of Incorporation;

- (iv) Approving a contract or transaction in which a director has a material financial interest.
- (v) Approving a plan of distribution of assets, other than cash, in liquidation when the corporation has more than one class of memberships outstanding.

© Manner of Giving Notice. Notice of any meeting shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each member either at the address of that member appearing on the books of the corporation or the address given by the member to the corporation for the purpose of notice. If no address appears on the corporation's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that member by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or (ii) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

(d) Affidavit of Mailing Notice. An affidavit of the mailing or other means of giving any notice of any members' meeting may be executed by the Secretary, assistant secretary, or any other party of the corporation giving the notice, and if so executed, shall be filed in the minute book of the corporation.

Section 6. Waiver of Notice or Consent by Absent Members.

(a) Written Waiver or Consent. The transaction of any meeting of members either annual or special, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent need not specify either the business to be transacted or the purpose of any annual or special meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 5(b) of Article III, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(b) Waiver by Attendance. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting, if that objection is expressly made at the meeting.

Section 7. Adjourned Meetings. If any meeting of owners cannot be organized because a quorum has not attended, the Owners who are present, either in person or by proxy, may only adjourn the meeting to a time not less than 5 days or more than 60 days from the time the original meeting was called. Section 3 of Article II hereof notwithstanding, the quorum at such adjourned meeting shall be 25% of the voting power of the Corporation.

Section 8. Order of Business. The order of business at all meetings of the Association shall be as follows: (a) Proof of notice of meeting or waiver of notice, (b) reading of Minutes of preceding meeting; (c) reports of officers; (d) report of committees; (e) election of directors; (f) unfinished business; and (g) new business.

Section 9. Action without Meeting. Any action, which under the provisions of the Montana Corporations Code may be taken at a meeting of the Owners, may be taken without a meeting if authorized by a writing signed by all of the owners who would be entitled to vote at a meeting for such purposes, and filed with the Secretary

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors compose of five persons who need not be members of the corporation.

Section 2. Powers and Duties. The Board of Directors shall have the powers set forth in the Articles and the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the owners. Except upon the written vote or written assent of a majority of the voting power of the Association the Board shall not: (a) enter into a contract with a third person to provide goods or services for the Association for a term longer than three years unless it be a contract with a public utility or its successor and the rates charged for materials or services are regulated by the Public Utilities Commission and the term of the contract is for the shortest term for which the supplier will contract at the regulated rate; (b) incur aggregate expenditures for capital improvements in any fiscal year in excess of 10% of the budgeted gross expenses of the Association for that fiscal year except that the maintenance of roads to existing quality including additional gravel, dust abatement, etc. shall not be considered a capital improvement; (c) sell during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year; (d) pay compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association business but said persons may be reimbursed for actual expenses so incurred.

The Board may delegate its functions and powers to committees and each such committee shall have as a member at least one member of the Board. The Board may also delegate its functions and powers to officers of the Association or the management agent.

Section 3. Other Duties. In addition to duties imposed by these By-Laws or by regulations of the Association, the Board of Directors shall be responsible for the following: (a) care, upkeep and surveillance of the Project; (b) collection of all assessments from the owners; (c) contracting for goods, repairs, and services; (d) payment of taxes and assessments which are or could become a lien upon the Project or a portion thereof; (e) formulation of rules and policies of operation for the facilities owned or controlled by the Association.

Section 4. Election and Term of Office. Election to the Board of Directors shall be by written secret ballot. At such election the members may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration of Protective Covenants and cumulative voting shall be permitted whenever two or more directors are to be elected. Persons receiving the largest number of votes shall be elected to office.

Section 4(a) Books. The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles.

Section 5. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association. Cumulative voting shall be permitted by all members of the Board of Directors.

Section 6. Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting. Cumulative voting shall be permitted. Unless the entire Board of Directors is removed from office by the vote of Association members, an individual member shall not be removed prior to the expiration of his term of office unless the votes cast against his removal is greater than the quotient arrived at by dividing the total number of votes that may be cast under cumulative voting procedures by a divider equal to 1 plus the authorized number of governing body members.

A governing body member who has been elected to office solely by the votes of members of the Association other than the Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in members other than the Declarant.

Section 7. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within 10 days of election at such places as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, providing a majority of the whole Board shall be present.

Section 8. Regular Meetings. Regular meetings of the Board of Directors shall be held bi-annually at such time and place and within the subdivision as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least four days prior to the day named for such meeting. Notice of the time and place of the meeting shall also be posted at a prominent place or places within the Project.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President or any two members of the Board other than the President on three days' notice to each Director, given personally or by mail, telephone or telegraph, and in like manner shall be posted in a

prominent place or places within the project, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three Directors.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 11. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at such a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice, provided however, if the meeting is adjourned for more than 24 hours, notice of any adjournment to another time and place shall be given prior to the time of the adjournment meeting to the directors who were not present at the time of the adjournment.

Section 12. Conduct of Meeting. Regular and Special meetings of the Board shall be open to all members of the Association provided that members who are not on the Board may not participate in any deliberation or discussion unless expressly authorized to do so by a vote of a majority of a quorum of the Board. The Board may upon the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of all business to be considered in executive session shall first be announced in open session.

ARTICLE V

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, a Vice-President, a Secretary, and a Chief Financial Officer. The directors may appoint an Assistant Treasurer, an Assistant Secretary, and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of President, including but not limited to the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice-President. The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. The secretary shall keep the Minutes of all meetings of the Association; shall have charge of such books and papers as the Board of Directors may direct; and shall, in general, perform all the duties incident to the office of the Secretary.

Section 7. Chief Financial Officer. The chief Financial Officer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VI

OBLIGATIONS OF THE OWNERS

Section I. Assessments.

(a) All Class A and B Owners are obligated to pay general assessments (and any special assessments) imposed by the Association to meet all Project communal expenses, which may include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake or other hazard. Both annual and special assessments for Class A and B members must be fixed at a uniform rate for all lots within the respective classes, and shall be collected in a manner prescribed by the Board of Directors. The rates between classes shall not be uniform but instead shall be pro rata to the number of votes held by a member.

No regular yearly general assessment may be increased by more than 15% over the previous year without the vote or written assessment of two-thirds (2/3) of the voting power of the Association.

(b) The Board of Directors on behalf of the Association, may cause to be recorded in the office of the county recorder of the county in which the project is situated, a notice of any delinquent sums due the Association from any owner; which notice shall state the amount of such delinquent sums and other authorized charges and interest (including the cost of recording such notice and attorneys' fees) a sufficient description of the lot against which the name has been assessed, and the name of the record owner or owners thereof. Upon payment to the Association of such delinquent sums and charges in connection therewith, or other satisfaction thereof, the Board of Directors or management agent shall

cause to be recorded a further notice stating the satisfaction and release of such delinquent sums and charges. Such notices shall be signed on behalf of the Association by any member of the Board of Directors or by the management agent. The Association may demand and receive the cost of recordation of such release before recording same. Any purchaser or encumbrancer, acting in good faith or for value, may rely upon such notice of satisfaction and release as conclusive proof of the full satisfaction of the sums stated in the notice of delinquent sums.

(c) All such delinquencies shall be enforced, collected and /or foreclosed in the manner provided in the Declaration of Protective Covenants recorded contemporaneously herewith.

Section 2. Maintenance and Repair. An owner shall reimburse the Association for any expenditure incurred in repairing or replacing any Common Area and facility damaged through his negligent or intentional act.

Section 3. Use of Lots. All lots shall be utilized only for the purposes more particularly set forth in the Declaration of Protective Covenants recorded contemporaneously herewith.

Section 4. Rules of Conduct. Rules of conduct and policies affecting the Project and its use shall be set by the Board.

ARTICLE VII

AMENDMENT TO BY-LAWS OR DECLARATION OF PROTECTIVE COVENANTS

These By-Laws and the Declaration of Protective Covenants may be amended by the Association in a duly constituted meeting for such purpose and no amendment shall take effect unless approved as follows:

- a. Any amendment that would materially alter any of the requirements imposed by the governing body of Beaverhead County; i.e. Article VI, Section 1 (c); (e)(2); (n); (jj); (kk); (ll); (qq); and (rr) which requirements were made mandatory for the process of final subdivision approval, shall be approved by the governing body of Beaverhead County prior to amendment.
- b. Any amendment must be recorded.
- c. By-Laws may be amended upon the vote of 66-2/3% of the voting power of the Association, present in person or by proxy.
- d. The Declaration of Protective Covenants may be amended upon the vote of 66-2/3% of the total voting power of the Association.

ARTICLE VIII

MORTGAGEES

Section 1. Notice of Unpaid Assessments. The Association shall at the request of a mortgagee of a lot report any unpaid assessments due from the owner of such lot.

Section 2. Books and Records. Any institutional holder of a first deed of trust, mortgage, or other lawful security instrument upon a lot, upon request, shall be afforded the rights of a member for purposes of Article IX hereof.

Section 3. Meetings. Upon written request delivered to the Secretary any institutional holder of a first deed of trust, mortgage, or other lawful security instrument upon a lot shall be permitted to attend through a representative any meeting of the Association and shall receive notice thereof as provided in Section 5 of Article III hereof.

ARTICLE IX

RECORDS AND REPORTS

Section 1. Maintenance and Inspection of Corporate Records. The membership register, books of account, minutes of the meeting of the Board of Directors, minutes of the meetings of the members and of any committees shall be available for inspection and copying for any member or by his duly appointed representative during regular business hours at the office of the Association. Within ten business days of any request by a member for copies of records the Association shall provide such copies and the members shall reimburse the Association for reproduction. Any Director shall have the right to inspect any record of the Association at any reasonable time and to then make extracts and copies of the records. Any Director shall have the right to inspect the physical properties of the Association at any time.

Section 2. Annual Report to Members. The Association shall notify each member yearly of the member's right to receive an annual financial report. At any time upon written request of a member the Board shall promptly cause the most recent annual report to be sent to the requesting member. An annual report shall be prepared not later than 120 days after the close of the Association's fiscal year. Such report shall contain, in appropriate detail, the following:

- (a) The assets and liabilities during the fiscal year.
- (b) The principal changes in assets and liabilities during the fiscal year.
- (c) The revenue or receipts of the Association, both unrestricted and restricted to particular purposes, for the fiscal year.

- (d) The expenses or disbursements of the Association, for both general and restricted purposes, during the fiscal year.
- (e) Any information required by Montana Law.

ARTICLE X

TERMS

The following terms, as used in these By-Laws, shall have the same meanings as are applied to such terms in the Declaration of Protective Covenants filed contemporaneously herewith: "Association", "Owner", "Member", "Project", "lot", "Properties", "Common Area", "Mortgage", and "Mortgagee".

ARTICLE XI

PARTIAL INVALIDITY

In case any of these By-Laws conflict with any provision of the laws of the State of Montana, such conflicting By-Laws shall be null and void upon final court determination to such effect, but all other By-Laws shall remain in full force and effect.

ARTICLE XII

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

The Association may, to the maximum extent permitted by Montana Law, indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the Association. For purposes of this Article, an "agent" of the Association, is a person who is or was serving at the request of the Association as a director, officer, employee, or agent or another corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that I am the duly acting Secretary of SWEETWATER ESTATES HOMEOWNERS' ASSOCIATION, A Montana non-profit Corporation. and

The foregoing By-Laws comprising 11 pages constitute the By-Laws of the corporation duly adopted at the meeting of the Board of Directors thereof duly held on May 7, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my name in behalf of the Association this 7th day of May, 2004.

Z. Rose Towery
Z. Rose Towery
 Secretary

STATE OF California
 County of Contra Costa SS

On this 7 day of May, 2004, before me, a Notary Public for the State of California, personally appeared Z. Rose Towery, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year first above written.

Linda Stepanovich
 Notary Public for State of California
 Residing at 2491 San Ramon Valley Blvd #1
 My commission expires March 26, 2006

