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BYLAWS

OF

THE FLATS CONDOMINIUMS HOMEOWNERS ASSOCIATION

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1. PURPOSE AND APPLICATION

These Bylaws are and shall be the Bylaws of THE FLATS CONDOMINIUMS HOMEOWNERS ASSOCIATION. These Bylaws shall, upon being recorded with the Clerk and Recorder of Gallatin County, State of Montana, govern and control the administration of THE FLATS CONDOMINIUMS. 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 THE FLATS CONDOMINIUMS signifies that the Owner accepts, ratifies and agrees to comply with these Bylaws.

2. MEMBERSHIP

Persons owning a Unit in THE FLATS CONDOMINIUMS 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 FLATS CONDOMINIUMS HOMEOWNERS ASSOCIATION ("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.

3. 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 of Unit Owners or by an aggrieved Unit Owner against such noncomplying owner.

4. MEETING AND VOTING

There shall be a regular meeting of the Unit Owners annually on the second Monday in September of each year, commencing in the year the Association is established, or on such other time and date properly announced by the Board at a place, including solely by means of remote communication.

Pursuant to these Bylaws, the Association may at any time hold special meetings. Such special meetings may be called on the initiative of the Association's President, by the Board, a signed request of the Manager, or a petition signed by ten percent (10%) of the Unit Owners. ee 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 aggregate interest present agree otherwise.

4.1. Notice.

Notice of all meetings, regular or special, shall be delivered by the Association's Secretary to every Unit Owner of record at his address of record or electronically at least ten (10) business days prior to the time for holding such meeting or, if notice is mailed by certified mail, not less than thirty (30) days or more than sixty (60) days before the meeting date. 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.

4.2. 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 ten percent (10%) of the total aggregate interest of THE FLATS CONDOMINIUMS. At any time, during any meeting, a quorum is not present, such meeting shall be adjourned forthwith.

4.3. Membership Action by Written Ballot.

Members may take any action without a meeting if action by ballot is authorized by the Board and the Association delivers a written ballot to every member entitled to vote on that matter.

A written ballot must set forth:

- 4.3.1. each proposed action; and
- 4.3.2. provide an opportunity to vote for or against each proposed action.

The Association shall consider an action by written ballot approved only when:

- 4.3.3. the number of votes cast by ballot equals or exceeds the quorum that the bylaws require to be present at a meeting authorizing the action; and
- 4.3.4. the number of approvals equals or exceeds the number of votes that the bylaws require to approve the matter at a meeting.

All solicitations made in advance of the meeting for votes by written ballot must:

- 4.3.5. indicate the number of responses needed to meet the quorum requirements;
- 4.3.6. state the percentage of approvals necessary to approve each matter other than election of directors; and
- 4.3.7. specify the time by which a ballot must be received by the Association to be counted.

A written ballot may not be revoked.

4.4. Action by Written Consent.

The members may act on any matter generally required or permitted at a membership meeting, without actually meeting, if eighty percent (80%) of the members entitled to vote on the subject matter sign one or more written consent(s) to the action; the members must deliver the consent(s) to the Association for inclusion in the minute book.

5. VOTING INTEREST

Each Unit at Association meetings shall have an equal voting interest as set forth in the Declaration, a copy of which is being filed concurrently with the filing of these Bylaws with the Clerk and Recorder of Gallatin County, State of Montana.

Each Unit shall thus have an equal voting interest on all matters affecting the general business of THE FLATS CONDOMINIUMS, on all matters affecting the common elements, assessments for the common elements, and on all matters upon which the Association has agreed to have voting on the general common elements' interests. 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.

Whenever a quorum is present at a meeting of the Association or the Board, 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.

6. BOARD OF DIRECTORS

The governance of THE FLATS CONDOMINIUMS shall be by a Board of three (3) Directors, elected among the Unit Owners. Such 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.

6.1. Regular Meetings of the Board of Directors

The Board may hold a regular meeting immediately after, and at the same place as or in the same manner as the annual membership meeting. No notice of the meeting other than this bylaw is required. The Board may hold monthly meetings setting by resolution, the date, time and place of additional regular meetings. Regular Board meetings may be held by conference telephone or other means of remote communication, if convened in accordance with Section 6.3.

6.2. Special Meetings of the Board of Directors

The president, secretary or ten percent (10%) of the directors then in office may call and give notice of special meetings of the Board. Those authorized to call special Board meetings may fix any place within Gallatin County as the special meeting place. Special Board meetings may be held by conference telephone, if convened in accordance with Section 6.3.

6.3. Board of Director Meetings by Any Means of Communication

If, authorized by the Board, the Board or any designated committee of the Association may participate in a Board or committee meeting by means of a conference telephone or any means of communication, provided all persons entitled to participate in the meeting received proper notice of the meeting (see Section 6.4.1), and provided all persons participating in the meeting can hear each other at the same time. A director participating in a remote meeting by this means is deemed present in person at the meeting. The chairperson of the meeting may establish reasonable rules as to Notice of, and Waiver of Notice for, special director meetings

6.4. Notice.

6.4.1. Association's secretary shall give either oral or written notice of any special director meeting at least two (2) days before the meeting. The notice shall include the meeting place, day and hour. If the meeting is to be held by conference telephone or remote communication, (regardless of whether it is regular or special), the secretary must provide instructions for participating in the meeting.

6.5. Waiver of Notice.

6.5.1. Any director may waive notice of any meeting. The waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. A director's attendance at a meeting waives the director's right to object to lack of notice or defective notice of the meeting; this shall be true unless the director, at the beginning of the meeting (or promptly upon

arrival), objects to holding the meeting or transacting business at the meeting, and does not vote for or assent to action taken at the meeting. Neither the secretary nor director needs to specify in the notice or waiver of notice the business to be transacted at, or the purpose of, any special Board meeting.

6.6. Director Quorum

The fewer than the greater of one-third of the number of directors in office or two (2) directors shall constitute a quorum for the transaction of business at any Board meeting.

6.7. Directors, Manner of Acting

6.7.1. Required Number to Constitute Act. The act of a majority of the directors present at a meeting at which a quorum is present (when the vote is taken) shall be the act of the Board. If no quorum is present at a meeting of directors, the directors may not take action on any Board matter other than to adjourn the meeting to a later date.

6.7.2. Director Approval. The Association shall deem a director to have approved of an action taken if the director is present at a meeting of the Board unless:

- (i) the director objects at the beginning of the meeting (or promptly upon arrival) to holding it or transacting business at the meeting;
- (ii) the 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 dissent or abstention to the presiding officer of the meeting before its adjournment or to the Association immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

6.8. Conduct of Board of Director Meetings

The president, or in the president's absence, the president-elect or the past president, or in their absence, any person chosen by the directors' present shall call the meeting of the directors to order and shall act as the chairperson of the meeting. The chairperson, or the chairperson's designee, shall establish rules of the meeting that will freely facilitate debate and decision making. The chairperson will indicate who may speak when and when a vote will be taken. The secretary of the Association shall act as the secretary of all meetings of the directors, but in the secretary's absence, the presiding officer may appoint any other person to act as the secretary of the meeting.

6.9. Mediation, Arbitration if Board Deadlocked

6.9.1. General. If the Board is equally divided on any aspect of the management of the property, business and affairs of the Association, or Association transactions, or if the Board is equally divided on any question, dispute, or controversy, and the deadlock is preventing action or non-action by the Board, then the Board shall submit the deadlock to mediation in accordance with Section 6.9.2. If the directors are unable to resolve the deadlock through mediation, the directors agree to submit the dispute to binding arbitration in accordance with Section 6.9.3.

6.9.2. Mediation. If the Board is unable to resolve the deadlock itself the directors agree to submit the dispute to mediation and the following guidelines shall apply:

- (i) The directors agree to have the dispute mediated by any Montana District Court Judge.
- (ii) The directors agree to follow the mediation procedure selected by the mediator.
- (iii) Mediation shall terminate upon the request of the mediator or thirty percent (30%) of the directors.

6.9.3. Arbitration.

- (i) If the Board is unable to resolve the deadlock through mediation, upon written request of thirty percent (30%) of the directors, the directors agree to submit the deadlock to binding arbitration in the following manner:
- (ii) At a duly held Board meeting, directors shall submit written requests for an arbitrator; the Board shall then vote on which arbitrator to select. If the majority of Board members agree on a single arbitrator, then the Board shall contact that individual with a request for arbitration. If a majority of the board members cannot agree on a single arbitrator, then the Board shall select two (2) arbitrators, each director having, in the selection, a number of votes equal to the number of directors under a system of cumulative voting; after the members appoint two (2) arbitrators, those two (2) arbitrators shall select a third arbitrator to be the professional who actually arbitrates for the Board. If the initial two (2) arbitrators are unable to agree within fifteen (15) days upon a third arbitrator, the president of the Association will ask an officer at the Association's primary banking facility to appoint the third arbitrator.
- (iii) The arbitrator shall determine, decide on and help resolve the matters that are equally dividing the Board. The arbitrator's scope of responsibility will be to decide on matters including (but not limited to) whether the subject before the Board is a proper subject for action by the

Board; the arbitrator may decide whether matters have been properly submitted to the Board for decision, whether, the Board is actually divided, and whether this Section and the arbitration provisions provided here were properly invoked by the Board or applicable. The arbitrator may act until all questions, disputes and controversies are determined, adjudged, and resolved.

(iv) The arbitrator shall conduct the arbitration proceedings in accordance with the rules of the American Arbitration Rules, then in effect, except where these bylaws make a special provision.

(v) The arbitrator's decision shall be conclusive and binding upon the Board, the Association and the parties on all matters that the board submits to the arbitrator. The arbitrator's decision shall be the equivalent of a resolution unanimously passed by the full Board at an organized meeting. The Board or the members may not revoke, amend or overrule the decision, except by a majority action of either body. The arbitrator's decision shall be filed with the secretary of the Association; and the arbitrator may enter judgment on the decision in the highest court of the forum having jurisdiction.

6.10. Director Action Without a Meeting

The directors may act on any matter generally required or permitted at a Board meeting, without actually meeting, if all the directors take the action, each one signs a written consent describing the action take, and the directors file all the consents with the records of the Association. Action taken by consents is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be referred to as a meeting vote in any document.

6.11. Director Committees

6.11.1. Creation of Committees.

The Board may create one or more committees and appoint members of the board to serve on them. Each committee must have two (2) or more directors, who serve at the pleasure of the Board.

6.11.2. Selection of Members.

To create a committee and appoint members to it, the Board must acquire approval by the majority of all the existing directors when the action is taken.

6.11.3. Required Procedures.

Sections 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.8 and 6.9, which govern meetings, notice and waiver of notice, quorum and voting requirements, conduct of the Board, and action without

meetings apply to committees and their members. In addition, the committees shall keep regular minutes of their proceedings and report the same to the Board. The committees are subject to all the procedural rules governing the operation of the board itself.

6.11.4. Authority.

Each committee may exercise the specific Board authority which the Board confers upon the committee in the resolution creating the committee. Provided, however, a committee may not:

- (i) approve or recommend to members dissolution, merger, or the sale, pledge, or transfer of all or substantially all of the Association's assets;
- (ii) elect, appoint, or remove directors or fill vacancies on the Board or on any of its committees; or
- (iii) adopt, amend, or repeal the articles or bylaws.

6.11.5. Audit Committee.

The Board, by resolution adopted by the affirmative vote of a majority of the directors then in office, may create an audit committee consisting of three (3) or more directors designated by the the Board, but not employed by the Association. The committee shall have the power to appoint, oversee, and assist accountants or auditors in any audit or review of the records of the Association.

7. OFFICERS OF THE BOARD OF DIRECTORS

The Association shall elect from its membership a Board 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 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 Association member having a vote equal to his percentage of interest in the general common elements, for as many persons as there are Directors to be elected. Board members shall be elected by majority vote of the interests present or voting by proxy at any annual or special meeting. The first Board consisting of one (1) person, as listed below, shall serve until the first annual meeting of the Association, at which time a new Board shall be elected.

8. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The Board shall have the following powers and duties:

- 8.1. To call annual meetings of the Association and give due notice thereof.

8.2. To conduct elections of the Board.

To enforce the provisions of the Declaration, Bylaws and protective covenants of THE FLATS CONDOMINIUMS by appropriate action.

8.3. 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.

8.4. To provide for the management of THE FLATS CONDOMINIUMS 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 and limited common elements.

8.5. To determine and 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.

8.6. 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.

8.7. 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.

8.8. To provide a means of hearing grievances of Unit Owners and to respond appropriately thereto.

8.9. 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 general common and limited common expenses and allocate and assess such charges among the Unit Owners according to their respective interests in the general common and limited common elements.

8.10. 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.

8.11. 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 (2/3) of the aggregate interest of the Unit Owners in the condominium.

- 8.12. To defend in the name of the Association any and all lawsuits wherein THE FLATS CONDOMINIUMS is a party defendant.
- 8.13. To enter into contracts necessary to carry out the duties herein set forth.
- 8.14. To establish a bank account for THE FLATS CONDOMINIUMS, 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.
- 8.15. 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 THE FLATS CONDOMINIUMS.
- 8.16. To make repairs, alterations, additions and improvements to the general common and limited common elements consistent with managing the condominium in a first-class manner and in the best interest of the Unit Owners.
- 8.17. 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.
- 8.18. To arrange, keep, maintain and renew the insurance for the Association as set forth in the Declaration.
- 8.19. To receive and make payment for common utility expenses, including the common meter power bill, 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.
- 8.20. To carry out the duties and responsibilities of the Board in all other matters as may be authorized, needed or required by the Declaration.

9. VACANCIES AND REMOVAL

Should a vacancy occur on the Board, 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 at the next regular meeting of the Association, the Association may fill such vacancy.

At any regular or special meeting of the Association, any member of the Board may be removed by a majority of the aggregate interest in THE FLATS CONDOMINIUMS. Such vacancy shall be filled by the Association. Such removal matter must be announced in the notice of such regular or special meeting. The personal delivery of such notice by the Secretary of the Association shall be considered notice served.

10. COMPENSATION

No member of the Board 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.

11. MANAGERS

The Manager shall be appointed and/or removed by the Board. 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, and shall maintain the records of the financial affairs of the condominium. Such records shall detail all assessments made by the Association and the status of payments of said assessments by all Unit Owners. 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.

11.1. Accounts: The receipts and expenditures of the Association shall be under the direction of the Manager and be classified as appropriate into general common expenses and limited common 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.

11.2. 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 general common and limited common 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 member on or before December 15th 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 member.

11.3. Financial Report: An audit and financial report of the accounts of the Association may be made annually by a Certified Public Accountant, if required by the Board, and a copy of the report shall be furnished to each member no later than March 1st of each year for which the audit is made.

11.4. 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 the Manager resigns, is terminated or their contract expires, the Board shall perform all the duties of the Manager.

12. AMENDMENT OF BYLAWS

12.1. These Bylaws may be amended at any regular or special meetings of the Association providing that a copy of the proposed revision is included in the notice of such meeting. Upon a vote of over seventy-five percent (75%) of the aggregate interest in the condominium, the amendment shall be declared adopted. 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.

12.2. Amendment by Declarant. Notwithstanding the procedure set forth in Section 12.1, the Declarant may amend the Bylaws, or any other THE FLAT CONDOMINIUM governing document, prior to any sale or lease of a Unit or interest thereof.

13. 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 general common expenses. Such assessments, and assessments for limited common 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. Notice of each owner's assessments shall be mailed to said owner at his address of record.

14. THE DECLARATION

The undersigned has filed, along with these Bylaws, a Declaration whereby the properties known as THE FLATS CONDOMINIUMS are submitted subject to Title 70, Chapter 23, M.C.A. The Declaration shall govern the acts, powers, duties and responsibilities of the Association of Unit Owners, 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 of Unit Owners and any Unit Owner may be on the Board of THE FLATS CONDOMINIUMS.

THE FLATS CONDOMINIUMS HOMEOWNERS ASSOCIATION and its Board shall have the primary and final authority on all matters solely affecting the condominium area, subject to the laws, rules and regulations of the City of Bozeman, County of Gallatin, and the State of Montana.

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