

BYLAWS
OF
SALES PLACE ESTATES MAJOR SUBDIVISION
OWNERS' ASSOCIATION, INC.

ARTICLE I - GENERAL PROVISIONS

1.1 Legal Description. These Bylaws ("Bylaws") apply to the Sales Place Estates Major Subdivision Owners' Association, Inc. ("Association"), which governs the Property subject to the Covenants (defined below), as such may be amended or restated from time to time.

ARTICLE II - DEFINITIONS AND GOVERNANCE

2.1 Definitions. Unless otherwise defined herein, all terms used in these Bylaws shall have the meaning set forth in the Covenants, as such may be amended or restated, from time to time. Definitions contained in the Covenants are incorporated by reference herein.

2.2 "Covenants" shall mean and refer to the Declaration of Protective Covenants, Conditions, and Restrictions for Sales Place Estates Major Subdivision recorded on _____, 2020, as Document No. _____, records of Gallatin County, Montana, as such have been or may be amended or restated from time to time.

ARTICLE III - MEMBERSHIP VOTING RIGHTS

3.1 Voting Rights. Each of the Class "A" Members shall have one (1) vote per Lot and the Class B Member shall have two (2) votes for each Lot owned including, but not limited to, previously unsold Lots. If ownership of any Lot is vested in more than one person, the vote for such Lot shall be exercised as the co-Owners of such Lot decide among themselves and advise the Secretary of the Association in writing prior to any meeting. Absent such advice, the Lot's vote shall be suspended if more than one person seeks to exercise it.

3.2 Annual Meeting. The annual meeting of the Members shall be held on the first Tuesday in the month of December, or such month thereafter that is determined reasonably practical, at a date, time and place to be set by the Board.

3.3 Special Meetings. Special meetings of the Members may be called by the President, the Board of Directors, or the holders of not less than fifty percent (50%) of all Members entitled to vote.

3.4 Method of Calling Meetings. Written or printed notice stating the place, date and time of meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally, electronically, by facsimile or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each Member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given three (3) days after the date when deposited in the United States mail, with postage prepaid, addressed to the Member at his address as it appears on the records of the Association, or at his last known address. If notice is given electronically, such notice shall be deemed to be delivered when sent. If notice is delivered by facsimile, such notice shall be deemed to be delivered upon facsimile confirmation.

3.5 Quorum. A majority of the votes entitled to be cast on a matter must be represented at a meeting of the Members, in person or by proxy, to constitute a quorum on that matter. When a quorum is present or represented at any meeting, the vote of a majority of Members entitled to vote, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provisions of the Covenants, Bylaws or the laws of the State of Montana, a different vote is required, in which case such express provision shall govern and control the decision of such question. If less than a majority of the Members entitled to vote are represented at a meeting, a majority of the Members entitled to vote may adjourn the meeting without further notice until a quorum is present and represented.

3.6 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary of the Association at least one (1) day prior to the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot, receipt of written notice by the secretary of the Association of the death or judicially declared incompetence of a Member, the expiration of eleven (11) months from the date of the proxy, the Member's attendance and voting in person at the meeting, or the Member's notice that the proxy is revoked. The proxy shall identify the person or persons authorized to exercise the proxy and the length of time it will be valid. If the Member specifies a choice in his or her proxy, the vote shall be cast in accordance with that choice. In addition, voting by proxy shall comply with any other applicable requirements of Mont. Code Ann. § 35-2-539.

3.7 Suspension of Membership Rights. The membership rights (including voting rights) of any Member may be suspended by action of the Board if the Member has failed to pay when due any assessment or charge lawfully imposed upon the Member or any property owned by the Member, or if the Member, his or her family, tenants, or guest of any of them, shall have violated the Covenants or any rule or regulation of the Board.

ARTICLE IV – BOARD OF DIRECTORS

4.1 General Powers. The business and affairs of the Association shall be managed by its Board of Directors (collectively, the "Board"). The Directors shall in all cases act as a board, and they may adopt such rules and regulations for the conduct of their meetings and the management of the Association, as they may deem proper, not inconsistent with these Bylaws, the Covenants and the laws of the State of Montana. The Board shall also have the rights, duties and obligations specified in the Articles and/or Covenants. The Board may employ a manager or management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize.

4.2 Number and Qualification. The initial Directors shall be Kevin Cook, Karl Cook, and Kevin Black, and each shall serve as the sole three (3) Directors until the Turnover Date. After the Turnover Date, the Association shall consist of three (3) Directors, two (2) of whom shall be appointed by the Declarant. The Declarant shall appoint one (1) Director to a one (1) year term, one (1) Director to a two (2) year term. The remaining Director shall be selected by a plurality vote of the Members, and shall serve a term of three (3) years. Thereafter, each Director shall be elected by a plurality of Members and shall each serve a term of three (3) years. A person who is not a member of the Association in good standing may not serve as a Director.

4.3 Turnover Meeting. On the Turnover Date, the Class "B" Member shall automatically convert to a Class "A" member entitled to one (1) vote for each of its Lots. At the annual member meeting following the Turnover Date ("Turnover Meeting"), the Declarant shall advise the membership of the termination of the Class "B" status.

4.4 Annual Meetings. The annual meeting of the Board of Directors shall be held on the first Tuesday of the month of December, or such month thereafter that is determined reasonably practical, at a date, time and place to be set and designated by the Board.

4.5 Special Meetings. Special meetings of the Board may be called by or at the written request of the President or any of the Directors. The person or persons authorized to call other meetings of the Directors may fix the place and time for the meeting.

4.6 Notice. Regular meetings of the Board of Directors may be held without notice. Except for an emergency meeting, notice of any other meeting of the Board shall be given at least two (2) days prior to the scheduled meeting, by written notice delivered personally, electronically or by facsimile transmission or mailed to each Director at the address most likely to be received by that person. If mailed, such notice shall be deemed to be delivered three (3) days after it was deposited in the United States mail, with proper postage pre-paid. If notice is given electronically, such notice shall be deemed to be delivered when sent. If notice be given by facsimile, such notice shall be deemed to be delivered upon facsimile confirmation.

The participation of a Director at a meeting 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 called or convened and such Director must file a written dissent with the person acting as Secretary of the meeting before the adjournment or immediately after adjournment of the meeting.

4.7 Emergency Meetings. Emergency meetings may be held, without notice, if the reason for the emergency is stated in the minutes.

4.8 Quorum. At any meeting of the Board, a majority of the total Directors shall constitute a quorum.

4.9 Manner of Acting. Each Director shall have one vote. If a quorum is present when a vote is taken, the affirmative vote of the majority of Directors present, is the act of the Board. However, the act of a single Director present at a meeting at which a quorum is present shall not be the act of the Directors unless a majority of the Directors in office vote in favor of authorizing such.

4.10 Action without Meeting. Action required or permitted to be taken at a Board meeting may be taken without a meeting if the action is approved by all members of the Board. The action must be evidenced by written consents (delivered personally, electronically, by facsimile or by mail) of all Directors.

4.11 Attendance. All Directors may participate in a regular or special meeting through the use of any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is considered to be present in person at the meeting.

4.12 Removal of Directors. After the Turnover Meeting, the Members may remove an elected Director by casting the number of votes that would be sufficient to elect a Director. A Director elected by the Members may be removed by the Members only at a meeting called for the purpose of removing the Director or in accordance with Mont. Code Ann. § 35-2-533. The meeting notice or ballot must state that the purpose or one of the purposes of the meeting or ballot is removal of the Director. Directors appointed by Declarant may only be removed by Declarant.

4.13 Resignation. A Director may resign at any time by giving written notice to the Board, the President or the Secretary of the Association. The resignation shall take effect at the date specified in the notice or if such date is not specified, then, upon receipt thereof by the Board or such officer. Acceptance of the resignation shall not be necessary to make it effective.

4.14 Vacancies. Prior to the Turnover Date, all vacancies on the Board shall be filled by Declarant. After the Turnover Date, all vacancies of elected Directors shall be filled by

the remaining Directors at a duly held meeting, and all vacancies of the appointed Directors shall be filled by Declarant. A successor director shall serve for the unexpired term of his or her predecessor.

4.15 Compensation: No Director shall receive compensation for any service rendered to the Association as a Director. However, any Director may be reimbursed for his or her actual expenses, if reasonable, incurred in the performance of his or her duties.

4.16 Indemnification: The Association shall indemnify every officer, director, and committee member against all expenses, including without limitation attorneys' fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member. The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available. In the sole discretion of the Board, the Association may agree to extend the indemnification provided in this paragraph to other associated agents or employees not otherwise covered by this indemnification, when appropriate.

ARTICLE V – OFFICERS

5.1 Enumeration of Officers. Officers of the Association shall be a President, a Secretary and a Treasurer, each of whom shall be appointed by and from the Board. Such other officers and assistant officers as may be deemed necessary may be appointed by the Board.

5.2 Term of Office. Each officer shall hold office until the earlier of his successor being duly appointed, or his death, resignation or removal.

5.3 Resignation and Removal. Any officer or agent appointed by the Board may be removed by the Board whenever in the Board's judgment the best interests of the Association would be served thereby. Any officer may resign at any time by giving written notice to the Board. Such resignation shall take effect at the date of receipt of such notice or at any later time specified therein. The acceptance of such resignation shall not be necessary to make it effective.

5.4 Vacancies. A vacancy in any office may be filled by the Board. The officer appointed to such vacancy shall serve the remainder of the term of the officer he or she replaces.

5.5 President. The President shall be the principal executive officer of the Master Association and, subject to the control of the Board, shall in general supervise and control all the business and affairs of the Association, including the filing of liens for unpaid assessments in accordance with the Covenants and the enforcement activities of the Association. He or she shall, when present, preside at all meetings of the Board. He or she may sign, with the Secretary or any other proper officer of the Association authorized by the Board, any deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the Covenants to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed, and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

5.6 Secretary. The Secretary shall keep the minutes of the Board meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of the Covenants and these Bylaws, be custodian of the Association records, regulations, rules and resolutions and of the seal of the Association and keep a register or the post office address of each Director which shall be furnished to the Secretary by each Director, and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Directors.

5.7 Treasurer. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board shall determine. He or she shall have charge and custody of and be responsible for all funds and securities of the Association, receive and give receipts for moneys due and payable to the Association from any source whatsoever, including assessments, and deposit all such moneys in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the Covenants. The Treasurer shall be responsible for the collection of periodic assessments to be collected. Further, the Treasurer shall record the assessments due and paid and shall prepare quarterly reports reflecting the Association's assets, including the assessments due and paid and shall mail or otherwise provide a copy of the quarterly reports to each Director. In general, the Treasurer shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the president or by the Directors.

5.8 Compensation. No officer shall receive compensation for any service rendered to the Association as an officer. However, any officer may be reimbursed for his or her actual expenses, if reasonable, incurred in the performance of his or her duties.

5.9 Other Duties, Obligations and Rights. The officers shall have all the duties, obligations and rights specified in the Covenants as well as those specified herein.

ARTICLE VI - CONTRACTS, LOANS, CHECKS AND DEPOSITS

6.1 Contracts. The Board 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 Association, and such authority may be general or confined to specific instances.

6.2 Loans. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless properly authorized by a majority vote of the Board. Such authority may be general or confined to specific instances.

6.3 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board.

6.4 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board may select.

ARTICLE VII – MAINTENANCE

7.1 Annual Review. The Board shall, on an annual basis, review and adopt a current year plan for repair, maintenance and operation of the Common Area and other property for which the Association is responsible as provided in the Covenants, and to perform other functions of the Association. The President shall implement this plan and the Treasurer shall pay for the expenses from Association funds collected. The Board shall also annually consider and document whether an IRS Rollover resolution is appropriate.

7.2 Repairs, Maintenance and Operation. Repairs, maintenance and operation of the Common Areas and other property for which the Association is responsible as provided in the Covenants, shall be performed on an “as needed” basis and the President is authorized to initiate all repairs and/or maintenance reflected in a budget approved by the Directors. Any repairs not reflected in a budget approved by the Directors shall be initiated by the President only after a majority of the Directors have adopted a resolution specifically authorizing the expense. Expenses for repair and maintenance shall be paid by the Treasurer of the Association from the Association funds received as assessments consistent with the Covenants. To implement

maintenance or operation resolutions, the President may employ any personnel reasonably necessary to properly effect said maintenance, repair, and/or operations.

ARTICLE VIII - FINANCIAL STATEMENTS, BUDGET AND RECORDS

8.1 Financial Statements. Within 120 days after the end of the fiscal year, the Board shall distribute to each Owner and, upon written request, any mortgagee, a copy of the annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Board may also distribute to each Owner and, upon written request, any mortgagee, any additional reports reflecting the financial status of the Association or the delinquency of any assessments.

8.2 Budget. The Board shall draft and approve an annual budget for each fiscal year. The budget may be amended by a majority vote of the Board. If no budget is adopted, the last existing budget shall continue until amended by the Board.

8.3 Records. The Board shall keep detailed records of the actions of the Board, including minutes of the meetings of the Board and minutes of the meetings of the Association. The Board shall also keep detailed and accurate financial records in chronological order of the receipts and expenditures of common obligations or of individual obligations for which the Board is serving as the conduit for payment of expenses. The Board shall also maintain an assessment roll in which there shall be an account for each Owner. Such account shall designate the name and address of the Owner, the amount of each assessment, the dates and amounts on which the assessment becomes due, the amounts paid upon the account and the balance due on the assessment.

ARTICLE IX - USE RULES AND REGULATIONS

The Board may adopt such rules and regulations regarding use and operation of the Common Area and the Association's Water as may be reasonably necessary, provided such rules and regulations are consistent with and are in compliance with the Covenants.

ARTICLE X - ASSESSMENTS

In compliance with the Covenants, the Board of Directors may authorize assessments against the Lots of Members of the Association.

ARTICLE XI - AMENDMENT

11.1 Amendment by Declarant. Declarant may unilaterally amend these Bylaws for any purpose, provided the amendment has no material adverse effect on the right of any Owner. Notwithstanding the above, so long as the Declarant owns at least 10% of the Property or

has any right to annex additional property into the Covenants, the Declarant may unilaterally amend these Bylaws if such amendment is (i) necessary to bring any provision in compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Lots; (v) otherwise necessary to satisfy the requirements of any governmental agency; or (vi) necessary for Declarant to develop in accordance with its Sales Place Estates master plan.

11.2 Amendment by Owners. Thereafter and otherwise, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof of seventy percent (70%) of the total Class "A" votes present at a meeting duly held pursuant to these Bylaws, and the consent of the Declarant, as long as the Declarant owns at least 10% of the Property or has any right to annex additional property into the Covenants.

11.3 Amendment by Board of Directors. The Board may adopt an amendment to the Bylaws provided one hundred percent (100%) of the Directors vote in favor of the adoption.

11.4 Restriction on Amendment. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. If an Owner consents to any amendment to these Bylaws, it will be conclusively presumed that such Owner has the authority so to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment. No amendment may remove, revoke, or modify any right or privilege of the Declarant, or increase the Declarants' obligations, without the written consent of the Declarant or the assignee of such right or privilege.

ARTICLE XII - MISCELLANEOUS

12.1 Conflicts. In the case of any conflict between the Articles and the Bylaws, the Articles shall control; and in the case of any conflict between the Covenants and these Bylaws, the Covenants shall control.

12.2 Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year. The fiscal year may be changed by the majority vote of the Board of Directors.

IN WITNESS WHEREOF, the undersigned Secretary and Treasurer hereby certifies that these Bylaws were adopted as the Bylaws of the Sales Place Estates Owners' Association, Inc., on the 31st day of March, 2020.



Kevin Cook, Director/President



Karl Cook, Director/Secretary



Kevin Black, Director/Treasurer