

Amended
Bylaws of
Bay Point Owners Association, Inc.

A Montana Nonprofit Corporation

Amended and restated

(LEGIBLE COPY FOR REFERENCE)
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Bylaws of
Bay Point Owners Association, Inc.

INTRODUCTION

The provisions of these Bylaws apply to the use and occupancy of BAY POINT ESTATES, a condominium development located in Flathead County, Whitefish, Montana.

ARTICLE 1
Name and Location

The name of this homeowners association ("Association") is BAY POINT OWNERS ASSOCIATION, INC.

ARTICLE 2
Definitions

2.1 "Declaration" shall mean and refer to the Merger of Condominiums and Amended Declaration applicable to the Property recorded on April 13, 1982, in Book 737, Pages 417 through 511, inclusive, as File No. _____ (n/a), official records of Flathead County, Montana.

2.2 Except as expressly stated herein and unless the context hereof requires otherwise, the definitions contained in the Declaration and in Section 70-23-102 of the Montana Unit Ownership Act are incorporated in these Bylaws by reference.

ARTICLE 3
Membership: Meetings of Members and Voting Rights

3.1 Membership. All owners of units in Bay Point on the Lake shall be Members of and constitute the Association. The owner of any unit shall automatically become a Member of the Association and shall remain a Member thereof until such time as the ownership of such unit ceases for any reason, at which time the corresponding membership in the Association shall automatically cease; provided, however, that to such extent and for such purposes, including voting, as shall be provided by the terms of any appropriate written document filed with the Board of Directors of the Association, the lessor, mortgagee, trust indenture beneficiary, or contract seller of any unit declared in default under such instrument shall be deemed to be the owner thereof.

Within ten (10) days after date an owner acquires an interest in a unit, said owner shall notify the Association manager of same and submit, in writing, owner's mailing

address, together with the sum of Twenty-five Dollars (\$25.00) to defray expenses incurred in correcting the Association's ownership records.

3.2 Annual Meetings. Regular annual meetings of the Members of the Association shall be held not less frequently than once each calendar year at the Project, on the second Saturday of October at 10:00 a. m., or at such other reasonable time as may be designated by written notice delivered or mailed in accordance with Paragraph 3.4.

3.3 Special Meetings. A special meeting of Members of the Association may be called by the President or by the Board (upon the vote for such a meeting by a majority of a quorum of the Board). A special meeting shall be called by the Board upon receipt of a written request therefor signed by Members representing not less than twenty-five percent (25%) of the total voting power of the Association.

3.4 Notice and Location of Meetings. At the direction of the President, the Secretary, or the officers or persons calling a meeting, written notice of regular and special meetings shall be given to all Members by personal delivery or by mailing a notice to each Member which shall specify the place, day, and hour of the business to be undertaken, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except in the case of an emergency, at least fifteen (15) days' notice (but not more than fifty [50] days' notice) of any meeting shall be provided prior to the meeting. Meetings of the Association shall be held within the Project. Notice shall also be delivered to any institutional lender filing a written request with the Association, and any such lender shall be permitted to designate a representative to attend all such meetings.

3.5 Quorum. The presence in person or by proxy of at least fifty percent (50%) of the total voting power of the Association shall constitute a quorum. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. The vote of a majority of the quorum present at any meeting shall constitute the vote of the Members and shall bind all members, whether or not present, unless expressly provided to the contrary in these Bylaws or in any future amendment thereto.

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 before the appointed time of each meeting. All proxies shall be valid only for the meeting for which the proxies are given (including any reconvened meeting in the event of an adjournment), unless provided otherwise in the proxy. Every proxy shall be revocable and shall automatically cease upon receipt of notice by the Secretary of the Board of the death or judicially-declared incompetence of such Member.

3.7 Adjournment. In the absence of a quorum at a Members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than ten (10) days and not more than thirty (30) days from the original meeting date. The quorum for such a reconvened meeting shall be twenty-five percent (25%) of the total voting power of the Association.

3.8 Voting Requirements. Except when otherwise expressly provided in the Declaration, the Articles or these Bylaws, any action by the Association which must have the approval of the Association membership before being undertaken shall require the vote or written assent of the prescribed percentage of the total voting power of the Association. Voting shall be done on a unit basis, each unit representing one vote. Votes may be cast in person or by proxy by the respective owners as shown in the record of ownership of the Association. An executor, administrator, guardian or trustee may vote for any unit owned or controlled by him in such capacity, whether or not the same shall have been transferred to his name in the Association's record of ownership, provided that he shall first present evidence satisfactory to the Secretary or Presiding Officer that he owns or controls such unit in such capacity. The vote for any unit owned of record by two or more persons may be exercised by any one of them present and, in the event of a disagreement between co-tenants, each co-tenant shall be entitled to only a share of such vote in proportion to his or her share of ownership in such unit.

3.9 Commencement of Voting Rights. Voting rights attributable to any unit shall not vest until an assessment has been levied against that unit by the Association, and the assessment has been paid, if due and payable at the time the vote is to be exercised.

ARTICLE 4

Board of Directors; Selection; Term of Office

4.1 For the year beginning October 12, 1980 and ending October 11, 1981, the Board shall consist of ten (10) at-large Directors. Each Director shall be a unit owner. The Directors elected on October 12, 1980, shall each serve a one-year term. Thereafter, there shall be seven (7) Directors elected at-large from among all unit owners and they shall serve staggered two-year terms as follows: Each of the first four Directors (the four Directors with the most votes) elected at the first meeting of the Association under these Bylaws shall serve a two-year term, and each of the other three Directors elected at that meeting shall serve a one-year term. Thereafter, all Directors shall be elected to two-year terms. All elections and appointments of Directors under these Bylaws shall be for such terms as will preserve the staggering of terms as provided in this Paragraph 4.1.

4.2 Election of Board of Directors.

4.2.1 Nomination. Nominations for election to the Board of Directors may be made from the floor at the annual meeting of the Association. Additionally, the Board may appoint a Nominating Committee, which shall consist of three (3) or more Members of the Association. If the Board determines to appoint a Nominating Committee, the Committee shall be appointed at least ninety (90) days prior to each annual meeting of the Members, to serve until the close of such annual meeting, and shall make as many nominations for election to the Board of Directors as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled.

4.2.2 Cumulative Voting. Beginning October 11, 1981, elections of Board members shall be by secret written ballot. All elections in which more than two (2) positions on the Board are to be filled shall be conducted by cumulative voting.

4.3 Removal. Unless the entire Board is removed from office by the vote of Association Members, an individual Director shall not be removed prior to the expiration of his term of office unless at least 60% of the members actually present at any Association meeting agree.

4.4 Vacancies. Vacancies in the Board caused by any reason other than the removal of a Director by the voting in of a replacement by the Members shall be filled by vote of the majority of the remaining Directors, and each person so elected shall be a Director for the remainder of the term of the Director he replaces, or until a successor is elected at a special meeting of the Members called for that purpose.

4.5 Executive Committee. For the year beginning October 12, 1980 and ending October 11, 1981, there shall be an Executive Committee composed of the duly-elected officers of the Board and two (2) at-large members from the Board who shall be selected by the Board on October 12, 1980, or within thirty (30) days thereafter. The Executive Committee may exercise the full powers of the Board between meetings of the Board.

ARTICLE 5 Meetings of Directors

5.1 Regular Meetings. Regular meetings of the Board shall be conducted at least semi-annually; immediately after the adjournment of the annual meeting of Members, and at intervals thereafter, at a time and place as may be fixed by the Board. Notice of the time and place of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least five (5) days prior to the day named for the meeting, and shall be posted at a prominent place or places within the Project.

5.2 Special Meetings. A special meeting of the Board may be called by written notice signed by the President (also referred to as Chairperson) of the Association or by any two (2) Directors other than the President. Notice shall be provided to all Directors and posted within the Project in the manner prescribed for notice of regular meetings and shall include a description of the nature of any special business to be considered by the Board.

5.3 Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place of the meeting, except where such attendance is for the limited and express purpose of objecting to the transaction of any business at the meeting because the meeting is not lawfully called or convened.

5.4 Quorum. For the Board elected on October 12, 1980, the presence in person of six (6) of the Directors at any meeting of the Board shall constitute a quorum. Thereafter, the presence of four (4) of the seven (7) Directors shall constitute a quorum. The vote of a majority of the quorum actually present at any meeting shall constitute the vote of the

Board unless expressly provided to the contrary in these Bylaws, or in any future amendment thereto.

5.5 Action by Consent of Directors. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action.

5.6 Adjournment; Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, 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 any and all business to be considered in executive session shall first be announced in open session.

5.7 Conflict of Interest. Any Board member having an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval or ratification, shall make a prompt, full and frank disclosure of his interest to the Board prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the Association's interest.

The Board shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use his personal influence on, nor participate (other than to present factual information or to respond to questions) in the discussions or deliberations with respect to such contract or transaction. Such person may not be counted in determining the existence of a quorum at any meeting where the contract or transaction is under discussion or is being voted upon. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable, the abstention from voting and participation, and whether a quorum was present.

For the purposes of this Section, a person shall be deemed to have an "interest" in a contract or other transaction if he is the party (or one of the parties) contracting or dealing with the Association, or is a director, trustee or officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Association.

The Board may adopt duality of interest policies requiring:

- (a) Regular annual statements from Board members that disclose existing and potential qualities of interest;
- (b) Corrective and disciplinary actions with respect to transgressions of such policies.

ARTICLE 6
Powers and Duties of the Board of Directors

6.1 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association. Without limitation on the generality of the foregoing powers and duties, the Board shall be vested with, and responsible for, the following powers and duties::

6.1.1 To select, appoint, supervise, and remove all officers, agents and employees of the Association; to prescribe such powers and duties for them as may be consistent with law, and with the Articles, the Declaration and these Bylaws; to fix the compensation of employees and agents, if any; and to require from them security for faithful service when deemed advisable by the Board;

6.1.2 To enforce the applicable provisions of the Declaration, Articles, these Bylaws and other instruments relating to the ownership, management and control of the Project;

6.1.3 To adopt and publish rules and regulations governing the use of any Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish procedures and penalties for the infraction thereof, subject only to disapproval by vote of the membership at a regular or special meeting of the Association;

6.1.4 To pay all taxes and assessments which are, or could become, a lien on any Commoner or a portion thereof;

6.1.5 To contract for casualty, liability and other insurance on behalf of the Association as required or permitted;

6.1.6 To cause any Common Area to be maintained and to contract for goods and/or services for any Common Area or for the Association, subject to the limitations set forth in this Article;

6.1.7 To delegate its powers to committees, officers or employees of the Association, or to a management company pursuant to a written contract, as expressly authorized by the Articles, Declaration and these Bylaws;

6.1.8 To keep complete and accurate books and records of the receipts and expenditures of the Association (relating to the Common Areas and otherwise), specifying and itemizing the maintenance and repair expenses incurred, and to prepare budgets and financial statements for the Association as required in these Bylaws in accordance with good accounting procedures; to provide for independent audits as required by law and these Bylaws;

6.1.9 To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Articles, Declaration, these Bylaws

and such rules as may be promulgated by the Board, in accordance with procedures set forth in these Bylaws;

6.1.10 To enter upon any privately-owned unit as necessary in connection with construction, maintenance or emergency repair for the benefit of the Project or the owners;

6.1.11 To borrow money and incur indebtedness for purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor, subject to the approval requirements of the Articles, these Bylaws, or the law;

6.1.12 To fix and collect regular and special assessments according to the Declaration and these Bylaws, and, if necessary, to record a notice of assessment and foreclose the lien against any unit for which an assessment is not paid within thirty (30) days after the due date, or bring an action at law against the owner personally obligated to pay such assessment;

6.1.13 To prepare and file annual tax returns with the federal government and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association. Without limiting the generality of the foregoing, the Board may, on behalf of the Association, elect to be taxed under Section 528 of the Internal Revenue Code or any successor or similar statute conferring income tax benefits on homeowners associations which may be available. In connection therewith, the Board shall take such steps as are necessary to assure that the income and expenses of the Association for any taxable year shall meet the necessary limitations and restrictions.

6.1.14 To, at the sole discretion of the Board, maintain fidelity bonds on any Board member, employee, or agent who handles Association funds, naming the Association as obligee.

6.2 Limitation on Board's Power. Except with the vote or written assent of a majority of the voting power of the Association, the Board shall be prohibited from taking any of the following actions:

6.2.1 Incurring aggregate expenditures for capital improvements to any Common Area in any fiscal year in excess of twenty-five percent (25%) of the budgeted gross expenses of the Association for that fiscal year.

6.2.2 Selling during any fiscal year property of the Association having an aggregate fair market value greater than ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year.

6.2.3 Paying compensation to Directors or to officers of the Association for services performed in the conduct of the Association's business, provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

6.2.4 Entering into a contract with a third person wherein the third person will furnish goods or services for any Common Area or the Association for a term longer than one (1) year with the following exceptions:

6.2.4.1 A management contract;

6.2.4.2 A contract with a public utility company if the rates charged for the materials or services are regulated by government authority; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

6.2.4.3 Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits for short rate cancellation by the insured;

Any agreement for professional management of the Project shall provide for termination by either party with cause and without payment of a termination fee on no more than thirty (30) days written notice and shall provide for a maximum contract term of three (3) years. Termination of professional management shall require a two-thirds (2/3) vote of the full Board of Directors.

ARTICLE 7 Officers and Duties

7.1 Enumeration and Term. The officers of this Association shall be a President (also referred to as Chairperson), Vice-President (also referred to as Vice-Chairperson), Secretary, and Treasurer, and such other officers as the Board may, from time to time, by resolution create. The officers shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

7.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

7.3 Resignation and Removal. Any officer may be removed from office by a majority of the Board at any time with or without cause. 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 any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

7.5 Duties. The duties of the officers are as follows:

7.6.1 President (Chairperson). The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign all checks (unless the authority to sign checks in the ordinary course of Association business has been delegated by the Board, in writing to a manager or management company as provided in these Bylaws) and promissory notes.

7.6.2 Vice-President (Vice-Chairperson). The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

7.6.3 Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

7.6.4 Treasurer. The Treasurer shall receive and deposit, in appropriate bank accounts, all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; and shall keep proper books of account and prepare or have prepared financial statements as required in these Bylaws. The duty of the Treasurer to receive and deposit funds and to sign checks in the ordinary course of Association business may be delegated to a manager or management company as provided in these Bylaws.

ARTICLE 8 Maintenance and Assessments

8.1 Pursuant to the procedures and guidelines set forth in the Declaration, the Board shall levy, collect and enforce regular and special assessments for the operation of the Association, and for the management, maintenance and operation of any Common Area. The assessments shall be used exclusively to promote the recreation, health, safety and welfare of all residents in the entire Project and for the improvement and maintenance of the Common Area for the common good of the Project. Regular assessments shall include an adequate reserve fund for maintenance, repairs and replacement of the Common Area.

8.2 In the event of default by any unit owner in paying the Board of Directors the monthly assessed common expenses, the Board of Directors shall have the right to declare the entire annual assessment due and owing. The Board shall also have the right to assess a late penalty amounting to Ten Dollars (\$10.00) per month for monthly fees unpaid after the tenth day of any month. Furthermore, when a unit owner is declared to be in default, such unit owner shall be obligated to pay interest at the highest legal rate permitted on such common expenses from the due date thereof together with all expenses

including a reasonable attorney's fee incurred by the Board of Directors in any proceeding brought to collect such unpaid common expenses. The Board of Directors shall have the right and duty to attempt to recover such common expenses together with interest thereon and the expenses of the proceeding including attorney's fees in an action brought against such unit owner or by foreclosure of the lien on such suit granted by Section 70-23-608, Montana Code Annotated, 1978; provided, however, that the purchaser at a foreclosure sale resulting from default under a first mortgage or trust indenture or a contract vendor reclaiming under applicable default provisions shall, consistent with Section 70-23-610, Montana Code Annotated, 1978, be responsible for no more than that unit's proportionate share of the accrued common expenses in arrears on his or her unit. That proportionate share shall be the same as the percentage interest in the common elements appertaining to that unit. Liens for common expenses shall be subordinate to a mortgage or trust indenture to participate in any action resulting from liens for common expenses.

8.3 In any action brought by the Board of Directors to foreclose a lien on a unit or units because of unpaid common expenses, the unit owner shall be required to pay a reasonable rental for the use of his unit or units from the date the action is commenced and the plaintiff in such action shall be entitled to the appointment of a receiver to collect such rental. The Board of Directors, or the manager acting on behalf of the unit owners, shall have the power to purchase such unit or units at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey or otherwise deal with the same. A suit to recover the money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same; provided, however, that no such suit or judgment shall be brought against a purchaser who obtains title as a result of foreclosure of the first mortgage or trust indenture for costs not incurred by him as an owner.

ARTICLE 9

Discipline of Members; Suspension of Rights

The Association shall have no power to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of his individually-owned unit on account of a failure by the owner to comply with provisions of the Declaration, Articles, these Bylaws, or of duly enacted rules of operation for any Common Area and facilities, except where the loss of forfeiture is the result of the judgment of a court or a decision arising out of arbitration or for failure of the owner to pay assessments levied by the Association as set forth in Article 8 of these Bylaws. Notwithstanding the foregoing, the Board shall have the power to impose monetary penalties, temporary suspensions of an owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Declaration, Articles, these Bylaws or duly enacted rules; provided that the accused shall be given notice and the opportunity to be heard by the Board with respect to the alleged violations before a decision to impose discipline is reached. In the case in which monetary penalties are to be imposed, such penalties shall include actual attorney's fees and all costs in connection with the collection of such penalties.

ARTICLE 10
Budgets, Financial Statements, Books and Records

10.1 Budgets and Financial Statements. Financial statements and pro forma operating budgets for the Association shall be regularly prepared (at least annually) and copies shall be distributed to each Member of the Association at least fifteen (15) days prior to the annual meeting of Members. All books and records shall be reviewed at least annually by an independent auditor. The Board of Directors shall, however, have the power to require an audit as it deems necessary.

10.2 Fiscal Year. The fiscal year of the Association shall be as designated by resolution of the Board. In the absence of such a resolution, the fiscal year shall be the calendar year.

10.3 Inspection of Association's Books and Reports. The membership register, books of account, vouchers authorizing payments, and minutes of meetings of the Members, of the Board, and of committees of the Board of the Association shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within or near the Project as the Board shall prescribe. Such inspection may take place on weekdays during normal business hours, following at least forty-eight (48) hours written notice to the Board by the Member desiring to make the inspection. Any Member desiring copies of any document shall pay the reasonable cost of reproduction. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents.

ARTICLE 11
Amendment of Bylaws

11.1 No amendment of the Bylaws shall be effective unless approved by seventy-five percent (75%) of the unit owners and until a copy of the Bylaws, as amended, certified by the Presiding Officer and Secretary of the Association is recorded.

11.2 An amendment may be proposed at any regular meeting of the Board of Directors by a majority of such Directors (or it may be proposed by written petition of thirty percent [30%] or more of the unit owners) presented at a regular or special meeting of the Board of Directors. Such proposed amendments shall be sent by registered or certified mail to each unit owner, and shall be voted upon by unit owners by secret ballot at an election to be set by the Board of Directors no more than one month after such amendment is proposed.

ARTICLE 12 Insurance

12.1 Requirement. All insurance policies shall be purchased by the Association and shall be issued by an insurance company authorized to do business in Montana.

12.1.1 Names Insured--Personal Property. The named insured shall be the Association individually as agent for the unit owners without naming them. Such policies shall provide that payments for losses thereunder by the insurer shall be paid to the insurance Trustee hereinafter designated, and all policies and endorsements thereon shall be deposited with the insurance Trustee. Unit owners may obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expenses.

12.1.2 Copies to Mortgagees. One (1) copy of each insurance policy and of all endorsements thereon shall be furnished by the insurer to each mortgagee of a unit owner on request.

12.2 Coverage.

12.2.1 Casualty. All buildings and improvements upon the land shall be insured to an amount equal to the full insurable replacement value and all personal property included in the common elements shall be fully insured, with all such insurance to be based on current replacement value, all as determined annually by the Board, the insurer and any first lienholders or their representatives, but subject to such deductible clauses as are required in order to obtain coverage at reasonable costs, and which coverage shall be increased by the Board as may be necessary to provide that the insurance proceeds will be sufficient to cover replacement, repairs or reconstruction. Such coverage shall afford protection against:

- (a) Loss or damage by fire and other hazards covered by a standard extended coverage endorsement, and
- (b) Such other risks as may from time to time shall customarily be covered with respect to buildings similar in construction, location and use as the buildings on the land, and
- (c) Errors and Omissions insurance for the Directors, officers and managers if the Association so desires, in amounts to be determined by the Board.

The policies shall state whether the following items are included within the coverage in order that the unit owners may insure themselves if the items are not insured by the Association: heating, service equipment such as dishwasher, disposal, laundry, fireplaces, refrigerator, stove, oven, whether or not such items are built-in equipment, interior fixtures such as electrical and plumbing fixtures, floor coverings, inside paint and other inside wall finishings.

12.2.2 Public Liability. In such amounts and with such coverage as shall be required by the Board of Directors of the Association, including, but not limited to, hired automobile and non-owned automobile coverage, if applicable, and with cross-liability endorsement to cover liabilities of the unit owners as a group to a unit owner.

12.2.3 Other Insurance. Such other insurance as the Board of Directors of the Association shall determine from time to time to be desirable and as may be required by federal and state laws.

12.3 Premiums. Premiums upon insurance policies purchased by the Association shall be paid by the Association as a common expense, except that the amount of increase in the premium occasioned by use for other than a residence, misuse, occupancy or abandonment of a unit or its appurtenances or of the common elements by a unit owner shall be assessed against that owner. Not less than ten (10) days prior to the date when a premium is due, evidence of such payment shall be furnished by the Association to each lienholder listed in the roster of lienholders.

12.4 Insurance Trustee. All insurance policies purchased by the Association shall be for the benefit of the Association and the unit owners and their mortgagees as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to such bank in Montana with trust powers as may be designated as Insurance Trustee by the Board of Directors of the Association, which Trustee is herein referred to as the Insurance Trustee. The Insurance Trustee shall not be liable for payment of premium nor for the renewal or the sufficiency of policies nor for the failure to collect any insurance proceeds. The duty of the Insurance Trustee shall be to receive such proceeds as are paid and hold the same in trust for the purposes elsewhere stated in this instrument and for the benefit of the unit owners and their mortgages in the following shares, but which shares need not be set forth in the records of the Insurance Trustee.

12.4.1 Unit Owners. An undivided share for each unit owner, such share being the same as the undivided share in the common elements appurtenant to his unit.

12.4.2 Mortgagees. In the event a mortgagee endorsement has been issued as to a unit, the share of the unit owner shall be held in trust for the mortgagee and the unit owner as their interests may appear, provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired, and no mortgagee shall have any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except distributions thereof made to a unit owner and mortgagee pursuant to the provisions of this Declaration.

12.5 Distribution of Proceeds. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the beneficial owners in the following manner:

12.5.1 Miscellaneous. Expenses of administration, Insurance Trustee and construction or remodeling supervision shall be considered as a part of the cost of construction, replacement or repair.

12.5.2 Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed by the Association, the remaining proceeds shall be paid to defray the cost thereof as elsewhere provided.

12.5.3 If there is no reconstruction or repair, the first proceeds for distribution, after paying the Insurance Trustee, shall be made to the first lienholders for such units before distribution to the unit owners.

12.5.4 Certificate. In making distribution to unit owners and their lienholders, the Insurance Trustee may rely upon a certificate of the Association made by its representative or manager as to the names of the unit owners and their respective shares of the distribution.

12.6 Association as Agent. The Association is irrevocably appointed as agent for each unit owner and for each owner of a mortgage or other lien upon a unit and for each owner of any other interest in the condominium property to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

12.7 Benefit to Mortgagees. Certain provisions in this paragraph entitled "Insurance" are for the benefit of mortgagees or trust indenture beneficiaries of condominium parcels, and all such provisions are covenants for the benefit of any mortgagee of a unit and may be enforced by such mortgagee or beneficiary.

12.8 Notification. The owners Association shall, upon request, notify the holder of any first lien or any of the units of the occurrence of any loss in excess of \$10,000.00 within thirty (30) days of such loss.

12.9 Reconstruction.

12.9.1 Repair after Casualty. If any part of the condominium property shall be damaged by casualty, whether or not it shall be reconstructed or repaired, shall be determined in the following manner:

12.9.2 Lesser Damage. If a unit or units are found by the Board of Directors of the Association to be tenantable after the casualty, the damaged property shall be repaired.

12.9.3 If less than all the units are found by the Board of Directors to be not tenantable after the casualty, the damaged property shall be reconstructed or rebuilt.

12.9.4 In the event all of the units are damaged or destroyed and the owners Association elects not to rebuild as herein provided, the insurance proceeds shall be used to satisfy any outstanding liens or encumbrances on the property and the surplus, if any, distributed to the owners in an amount equal to their percentage of interest in the property. Thereafter, the condominium shall be terminated in the manner provided for by law.

12.9.5 Certificate. The Insurance Trustee may rely upon a certificate of the Association made by its Chairman, President or manager to determine whether or not the damaged property is to be reconstructed or rebuilt.

12.9.6 Plans and Specifications. Any reconstruction or repair must be substantially in accord with the plans and specifications for the original improvements, or, if not, then according to plans and specifications approved by not less than a majority of the unit owners, including the owners of all units the plans for which are to be altered. Any such reconstruction not in accordance with the original plans and specifications must be set forth in an amendment to this Declaration, which amendment shall be prepared and filed of record in accordance with the provisions of such amended filing, more particularly set forth in Paragraph VIII and Paragraph IX, subparagraph 1 hereinabove.

12.9.7 Responsibility. The responsibility for reconstruction or repair after casualty shall be the same as for maintenance and repair in the condominium property.

12.9.8 Assessments. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction or repair for which the Association is responsible, or if at any time during such reconstruction or repair, or upon completion of such reconstruction or repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all unit owners in sufficient amounts to provide funds for the payment of such costs. Such assessment shall be in proportion to the owner's percentage of interest in the general common elements.

12.9.9 Construction Funds. The funds for payment of costs of reconstruction or repair after casualty, which shall consist of proceeds of insurance held by the Insurance Trustee and funds collected by the Association from assessments against unit owners, shall be disbursed in the sole discretion of the Trustee and according to the contract of reconstruction or repair, which contract must have the approval of the Board of the unit owners involved.

12.9.10 Surplus. It shall be presumed that the first monies disbursed in payment of costs of reconstruction and repair shall be from the insurance proceeds. If there is a balance in a construction fund after payment of all costs of the reconstruction and repair for which the fund is established, such balance shall be paid to the Association for the use and benefit of the unit owners.

ARTICLE 13 Miscellaneous Provisions

13.1 Regulations. All owners, 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 Bylaws and in the Project Documents and to all reasonable rules enacted pursuant to the Declaration. Acquisition, rental or occupancy of any unit shall constitute acceptance and ratification of the provisions of all such rules and regulations.

13.2 Compensation and Indemnity of Officers and Directors. No Director or officer shall receive any loan from the Association, or shall receive any compensation for services rendered for or on behalf of the Association, except reimbursement according to Article 6 of these Bylaws. To the maximum extent permitted by the Montana Nonprofit Corporation Act, each Director and officer shall be indemnified by the Association against all expenses and liability, including attorney's fees, reasonably incurred by or imposed upon him by judgment or settlement in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or officer of the Association, except in cases of fraud, gross negligence or bad faith of the Director or officer in the performance of his duties.

13.3 Committee. The Board may appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose, provided, however, that the power and authority of any such committee shall be limited according to the Montana Nonprofit Corporation Act.

13.4 Notices. Any notice permitted or required to be given by the Project Documents may be delivered either personally or by mail or as otherwise specifically provided in the Project Documents. If delivery is by mail, it shall be deemed to have been given five (5) days after a copy of the same has been deposited in the Canadian or United States mail, first class, postage prepaid, addressed to each person at the current address given by such person to the Secretary of the Association or addressed to the unit of such person if no address has been given to the Secretary.

13.5 Conflicts. These Bylaws are set forth to comply with the requirements of Section 70-23-307 and 70-23-308 Montana Code Annotated, 1978. In case any of these Bylaws conflict with the provisions of such statutes or of the Declaration, the provisions of such statute or of the Declaration, as the case may be, shall control.

13.6 Severability. The invalidity of any part of these Bylaws shall not affect or impair in any manner the validity, enforceability, or effect of the balance of these Bylaws.

13.7 Captions. The paragraph captions herein are inserted as a matter of convenience and for reference only. They do not, in any way, affect the terms and provisions hereof.

13.8 No Waiver of Rights. The failure of the Association or of an owner to enforce any right, provision, covenant or condition which may be granted by the condominium documents, shall not constitute a waiver of the right of the Association or owner to enforce such right, provision, covenant or condition in the future.

ADOPTION OF BYLAWS

I, the undersigned, the duly elected and acting President of BAY POINT OWNERS ASSOCIATION, INC., do hereby certify that the within and foregoing Bylaws of BAY POINT OWNERS ASSOCIATION, INC. were adopted on October 11, 1980, by the Board of Directors to become effective after adoption by the Association membership at their annual meeting and recordation required by law.

Executed by the undersigned on this 13 day of FEBRUARY
1981

President

I, the undersigned, the duly elected and acting Secretary of BAY POINT OWNERS ASSOCIATION, INC., do hereby certify:

That the within and foregoing Bylaws were adopted as the Bylaws of said Association on October 12, 1980, by the membership of the Association and that the same will constitute the Bylaws of said Association upon recordation and shall relate back to the date of adoption by the Association membership.

Executed by the undersigned on this 13 day of FEBRUARY

Secretary