

**BYLAWS
OF
WATERSIDE CONDOMINIUM OWNERS ASSOCIATION, INC.**

ARTICLE I

Section 1. The provisions of these Bylaws are applicable to a condominium located on real property described in the Declaration of Condominium of Waterside Condominium filed or to be filed with the Flathead County Clerk and Recorder, to which a copy of these Bylaws is attached, in accordance with the provisions of the Montana Unit Ownership Act, Title 70, Chapter 23, Montana Code Annotated, and such subsequent phases of Waterside Condominium, if any, as may hereafter be subjected to the provisions hereof. Should subsequent phases of the Waterside Condominium development be subjected to the terms of the Montana Unit Ownership Act, a copy of these Bylaws shall be recorded simultaneously with the Declaration of Condominium of Waterside Condominium (or with the Amended Declaration) to which these relate, all in accordance with Section 70-23-301, Montana Code Annotated. All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Declaration.

Section 2. All present or future Owners, tenants, future tenants, or their employees, or any other person who might use the facilities of the Property in any manner, are subject to the regulations set forth in these Bylaws. The acquisition or rental of any of the Units of the Property or the occupancy of any of the Units shall signify that these Bylaws are accepted and ratified.

ARTICLE II

Section 1. The "Unit Owner" of a Unit on the Property means the person owning a Unit in fee simple absolute individually or as co-owner in any real estate tenancy relationship recognized under the laws of the State of Montana. Each Unit Owner, by virtue of ownership, shall be a Member of the Waterside Condominium Owners Association (the "Association"). If ownership of any Unit is vested in more than one person or entity, each person or entity shall be a Member, but the co-Owners or joint Owners shall be deemed to be one Unit Owner for the purpose of voting and shall be entitled to vote only in accordance with the provisions of the Bylaws on voting.

Section 2. Each Unit Owner shall be entitled to a voting interest equal to his, her or its percentage interest in the General Common Elements as set forth in the Declaration or Declaration as Amended. The vote for any Unit owned by more than one person or entity shall be exercised as the co-Owners may among themselves determine, but in no event shall the vote with respect to any one Unit exceed the total voting interest provided for in this Section

Section 3. As used in these Bylaws, the term "Majority of Owners" shall mean the Owners holding fifty-one percent (51%) of the votes assigned as provided in these Bylaws. Ownership shall be determined according to the records of the Clerk and Recorder of Flathead County, Montana provided, however, that an executor, administrator, guardian, or trustee may vote in person or by proxy with respect to any dwelling or Unit owned or held by him, her or it in such capacity, whether or not ownership shall have been transferred to his, her or its name by a duly recorded conveyance.

Section 4. Except as otherwise provided in the Bylaws, the presence in person or by proxy of ten percent (10%) of Unit Owners shall constitute a quorum. If, however, a quorum shall not be present or represented

at any meeting, the Members entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present.

Section 5. At all meetings of Unit Owners, each Unit Owner may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the Unit Owner of its Unit. While every proxy shall be revocable, the authority contained therein, unless otherwise limited by its terms, shall be deemed to continue in effect until revoked in writing or until the recording of a conveyance by the Unit Owner of its Unit. Whenever a Unit is owned by two or more persons or entities, the Unit Owners' voting interest may be exercised by any one of the Unit Owners present in the absence of protest by the other Unit Owners.

ARTICLE III

Section 1. The Association shall administer the operation of Waterside Condominium, approve the annual budget, establish and collect assessments, and arrange for the management of the project pursuant to an agreement containing provisions relating to the duties, obligations, removal, and compensation of the management agent. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a majority vote of Owners attending any meeting of the Association (whether in person or by proxy) at which a quorum is present.

Section 2. The Association shall convene an organizational meeting no later than 120 days after the Declaration has been filed with the Clerk and Recorder of Flathead County, Montana.

Section 3. The Association shall convene its annual meeting at the time and place specified in the written notice provided to Members of the Association as provided in Section 5 of this Article.

Section 4. Any two (2) Members of the Board of Directors or the management agent, by written request, may call a special meeting at any time.

Section 5. The Association shall deliver written notice of any annual or special meeting to each Unit Owner no less than ten (10) days prior to the date of the meeting. The notice shall specify the time, date, place, and purpose of the meeting. The Association shall deliver the notice to each Unit Owner personally by leaving the notice at the Unit Owner's usual place of business or by mailing it, postage prepaid, addressed to the Unit Owner at his last known address as reflected by the Association's records. If notice is given pursuant to the provisions of this Section, the failure of any Unit Owner to receive actual notice of the meeting shall in no way invalidate the meeting or any proceedings conducted at the meeting.

Section 6. The Association shall transact no business at a special meeting except as stated in the notice unless by consent of two-thirds ($\frac{2}{3}$) of the Board of Directors present, either in person or by proxy.

Section 7. The order of business at all meetings of the Association shall be as follows:

- a. Proof of Notice of Meeting or Waiver of Notice.
- b. Determination of quorum.
- c. Reading of Minutes of preceding meeting.
- d. Reports of officers.
- e. Reports of committees.

- f. Appointment of Directors, if applicable.
- g. Unfinished business.
- h. New business.
- i. Adjournment.

ARTICLE IV

Section 1. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons. The initial Directors are identified in the Articles of Incorporation of Waterside Condominium Owners Association, Inc.

Section 2. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not by law or by these Bylaws directed to be exercised or done by the Unit Owners. The Board of Directors shall serve without compensation.

Section 3. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall have the following powers and duties:

- a. To enforce the provisions of the Declaration and Bylaws by appropriate action.
- b. To provide for management of the Property by contracting with a suitable and capable manager or management company for operation and maintenance of the Property.
- c. To impose, charge, and collect assessments as allowed by the Bylaws and the Declaration.
- d. To delegate authority to the manager for routine conduct of business, subject at all times, however, to ultimate authority residing in the Board of Directors.
- e. To prepare an annual budget in order to determine the amount of the assessments payable by the Unit Owners to meet Common Expenses, and to allocate and assess common charges among Unit Owners according to their respective interests in the General Common Elements.
- f. To impose, charge, and collect special assessments whenever necessary in order to meet increased operating or maintenance expenses or because of emergency.
- g. To take appropriate legal action to collect delinquent assessments, and to impose, charge, and collect penalties and charge interest in accordance with these Bylaws.
- h. To defend, in the name of the Association, any and all lawsuits wherein the Association is a party defendant or the Property is at issue.
- i. To enter into contracts and agreements necessary to carry out the duties set forth in these Bylaws.
- j. To establish a bank account for the Association and to keep records and accounts according to generally accepted accounting practices.

- k. To establish rules and regulations for conduct, behavior, and use of the General Common and Limited Common Elements.
- l. To make repairs, alterations, additions, and improvements to the General Common and Limited Common Elements consistent with managing Waterside Condominium in the best interest of the Unit Owners.

Section 4. The Members of the Board of Directors shall serve staggered terms of two (2) years, with the terms of two (2) Members of the Board of Directors expiring in even years and the terms of three (3) Members of the Board of Directors expiring in odd years. The Directors shall hold office until their successors have been appointed and hold their first meeting.

Section 5. A Director may be removed by a vote of the Unit Owners of at least fifty-one percent (51%) of the undivided interests in the General Common Elements. Vacancies on the Board of Directors, however, must be filled in accordance with Article IV, Section 7 of these Bylaws.

Section 6. No Director shall receive remuneration for services performed by him or her for the Association in any other capacity unless the Board of Directors unanimously adopts a resolution authorizing the remuneration before the services are undertaken. A Director may not be an employee of the Association.

Section 7. If a vacancy occurs in the Directors, the remaining Directors shall appoint another Director to then and there fill the vacancy for the remainder of the term. However, if a Director is removed pursuant to Article IV, Section 5 of these Bylaws, the Unit Owners then voting shall, at the time of removal, appoint a new Director by majority vote.

Section 8. The Board of Directors shall hold their first meeting immediately following the annual meeting of the Association and, provided that a majority of the Board of Directors is present, no notice shall be necessary to the newly appointed Directors in order to legally constitute such a meeting.

Section 9. The Board of Directors may hold regular meetings at such time and place as shall be determined from time to time by a majority of the Directors provided, however, that the Board of Directors shall hold at least two (2) regular meetings during each fiscal year. The Board of Directors shall give notice of its regular meetings to each Director, personally or by mail, telephone, or telegraph, at least three (3) days prior to the day named for the meeting.

Section 10. The Chairman of the Board of Directors may call special meetings on three (3) days notice to each Director, given personally or by mail, telephone, or telegraph, stating the time, date, place, and purpose of the meeting. The President or Secretary of the Board of Directors shall call special meetings in a like manner and on a like notice upon the written request of at least two (2) Directors. All Directors' meetings shall be held within Flathead County, Montana.

Section 11. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of the meeting, and the waiver shall be deemed equivalent to the giving of notice. Furthermore, attendance by a Director at any meeting of the Board of Directors shall constitute waiver of notice by him or her of the time and place of the meeting. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 12. A majority of the Directors shall constitute a quorum of the Board of Directors for the transaction of business at any meeting. If, however, a quorum is not present or represented at any meeting, the Directors present at the meeting shall have the power to adjourn the meeting from time to time without notice other than an announcement at the meeting until a quorum shall be present or be represented. If a

quorum shall be present or be represented at the meeting following such adjournment, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. The Board of Directors may require that officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds, with the premiums on such bonds to be paid by the Association.

Section 14. In the event there is a deadlock in voting of the Board of Directors, the Members of said Board shall mutually agree upon the appointment of a mediator who shall decide the deadlocked issue. The mediator's decision shall be binding upon the Board of Directors.

ARTICLE V

Section 1. The Board of Directors, at its annual meeting, shall elect the following officers: Chairman, Vice-Chairman, Secretary, and Treasurer, and may elect any assistants the Board of Directors may deem necessary. The officers shall be Directors.

Section 2. The officers of the Association shall hold office at the pleasure of the Board of Directors, and in the event of a vacancy, the Board of Directors shall elect a successor at any regular meeting or at any special meeting called for that purpose.

Section 3. The Chairman shall preside at all meetings of the Association and of the Board of Directors. The Chairman shall have general supervision over the affairs of the Association and its officers and all of the powers and duties usually vested in the office of president or chairman of an association including, but not limited to, the power to appoint committees from among the Unit Owners from time to time as the Chairman may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 4. The Vice-Chairman shall act for the Chairman in the event of the absence or disability of the latter and shall also perform any other duties as from time to time may be imposed upon him or her by the Board of Directors.

Section 5. The Secretary shall keep all books and records of the Association and of the Board of Directors and shall record all Minutes of meetings of both.

Section 6. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in any depositories as the Board of Directors may from time to time designate.

ARTICLE VI

Section 1. The Board of Directors shall approve assessments against the Unit Owners, and the Unit Owners shall pay the assessments to the Association in accordance with the following provisions:

- a. The Board of Directors shall approve assessments for the repair, replacement, general maintenance, management, and administration of the General Common and Limited Common Elements and for payment of insurance premiums. The Board of Directors shall base and compute the assessments on the percentage interest that each Unit Owner has in the General Common Elements as provided in the Declaration.

- b. The Unit Owners shall pay any assessments imposed and charged in the proportions set forth in the provision of the Declaration authorizing the assessment.
- c. The Board of Directors may maintain separate accounts for operating expenses and for reserves. The Board of Directors shall, however, account for the funds collected from each Unit Owner separately and shall pay the Common Expenses in the same proportion in which the Board of Directors collected the assessments. The Board of Directors shall maintain the following records:
 - i. Common Expense Records - to which shall be credited collections for assessments for all Common Expenses including liability and hazard insurance premiums and payments received for defraying costs of the use, reconstruction, and repair of Common Elements.
 - ii. Alteration and Improvement Accounts - to which the Board of Directors shall credit all sums collected for alteration and improvement assessments.
 - iii. Emergency Account - to which the Board of Directors shall credit all sums collected for emergencies.
- d. All Unit Owners shall be obligated to pay assessments for Common Expenses in monthly installments. The Board of Directors shall impose, charge, and collect assessments for Common Expenses for each fiscal year (January 1 through December 31) reasonably required for the proper management, maintenance, and operation of the Common Elements. The annual assessments shall be due and payable in twelve (12) equal consecutive monthly payments due on the first day of each month. The total of the assessments shall be in the amount of the estimated Common Expenses for the year including a reasonable allowance for contingency and reserves less the amounts of unneeded Common Expense account balances. If an annual assessment is not made as required, a payment in the amount required in the last prior assessment shall be due upon each assessment payment date until changed by a new assessment.
- e. The Board of Directors shall impose, charge, and collect other assessments in accordance with the provisions of the Declaration to be paid at the time determined by the Board of Directors.
- f. The Secretary and Treasurer shall maintain records showing assessments made against Unit Owners. The Secretary and Treasurer shall make the records available for inspection by Unit Owners at all reasonable times. The records shall show the amounts of all assessments paid and unpaid. The Treasurer may issue certificates as to the status of a Unit Owner's assessment account to any person or entity the Unit Owner may request in writing, and the certificates shall limit the liability of any person or entity to whom it is addressed other than the Unit Owner.
- g. Unit Owners and their grantees shall be jointly and severally liable for all unpaid assessments due and payable at the time of a conveyance without prejudice to the rights of the grantee to recover from the grantor the amounts paid by the grantee therefor. Unpaid portions of assessments which are due shall be secured by a lien upon the Unit as provided in the Declaration upon the filing of a claim in accordance with the provisions of Section 70-23-607 of the Montana Code Annotated.

- h. Any portion of an assessment paid more than fifteen (15) days after the date when due shall bear interest at the rate established from time to time by the Board of Directors, but in no event shall the interest rate exceed the maximum rate permitted by Montana law. The Board of Directors shall apply all payments first to interest due and then to the earliest assessment due. The Board of Directors shall credit the Common Expense account with all interest collected.

Section 2. Maintenance and Repair.

- a. Every Unit Owner must perform promptly all maintenance and repair work within its own Unit which, if omitted, would affect the project in its entirety or in any part belonging to other Unit Owners. Each Unit Owner shall be responsible for the damages and liabilities caused by its failure to act.
- b. Each Unit Owner shall bear the cost of all the repairs of internal installations to the Unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, lamps, and all other accessories and appliances belonging to the Unit.
- c. Each Unit Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Element damaged by the willful or negligent acts of that Unit Owner or its officers, employees, licensees, and invitees to the extent such expenditures are not covered by the proceeds of insurance carried by the Association.

Section 3. No Unit Owner shall make any structural modifications or alterations to its Unit without previously notifying the Board of Directors in writing through the management agent or the Chairman of the Association if no management agent is employed. The Board of Directors shall have the obligation to answer within thirty (30) days after receiving notice. Failure by the Board of Directors to answer within the stipulated time shall mean that there is no objection to the proposed modification of alteration.

Section 4. The managing agent and any person authorized by the Board of Directors shall have the right to enter each Unit in case of any emergency originating in or threatening the Unit or the Property whether or not the Unit Owner or occupant is present at the time. Every Unit Owner and occupant, when so required, shall permit other Unit Owners or their representatives to enter its Unit at reasonable times for the purpose of performing authorized installations, alterations, or repairs to the Common Elements therein provided, however, that each Unit Owner shall request entry in advance and that each Unit Owner shall enter only at a time convenient for the other Unit Owner.

Section 5. Rules of Conduct. [Reserved]

Section 6. The Board of Directors may adopt, delete, or amend the Rules of Conduct relating to the details of the operation of Waterside Condominium and the use of Units, Common Elements, and Limited Common Elements at any regular meeting or at any special meeting called for that purpose.

ARTICLE VII

Section 1. No Director or officer of the Association shall be liable for acts or defaults of any other officer or Member or for any loss sustained by the Association or any Member thereof unless the loss has resulted from his or her own willful misconduct or negligence.

Section 2. Every Director, officer, and Member of the Association shall be indemnified by the Association against all reasonable costs, expenses, and liabilities (including attorneys' fees) actually and necessarily

incurred by or imposed upon him or her in connection with any claim, action, suit, proceeding, investigation, or inquiry of whatever nature in which he or she may be involved as a party or otherwise by reason of his or her having been an officer or Member of the Association whether or not they continue to be a Director, officer, or Member of the Association at the time of incurring the cost, expense, or liability. This provision shall apply except in relation to matters as to which he or she shall be finally adjudged in any action, suit, proceeding, investigation, or inquiry to be liable for willful misconduct or negligence towards the Association in the performance of his or her duties or, in the absence of a final adjudication, any determination of liability by the opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition, and not in limitation of, all rights to which every Director, officer, and Member of the Association may be entitled as a matter of law and shall inure to the benefit of their legal representatives.

ARTICLE VIII

The Association may establish, from time to time, the fiscal year of the Association.

ARTICLE IX

Section 1. The Association may amend these Bylaws in a duly constituted meeting for such purpose. No amendment shall take effect unless approved by seventy-five percent (75%) of the Unit Owners and until a copy of the Bylaws, as amended and certified by the presiding officer and Secretary of the Association, is recorded in the office of the Clerk and Recorder of Flathead County, Montana provided, however, that the contents of these Bylaws shall always contain those particulars which are required to be contained herein by the Montana Unit Ownership Act, Title 70, Chapter 23, Montana Code Annotated.

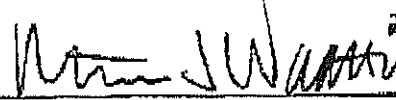
Section 2. In the event of any conflict between these Bylaws and the provisions of the Montana Unit Ownership Act, the latter shall govern and apply.

The Association may establish, from time to time, the fiscal year of the Association.

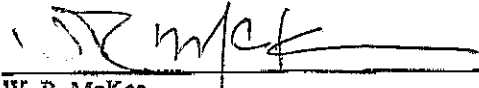
ARTICLE X

Section 1. Each person or entity who may become a Unit Owner of any Unit does hereby irrevocably appoint Waterside Development, LLC as such Owner's agent to execute such amendment or amendments to the Declaration of Condominium for Waterside Condominium and these Bylaws as Waterside Development, LLC, in its sole discretion, desires for purposes of exercising its reservation of development rights, relative to the property the subject of said Declaration, as such development rights are specifically set forth in said Declaration and the Future Development Agreement attached thereto as Exhibit D. The agency created hereby is non-revocable and constitutes a power coupled with an interest until such time as Waterside Development, LLC completes the construction of all seventy-six (76) condominium Units planned to be constructed on the Subject Property. The agency hereby created shall be binding upon the heirs, executors, personal representatives, administrators, successors and assigns of all Unit Owners of all Units within Waterside Condominium.

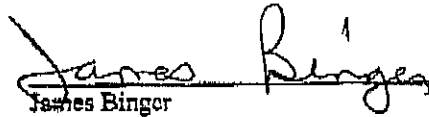
IN WITNESS WHEREOF, the Directors of **WATERSIDE CONDOMINIUM OWNERS ASSOCIATION, INC.** have executed and certified and adopted these bylaws as of the 25 day of July, 2005.



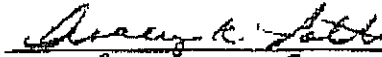
Matthew J. Waatti



W. R. McKee



James Binger



Name: Ashley K. Potts

Name: _____