

BY-LAWS OF THE ASSOCIATION OF PROPERTY OWNERS
OF THE MADISON ADDITION
OF THE TOWN OF WEST YELLOWSTONE,
GALLATIN COUNTY, STATE OF MONTANA

ARTICLE I. PURPOSE AND APPLICATION

These Articles are and shall be the BY-LAWS of the Association of Property Owners of the Madison Addition. These BY-LAWS shall, upon being recorded with the Recorder of Gallatin County, State of Montana, govern and control the administration of the Madison Addition. These BY-LAWS are a part of the Protective Covenants of the Madison Addition, which covenants are made a part hereof by reference. All Property Owners, their guests and any renters or sub-lessees present and future shall have the rights and responsibilities described in these BY-LAWS and shall be subject to the provisions thereof.

The acquisition of an ownership interest in property in the Madison Addition, signifies that the owner accepts, ratifies and agrees to comply with these BY-LAWS.

MEMBERSHIP

The Corporation shall not issue stock. Each Property Owner shall be a member of the Corporation herein after-called the Association. An owner may not decline membership in the Association. Membership begins concurrently with the acquisition of ownership interest and terminates at the time ownership interest is terminated. Such termination shall not relieve any owner of liability for obligations incurred while a member of the Association; further, membership in the Association does not in any way negate or impair any owner's legal remedies, right to bring action, or defenses to any and all actions involving the Association, other Property Owners, or the Management which may arise from or be incidents of Property Ownership.

OBLIGATIONS

Each Property Owner shall be obligated to comply with these BY-LAWS, the covenants, and the laws of the Town of West Yellowstone, Gallatin County, Montana. Such obligations shall include, but not be limited to, the paying of assessments levied by the Association. Failure of any owner to abide by these BY-LAWS, and all rules made pursuant thereto, the Covenants and the laws of the Town of West Yellowstone, of the County of Gallatin, and the State of Montana, shall be grounds for appropriate legal action by the Association of Property Owners or by any aggrieved Property Owner against such non-complying owner.

ARTICLE II. MEETINGS AND VOTING

There shall be a regular meeting of the Association annually on the 4th Monday in June of each year, commencing on June 25, 1985, or on such other date properly announced by the Association. The first meeting of the Association shall take place not more than one year following the date of recording of these BY-LAWS, if not sooner held.

Pursuant to these BY-LAWS, the Association may at any time hold special meetings. Such special meetings may be called on the initiative of the President of the Association, a signed request of the manager, or a petition signed by fifty percent (50%) of the Property Owners. Notice of any special meeting must

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specify the reason for said meeting and the matters to be raised. Only matters set forth in the petition or request may be brought before such meeting unless seventy-five percent(75%) of the aggregate interest present agree otherwise.

NOTICE

Notice of all meetings regular or special shall be mailed by the Association's Secretary to every Property Owner of record at his address of record at least ten (10) days prior to the time, but not more than fifty (50) days, for holding such meeting. Such notices shall specify the date, time and place of the meeting and shall make provision to allow for the voting of each Property Owner's interest by proxy at the discretion of the owner. The mailing of a notice in the manner provided in this paragraph or the personal delivery of such notice by the Secretary of the Association shall be considered notice served.

QUORUM

No meeting regular or special shall be convened to conduct business unless a quorum is present in person or by proxy. A quorum shall consist of more than fifty percent (50%) of the total aggregate interest of the Property Owners. At any time, during any meeting, that quorum is not present, such meeting shall be adjourned forthwith.

VOTING INTEREST

Each Property Owner at Association meetings shall have one vote for each lot owned in the Madison Addition as of record with the Clerk and Recorder of Gallatin County, State of Montana.

ARTICLE III. BOARD OF DIRECTORS

The Association shall elect from its membership a Board of Directors. The manner of election of the Board of Directors shall be as follows: At the first and all subsequent annual meetings of the Association, nominations for positions on the Board will be accepted from any of the Property Owners present. Voting will be non-cumulative with each Association member having one vote for each lot owned in the Madison Addition. Board members shall be elected by majority vote of those present at any annual or special meeting.

SECTION I. GENERAL POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors shall have the following powers and duties:

- (a) To call annual meetings of the Association and give due notice thereof.
- (b) To conduct elections of the Board of Directors.
- (c) To enforce the provisions of the Covenants and BY-LAWS of the Property Owners Association, by appropriate action.
- (d) To levy assessments as allowed by the Covenants, these BY-LAWS, and the State of Montana and to provide for the collection, expenditure and accounting of said assessments.

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- (e) To pay for the expenses for the maintenance, repair and upkeep of the necessary items, and to approve payment vouchers either at regular or special meetings.
- (f) To provide a means of hearing grievances of Property Owners and responding appropriately thereto.
- (g) To meet at regularly scheduled times and hold such meeting open to all Property Owners or their agents.
- (h) To prepare an annual budget for the Property Owners Association in order to determine the amount of the assessments payable by the Property Owners to meet the expenses and allocate and assess such charges among the Property Owners according to their respective interests/ownerships and to submit such budget to the Property Owners on or before the annual meeting.
- (i) To levy and collect special assessments whenever in the opinion of the Board it is necessary to do so in order to meet increased operating or maintenance expenses, costs, or additional capital expenses, or because of emergencies.
- (j) To take appropriate legal action to collect any delinquent assessments, payments or amounts due from Property Owners or from person or persons owing money to the Property Owners, and to levy a penalty and to charge interest on unpaid amounts due and owing.
- (k) To defend the name of the Association in any and all lawsuits wherein the Property Owners are a party defendant.
- (l) To enter into contracts with third parties to carry out the duties herein set forth, for and in behalf of the Board and the Association.
- (m) To establish a bank account for the Association, and to keep therein all funds of the Association; withdrawal of moneys from such accounts shall be only by checks signed by such persons as are authorized by the Board of Directors.
- (n) In general, to act for and carry on the administration and affairs of the Association as authorized and prescribed by the Covenants and to do all those things which are necessary and reasonable in order to carry out the governance and operation of the Property Owners Association.
- (o) To make repairs, alterations and improvements consistent with managing The Madison Addition in a first class manner and in the best interest of the Property Owner.
- (p) To carry out the duties and responsibilities of the Board in all other matters as may be authorized, needed or required by the Covenants.

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SECTION 2. NUMBER, TENURE AND QUALIFICATIONS

The number of Directors of the corporation shall not be less than three nor more than eight, the exact number to be set at each annual meeting for the ensuing year, subject to modification at any meeting. In the absence of a resolution setting the number of Directors for the ensuing year, the number shall be three. Each Director shall hold office until the next annual meeting of the members and until his successor shall have been elected and qualified. Directors need not be residents of the State of Montana.

SECTION 3. REGULAR MEETINGS

A regular meeting of the Board of Directors shall be held without further notice than this BY-LAW immediately after, and at the same place as, the annual meeting of members. The Board of Directors may provide by resolution, the time and place in West Yellowstone, Montana, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, in West Yellowstone, Montana, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 5. NOTICE

Notice of any special meeting shall be given at least two days previously thereto by written notice delivered personally or mailed to each Director at his business address, or by telegram.

If mailed, such notice shall be deemed to be delivered when deposited in the United State mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting. The attendance 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. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM

A majority of the number of Directors fixed by Section 2 of this Article shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF ACTING

The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

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SECTION 8. VACANCIES AND REMOVAL

Should a vacancy occur on the Board of Directors, the Board, subject to the exception described below, shall appoint a member of the Association to serve the unexpired term. Such vacancy shall be filled no later than the next regular Board meeting after which it occurs. Should such vacancy not be filled by the Board at the next regular meeting of the Association, the Association may fill such vacancy.

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

SECTION 9. COMPENSATION

No member of the Board of Directors shall receive any compensation for acting as such. Nothing herein, however, shall be construed to preclude compensation being paid to Managers which are hired by the Board of Directors.

SECTION 10. PRESUMPTION OF ASSENT

A Director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE IV. OFFICERS

SECTION 1. NUMBER

The officers of the Corporation shall be a President, one or more Vice-Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

SECTION 2. ELECTION AND TERM OF OFFICE

The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

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SECTION 3. REMOVAL

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. VACANCIES

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. PRESIDENT

The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the members and of the proper officers of the Corporation thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these BY-LAWS to some other officer or agent of the Corporation, 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 of Directors from time to time.

SECTION 6. THE VICE PRESIDENT

In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice President in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

SECTION 7. THE SECRETARY

The Secretary shall:

- (a) Keep the minutes of the members and of the Board of Directors' meetings in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with the provisions of these BY-LAWS or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;

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- (d) Keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and
- (e) 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 by the President or by the Board of Directors.

SECTION 8. THE TREASURER

If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these BY-LAWS; and
- (b) In general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

ARTICLE V. MANAGERS

A Manager may be appointed and/or removed by the Board of Directors. The Manager shall be bonded, and shall maintain records of the financial affairs of the Association. Such records shall also detail all assessments made by the Association and the status of payments of said assessments by all Property Owners. All records shall be available for examination during normal business hours to any Property Owner or his assigned representative. Either the Manager or President shall:

- (a) Accounts - The receipts and expenditures of the Association shall be under the direction of the Manager/President and be classified as appropriate:
 - (1) Current Expenses, which shall include all receipts and expenditures to be made within the year for which the budget is made, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves or to betterments. The balance in this fund at the end of each year shall be applied to reduce the assessments for current expenses for the succeeding year.
 - (2) Reserve for Deferred Maintenance, which shall include funds for maintenance items which occur less frequently than annually.
 - (3) Reserve for Replacement, which shall include funds for repair or replacement required because of damage, depreciation or obsolescence.

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- (4) Betterments, which shall include the funds to be used for capital expenditures for additional improvements or additional personal property which shall be a part of the common elements.
- (b) The Manager/President shall prepare and submit to the Board a budget, each calendar year, which must be approved then and adopted by the Board. The budget shall include the estimated funds required to defray the common and limited common expenses and to provide and maintain funds for the foregoing accounts according to good accounting practices.

Copies of the budget and proposed assessments shall be transmitted to each member on or before June 1, preceeding the year for which the budget is made. If the budget is subsequently amended, a copy of the amended budget shall be furnished to each member.

- (c) A financial report of the account of the Association shall be made annually by an accountant, or the Manager/President, and a copy of the report shall be furnished to each member at the annual meeting.

The Manager/President shall generally operate and manage the Association for and in behalf of the Property Owners and shall have such other powers and authority as the Board may delegate.

ARTICLE VI. AMENDMENT OF BY-LAWS

These BY-LAWS may be amended at any regular or special meeting of the Association providing that a copy of the proposed revision is included in the notice of such meeting. Upon a vote of over seventy-five percent (75%) of the aggregate Property Owners, the amendment shall be declared adopted. The Secretary shall as soon as practicable after adoption, prepare a copy of these BY-LAWS as amended for certification by the President and Secretary of the Association. Such amended and certified BY-LAWS shall then be filed and recorded in the office of the Clerk and Recorder of Gallatin County, State of Montana. BY-LAWS as amended shall become effective at the time of such recording.

ARTICLE VII. THE DECLARATION

WRB-West Associates, Incorporated has filed along with these BY-LAWS, Protective Covenants for the property known as the Madison Addition to the Townsite of West Yellowstone, Montana. The covenants shall govern the acts, powers duties and responsibilities of the Association of Property Owners and in the event these BY-LAWS, and the covenants are in conflict, the covenants shall prevail.

The definitions of terms set forth in the covenants shall be applicable throughout these BY-LAWS, and the interpretation thereof.

By virtue of the BY-LAWS and the covenants, each Property Owner has the right to membership in the Association of Property Owners and any Property Owner may be on the Board of Directors of the Property Owners Association.

