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Eric Semerad - Gallatin County, MT MISC

DECLARATION OF PROTECTIVE COVENANTS AND RESTRICTIONS FOR POND LILY TOWNHOMES AND BYLAWS FOR POND LILY TOWNHOMES OWNERS ASSOCIATION, INC.

NORTON RANCH HOMES, LLC, an Oregon limited liability company ("Declarant") of 63026 Lower Meadow Drive, Suite 230, Bend, Oregon 97701 hereby declares the following Declaration of Protective Covenants and Restrictions for Pond Lily Townhomes regarding the following described real property:

Lots 1, 2, 3, 4, 5, 6, 7, 8, and 9 in Block 12 of Norton East Ranch Subdivision, Phase 4 to the City of Bozeman, Gallatin County, Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana (Plat No. J-668) ("the Property")

The following Bylaws of the Pond Lily Townhomes Owners Association, Inc. a Montana nonprofit mutual benefit corporation, were also adopted by the Declarant and the Board of Directors of the Pond Lily Townhomes Owners Association, Inc.

ARTICLE I
DEFINITIONS

Association or Pond Lily Townhomes Owners Association, Inc. The Pond Lily Townhomes Owners Association, Inc., a Montana nonprofit mutual benefit corporation, which is all of the Lot Owners acting as a group and in accordance with these duly adopted Bylaws and this Declaration.

Association Maintained Elements. All of the Property except the Living Units constructed on the Property and including (but not limited to) all sidewalks, walkways, driveways, fencing, walkways, yards, roofs, and exterior portions of the Buildings containing the Living Units.

Board of Directors or Board. The body responsible for administration of the Association serving as the board of directors under Montana law.

Buildings. Shall mean the residential structures constructed on the Property containing one or more Living Units.

Bylaws. The Bylaws adopted by the Association as set forth in Article III herein.

Common Expenses. All maintenance and repair costs for the Association Maintained Elements for all Lots and any other costs designated herein as common to all Lots.

Declarant. NORTON RANCH HOMES, LLC, an Oregon limited liability company, and its designated successors and/or assigns.

Living Unit. All portions of the Building located on a Lot other than the roof and other exterior surfaces of the Building.

Lot or Lots. A parcel of real property subject to this instrument.

Lot Owner or Lot Owners. One or more persons who hold the record title to any Lot, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a contract for sale, the purchaser (rather than the fee owner) will be considered the Lot Owner.

Member. A person entitled to membership in the Association.

Norton Ranch Governing Documents. The Amended and Restated Declaration of Protective Covenants, Conditions and Restrictions for Norton Ranch recorded on December 14, 2011 as Document No. 2399078 in the office of the Clerk and Recorder of Gallatin County, Montana, as may be amended and restated from time to time, and all Design & Construction Guidelines, Bylaws of Norton Ranch Community Association, and Rules and Regulations for Norton Ranch, as may be amended from time to time.

ARTICLE II PROTECTIVE COVENANTS AND RESTRICTIONS

A. PURPOSE OF COVENANTS; RUN WITH THE LAND

These Protective Covenants and Restrictions are adopted for the benefit, convenience, and enjoyment of the Lot Owners. It is the purpose of these Protective Covenants and Restrictions to preserve and protect the quality of the Property and to preserve and protect the interests and investment of the individual Lot Owners. These

Protective Covenants and Restrictions shall attach to and run with the land and shall constitute an equitable servitude upon the Property and every part of it, including all titles, interest and estates as may be held, conveyed, owned, claimed, devised, encumbered, used, occupied and improved. These Protective Covenants and Restrictions are declared for the benefit of the entire Property and every part of it and for the benefit of each Lot Owner. They shall constitute benefits and burdens to Declarant and to all persons or entities hereafter acquiring any interest in the Property.

B. COMPLIANCE WITH LAWS, ZONING ORDINANCES, AND REGULATIONS

No unlawful use shall be made of the Property nor any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed and followed. All Lots shall also strictly comply with the Norton Ranch Governing Documents. Where the provisions of any applicable law, ordinance, or regulation of any governing body having jurisdiction or covenant, rule or regulation of the Norton Ranch Governing Documents is in conflict with any covenant or restriction set forth in this Declaration, the more restrictive shall control.

C. MAINTENANCE OF ASSOCIATION MAINTAINED ELEMENTS.

The Association shall maintain in good condition and repair the Association Maintained Elements. Notwithstanding anything herein to the contrary, the Association shall be responsible for snow removal only for the alleyway located in the back (to the East) of the Property. Repairs, maintenance and replacement of Association Maintained Elements shall be performed on an "as needed" basis as determined by the Board. Expenses for repair, maintenance and replacement shall be paid by the Treasurer of the Association from Association funds received as assessments consistent with this Declaration. In order to implement maintenance, replacement and repair, the Board shall employ any personnel reasonably necessary to properly effect the same. The cost for maintaining, replacing and repairing any Association Maintained Element on a particular Lot shall be assessed to that Lot provided that costs for maintaining, replacing and repairing Association Maintained Elements for all Lots shall be a Common Expense. The Association shall keep and maintain all unfenced yards and unfenced landscaping improvements in good, clean, safe, sound, attractive, thriving and slightly condition and in good repair at all times. The Association shall be responsible for mowing of all grass located on unfenced portions on the Property. When a Lot Owner fences-in a portion of his or her Lot, the Lot Owner shall assume responsibility for maintaining the fenced-in area. A Lot Owner that assumes responsibility for maintaining any portion of his or her Lot shall *not* receive a discount, credit or adjustment in the assessments charged by the Association.

D. ASSESSMENTS

Section 1. Authority and Obligation. The Board shall have the authority to levy assessments on each Lot for Common Expenses, expenses incurred in maintaining, repairing or replacing Association Maintained Elements, and other Association expenses as the Board may specifically authorize from time to time. No Lot may exempt itself from liability for assessments by any means. The obligation to pay assessments is a separate and individual covenant on the part of each Lot Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or the Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Section 2. Annual Assessments. The Board shall annually prepare a budget covering the estimated Common Expenses during the coming year. The annual assessment shall be levied equally against all Lots and shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted Common Expenses, including reserves and administrative overhead. The Board shall be responsible to adjust the assessment to meet changed needs. If the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year. Failure of the Board to levy an annual assessment shall not be deemed a waiver, modification, or a release of any Lot or Lot Owner from the obligation to pay the annual assessment. In such event, each Lot shall continue to pay the annual assessment on the same basis as for the last year for which an assessment was made, if any, until a new annual assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

Section 3. Special Assessments. In addition to other authorized assessments, the Association may levy special assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Special assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the special assessment is approved.

Section 4. Reserve Fund. The Association shall establish a reserve account for capital expenses for replacement of Association Maintained Elements such as roofs and exterior siding. The reserve account established under this section shall be funded by reserve assessments against the Lots in such amount as the Board may approve as a part of the annual Association budget. Any reserve account shall be established in the name of the Association. The Association shall be responsible for administering the account. Assessments paid into the reserve account are the property of the Association and are not refundable to sellers or Lot Owners.

Section 5. Contribution upon Purchase. The purchaser of a Lot, whether the initial purchaser or subsequent or resale purchaser, shall be required to make a

contribution to the Association in the amount of \$200.00 concurrent with the recording of the deed for such Lot.

Section 6. Enforcement and Recovery. All assessments shall be a charge upon the land and shall be a continuing lien upon the Lot upon which the assessments are made. Each assessment shall also be a personal obligation of the person who is the owner of the Lot at the time the assessment falls due. Upon delivery to the Lot Owner of the notice of assessment, the assessment shall be a lien upon the Lot Owner's Lot until paid. All assessments shall be paid within thirty (30) days of the notice of assessment. The Association may record a notice of the lien with the Clerk and Recorder of Gallatin County, Montana. In the event of nonpayment within 30 days after recording the notice of the lien, the Association may foreclose the lien in a manner set forth under Montana law for the foreclosure of liens against real property. The Association may also bring an action at law or equity against the persons personally obligated to pay the delinquent assessments. A suit to recover a money judgment for assessments may be maintainable without foreclosing or waiving the lien securing the same.

In the event of action to collect a past due assessment, the Association shall be entitled to recover its costs, the maximum interest allowable by law, and its reasonable attorney's fees in addition to the amount of the past due assessment. The Association may bid for the Lot at a foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following foreclosure, no right to vote shall be exercised on its behalf and no assessment shall be levied on it.

The sale, transfer, or encumbrance of any Lot shall not affect the assessment lien or the personal liability of the Lot Owner. No sale, transfer or encumbrance shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

E. USE

Section 1. Owner Maintenance Responsibilities. Lot Owners shall be solely responsible for maintaining the interior portions of their Living Units in good repair and appearance at all times. Each Lot Owner shall also keep any balcony, patio, entrance or deck area appurtenant to his or her Living Unit in a clean and sanitary condition. Each Lot Owner shall also be responsible for snow removal from all sidewalks, walkways and driveways located on his or Lot. Sidewalk snow removal shall be in compliance with the City of Bozeman ordinances and the Norton Ranch Governing Documents and shall include snow removal from sidewalks in side yards fronting public streets. A Lot Owner shall also be responsible for maintaining the fenced-in area of his or her Lot as more particularly set forth herein.

Section 2. Garbage. No garbage, trash, unsightly debris, or waste shall be

collected and/or permitted by a Lot owner to accumulate on any Lot or in any road adjacent thereto, but shall be promptly and efficiently disposed of, by a garbage service.

Section 3. Junk Vehicles. No junk or unregistered vehicles shall be allowed upon the Property. A junk vehicle is one which cannot be driven away under its own power. Any expense incurred by the Association in connection with the towing of any vehicle shall be paid to the Association upon demand by the owner of the vehicle and any amounts unpaid shall be a lien upon the Owner's Lot and the Association may enforce collection of said lien in the same manner provided for in this Declaration for the collection of assessments.

Section 4. Recreational Vehicles and Equipment. All campers, trailers, motorhomes, boats, and all other recreational equipment and the like shall not be stored in the open on any Lot or any other portion of the Property and shall not be parked for more than forty-eight (48) hours on any driveway or any roadway adjacent to the Property.

Section 5. Signs. No signs, billboards, posters, displays, advertisements, or similar structures shall be permitted on the Property except as approved in writing by the Association and in accordance with local laws and regulations then in effect. Standard "For Sale" and "For Rent" signs no greater than three (3) square feet and located on the Lot for sale or rent are permitted without advance approval. All residences shall have address numbers that are visible and legible from the public roadway.

Section 6. Exterior Elements and Decorations. Lot Owners shall not cause or permit anything to be hung or displayed on the outside of windows or placed on the outside walls of a building, and no sign, awning, canopy, radio or television antenna shall be affixed to or placed upon the exterior walls or roof of any part thereof, without the prior written consent of the Association. Seasonal decorations that are promptly removed after the season and reasonable name plates or identification signs for individual residences are allowed.

Section 7. Nuisances Prohibited. No nuisances shall be allowed upon the Property nor shall any use or practice be allowed which is a source of annoyance to Lot Owners or which interferes with the peaceful possession and proper use of the Property by its residents. No offensive or unlawful use shall be made of the Property nor any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed.

Section 8. Animals. No animals of any kind shall be raised, bred, or kept on any Lot, except that no more than a total of three (3) household pets may be kept subject to rules and regulations from time to time adopted or amended by the Association. All dogs must be kept on a leash or otherwise confined while on the Property. Notwithstanding the foregoing, no dogs shall be kept in outside kennels or tethered on a lead outside. Additionally, Lot Owners, their tenants, and any guests, shall be responsible for the

immediate clean-up of any pet waste and the repair of any damage caused by pets to any of the Common Areas. Failure of a Lot Owner to adhere to pet regulations and requirements shall be grounds for the Association and other Lot Owners to maintain a nuisance action to remove the offending pet(s). The Association shall have the authority to ban certain breeds of dogs or individual dogs from the Property, provided that such actions are based upon objective criteria related to aggressive tendencies of the breed or individual dogs. In the event that a Lot Owner leases his or her Lot to a person who has pets, the Lot Owner shall be responsible for the enforcement of the pet restrictions and rules, and any fines imposed shall be a charge against the Lot, for which the Association may obtain satisfaction in the same manner as if the Lot Owner failed to pay an assessment imposed against the Lot.

F. EASEMENTS

Section 1. General Easement. Each Lot Owner hereby grants a perpetual easement across all portions of their Lot for the Association to perform maintenance, replacement and repair of the Association Maintained Elements and to undertake all other authorized activities as described in this Declaration.

Section 2 Utility Easements. A non-exclusive easement is hereby reserved across each Lot for the benefit of each Lot and the Association for the inspection, installation, maintenance, replacement and repair of utility lines, gas lines, meters, water lines, sewer lines, and mechanical equipment for the use of all of the Lot Owners or the Lot Owners being serviced by such lines and/or equipment, and said utility easements are located where the existing utilities and facilities are currently located on the Property. Ingress and egress for the purpose of inspection, installation, maintenance, replacement or repair of such easement rights shall only be done under the direction and approval and with the authority of the Association unless an emergency exists in which event any action may reasonably be taken which is justified under the circumstances to minimize damage which would otherwise occur as a consequence of such emergency.

G. COMMON WALL

A common wall exists, or shall exist, common to the townhomes constructed on Lot 1 and Lot 2. Said wall is on the South property line of Lot 1 and on the North property line of Lot 2. Said wall shall be a party wall and the owners of said Lot 1 and Lot 2 shall have the right to use it jointly and this agreement shall constitute a grant of mutual easement for such purpose.

A common wall exists, or shall exist, common to the townhomes constructed on Lot 3 and Lot 4. Said wall is on the South property line of Lot 3 and on the North property line of Lot 4. Said wall shall be a party wall and the owners of said Lot 3 and Lot 4 shall have the right to use it jointly and this agreement shall constitute a grant of mutual easement for

such purpose.

A common wall exists, or shall exist, common to the townhomes constructed on Lot 4 and Lot 5. Said wall is on the South property line of Lot 4 and on the North property line of Lot 5. Said wall shall be a party wall and the owners of said Lot 4 and Lot 5 shall have the right to use it jointly and this agreement shall constitute a grant of mutual easement for such purpose.

A common wall exists, or shall exist, common to the townhomes constructed on Lot 6 and Lot 7. Said wall is on the South property line of Lot 6 and on the North property line of Lot 7. Said wall shall be a party wall and the owners of said Lot 6 and Lot 7 shall have the right to use it jointly and this agreement shall constitute a grant of mutual easement for such purpose.

A common wall exists, or shall exist, common to the townhomes constructed on Lot 7 and Lot 8. Said wall is on the South property line of Lot 7 and on the North property line of Lot 8. Said wall shall be a party wall and the owners of said Lot 7 and Lot 8 shall have the right to use it jointly and this agreement shall constitute a grant of mutual easement for such purpose.

A common wall exists, or shall exist, common to the townhomes constructed on Lot 8 and Lot 9. Said wall is on the South property line of Lot 8 and on the North property line of Lot 9. Said wall shall be a party wall and the owners of said Lot 8 and Lot 9 shall have the right to use it jointly and this agreement shall constitute a grant of mutual easement for such purpose.

In the event it is necessary to repair or rebuild any of the above described party walls, each adjacent Lot Owner thereto shall contribute equally to said rebuilding or repair, subject however to the right of any such Lot Owner to call for a larger contribution from the other Lot Owner under any rule of law regarding liability for negligent or willful acts or omissions.

H. GENERAL DESIGN STANDARDS AND RESTRICTIONS

Section 1. Design Review. No structure or other improvement (including fencing, landscaping or any alteration of the Property) shall be built, commenced, erected, or located upon the Property, nor shall any exterior addition to or change or alteration thereto be made (including exterior painting), by any Lot Owner (other than the Declarant), until the plans and specifications showing the nature, and shape, height, materials, color and location of the same shall have been submitted to and approved in writing by the Board of Directors of the Association. The Board shall have the absolute and unfettered authority to require any structure or improvement on the Property to be built according to specific plans and/or Design Guidelines adopted by the Board. The Board of the Association may

elect to delegate or assign its design review responsibilities and powers to the Norton Ranch Community Association and such delegation or assignment shall remain effective until revoked by the Association. Even if design review has not been so delegated or assigned, each improvement on a Lot shall also comply with the Design & Construction Guidelines within the Norton Ranch Governing Documents for the Norton Ranch Community Association, as may be amended from time to time. The Design Review provisions of this Section shall not apply to any Lot owned by the Declarant.

Section 2. Design Approval Process. In addition to compliance with the provisions of these Covenants and the Design Guidelines (if any), the Board shall consider the proposed improvement's quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding structures, topography, and finish grade elevation, among other matters. The reasons for any disapproval (or for approval with conditions) will be set forth by the Board in writing. If an application has been denied, or the approval is subject to conditions that the Lot Owner feels are unacceptable, the Lot Owner may request a hearing before the Board to justify the Lot Owner's position. The Board will hold such hearing within thirty (30) days of written request of the Lot Owner. The Board will consider the arguments and facts presented by the Lot Owner and notify the Lot Owner of its final decision within ten (10) days of the hearing. Approval granted by the Board for any plans shall be effective for a period of eighteen (18) months. Approval shall lapse if the Lot Owner has not completed work within eighteen (18) months from the date of approval.

Section 3. No Liability. Approval by the Board neither represents, nor shall the Board offer any opinion as to whether plans and specifications conform to building codes or state and local regulatory requirements. Approval does not include examination for errors or omissions. Neither the Board, the Association, Declarant nor any member of the foregoing shall bear any responsibility for ensuring structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Board, the Association, Declarant nor any member of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot.

Section 4. Fencing. All fencing constructed or located on the Property must comply with the Norton Ranch Governing Documents and the ordinances of the City of Bozeman. After a Lot Owner constructs a fence on his or her Lot, the yard or area within such fenced area shall thereafter be solely and exclusively maintained by the Lot Owner and the Association shall have no further maintenance obligations for the fenced-in area. The Lot Owner shall keep any fenced-in area on his or her Lot in good and slightly condition including the regular watering of grass and vegetation and the regular cutting of grass. The Lot Owner of a Lot with a fence shall, at his or her sole expense, be responsible for maintaining the fence in a good and slightly condition at all times, including (but not limited to) staining the fence every three (3) years or more often if directed by the Association or

the Norton Ranch Community Association. In the event the Lot Owner does not perform the required maintenance within thirty (30) days of written demand, the Association may (but is not required to) perform such maintenance and charge the cost thereof plus ten percent (10%) to the Lot as an assessment, which shall immediately become due and payable. Approval of fencing by the Association does not represent any opinion of the Association as to whether such fencing conforms to building codes, other applicable restrictive covenants, or local regulatory requirements. Neither the Association nor the Norton Ranch Community Association shall bear any responsibility for ensuring structural integrity or soundness of approved fencing.

I. FINES

The Association, acting through the Board, shall have the authority to levy fines against Lots for any violation of the Covenants set forth herein or for any violation of the rules and regulations duly adopted by the Board. Violations caused by a tenant shall be assessed against the occupied Lot and shall be the responsibility of the Lot Owner. The Association shall adopt a written fine schedule and procedure that is consistent with the fine schedule and procedure of the Norton Ranch Community Association. The initial fine schedule is attached hereto. The Association shall have the authority and ability to record liens against a Lot for unpaid fines assessed against the Lot Owner or Lot.

ARTICLE III - BYLAWS OF POND LILY TOWNHOMES OWNERS ASSOCIATION, INC.

A. FORMATION

The Declarant has organized an Association of all Lot Owners organized under the name of Pond Lily Townhomes Owners Association, Inc., as a nonprofit Montana mutual benefit corporation. The Association shall have powers and obligations as set forth in the Articles of Incorporation, the Declaration and these Bylaws for the benefit of the Property and the Members. The Articles of Incorporation of the Association provide for its perpetual existence. In the event the Association is at any time dissolved, whether inadvertently or deliberately, it shall automatically be succeeded by an unincorporated association of all Lot Owners of the same name. In such event, all of the property, powers, and obligations of the incorporated Association existing immediately prior to its dissolution shall the reupon automatically vest in the successor unincorporated association, and such vesting shall, thereafter, be confirmed and evidenced by appropriate conveyances and assignments. To the greatest extent possible, any successor unincorporated association shall be governed by the Articles of Incorporation and the Bylaws of the Association as if they had been made to constitute the governing documents of the unincorporated association. The Association shall be governed by a Board of Directors appointed in the manner set forth in these Bylaws.

B. GENERAL

Section 1. Qualifications. Every Lot Owner shall automatically be a Member of the Association and shall remain a Member until such time as he or she no longer owns a Lot at which point his or her membership in the Association shall automatically cease. Membership shall be appurtenant to and may not be separated from the ownership of a Lot. No person who is not a Lot Owner shall be a Member of the Association.

Section 2. Voting. Members shall be entitled to one (1) vote for each Lot, however, Declarant shall be entitled to four (4) votes for each Lot owned by Declarant. When more than one (1) person holds an interest in any Lot, all such persons shall be Members; however, the vote for such Lot shall be exercised as said Owners among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot except for Lots owned by Declarant. If more than one (1) person seeks to exercise that Lot's vote, the Lot's vote shall be suspended. Members may vote by written proxy or by written ballot. If any Lot Owner fails to pay any assessments, fines or other amounts due to the Association within thirty (30) days after such payment is due or if any Lot Owner violates any other provision of this Declaration or the Board's rules and regulations and such violation is not cured within fifteen (15) days after the Association notifies the Lot Owner of the violation, the Board shall have the right to suspend the vote for such Lot until such time as all payments, including interest and attorney's fees, are brought current, and until any other infractions or violations are corrected to the Board's satisfaction.

Section 3. Quorum. A quorum for the transaction of business at any meeting shall consist of a majority of the total voting interest, but the Members present at any meeting where less than a quorum is present, may adjourn the meeting to a future time. All meetings of the Members shall be presided over by the President, or in his or her absence the Secretary, and shall be conducted in accordance with the most recent version of Robert's Rules of Order.

Section 4. Annual Meeting. The date, time, and place of the annual meeting of the Members and the Board of Directors shall be noticed by a majority of the members of the Board. At such annual meeting, the Members shall appoint the Directors to the Board and conduct such other business as permitted by this Declaration and these Bylaws. A vote may be cast either in person, by proxy, or by written ballot. All proxies shall be in writing and shall be filed with the secretary, and entered in the minutes of the meeting. No proxy shall be valid after eleven (11) months from the date it was made, unless otherwise provided in the proxy. Notice of the time, place, and description of the items to be considered shall be mailed by the Association to all Members not less than thirty (30) nor more than ninety (90) days in advance of the annual members meeting. A quorum for the transaction of business at any meeting shall consist of a majority of the Lots, but the Members present at any meeting where less than a quorum is present, may adjourn the

meeting to a future time. Action may be taken without a meeting if the action is taken by all the Members and the action is evidenced by one or more written consents describing the action taken, signed by all the Members, and delivered to the Association for filing with the Association records. All meetings of the Members shall be presided over by the President, or in his or her absence the Secretary, and shall be conducted in accordance with the most recent version of Robert's Rules of Order. The first annual meeting of the Members shall be the Turnover Meeting as set forth below in Section 6.

Section 5 Special Members Meeting After the Turnover Meeting (as defined below), special meetings of the Members may be called for any purpose at any time by the President of the Association, the Board of Directors, or by a petition signed by not less than owners of forty percent (40%) of the Lots. If a special meeting is called by any person or persons other than the Board of Directors, a written request to notice the meeting, specifying the time of the meeting and the general nature of the business to be transacted, shall be delivered personally or sent by registered mail or facsimile transmission to the Association. The officer receiving the request shall cause notice to be promptly given, personally or by mail to each Member's last known address, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than ten (10) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice.

Section 6. Turnover Meeting. The Declarant shall call a meeting for the purposes of turning over administrative control of the Association from the Declarant to the Members (the "Turnover Meeting") upon the earliest of the following to occur: (i) when the Declarant elects to do so in writing; or (ii) within one (1) year of the date when all Lots have been conveyed by the Declarant to third-party purchasers. The Declarant shall give notice of the Turnover Meeting to each Lot Owner in the manner prescribed in this Article. If the Declarant does not call the Turnover Meeting within the required time, any Lot Owner may call the Turnover Meeting by giving notice to the other Lot Owners in the manner prescribed in this Article. The Declarant shall not be responsible for the failure of the Lot Owners to assume control of the Association in accordance with this section. After the Turnover Meeting, the Declarant shall be relieved of any further responsibility for the administration of the Association.

Section 7. Delegation of Authority. The Board may elect to delegate or assign its administrative authority to a property management company or the Norton Ranch Community Association for the routine conduct of Association business, however such authority shall be precisely defined with ultimate authority over Association matters at all time residing in the Board of Directors. Such delegation or assignment shall remain effective until revoked by the Association.

Section 8. Accounts. The Board (and manager if applicable) shall keep detailed

accurate records in chronological order of the receipts and expenditures affecting the Association Maintained Elements, itemizing the maintenance and repair expenses of the Association Maintained Elements and any other expenses incurred. The receipts and expenditures of the Association shall be under the direction of the Board (or manager, if applicable) and shall include a provision for current expenses which shall include all receipts and expenditures to be made within the year for which the budget is made, including a reasonable allowance for contingencies and working funds, and reserves. All records shall be available for examination during normal business hours to any Lot Owner or his or her assigned representative.

Section 9. Inspection Rights. The Association shall make available, for inspection upon request during normal business hours, to Lot Owners, lenders, prospective purchasers, and the holders and insurers of the first mortgage on any Lot, current copies of the Covenants and the Bylaws and other rules governing the Property, and other books, records and financial statements of the Association.

C. BOARD OF DIRECTORS

Section 1. Powers and Duties. The business and affairs of the Association shall be managed by the Board of Directors. The Board is authorized to manage the business of the Association and is authorized to take such actions as shall be necessary and reasonable to carry out the functions and purposes of the Association. Pursuant to the provisions of this Declaration, the Board shall have the power and duty to:

- (1) Prepare an annual budget and levy assessments;
- (2) Adopt rules and regulations;
- (3) Review proposals for development on the Property as set forth in Article II above;
- (4) Call annual and special meetings of the Association and give due notice thereof;
- (5) Enforce provisions of this Declaration and any duly adopted rules and regulations;
- (6) Make provisions for the general management, improvement, repair and maintenance of the Association Maintained Elements;
- (7) Enter into contracts or hire personnel for the management of the affairs of the Association and the maintenance, management, improvement, and repair of the Association Maintained Elements;
- (8) Provide a means of hearing grievances of Lot Owners and to respond appropriately thereto;
- (9) Meet at regularly scheduled times and to hold such meetings open to all Lot Owners or their agents;
- (10) Defend in the name of the Association any and all lawsuits wherein the Association is a party defendant;
- (11) Take appropriate legal action to collect delinquent assessments;

- (12) Initiate legal action for purposes other than collection of delinquent assessments if at least 60% of the Lot votes approve;
- (13) Enter into contracts necessary to carry out the duties herein set forth;
- (14) Establish a bank account for the Association and handle Association funds;
- (15) Arrange, keep, maintain and renew insurance for the Association for general liability insurance and for Directors and Officers (D&O) insurance if the Board determines it D&O insurance is necessary and obtainable at reasonable rates;
- (16) To delegate authority to the Norton Ranch Community Association or a property management company for the routine conduct of Association business, however, such authority shall be precisely defined with ultimate authority at all time residing in the Board of Directors; and
- (17) In general, to act for and carry on the administration and affairs of the Association as authorized and prescribed by this Declaration, and to do all those things which are necessary and reasonable in order to carry out the governance and operation of the Property.

Section 2. Number, Selection, Vacancy. At the Turnover Meeting, there shall be three (3) Directors elected by the Members via non-cumulative voting by majority of the Lot votes. The number of Directors may be expanded by resolution adopted and approved by at least fifty-one percent (51%) of the Lot votes at a meeting duly called for that purpose. Should a vacancy occur on the Board, the Board shall appoint a Member to serve until the next annual or special meeting at which time the Members shall elect a director to fill the vacancy. Until the Turnover Meeting, the Declarant shall appoint all three (3) Directors.

Section 3. Annual Board Meetings. The annual meeting of the Board shall be held at a time and place designated by the Board. All meetings of the Board of Directors shall be presided over by the President, or in his or her absence the Secretary, and shall be conducted in accordance with the most recent version of Robert's Rules of Order.

Section 4. Special Board Meeting Special meetings of the Board may be called for any purpose at any time by a notice signed by not less than fifty percent (50%) of the Board members and sent by mail to each Member's last known address specifying the place, time, and date (which shall not be less than 5 nor more than 60 days after the notice is sent) of the meeting and the general nature of the business to be transacted.

Section 5. Quorum and Voting. A quorum for the transaction of business of any meeting of the Board shall consist of a majority of the Board, but in no event less than two (2) members of the Board. At every Board meeting, each director shall be entitled to one vote. Unless otherwise required by Montana law or this Declaration and these Bylaws, the affirmative vote of the majority of the directors present at a duly held meeting at which a quorum is present shall be the act of the Board and of the Association. A Director may participate in any meeting by means of a conference telephone or similar communication equipment through which all persons participating in the meeting may communicate with

the other participants; provided, however, that all participants shall be advised of the communications equipment and the names of the participants in the meeting shall be divulged to all participants. Participation in a meeting pursuant to this section constitutes presence in person at the meeting.

Section 6. Action Without Meeting. Action may be taken without a Board meeting if the action is taken by all the directors. The action must be evidenced by one or more written consents describing the action taken, signed by all the directors, and delivered to the Association for filing with the Association records.

Section 7. Compensation. No director shall receive any compensation for acting as such. Nothing herein, however, shall be construed to preclude compensation being paid for any services rendered in any other capacity for the Association, whether as employees, independent contractors or otherwise.

D. OFFICERS

Section 1. Selection, Removal, Vacancy. There shall be a President, a Secretary, and a Treasurer elected by and from the Board. An officer may be removed at any time by a majority vote of the Board. Any vacancy shall be filled by the directors until a replacement can be elected at an annual or special meeting. One person may hold multiple offices.

Section 2. Duties of the President. The President shall be the principal executive officer of the Association and, subject to the control of the Board, shall in general supervise and control all the business and affairs of the Association, including the filing of liens for unpaid assessments in accordance with this Declaration and the enforcement of activities of the Association. The President shall preside at all meetings, shall sign all written contracts, deeds, mortgages, bonds or other instruments of the Association which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or this Declaration to some other officer or agent of the Association or shall be required by law to be otherwise signed or executed. The President shall perform all such other duties as are incidental to the office of President; in case of the absence or disability of the President, the presidential duties may be performed by the Secretary.

Section 3. Duties of the Secretary. The Secretary shall issue notice of all meetings and shall: attend and keep the minutes of the same; maintain the names and addresses of all Members; have charge of all Association records and papers; and perform all such other duties as are incidental to the office of Secretary.

Section 4. Duties of Treasurer. The Treasurer shall be the custodian of the Association's monies and securities, shall deposit the same in the Association's name as

directed by the Board, and shall keep legal books of account, and shall submit them, together with all vouchers, receipts, records and other papers, to the Board for their examination and approval, as often as they may require, and shall perform all such other duties as may be incidental to this office.

Section 5. Compensation. No officer shall receive any compensation for acting as such. Nothing herein, however, shall be construed to preclude compensation being paid for any services rendered in any other capacity for the Association, whether as employees, independent contractors or otherwise.

E. NOTICES

Each Member shall register with the Association, a current mailing address and shall promptly notify the Association of any change in said address. All notices, demands, and other communication to any Member shall be sufficient for all purposes if personally served or mailed to the Member at the last mailing address on file with the Association.

F. CONTRACTS, LOANS, AND DEPOSITS

The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless properly authorized by a majority vote of the Board. All funds of the Association not otherwise employed shall be deposited from time to time in such banks, trust companies or other depositories as the directors may select.

G. INDEMNIFICATION

The Association shall indemnify each of its directors, officers, employees or agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by such person by reason of such person having been made or having been threatened to be made a party to a proceeding because said person was or is a director, officer, employee or agent of the Association if said individual conducted him or herself in good faith and reasonably believed that his or her conduct was in the Association's best interests or, in the case of any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The Association may not indemnify a director, officer, employee, or agent if said person is adjudged liable to the Association in an action brought by the Association or if in any action said person has been found to have received improper personal benefit at the expense of the Association. If the Board determines the person qualifies for indemnification under this paragraph, the Association shall advance the expenses reasonably expected to be incurred.

H. RULES AND REGULATIONS

The Association may adopt such additional rules and regulations as shall be reasonable and necessary to carry out its authority and duties under the terms of this Declaration and these Bylaws, provided such rules and regulations are reasonable and consistent with and are in compliance with this Declaration and these Bylaws. Originals of all duly adopted rules and regulations shall be kept by the Secretary and copies thereof shall be provided to each Lot Owner and prospective purchaser of a Lot upon request. In the event of a conflict between any new rule or regulation and this Declaration and these Bylaws (as subsequently amended), the terms of this Declaration and these Bylaws shall control. New rules and regulations may be adopted by:

(1) the affirmative vote of seventy-five percent (75%) of the Lot votes at any duly called meeting of the Association; or

(2) the Board if the proposed rule or regulation is not overturned within 90 days by a vote of seventy percent (75%) of the Lot votes at a duly called meeting of the Association.

ARTICLE IV **ENFORCEMENT**

A. STANDING, COSTS, AND ATTORNEY'S FEES

These Protective Covenants and Restrictions may be enforced by the Association, individual Lot Owners, or the Declarant. In the event of violation or threatened violation of any of said Protective Covenants and Restrictions, legal proceedings may be brought in a court of law or equity for injunctive relief and/or damages. In the event of action to enforce said Protective Covenants and Restrictions, the prevailing party shall be entitled to costs and a reasonable attorney's fee.

B. NO WAIVER

The failure by the Declarant or his successors or assigns, the Association, the Board, or any subsequent Lot Owner to enforce these Protective Covenants and Restrictions shall in no event be deemed a waiver or in any way prejudice the right to enforce these Protective Covenants and Restrictions at any time against any person breaching the same or to collect damages for any subsequent breach.

ARTICLE V **AMENDMENT**

The provisions of this Declaration and these Bylaws shall remain in effect until amended or terminated. The provisions of this Declaration and these Bylaws, or any portion thereof, may only be amended, terminated or supplemented at any time by the

execution of a written document containing the terms of the amendment, supplement or termination of any of the provisions of this Declaration or these Bylaws, duly acknowledged by a Notary Public, and recorded with the office of the Gallatin County Clerk and Recorder, executed by at least seventy-five percent (75%) of the Lot votes. Any right or privilege granted to the Declarant in this instrument may only be amended or deleted with the signed written consent of the Declarant or its designated successors or assigns. So long as Declarant is the owners of at least fifty percent (50%) of the Lots, Declarant may unilaterally amend this instrument for any purpose. Any or all of the special rights and obligations of the Declarant set forth in this Declaration and these Bylaws may be transferred or assigned to other persons or entities, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration and these Bylaws.

ARTICLE VI
MISCELLANEOUS PROVISIONS

A. SEVERABILITY

Invalidation of any provision of this Declaration and these Bylaws, in whole or in part, or any application of a provision of this Declaration and these Bylaws by judgment or court order shall in no way affect other provisions or applications.

B. PERPETUITY

The provisions of this Declaration and these Bylaws shall continue in full force and effect and shall run with land as legal and equitable servitudes in perpetuity unless amended as set forth herein.

C. MORTGAGEES AND LIENHOLDERS

A breach of any of the foregoing restrictions, covenants, or bylaws shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value upon any Lot or portion of the real property or any improvements thereon. However, these restrictions, covenants, and duly adopted rules, regulations, and guidelines shall be binding upon and inure to the benefit of any subsequent owner who acquired by foreclosure, trustee sale or otherwise, title to any of the Property.

D. APPLICATION

All of the Property shall be subject to the provisions of this Declaration and these Bylaws whether or not there is a reference to the same in a deed or conveyance.

DATED this 11th day of December, 2020.



NORTON RANCH COMMUNITY ASSOCIATION

Appendix to CC&R's - Schedule of fines

The following is a schedule of notices and fines for a violation of the Governing Documents (CC&R's & Design Guidelines):

- Notice: A written notice of violation will be mailed or emailed to the owner of the property. Such notice shall provide the owner 14 days from the date of the notice to do one of the following:
 - Correct the violation; or
 - Contact the HOA and negotiate a timeline for correction; or
 - If owner believes no violation has occurred, respond to the HOA with written explanation. The Board of Directors will review the case and respond within 14 days.

- Fines: If the violation is not resolved within 14 days, a \$100.00 fine will be charged and may be assessed again every 30 days until the violation has been remedied.
 - Any fines imposed will be added to the homeowner's quarterly dues statement, payable per the quarterly schedule.
 - All fines received will be deposited in the Homeowner Association's operating account.

Homeowners will receive the notice of violation and are responsible for any fines incurred due to the action of their tenant.

Appendix to CC&R's – Nonpayment of HOA Dues

Management of the Association reserves the right to file a lien against the property if quarterly dues are unpaid for a period of a minimum of 12 months. Homeowner shall reimburse the Association for all costs associated with the lien. Dues and late fees will continue to accrue until paid.

DECLARANT:

NORTON RANCH HOMES, LLC, an Oregon limited liability company,
by

Doug Lee
Doug Lee, Authorized Agent

STATE OF Oregon)
: ss.
County of Deschutes)

On this 21st day of December, 2020, before me, a Notary Public in and for said State, personally appeared Doug Lee, Authorized Agent of NORTON RANCH HOMES, LLC, an Oregon limited liability company, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that the company executed the same.



Tina Kay Oakley
Printed Name: Tina Kay Oakley
Notary Public for the State of Oregon
Residing at 21381 Oakview, Bend OR
My commission expires: 10/7/2023