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P.O. Box 10098
Bozeman, MT 59719

BYLAWS
OF AND FOR
NORTHSTAR RESIDENTIAL HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME

The following shall prevail throughout these Bylaws in the interpretation thereof unless specific provisions direct otherwise:

NORTHSTAR RESIDENTIAL HOMEOWNERS ASSOCIATION, INC., is the incorporated organization which is to be governed by, and, which is empowered to act in accordance with these Bylaws. Hereinafter said corporation shall be referred to as the "Association".

ARTICLE II

ADDRESS

The address of the initial principal office of the Association shall be P.O. Box 10098, 224 Zoot Way, Bozeman, Montana 59718.

ARTICLE III

POWERS

The Association shall have all the powers of a nonprofit corporation enumerated and set forth in Title 35, Chapter 2, Montana Code Annotated. The purposes of the Association are those set forth in the Articles of Incorporation.

ARTICLE IV

MEMBERSHIP INTEREST

Every person, group of persons, partnership, corporation, or association who is a fee owner of real property within the boundaries of the area described as Northstar Residential Subdivision according to the official plat thereof on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana, shall be a member of the Association. By this provision, each tract as shown on the plat and amendments thereto shall entitle the owner of one membership interest in the Association.

Multiple owners of a single parcel of real property would have, collectively, one such membership or voting interest. If more than one tract is owned, the owner or owners thereof would have one membership or voting interest for each separate parcel of real property.

Membership interest shall run with the land so that said interest is an incident to ownership beginning when ownership rights are acquired and terminating when such rights are divested. Accordingly, no member shall be expelled, nor shall he be permitted to withdraw or resign while possessing a membership interest.

In addition, in the event that the Covenants, Conditions, and Restrictions for Northstar Residential Subdivision (hereinafter called the "Covenants") are hereafter extended according to their terms to include other properties, then and in that event each Owner of such additional properties shall be a member from the date of the filing of the instrument including such additional properties.

ARTICLE V

MEETINGS

There shall be an annual meeting of the membership. The date, hour and place of such meeting shall be contained in the notice of meetings as hereinafter described. The annual meeting shall be the time for the conduct of any and all legitimate business of the Association, including election of directors and presentation of reports. Voting at all meetings shall be in the manner prescribed in these Bylaws.

Special meetings may be called at any time upon the initiative of the Board of Directors. A special meeting must be called when a Petition signed by seventy-five percent (75%) of the membership interest outstanding and eligible to vote at the time has been presented to any member of the board of Directors. Such special meeting shall be called as soon as practicable after receipt of said Petition. Notice of any such special meeting shall state the hour, date and place of the meeting and shall further precisely state the reasons of such meeting, and said special meeting held shall be strictly confined to the matters set forth in the notice unless sixty percent (60%) of the said membership interest present agree otherwise.

All meetings, both annual and special, shall be presided over by the Chairman of the Board of Directors or his appointed representative.

Any meeting may be adjourned by the Board of Directors at their discretion, but any meeting adjourned before all its business is disposed of shall be reconvened with thirty (30) days of such adjournment upon due notice given.

Resolutions as hereinafter described may be introduced by any member at any annual meeting provided such resolution in written form is presented to the Secretary of the board no later than ten (10) days prior to the date of such meeting.

Written notice of all meetings, annual and special, shall be mailed to every member of record no later than ten (10) days and not more than thirty (30) days before the date of the meeting. It shall be the duty of each member to advise the Association of his current address.

ARTICLE VI

VOTING

Each membership interest as defined in Article IV of these Bylaws shall have one (1) vote on all matters to come before the Association meeting. Voting of such interest shall be in the manner provided by the Board of Directors and in these Bylaws. Voting may be in person or by proxy.

ARTICLE VII

RESOLUTIONS

All matters that are the business and concern of the Association shall be presented to the Association and meetings of the Association in the form of resolutions directed to the Board of Directors. Such resolutions as are passed by over fifty percent (50%) of the said membership interest of record and eligible to vote shall be binding on the Board of Directors. Such binding resolution shall have the effect of compelling the Board of Directors to take positive action in response to the general inclination of the resolution. However, the scope, extent, and specific character of all such action shall be within the final discretion of the Board of Directors.

ARTICLE VIII
POWERS AND DUTIES OF BOARD

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

- A. To enter into contracts and agreements as are necessary to affect the business of the Association.
- B. To provide for the construction, installation, acquisition, replacement, operation, maintenance, and repair by the Association of buildings, equipment, common areas, facilities, and service streets, roads, bridges, lighting, garbage removal and disposal in common areas, security of persons or property, fire protection, and other municipal or quasi-municipal services and functions. Contracts for such work with third parties which provide for a term or duration in excess of one year must be approved by a majority of the members, which approval may be ratified at the annual or any special meeting of the Association.
- C. To make and establish rules and regulations for the governance of facilities and the performing of such functions, the taking of such action and operating in such areas as are within the jurisdictions of the Association.
- D. To make assessments as described in these Bylaws and the Declaration of Covenants, Conditions and Restrictions on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana.
- E. To take necessary and appropriate action to collect assessments from members, including the filing of liens and prosecuting foreclosures as provided in these Bylaws.
- F. To call meetings of the Association, both annual and special, and to preside over such meetings and to give appropriate notice of such meetings as required by the Bylaws.
- G. To formulate and introduce resolutions at the meetings of the Association.
- H. To hold meetings of the Board of Directors as are necessary to conduct Association affairs.
- I. To exercise ultimate decisional power in and on all matters affecting the Association.
- J. To pay the expenses of the Association, including all taxes or assessments, and to contract and pay for such insurance as may be necessary in the best interests of the Association, and to provide for the use and disposition of the insurance proceeds in the event of loss or damage.
- K. To fill vacancies on the Board by agreement of the two remaining members, should the vacancy not, however, be filled by the Board, it may be filled by an election at an annual or special meeting wherein each membership interest shall have one (1) vote.
- L. To maintain lists of members.
- M. To keep records in a good and businesslike manner of all expenditures, assessments made, the status of each member's payments of assessments, and to make such records accessible at reasonable times to all members.
- N. To provide facilities for the safety, comfort, health, well-being, and pleasure of the owners, their guests and invitees.
- O. To promote, conserve, and preserve the premises.
- P. To do any and all things necessary to carry into effect these Bylaws and to implement the purposes as stated in the Articles of Incorporation and to do any and all things necessary to require compliance with

and enforce the Declaration of Covenants, Conditions and Restrictions which, by Articles I and VI are made a part of these Bylaws.

Q. To deal with agencies, officers, boards, commissions, departments, and bureaus or other governmental bodies to carry out the above powers, duties, and responsibilities.

R. To establish accounts for operating and/or development funds as set out in the Declaration of Covenants, Conditions and Restrictions including Design Review Guidelines.

S. To provide, through assessments, an adequate reserve fund for maintenance, repairs and replacement of those elements in the common area that must be replaced or maintained on a periodic basis.

T. In addition to the aforementioned powers, the Board of Directors shall act and perform the functions of the Architectural Review Committee, or, in the alternative, may appoint an Architectural Review Committee, as referenced in the Covenants, Conditions and Restrictions on file and of record in the office of the County Clerk and Recorder of Gallatin County, Montana, and shall have all of the powers, duties, obligations and responsibilities set forth in said document.

ARTICLE IX ASSESSMENTS

The Association, acting through the Board of Directors, shall have the power to levy assessments on its members. The assessments levied by the Association shall be used exclusively to promote health, safety and welfare of the owners of the property, their guests and invitees and for the improvement of the maintenance of the common areas, open spaces and park areas, to include common road maintenance and utility line maintenance, landscape maintenance in common areas and in parks, property liability insurance, Association employees' wages (if applicable), mailing costs, common signage, common utility expenses and traffic control signs, and other related expenses incurred on behalf of the Association as further described hereafter.

The quarterly assessments provided for herein shall commence, for each phase of the development, independently of the other phases and quarterly assessments will commence to accrue on the first day of the month following the conveyance of the first lot in each phase by the developer to any third party or entity.

There shall be two classes of assessments allowable under these Bylaws:

- (1) Capital assessments, and
- (2) Operating assessments.

Capital assessments shall be for the purpose of acquiring, replacement, or the construction of new facilities, or the major repair or renovation on existing facilities.

Operation assessments shall be for the purpose of sustaining day-to-day activities of the Association, including maintenance of common landscaping, minor repairs, accounting for the Association, common utility expense, liability insurance and other ordinary expenses.

The Board of Directors shall have the final authority to determine under which general heading to make various assessments. Further, the Board may make assessments in either or both categories on each person or persons or entity having a membership interest.

The Board of Directors must first obtain the approval of at least fifty-one percent (51%) of the membership interests before taking the following action:

- A. Making any assessment for a capital improvement costing in excess of three thousand dollars (\$3,000.00).
- B. Mortgaging, encumbering, or otherwise disposing of any property of the corporation, whether real or personal, in excess of the amount of value of one thousand dollars (\$1,000.00).

Assessments shall be made on a quarterly basis and notice thereof shall be mailed by the Secretary of the Board to each member at his address of record on or before the first of January each year as shall be determined by the Board of Directors.

All assessments become due thirty (30) days of the said due date, after which they will become delinquent. The Board shall have authority to impose reasonable interest charges and penalties on amounts which are overdue. Any assessment not paid within thirty (30) days as set forth above shall bear interest at the maximum amount

allowed by law. The Association may bring an action against the owner personally obligated to pay the assessment, or foreclose a lien filed against the property. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use or abandonment of his tract.

All assessments shall be levied and assessed equally on all lots on a pro rata basis regardless of size.

ARTICLE X

BUDGETS

On or before November 30th of each year, the Board shall prepare and mail to each member a budget for both capital and operating expenses for the forthcoming calendar year. The two budgets shall be divided by the total number of tracts in the subdivision at the time, and assessments shall be made against each membership interest equally.

ARTICLE XI

LIENS FOR ASSESSMENTS AND FORECLOSURES

All sums assessed, but unpaid for either capital or operating assessments, shall constitute a lien against any tract where the said assessment remains unpaid after three (3) months following the date when the same became delinquent, as set forth in paragraph IX above. Such lien shall be superior to all other liens and encumbrances, except for tax and special assessment liens placed by a statutory authority, other statutory liens, and the lien of any first mortgage or a first trust indenture of record.

To evidence such liens, the Association shall prepare a written notice of lien assessment, setting forth the amount of such unpaid indebtedness, the amount of the accrued interest, the late charges thereon, the name of the owner of the tract and a description of the real property. Such notice shall be signed and verified by the Owner or the Chairman of the Board of Directors and shall be recorded in the office of the County Clerk and Recorder. Such lien shall attach from the date of the recording of such notice. Such lien may be enforced by the foreclosure of the defaulting membership interest by the Association in like manner as a mortgage on real property as otherwise provided by law upon the recording of a notice or claim thereof. In any such proceedings, the owner shall be required to pay the costs, expenses, and attorney's fees incurred for filing a lien, and in the event of foreclosing proceeding, additional costs, all expenses, and reasonable attorney's fees incurred.

ARTICLE XII

QUORUM

Meetings of the Association shall be convened at the time and place contained in the notice of such meeting only if a quorum of the membership interest is present either in person or by proxy. A quorum shall consist of thirty percent (30%) of the total membership interest of the Association qualified and eligible to vote at the time. Any membership interest may be represented by the owner thereof or by his agent who has written authority to so act.

ARTICLE XIII

VOTING INTEREST

Whenever any tract is owned or leased by two or more persons, or by an entity, or contains a condominium comprised of various owner, such person, or persons, or entity must, prior to a meeting where voting may be allowed, among and between themselves, determine who is entitled to vote the membership interest and in what manner it shall be voted. If, in the judgment of the Board, a bona fide and irreconcilable dispute arises as to the voting or right to vote a membership interest, such interest may be declared to be a dispute and for the time such interest is in dispute, it shall have no voting rights.

ARTICLE XIV

SECRETARY

The Secretary of the Board of Directors shall maintain a record of all membership interests in the Association. In order to make a determination of membership interest for any purpose stated in these Bylaws or the laws of the State of Montana, the Board may order the record closed for a stated period of time, which period shall

be thirty (30) days at a minimum. Notice of assessments and liability for assessments shall be in the name of the registered owner on the membership list at the time assessments are declared by the Board.

ARTICLE XV

BOARD MEMBERS

The Board of Directors of the Association shall consist of three (3) members. The individual who receives the most votes in any Board election shall serve as Chairman. Until December 31, 2010, or until three-quarters (3/4) of the tracts have been sold and title is transferred to owners, whichever occurs first, the Owner reserves the right to appoint and remove all members of the Board and to exercise the powers and responsibilities otherwise assigned by the Declaration of Covenants, Conditions and Restrictions, and these Bylaws. By expressed written declaration, the initial directors shall have the option to, at any time; turn over to the Association the total responsibility for electing and removing members of the Board.

Members of the Board and their officers, assistant officers, agents and employees acting in good faith on behalf of the Association:

- (1) shall not be liable to the owners as a result of their activities as such, for any mistake of judgment, negligence or otherwise, except for their own willful misconduct or bad faith;
- (2) shall have no personal liability in contract to an owner or any other person or entity under any agreement, instrument or transaction entered into by them on behalf of the Association in their capacity as such;
- (3) shall have no personal liability in tort to any owner or any person or entity, except for their own willful misconduct or bad faith;
- (4) shall have no personal liability arising out of the use, misuse or condition of the Property which might, in any way, be assessed against or imputed to them as a result of, or, by virtue of their capacity as such.

ARTICLE XVI

TERMS AND REPLACEMENT

The terms of office for members of the Board shall be three (3) years, notwithstanding the fact that the terms shall be staggered. Positions on the Board of Directors shall be filled in the manner hereinafter described. At the first annual meeting of the Association, the members shall elect, by majority vote, three (3) members of the Board of Directors who shall have as their respective term of office one (1), two (2) and three (3) years. At each succeeding annual meeting of the Association an election shall be held to fill the directorship of the Director whose term will next expire.

Any vacancy created by resignation shall be filled immediately by appointment by the remaining Board members. Such appointment must be approved by a majority of the members of the Association at the next meeting of the Association, whether general or special. If the appointment is not approved, then the members shall fill the vacancy by a majority vote. At any time and for any reason that a vacancy occurs on the Board and an agreement cannot be reached on a successor, then such vacancy shall be filled by the membership interest at large at a special meeting held for that purpose. At such election, any membership interest may nominate candidates from the floor and voting shall be by ballot and each membership interest shall have one (1) vote. In the event the membership should nominate more than three (3) individuals to fill a vacancy, the three individuals receiving the highest number of votes shall be deemed to be elected to fill the vacant position on the Board of Directors.

At any meeting, whether general or special, any one or all of the members of the Board may be removed and replacements elected upon a majority vote of the total membership interests outstanding and eligible to vote at that time.

ARTICLE XVII

COMMITTEES

Pursuant to the Title 35, Chapter 2, Montana Code Annotated and, subject to the restrictions stated therein, the Board may appoint committees to act for the Board and to exercise the authority of the Board on matters referred to them by the Board. Such committees may be dissolved at any time by the Board of Directors.

ARTICLE XVIII

INSURANCE

The Board shall purchase insurance policies to protect the property of the Association against casualty loss and to protect the Association and the Board members, when acting in their official capacity, from liability. The extent and specific nature of coverage shall be determined by the Board.

ARTICLE XIX

COVENANTS

No acts by the Association or by the Board of Directors shall be contrary to the Declaration of Covenants, Conditions and Restrictions, on file with the Clerk and Recorder of Gallatin County, Montana, and amendments thereto. On its own initiative, the Board may take such action as it deems necessary, including the taking of legal action and initiating suit to enforce the Declaration of Covenants, Conditions and Restrictions.

ARTICLE XX

OFFICERS

The Board of Directors shall appoint a secretary for the Association. The Board of Directors may, at its discretion, appoint additional officers to generally supervise and control the business of this Corporation and delegate certain powers, duties and responsibilities to such officers. The manner of selection, the qualifications, salaries, if any, the term of office, the method of removal, the scope of duties and responsibilities, and the number of such officers shall be determined by the Board of Directors.

ARTICLE XXI

COMPENSATION

Board members shall be reimbursed for any out-of-pocket expenses incurred while acting in their official capacity and may be entitled to a nominal fee for their services as members of the Board of Directors.

ARTICLE XXII

SEVERABILITY

A determination of invalidity of any one, or more, of the provisions or conditions hereof, by judgment, order, or decree of a Court shall not affect, in any manner, the other provisions hereof which, shall remain in full force and effect.

ARTICLE XXIII

INTERPRETATION AND AMENDMENT

The Board of Directors shall have the power to interpret all the provisions of these Bylaws and such interpretation shall be binding on all persons. These Bylaws may be amended from time to time whenever at least fifty-one percent (51%) of the membership interests shall have voted in favor of such amendment.

THESE BYLAWS were adopted by the Board of Directors for NORTHSTAR RESIDENTIAL HOMEOWNERS' ASSOCIATION, INC., on the _____ day of _____, 200__.

VALKYRIE, L.L.C.
A Montana Limited Liability Company

By: _____

Its: _____

STATE OF MONTANA)
 : ss
County of Gallatin)

On this _____ day of _____, 200____, before me, a Notary Public for the State of Montana, personally appeared _____, known to me to be a Member of VALKYRIE, L.L.C., a Montana Limited Liability Company, and acknowledged to me that she executed the same on behalf of the limited liability company pursuant to the power and authority vested in her.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal as of the day and year first above written.

Notary Public for the State of Montana
Printed Name: _____
Residing at: _____
My Commission Expires: _____