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**SECOND
AMENDED AND RESTATED BY-LAWS
SANDSTONE RIDGE CONDOMINIUMS HOMEOWNERS' ASSOCIATION, INC.**

**BY-LAWS GOVERNING
SANDSTONE RIDGE CONDOMINIUMS HOMEOWNERS' ASSOCIATION, INC.**

**SECTION I
NAME**

- 1.1. The name of this corporation shall be Sandstone Ridge Condominiums Homeowners' Association, Inc.; a South Dakota non-profit corporation herein may be referred to as the "Corporation" or the "Association".

**SECTION II
PURPOSE OF CORPORATION**

- 2.1. The purpose for which this Corporation was formed is to serve as a governing body for every owner of a condominium, as these terms are defined in the most current amended and restated Master Deed and By-Laws for Sandstone Ridge Homeowner management, maintenance and care of the Association property. The Corporation may transact any and all lawful business for which a non-profit corporation can operate under the laws of the State of South Dakota and may be amended from time to time.
- 2.2. No Gain or Profit:
The Corporation will not contemplate securing gain or profit for the members. Therefore, the members shall not have individual interest in the profits if any of the corporation.

2.3. Duties of the Corporation:

The purpose of this corporation, to the extent authorized by the Board of Directors, and in accordance with the provisions of the By-Laws, shall be to do all things consistent with its stated purpose set forth in paragraph 2.1 that a non-profit corporation might do under the laws of the State of South Dakota including but not limited to the following:

- a. To accept such properties, improvements, rights and interest as may be conveyed, assigned, or transferred to this corporation.
- b. To administer, maintain and otherwise manage all of the common areas and all facilities, improvements and landscaping thereon, buildings and other improvements personally located thereon and owned by the Corporation, to pay all taxes and assessments, if any which may properly be levied against the property and become the obligation of the Corporation. The Board of Directors may determine, in accordance with the Master Deed and By-Laws of the said Corporation, to impose liens against condo owners, and to collect, sue, foreclose or otherwise enforce, compromise, release, satisfy, and discharge such obligations, demands and all liens in accordance with the By-Laws.
- c. To do all things necessary to carry out and enforce the terms and provisions of the By-Laws, and to do all things and acts, including the payment of charges and expense incurred by the Corporation in operating the property, which is in the sole discretion of its Board of Directors.
- d. To borrow money for said Corporation in furtherance of any or all objectives and purposes of this Corporation and to secure the same by mortgage, Trust Deed, pledge or other lien or security in property of this corporation.
- e. To invest its working capital and reserves with security.
- f. To obtain as necessary, for the benefit of the common areas, all telephone, water, sewage, gas, electrical and cable vision service and refuse collections and to grant easement necessary for utilities, sewer facilities, and cable vision over any portion of the common areas.

- g. To establish and maintain working capital and capital improvement funds as determined by the Board of Directors.
- h. To adopt, amend, and repeal such rules and regulations as the corporation may deem reasonable.
- j. To do all other acts and things authorized in the By-Laws but not explicitly set out above.

SECTION III PLACE OF BUSINESS

The principal place of business for this Corporation is 3600 Sheridan Lake Road, Rapid City, SD 57702.

SECTION IV MEMBERSHIP

4.1 Non-stock Corporation:

This Corporation shall be a non-stock corporation and shall be owned by its members and no dividends or pecuniary profits shall be paid to its members.

4.2 Limited Membership:

Membership in the Corporation shall be limited to the owners of condominiums (or units) as defined in the By-Laws. The foregoing shall not include persons or entities that hold an interest in a unit merely as security for the performance of an obligation. An owner of a unit shall automatically be a member of the corporation and remain a member of the corporation until ownership ceases for any reason, at which time the membership in the Corporation shall automatically cease. The membership of an owner shall be appurtenant to and may not be separated from the fee ownership and unit of which it is subject to assessment by the Corporation.

4.3 Membership List:

A membership list shall in all cases be evidenced by an official list of said members, which list shall be kept by the Secretary of the Corporation. The

membership held by an owner shall not be transferred, pledged, assigned or alienated in any way except that upon the conveyance of said owners unit within the property and then only to the purchaser of that unit.

4.4 Annual Meeting:

Annual Meeting of members of this Corporation shall be held on the second Tuesday in October. Any member or members representing at least fifty-one (51%) percent of the voting power of the Corporation, who shall be present or by proxy at a meeting shall constitute a quorum. In the event a quorum is not present the meeting will be adjourned and a new meeting called for a quorum of forty (40%) percent of members and proxies, (51 units) must be represented at the meeting, otherwise the meeting will be adjourned and rescheduled at a time and date that a quorum can be present. A quorum having been established at a meeting shall continue to exist for that meeting notwithstanding the departure of any member previously in attendance in person or by proxy.

4.5 Order of Business:

The order of business at all annual meetings shall include but not be limited to the following:

- a. Proof of notice of meeting or waiver of notice.
- b. Proof of quorum.
- c. Reading of minutes and approval of minutes by members.
- c. Treasurers Report.
- d. Prior year's actual financial report, comparison of prior year's budget to actual financial report.
- e. Proposed annual budget for next year.
- f. Presidents report.
- g. Committee reports.
- h. Election results of new directors and results of other measures which may appear on ballot.
- i. Old business.
- j. New business.
- k. Adjournment.

SECTION V
BOARD OF DIRECTORS

5.1 Business Affairs:

The business affairs of this corporation shall be managed by a Board of Directors, consisting of five (5) to seven (7) directors who shall be members of the Association.

5.2 Officers:

The officers of the corporation shall be The President, Vice President, Secretary, Treasurer, and such additional officers as the Board of Directors may deem necessary. Officers shall be elected by the Board of Directors following the annual meeting or at a Special meeting called for that purpose. The officers shall hold offices until the next annual meeting of the Board of Directors or until their successor(s) are elected. A board member shall be subject to removal by the Board of Directors at any time by a majority vote of serving members.

5.3 Terms of Officers:

Newly elected directors shall take office at the first regular or special meeting of the Board following each election. All directors shall hold office for 3 years term, with the respective terms to be staggered so that no more than two (2) directors are to be elected in any one year except to fill vacancies, in order to provide continuity and stability in the Association leadership.

5.4 Compensation:

No director shall receive compensation for services rendered to the association. However, directors may be re-reimbursed for actual expenses incurred in the performance of their duties.

5.5 Election:

Members of the Board of Directors shall be elected annually by the membership by secret ballot, held prior to the annual meeting. All candidates must be homeowners and full time residents of Sandstone Ridge. Absentee owners are to receive their ballots 30 days prior to the annual meeting and ballots must be returned prior to the annual meeting. To count cumulative voting for a Board member is prohibited. Write in candidates will be permitted.

SECTION VI
PERSONAL LIABILITY - FIDELITY BOND

6.1 Fidelity Bond:

A fidelity bond is required covering members of the Board of Directors, the officers, and other agents or employees of the Association who have fiscal responsibilities to be bonded as may be deemed appropriate. The Association shall pay for the bonds.

SECTION VII
MEETINGS OF DIRECTORS

7.1 Meeting Attendance:

All meetings of the Board of Directors, except executive sessions, shall be open to all members of the Association.

7.2 Annual and Regular Meetings:

All members must be notified 30 days prior to an annual meeting or regular meetings. The notice of meetings shall be by newsletter, postings on a bulletin board above mail boxes or Sandstone Ridge Homeowners web site (<http://www.sandstone-ridge.com>). Such notices shall specify the location, day, hour, and purpose of the meeting.

7.3 Special Meetings:

Special meetings by the Board of Directors shall be held when called by the President or by any three (3) directors. Notice requirements are the same as regular meetings and waivers of notice of special meetings are acceptable.

7.4 Executive Sessions:

An executive session may be called at any time by the President or three (3) board members. Executive sessions are closed to the membership. A quorum of the Board of Directors must be present for it to be an official executive session. Executive sessions shall consider only the following items.

- a. Employment or personnel matters for employees of the Association Board.
- b. Legal advice from any attorney for the Board or Association.
- c. Pending or contemplated litigation.

- d. Pending or contemplated matters relating to enforcement of the Associations documents or rules.

7.5 Quorum:

A majority of the number of directors shall constitute a quorum for the transaction of business.

SECTION VIII
POWERS, LIMITATIONS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 The Board of Directors shall have power to:

- a. Adopt and publish rules and regulations governing the use of the common areas and facilities, and the personal conduct of the members and their guests, and to establish financial penalties for the infraction thereof of rules and regulations.
- b. Suspend the voting rights and the right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association and suspend the right to use the recreational facilities of a member during any period in which non-monetary violation of the By-Laws and published Rules and Regulations of the Association remain uncured.
- c. Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, Master Deed or Rules and Regulations.

8.2 Limitations:

Without prior approval by a majority vote of the members at an annual meeting or special meeting of the members, the Board of Directors shall not have the power to borrow money or to make and issue notes, bonds and other negotiable instruments, mortgages, deeds, trust or take similar action nor shall the Board of Directors have the power to authorize expenditure in excess of \$25,000 which is not included in an approved budget, unless an emergency threatening health, safety or immediate damage to the property exists or as necessary for unplanned maintenance and repairs that were not included in the budget.

8.3 Duties:

It shall be the duty of the Board of Directors to:

- a. Cause to be kept a complete record of all its acts and corporate affairs.
- b. Supervise all officers, agents and employees of the Association and to ensure that their duties are properly performed.

- c. To establish and enforce assessments as provided in the By-Laws.
- d. Procure and maintain adequate liability and hazard insurance on property owned by the Association.
- f. Cause the common area to be maintained and perform all other obligations described in the By-Laws and Master Deed.
- g. Prominently display the minutes of all meetings within 10 days.
- h. To develop, approve and revise the budget.

SECTION IX

OFFICERS AND THEIR DUTIES

9.1 Enumeration of Officers:

The Officers of the Association shall be a President, Vice President, Secretary, and Treasurer, and such other officers as the Board may from time to time create officers to be members of the Board of Directors.

9.2 Election of Officers:

Election of officers shall take place at the first meeting of the Board of Directors following the annual meeting of the members.

9.3 Term:

The officers of the Association shall be elected annually by the Board and each shall hold office for three (3) years unless he or she resigns or is removed or otherwise disqualified to serve.

9.4 Resignation and Removal:

Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on date of receipt of such notice or at any later time specified.

9.5 Vacancies:

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

9.6 Multiple Offices:

No person may hold more than one office except for the offices of Secretary and Treasurer. No person shall simultaneously hold more than one office.

9.7 Duties of the officers as follows:

- a. President - President shall preside at all meetings of the Board of Directors and shall see that the orders and resolutions of the Board are carried out.
- b. Vice President – The Vice President shall act in the place of the President in the event of absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.
- c. Secretary – The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the members; serve notices of meetings of the Board and of the members, keep appropriate current records showing the members of the Association together with their addresses, archive records and maintain and provide security over governing and electronic records of the Association, and shall perform such other duties as required by the Board.
- d. Treasurer – The Treasurer shall monitor the receipt and management of all monies of the Association and shall monitor the disbursement of funds as directed by the Board of Directors, shall ensure the keeping of proper books of account, cause an annual financial report with full disclosure of all Association financial affairs to be prepared by a public accountant at the completion of each fiscal year, shall prepare an annual report, and a statement of income and expenditures for the Board and present it to the membership at the annual meeting with an approved budget for the following year.

SECTION X COMMITTEES

The Board of Directors shall establish and appoint standing committees as necessary. Including:

- a. Election committee.
- b. Nominating committee.

SECTION XI BOOKS AND RECORDS

11.1 Books and Records:

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Articles of Incorporation, Master Deed, By-Laws, and Rules and Regulations shall be available at the principal office of the Association.

SECTION XII COMMON AREAS AND FACILITIES

12.1 Common Areas and Facilities:

- a. No unit may be subdivided or converted into two or more units. The number of units of the property shall not exceed 126. Each unit shall be used as a single family residence only.
- b. No person shall use any part of the common areas and facilities in any manner contrary to the rules and regulations promulgated from time to time by the Association.
- c. The maintenance, repair, management and operation of the common areas and facilities shall be the responsibility of the Association, but nothing herein shall preclude the Association from delegating to firms or corporations, such duties as may be imposed upon the Association by terms of the By-Laws as approved by the Board of Directors.
- d. The balconies or patios adjoining the units are appurtenant to the unit to which they are adjacent. Each owner shall repair and maintain the appearance of the balcony or patio, exterior door of the unit, garage parking space or storage compartment if assigned to the unit. No unit owner shall paint, decorate, adorn or change appearance of a balcony or patio, storage compartment or garage space contrary to the rules and regulations of the Association or the Board of Directors.

12.2 Restrictions:

- a. The property shall be used for residential purposes only, which purposes shall include parking and recreation, and such other purposes by owners and their families, guests, and tenants as may be permitted by the By-Laws or by the Association through its Board of Directors. No unit may be rented for any period less than six (6) months.
- b. The Board of Directors shall have authority to interview all tenants prior to lease and require them to complete an informational form.
- c. The Board of Directors shall have authority to ask future home owners for an informational form.
- d. No more than four (4) persons shall be permitted to be permanent residents of any unit.
- e. Garage parking spaces may be used only for parking of family automobiles or similar sized passenger vehicles or motorcycles.
- f. No nuisances shall be allowed upon the property nor any use or practice which is the source of nuisance to the reputation of the property.
- g. Nothing shall be done or kept in any unit or in the common areas which will increase the rate of insurance on the building or contents.
- h. Unit owners and tenants shall not cause or permit anything to be hung or displayed on the windows, exterior walls, roof, balconies, without prior written consent of the Board of Directors. No articles such as blankets, laundry or articles of any kind shall be hung out on the patio or balconies with the exceptions of the American Flag and approved awnings.
- i. The keeping of one (1) pet in any unit or upon the common area and facilities shall be according to provisions of the By-Laws and Rules and Regulations adopted by the Board of Directors.
- j. Multiple unit ownership requires the owner to live in one unit.

SECTION XIII
ASSESSMENTS

13.1 Assessments:

- a. Each owner by taking title to a unit agrees to pay the Association a regular bi-annual assessment and any special assessment as may be fixed, established as herein provided. The assessments together with interest, and late fees, shall be charged on the owners unit. Such assessments together with interest, attorney fees, costs and expenses shall also be the personal obligation of the person who was the owner of such units at the time the assessments were due. The personal obligation for delinquent assessment shall not pass to a successor in title unless expressly assumed by said successor. Without approval of the Association, units shall not be sold, transferred or conveyed to any owner without all assessments having been

- paid in full, whether or not a notice of assessment lien has been filed and recorded.
- b. Notice of default of more than 30 days in payment of any regular assessment by any owners shall be given in writing to the first mortgagee of the unit by the secretary of the Sandstone Ridge Homeowners' Association.
 - c. Regular annual assessments shall be based on all common expenses for the coming years. Each owner will be notified 30 days prior to January 1 of every year the amount of the annual assessment. The assessment can be paid quarterly or semi-annually without any late fee if paid within 10 days of the due date. In the event the Board determines that charges for the current year are or will become inadequate to meet all common expenses a supplementary assessment shall be determined and unit owners advised. In case the supplementary assessment exceeds the cost for common expenses it shall be transferred to reserve account and reflected in the regular assessments.

SECTION XIV MAINTENANCE AND REPAIR

14.1 The Association at its expense shall be responsible for the maintenance, repair and replacement of:

- a. All portions of the building which contribute to the support of the structure, including, but not limited to, outside walls, structural slabs, roof, load bearing walls, non-unit windows and doors, and exterior boundary walls of the units, but excluding interior walls and floors surfaces.
- b. All conduits, ducts, flues, plumbing, entry buzzer intercom system and other facilities for the furnishing of utility services to but not within any unit, and such portions of the central heating system, central cooling system, heating units, air conditioning components, devices and plumbing fixtures not located within the units.
- c. All other common areas and facilities including, but not limited to, driveways, parking areas, garage parking spaces, curbs, gutters, walkways, lawns, trees, shrubs, outside lighting, roofs, building exteriors, entry ways and stairways but excluding repair and maintenance to windows, doors, patios, balconies of any unit, heating and air conditioning, electrical and plumbing systems and components located within the units and within exterior walls of the units.
- d. All incidental damage caused to a unit by such work as may be done by the Association in accordance with the above responsibility.

14.2 The responsibility of the unit owner shall be as follows:

- a. To maintain repair and replace at the owners sole expense, all portions of the unit, including unit windows and doors, all utility and mechanical systems, electrical, heating, cooling, plumbing, fire suppression components, (including fire suppression systems in storage unit if applicable) located within the units and within any exterior walls of the unit. Balconies and patios, applicable storage units, maintenance and repairs shall be the sole responsibility of the unit owner.

SECTION XV
VOTING AND PERCENTAGE OF INTEREST

15.1 Voting and Percentage of Interest:

- a. Each unit shall have an equal "1/126" interest in the common areas and facilities under the Master Deed and By-law.
- b. The owner of each unit, or some person designated to act as proxy on behalf of an owner, and who may not be an owner shall be entitled to cast the vote appurtenant to such unit at all meetings of the Association.
- c. Any owner shall be a member of the Association. When more than one person is an owner of a single unit all such persons shall be members of the Association but, multiple ownership of a unit shall not increase the number of votes appurtenant to such unit.
- d. In the event any owner is in arrears in the payment of any amount due under any provisions of the By-Laws or Association rules or shall be in default in the performance of any of the terms thereof, such owner's right to vote as a member of the Association will be suspended and shall remain suspended until all payments are brought current and/or defaults removed.

SECTION XVI
AMENDMENT TO BY-LAWS

16.1 Amendment to By-Laws:

These By-Laws may be amended only under the following conditions:

- a. The amendment must be set forth in an amendment to the Master Deed and such amendment must be duly recorded in the Office of the Register of Deeds, Pennington County, South Dakota; and
- b. The amendment must be approved by a 60% affirmative vote of Unit Owners cast in person or by proxy at a meeting of the Association duly held in accordance with the provisions of these By-Laws.

SECTION XVII
MISCELLANEOUS

- 17.1 Conflict:
In case of conflict between the By-Laws, Master Deed, and Rules and Regulations, control shall be in that order.
- 17.2 Fiscal Year:
The fiscal year of the Association shall be determined by the Board of Directors.
- 17.3 Notices:
All notices required hereunder to be given to the Association or the Board of Directors shall be sent by certified mail to the Board of Directors at the office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice given in the manner hereinafter prescribed. All notices to any Owner/Member or Occupant entitled to any notice, shall be sent by U.S. mail to his Unit address or such other address as may be designated by him in writing from time to time to the Association.
- 17.4 Invalidity:
The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.
- 17.5 Captions:
The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws or the intent of any provision hereof.
- 17.6 Waiver:
No restriction, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

- 17.7 No Corporate Seal:
The Association shall have no corporate seal.
- 17.8 Election Under Internal Revenue Code:
The Board shall make and file all elections and documents required pursuant to the Internal Revenue Code of 1954 in order to exempt from taxation, insofar as possible, the income of the Association consisting of assessments paid by Owners.
- 17.9 Indemnification of Officers and Directors:
The Association shall indemnify every director and office, his heirs, executors and administrators, against all loss, cost and expense, including attorneys' fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of the Association, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such director or office in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability loss, damage costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a Common Expense; provided, however, that nothing in this Section shall be deemed to obligate the Association to indemnify any Owner who is or has been a director or officer of the Association, with respect to any duties or obligations assumed or damage or liabilities incurred by him solely in his capacity as an Owner.
- 17.10 Recital:
The original By-Laws of Sandstone Ridge Condominiums dated May 28, 2004 are recorded in the office of the Register of Deeds, Pennington County, South Dakota in Book 132, Page 2911 and the first amended by-laws dated December

21, 2004, recorded in Book 140, page 901, both having been filed with the Pennington County Register of Deeds are no longer in effect and are replaced by the Second Amended By-Laws of Sandstone Ridge Condominiums as follows, to-wit:

All units of Sandstone Ridge Condominiums shall be grandfathered in the event some clause of the By-Laws would affect ownership of the unit. The grandfather clause will remain in effect until title change or a new tenant moves in; at that time these By-Laws will be applicable.

THE UNDERSIGNED HEREBY certify that the foregoing Second Amended By-laws were adopted as the Second Amended By-Laws of Sandstone Ridge Condominium Homeowners' Association, Inc., a non-profit corporation under the laws of the State of South Dakota, by action of the requisite vote of the Members at a special meeting held for such purpose on _____, _____, 2012.

Dated: _____, _____, 2012.

SANDSTONE RIDGE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.,
a South Dakota non-profit corporation

By _____
President

By _____
Secretary

(NO SEAL)

STATE OF SOUTH DAKOTA)
)SS:
COUNTY OF PENNINGTON)

ON THIS DAY, _____, _____, 2012, before me, the undersigned officer, personally appeared _____ and _____, who acknowledged themselves to be the President and Secretary respectively, of Sandstone Ridge Condominium Homeowners' Association,

Inc. a South Dakota non-profit corporation, and they as such President and Secretary being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the South Dakota non-profit corporation by themselves as President and Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My Commission Expires:

(Seal)