

EXTRACT OF THE MINUTES OF THE MEETING OF DIRECTORS  
OF SMW INC., D/B/A SHINING MOUNTAINS WEST OWNERS  
ASSOCIATION HELD ON JULY 23, 2014 AT THE HOME OF TOM CASALE  
MCALLISTER, MONTANA

The first regular meeting of the Directors after the Association Members Annual Meeting of S.M.W. Inc. for the election of officers and other business was held on July 23, 2014 at the McAllister residence of Tom Casale. The meeting was called to order by Tom Casale at 7 o'clock P.M. All five of the Directors of the corporation were present.

Certain regular business of the corporation, including the election of the officers for the coming year, was completed after which Director Tom Casale proposed the following motion:

That the Board of Directors of SMW Inc., d/b/a Shining Mountains West Owners Association, a Montana corporation, hereinafter referred to as the "Association," does hereby resolve as follows:

WHEREAS, former lots 108 and 109 of the Shining Mountain West Subdivision have been separated from the Association since approximately 1995; and

WHEREAS, regardless of the means by which that separation was accomplished, whether legal or illegal; and

WHEREAS, lots 108 and 109 were re-designated as Tracts A and B of Madison County Certificate of Survey No. 7/1448; and

WHEREAS, the successive owners of the lots 108 and 109, now known as Tracts A and B, have not participated in the Association meetings or other activities and have not paid any Association dues or assessments since approximately 1995; and

WHEREAS, the lots are now owned by Rollin Bearss and Margaret Coffman; and

WHEREAS, the Montana Water Court has ruled that lots 108 and 109 received, from their predecessors in interest, 55 miners inches of the four water rights held by the lot owners in the subdivision; and

WHEREAS, the question of the inclusion or exclusion of lots 108 and 109, now known as Tracts A and B, has continued in controversy for several years without benefit to the Association.

NOW THEREFORE BE IT RESOLVED by the Directors of S.M.W. Inc, the Association, that regardless of the means and method by which lots 108 and 109 were separated from the subdivision and this Association, they have in fact been *de facto* separated from the subdivision and Association for many years.

BE IT FURTHER RESOLVED that because the Montana Water Court determined that the Association does not own any interest in the water rights and that the water rights are owned by the individual owners of the lots containing lands that were irrigated prior to the creation of the subdivision, it is not in the best interest of the Association as a whole or its members that the Association continue to litigate any question about the ownership of any water rights, including the 55 inches claimed by Bearrs and Coffman and/or to continue to debate the separation of the lots from the subdivision and the Association.

BE IT FURTHER RESOLVED that because the Water Court ruling acknowledges that the Association has authority to regulate and distribute water on the lots within the subdivision and because the Board had determined lots 108 and 109, now known as Tracts A and B, are not part of the Association that this Board hereby renounces any and all authority, if any it has, to manage or administer the 55 inches of water owned by Bearrs/Coffman utilized on their property, which is outside the subdivision and is not subject to Association action.

BE IT FURTHER RESOLVED that the application by various owners of irrigated lots within the subdivision to the Court for the appointment of a water commissioner to regulate and oversee the distribution of the waters from North Meadow Creek within the subdivision and the appointment of a water commissioner has, to the knowledge of the Directors, worked in an efficient and orderly fashion to the benefit of the owners of the irrigated lots and to the Association as a whole, the Board resolves that the practice should be continued.

BE IT FURTHER RESOLVED that the Water Court's ruling that the Association has authority to regulate and govern the use of the irrigation waters within the subdivision is acknowledged by this Board, and pursuant thereto, the Board having determined it is in the best interest of the Association as a whole to have a practiced, experienced, and knowledgeable person performing that distribution and regulation of the irrigation waters supervised by the Court and to have those services paid for by the irrigators themselves, this Board does hereby delegate any such rights of management or distribution to the water commissioner that is appointed by the Court.

BE IT FURTHER RESOLVED that because of the aforesaid circumstances, this Board resolves that the attorney for the association acting in Montana Water Court Case No. WC-29-05-02, W.G. Gilbert, III, of Dillon, Montana, take such action with the Court as may be required to exclude the Association from any further participation in the remaining questions before the Water Court in that matter.

BE IT FURTHER RESOLVED that if it is necessary for Mr. Gilbert to present this resolution to the Water Court as evidence of this corporation and Association's formal position in this matter, he may file a copy hereof with the Water Court.

The motion was seconded by Rosemary J. Casale

The Directors discussed the motion and its contents and effects on the lot owners within the subdivision. The question was called for and, upon a vote being taken, the motion was adopted with all five Directors present voting in favor of the motion.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 23<sup>rd</sup> day of July, 2014.

T. Casale  
President

ATTEST:

Craig Schroder  
Secretary  
CRAIG SCHRODER

CERTIFICATE OF AUTHENTICITY

STATE OF MONTANA            )  
  )ss.  
County of Madison            )

I, TOM CASALE, President of SMW Inc., a Montana corporation, d/b/a Shining Mountains West Owners Association, do hereby certify that I am the keeper of the records for the said corporation and that this extract of the corporation minutes contains a true and correct copy of the Resolution passed on the 23<sup>rd</sup> day of July, 2014, which is contained in the records of the Shining Mountains West Owners Association.

IN WITNESS WHEREOF, I have hereunto set my hand this 23<sup>rd</sup> day of July, 2014.

T. Casale  
President