

FORMAL DEMAND OF THE MEMBERS OF THE DALY MANSION PRESERVATION TRUST
Regarding Governance, Bylaw Compliance, Conflicts of
Interest, Financial Oversight, and Personnel Matters

To the Daly Mansion Preservation Trust Board of Directors:

We, the undersigned **members and donors of the Daly Mansion Preservation Trust (“DMPT”)**, hereby submit this formal demand to the Board of Directors (“Board”) concerning significant governance, bylaw-compliance, financial, conflict-of-interest, and personnel matters affecting the Daly Mansion Preservation Trust.

These concerns are not being presented casually. They concern the proper governance of a nonprofit corporation, the authority and eligibility of individuals serving as Directors, the protection of DMPT's assets and donor relationships, the organization's financial oversight, and the treatment of its employees.

As members of the organization, we have a legitimate interest in ensuring that the DMPT is governed in accordance with its bylaws, applicable Montana law, sound fiduciary principles, and the interests of the organization and its membership.

Accordingly, we formally demand that the Board promptly investigate, address, and take appropriate corrective action concerning the following matters.

I. Potential Conflicts of Interest and Dual Service on the DMPT and DMPF Boards

We have serious concerns regarding the simultaneous service of **Kathleen Castle** as a DMPT Director and Board President and as a Director and Treasurer of the **Daly Mansion Preservation Foundation (“DMPF”)**, as well as **Pauline Gary's** service as Vice-President of both organizations.

We understand that DMPT and DMPF solicit financial support from overlapping donor constituencies. The simultaneous service of individuals on the governing boards of both organizations therefore raises substantial questions concerning conflicts of interest, fiduciary duties, loyalty, confidentiality, donor solicitation, and the obligation of each Director to act in the best interests of DMPT.

We therefore demand that the Board take appropriate action, including immediate removal of Kathleen Castle and Pauline Gary from the DMPT Board of Directors, or immediate voluntary resignation, as authorized by the bylaws and applicable law.

DALY MANSION PRESERVATION FOUNDATION, INC

About Us

Board of Directors

The Daly Mansion Preservation Foundation is governed by a volunteer Board of Directors committed to responsible stewardship and the long-term preservation of the Daly Mansion.

Barbara A. Smith — President
Pauline Gary — Vice President
Phil Connelly — Secretary
Kathleen Castle — Treasurer

Figure 1 - DMPF BOARD OF DIRECTORS

II. Independent Review of Historical Financial Records

We understand that a former DMPT employee who had responsibility for certain DMPT financial matters is currently serving as President of DMPF.

In light of the overlapping organizational relationships and the potential conflicts described above, we **demand an independent review of relevant historical DMPT financial records** handled by that former employee.

The review should be conducted by the newly contracted DMPT accountant or another appropriately qualified independent professional and should include, at a minimum, examination of relevant financial transactions, records, reconciliations, disbursements, deposits, donor-related transactions, and other financial matters necessary to determine whether the organization's records are complete and accurate.

This demand is not an accusation of financial wrongdoing. It is a request for an independent verification of the organization's financial records under circumstances that warrant additional oversight.

III. Adoption of a Comprehensive Conflict-of-Interest and Personnel Policy

We **demand that the Board establish and adopt a written conflict-of-interest and personnel policy** addressing simultaneous service by DMPT Directors with the DMPF that have overlapping donor constituencies or potentially competing interests. The policy should establish clear requirements concerning disclosure, recusal, confidentiality, fiduciary obligations, use of organizational information, donor solicitation, and participation in matters involving another organization.

IV. September 8, 2026 Special Meeting and the Two Board Vacancies

DMPT members exercised their rights under the DMPT bylaws by convening a **Special Meeting of Members on September 8, 2026**.

At that meeting, the membership voted concerning nominees for the two vacant Director positions.

We therefore **demand that the Board promptly recognize and give effect to the lawful action taken by the membership**, including seating the individuals duly elected or otherwise selected at the Special Meeting, if the vote was valid under the bylaws and applicable Montana law. The Board should not disregard or indefinitely delay implementation of action lawfully taken by the membership.

If the Board believes that the September 8 vote was ineffective or that additional action by the membership is required, we **demand that the Board provide the members with the specific bylaw and statutory basis for that determination** and obtain an independent legal opinion supporting its position.

3. Meetings

Section 1. Membership Meetings

- a. The Members of the Corporation shall meet annually at a date and time and location as designated by the Board of Directors.
- b. The Annual Meeting shall be for the purpose of reporting the condition of the corporation; approval of any ongoing business plan; election of board members, officers; and for the conducting of any other business as may properly come before the Board of Directors.
- c. Notice of the Annual Meeting of the Corporation and of any special meetings shall be given in any publication regularly sent to the Membership or published one time, at least fifteen days before the date of the meeting, in a newspaper of general circulation in Ravalli County, Montana.
- d. Special meetings of the Members may be held upon the call of the President of the DMPT Board, or by a resolution of the Board or upon the request of fifteen (15) members or ten percent of its Members, whichever is fewer, having the right to vote at such meetings.
- e. Any person attending a membership meeting in the capacity of an individual member or in the capacity of a delegate of a business member shall be entitled to vote.
- f. Any members of the Corporation may vote at any meeting of the Members of the Corporation, in person, by absentee ballot or by mail-in ballot.

Figure 2 - DMPT BYLAWS ALLOWING SPECIAL MEETINGS OF MEMBERS.

Montana Code Annotated 2025

TITLE 35. CORPORATIONS, PARTNERSHIPS, AND ASSOCIATIONS
CHAPTER 2. NONPROFIT CORPORATIONS

Part 4. Directors and Officers -- Indemnification

Vacancy On Board

35-2-424. Vacancy on board. (1) Unless the articles or bylaws provide otherwise and except as provided in subsections (2) and (3), if a vacancy occurs on a board of directors, including a vacancy resulting from an increase in the number of directors:

(a) (i) the members, if any, may fill the vacancy; or

(ii) if the vacant office was held by a director elected by a class, chapter, organizational unit or by region or other geographic grouping, only members of the class, chapter, unit, or grouping are entitled to vote to fill the vacancy if it is filled by the members;

(b) the board of directors may fill the vacancy; or

(c) if the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office.

(2) Unless the articles or bylaws provide otherwise, if a vacant office was held by an appointed director, only the person who appointed the director may fill the vacancy.

(3) If a vacant office was held by a designated director, the vacancy must be filled as provided in the articles or bylaws. In the absence of an applicable article or bylaw provision, the vacancy may not be filled by the board.

(4) A vacancy that will occur at a specific later date, by reason of a resignation effective at a later date under **35-2-420(2)** or otherwise, may be filled before the vacancy occurs. However, the new director may not take office until the vacancy occurs.

Figure 3 - MONTANA CODE ANNOTATED 35-2-424 CONCERNING NON-PROFIT BOARD VACANCIES.

V. Annual Meeting of Members

We further **demand that the Board promptly schedule and conduct the Annual Meeting of Members required by the DMPT bylaws.**

The Annual Meeting should be conducted in accordance with the bylaws and should provide the membership with the opportunity to conduct all business reserved to the members, including the election of Directors where required.

The Board should provide proper notice of the meeting and ensure that members are afforded the rights provided to them under the organization's governing documents.

3. Meetings

Section 1. Membership Meetings

- a. The **Members of the Corporation** shall meet **annually** at a date and time and location as designated by the Board of Directors.
- b. The **Annual Meeting** shall be for the purpose of reporting the condition of the corporation; approval of any ongoing business plan; **election of board members**, officers; and for the conducting of any other business as may properly come before the Board of Directors.
- c. Notice of the Annual Meeting of the Corporation and of any special meetings shall be given in any publication regularly sent to the Membership or published one time, at least fifteen days before the date of the meeting, in a newspaper of general circulation in Ravalli County, Montana.

Figure 4 - DMPT BYLAWS REQUIRING ANNUAL MEMBER MEETINGS.

VI. Verification of Director Eligibility

The DMPT bylaws provide that the Board of Directors shall consist of **seven voting members plus one voting member appointed by the State of Montana.**

We have reason to question whether every individual currently serving as a DMPT Director satisfied the membership and eligibility requirements imposed by the bylaws at the time that individual was appointed or elected.

We therefore **demand a formal review of the eligibility of every current Director**, including:

- whether the individual was a qualifying DMPT member when appointed or elected;
- whether the appointment or election complied with the DMPT bylaws;
- whether the individual continues to satisfy all applicable eligibility requirements; and
- whether each Director presently possesses the authority to exercise the voting rights claimed.

If the review establishes that any individual was not eligible to serve, we demand that the Board take immediate corrective action consistent with the bylaws and applicable Montana law.

Until the matter is resolved, the Board should obtain legal advice concerning whether an individual whose eligibility is disputed should participate in Board votes.

Section 2. Number, Tenure, Qualifications, and Election.

a. The Board of Directors shall consist of seven voting **members** plus one voting member appointed by the State of Montana. The numbers of Directors may be increased or decreased by resolution of the Board, but shall not be less than seven. The Board of Directors, by resolution, may: (i) add additional ex-officio or emeritus members, who shall be entitled to participate in meetings but may not vote, or (ii) exercise the power to appoint one or more Directors to serve as a member of the board of directors of another nonprofit corporation.

Figure 5 - DMPT BYLAWS REQUIRING DIRECTORS TO BE MEMBERS UPON APPOINTMENT.

VII. Bylaw Compliance and Fiduciary Responsibility

The Board has an obligation to administer the affairs of DMPT in accordance with its governing documents and applicable law.

Compliance with the DMPT bylaws is not optional.

We are particularly concerned that continued failure to follow the organization's bylaws could create uncertainty concerning the validity of Board actions, expose the organization to unnecessary legal expense, and potentially create individual exposure for Directors who knowingly participate in actions outside the authority granted to them.

We therefore **demand that the Board undertake a comprehensive review of current Board composition, voting authority, meeting procedures, membership requirements, and other governance practices to ensure compliance with the DMPT bylaws.**

VIII. Directors and Officers Insurance

We further request that the Board review the organization's Directors and Officers liability insurance policy to determine whether there are provisions concerning the eligibility of Directors, compliance with governing documents, unauthorized acts, or other circumstances potentially affecting coverage.

We are not asserting that coverage would necessarily be denied under any particular circumstance. However, given the governance concerns described above, the Board should understand the potential insurance implications before permitting disputed governance practices to continue.

IX. Executive Director and Allegations of Harassment or Hostile Work Environment

We have received information concerning allegations that certain Directors have engaged in conduct toward the DMPT Executive Director (“ED”) that may have contributed to a hostile, intimidating, or otherwise inappropriate work environment.

The Executive Director is employed by and accountable to the Board as a governing body. Individual Directors should exercise their authority within the scope established by the bylaws and Board policies and should not improperly assume the role of the ED's individual supervisor, chief executive officer, or day-to-day manager.

Attempts by individual Directors to micromanage employees, circumvent the Executive Director, issue conflicting directives, or interfere with routine operations can create confusion regarding authority and undermine effective organizational management.

The Executive Director has substantial experience with the Daly Mansion and the local nonprofit community and has devoted significant time and effort to the operation of the institution. We believe the Board has a responsibility to maintain a professional working environment and to take reasonable measures to retain such qualified personnel.

Accordingly, we **demand that the Board promptly investigate these allegations and take appropriate corrective action if any misconduct, retaliation, or inappropriate interference is substantiated.**

X. Protection Against Retaliation

We are further concerned regarding the possibility of retaliation against the Executive Director, or other employees, who raise legitimate concerns with the Board.

The DMPT Employee Handbook contains provisions concerning retaliation. We therefore **demand that the Board ensure strict compliance with those provisions** and establish that employees may communicate legitimate concerns to the Board without fear of retaliation, intimidation, adverse employment action, or other improper consequences.

XI. Alleged Disparaging Communications Concerning the Executive Director

We have received information concerning allegations that certain Directors may have made statements about the Executive Director to individuals within or outside the organization, including potentially employees, volunteers, donors, or other members of the community.

We are not presenting these allegations as established facts. However, if such communications occurred and were false, misleading, libelous, slanderous, malicious, or otherwise improper, they could cause substantial harm to the Executive Director's professional reputation and could adversely affect DMPT's relationships with employees, volunteers, donors, prospective donors, and the community.

We therefore **demand that the Board take appropriate corrective action if improper conduct is substantiated.**

XII. Board Meetings and Transparency

The DMPT bylaws contain provisions concerning Board meetings, including requirements regarding public access, minutes, and notice. The bylaws do not allow non-public closed Board of Director meetings.

We therefore **demand strict compliance with the meeting requirements contained in the DMPT bylaws.**

If the Board contends that it has authority to conduct any meeting or portion of a meeting outside the public requirements established by the bylaws, the Board should identify the specific provision of the bylaws or applicable law upon which that authority is based.

Section 2. Board of Director Meetings

a. Regular meetings of the Board of Directors shall be held at least quarterly and at such times and in such manner as shall be fixed by resolution of the Board.

b. All meetings of the Board of Directors shall be open to the public, minutes thereof shall be kept, and at least three (3) days prior notice thereof shall be provided to the public by publication in a newspaper of general circulation in Ravalli County, Montana.

Figure 6 - DMPT BYLAWS STATING ALL BOARD MEETINGS ARE PUBLIC.

FORMAL DEMANDS FOR ACTION

For the reasons stated above, we formally demand that the DMPT Board of Directors:

1. **Immediately remove Kathleen Castle and Pauline Gary from the Board of Directors** due to the potential conflicts of interest arising from simultaneous service on the DMPT and DMPF Boards.
2. **Determine the eligibility of every current Director** under the DMPT bylaws and applicable Montana law. Those who were not Members upon appointment are not legitimate Directors and must be **immediately** removed from the Board of Directors. Any vote upon which non-legitimate Directors are involved may not withstand legal scrutiny.
3. **Immediately address any Director who is determined not to satisfy the applicable membership or eligibility requirements**, including immediate removal or resignation where required.
4. **Recognize and implement the lawful action of the DMPT membership taken at the September 8, 2026 Special Meeting**, including seating duly elected Directors where legally required.
5. **Schedule the Annual Meeting of Members without unnecessary delay** and conduct the meeting in full compliance with the DMPT bylaws.
6. **Conduct an independent review of relevant historical financial records** handled by the former employee identified above.
7. **Adopt comprehensive conflict-of-interest and personnel policies** addressing dual service and competing or overlapping organizational interests.
8. **Conduct an impartial investigation into allegations concerning the treatment of the Executive Director or other employees**, including allegations of harassment, hostile work environment, retaliation, and inappropriate interference with day-to-day management.
9. **Review the organization's D&O insurance coverage** and obtain professional advice concerning any potential implications of disputed Director eligibility or bylaw noncompliance.
10. **Ensure that all Board meetings and membership meetings are conducted in strict accordance with the DMPT bylaws**, including applicable notice, public-access, and minutes requirements.
11. **Provide the membership with a written response** identifying the steps the Board intends to take to address these matters.

REQUEST FOR PROMPT ACTION

These matters concern fundamental questions of nonprofit governance and the proper administration of an institution held in trust for the benefit of the community.

We are not asking the Board to dismiss these concerns as interpersonal disagreements or differences of opinion. The issues identified above concern **bylaw compliance, Director eligibility, fiduciary obligations, conflicts of interest, financial oversight, employee protections and legal rights, and the rights of the DMPT membership.**

We therefore expect the Board to treat this correspondence as a **formal demand for action by the membership** and to address each matter in a timely, documented, and transparent manner.

We further request that the Board refrain from taking any action that would circumvent, diminish, or otherwise interfere with rights expressly granted to DMPT members under the organization's bylaws.

Nothing contained herein should be construed as a waiver of any rights or remedies available to the undersigned members under the DMPT bylaws, applicable Montana law, or otherwise. The undersigned expressly reserve all such rights.

We request that the Board provide a written response to this formal demand and identify the actions it intends to take concerning each of the matters set forth above.

The undersigned members and donors submit this demand in the interest of protecting the **Daly Mansion Preservation Trust, the Daly Mansion, its employees and volunteers, its members and donors, and the long-term preservation of this historic institution.**

Respectfully submitted,

The Undersigned Members and Donors of the Daly Mansion Preservation Trust