

BYLAWS
OF
THE HIGHLANDS TOWNHOMES PROPERTY OWNERS ASSOCIATION
an Idaho Non-Profit Corporation

1. NAME AND LOCATION

The name of the association is THE HIGHLANDS TOWNHOMES PROPERTY OWNERS ASSOCIATION (hereinafter referred to as the "Association"). The Association is organized under the Idaho Nonprofit Corporation Act. The principal office of the Association shall be located in the County of Blaine, State of Idaho (hereinafter referred to as "said County"). Meetings of members shall be held at such places as are set forth in the Declaration (defined below).

2. DEFINITIONS

2.1 Declaration. The "Declaration" shall mean, collectively, the Declaration of Covenants, Conditions and Restrictions Establishing a Plan of Condominium Townhomes Property Ownership and any amendments or supplements recorded or to be recorded pursuant thereto, and applicable to the condominium townhome development commonly known and referred to as THE HIGHLANDS CONDOMINIUM DEVELOPMENT located in the County of Blaine, State of Idaho, legally described as set forth in Exhibit "A" attached hereto.

2.2 Other Definitions. Each and every definition set forth in Section 1 of the Declaration shall have the same meaning herein as therein, and each and every such definition is incorporated by reference herein and made a part hereof as if once again fully written and set forth at length hereat.

3. MEMBERSHIP; VOTING RIGHTS

The qualification for membership, the classes of membership and the voting rights of members shall be as set forth in Section 5 of the Declaration, all of which are hereby incorporated by reference herein as if set forth in full.

4. MEETINGS OF MEMBERS

4.1 Annual Meetings. The organizational meeting and the first annual meeting of the members shall be held as described in the Declaration. Thereafter, annual meetings of members of the Association shall be held in each succeeding year within one week before or after the anniversary date of said first annual meeting on a day to be determined by the board, which day shall not be a legal holiday.

4.2 Special Meetings. Special meetings of the members may be called at any time by the president or by a majority of a quorum of the board, or upon written request of the members

representing at least one-third (1/3) of the total votes or fifteen percent (15%) of the class A votes.

4.3 Notice of Meetings. Notice of all members meetings, annual or special, shall be given by mail or telegram and shall be given not less than ten (10) days nor more than thirty (30) days prior to the time of said meeting and shall set forth the place, date and hour of the meeting, and the nature of the business to be undertaken. Notices shall be given by, or at the direction of, the secretary or person authorized to call the meeting, and shall be transmitted to each member entitled to vote there at and to each mortgagee addressed to such member's or mortgagee's address last appearing on the books of the Association for the purpose of notice. Mailed notices shall be deemed received forty-eight (48) hours after same are mailed by certified mail, return receipt requested; notice by telegram shall be deemed received twenty-four (24) hours after same are sent. Notices to members may also be personally delivered, and shall be deemed received upon delivery to any occupant of the member's residence.

4.4 Quorum. The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. If any meeting cannot be held because a quorum is not present, members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the quorum requirement shall be at least twenty-five percent (25%) of said total votes. Any meeting of members whereat a quorum is present may be adjourned for any reason to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present thereat, either in person or by proxy.

4.5 Proxies At all meetings of members each member may be present in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease when the ownership interest or interests of such member entitling him to membership in the Association ceases.

4.6 Order of Business. The order of business of all meetings of the members shall be as follows:

- 4.6.1 roll call;
- 4.6.2 proof of notice of meeting or waiver of notice;
- 4.6.3 reading of minutes of preceding meeting;

- 4.6.4 reports of board and officers;
- 4.6.5 election of directors, if any are to be elected;
- 4.6.6 unfinished business; and
- 4.6.7 new business.

4.7 Parliamentary Procedure. All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

4.8 Majority of Owners. Except as otherwise provided herein or in the Declaration, the majority of the total voting power present, in person or by proxy, shall prevail at all meetings.

4.9 Action Without Meeting. Any action which may be taken at a meeting of the members may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote at a meeting for such purpose and filed with the secretary.

5. SELECTION AND TERM OF OFFICE OF BOARD

5.1 Number. The board shall consist of three (3) directors who need not be members.

5.2 Term of Office. At the first annual meeting the members shall elect each of the three (3) directors for a term of one (1) year, two (2) years and three (3) years. At the expiration of the initial term of office of each director, his successor shall be elected to serve for a term of three (3) years.

5.3 Election; Removal; Vacancies. Election and removal of directors shall be as provided in the Declaration. In the event of the death, resignation or removal of a director, his successor shall be selected by the remaining members of the board and shall serve for the unexpired term of his predecessor.

5.4 Compensation. No director shall receive any compensation for any service he may render to the Association; provided, however, any director may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

6. NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination. Nomination for election to the board shall be made by a nominating committee consisting of three (3) persons. Nominations may also be made from the floor at each annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the board, and two (2) other

persons who may either be members of the Association or representatives of Declarant. Each member of the nominating committee shall be appointed by the board to serve for a period of one year, and vacancies thereon shall be filled by the board. The nominating committee shall make as many nominations for election to the board as it shall, in its discretion, determine, but not less than the number of vacancies to be filled. Such nominations may be made from among members or non-members.

6.2 Election. Election to the board shall be by secret ballot. At such election, the members, or their proxies, may cast, in respect to each vacancy, as many votes as they are entitled to cast under the provisions of the Declaration (and subject to cumulative voting as therein described). The candidates receiving the highest number of votes shall be deemed elected.

7. MEETINGS OF DIRECTORS

7.1 Regular Meetings. Regular meetings of the board shall be held monthly without notice at such place and hour as may be fixed from time to time by resolution of the board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of the time and place of any such meeting shall be posted at a prominent place or places within the common area.

7.2 Special Meetings. Special meetings of the board shall be held when called by the president of the Association, or by any two (2) directors, after not less than three (3) days prior notice to each director, which notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be posted in the manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting.

7.3 Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business at a meeting of the board. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board.

7.4 Conduct of Meetings. Regular and special meetings of the board shall be open to all members of the Association; provided, however, that Association members who are not on the board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the board. The board may, with the approval of a majority of a quorum of the members of the board, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar or otherwise sensitive nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

7.5 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the board.

8. POWER AND DUTIES OF THE BOARD

8.1 Powers. The board shall have all powers conferred upon the Association as set forth herein and in the Declaration, excepting only those powers expressly reserved to the members.

8.2 Duties. It shall be the duty of the board:

8.2.1 to cause to be kept a complete record of all of its acts and doings and to present a statement thereof to the members at each annual meeting of the members, or at any special meeting when such statement is requested in writing by members representing one-fourth (1/4) of the class A members;

8.2.2 to supervise all officers, agents and employees of the Association, and to see that their duties are properly performed; and

8.2.3 to delegate its powers as provided in the Declaration.

9. OFFICERS AND THEIR DUTIES

9.1 Enumeration of Offices. The officers of the Association shall be a president and vice president, who shall at all times be members of the board, a secretary, and a treasurer, and such other officers as the board may from time to time by resolution create.

9.2 Election of Officers. The election of officers shall take place at the organizational meeting of the board and thereafter at each meeting of the board following each annual meeting of the members.

9.3 Term. The officers of this Association shall be elected annually by the board and each shall hold office for one year unless he shall sooner resign, or shall be removed, or shall otherwise be or become disqualified to serve.

9.4 Special Appointments. The board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the board may, from time to time, determine.

9.5 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

the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

9.6 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 he replaces.

9.7 Multiple Offices. The offices of the secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 9.4 hereof.

9.8 Duties The duties of the officers shall be as follows:

9.8.1 President. The president shall preside at all meetings of the board, shall see that orders and resolutions of the board are carried out, shall sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and promissory notes.

9.8.2 Vice President. The vice president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the board.

9.8.3 Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the board and of the members, shall serve notices of meetings of the board and of the members, shall keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the board.

9.8.4 Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the board, shall co-sign all checks and promissory notes of the Association, shall keep proper books of account, shall cause an annual operating statement reflecting income and expenditures of the Association for its fiscal year to be prepared and shall cause copies of said statement to be distributed to each member within sixty (60) days after the end of such fiscal year, and shall cause an annual budget to be prepared and presented to each member.

9.9 Compensation. No officer shall receive any compensation for any service he may render to the Association; provided, however, any officer may be reimbursed for actual out-of-pocket expenses incurred by him in the performance of his duties.

10. COMMITTEES

Subject to any contrary provisions of the Declaration and these bylaws, if any, the board may appoint a nominating committee as provided in these bylaws. In addition, the board may appoint such other committees as it deems appropriate in order to carry out its purpose.

11. ASSESSMENTS

Liability for Assessments; Collection. As more fully provided in Section 6 of the Declaration, each member is obliged to pay to the Association annual and special assessments to be collected as therein set forth, all of which are hereby incorporated by reference herein as if set forth in full.

12. AMENDMENTS

12.1 If a two-class voting structure is still in effect in the Association, these bylaws may be amended only with the vote or written consent of members entitled to cast at least fifty-one percent (51%) of the voting power of each class of membership in the Association.

12.2 If a two-class voting structure is no longer in effect in the Association because of the conversion of Class A membership to Class B membership, as provided in the Declaration, these bylaws may be amended only with the vote or written consent of members entitled to cast at least fifty-one percent (51%) of the voting power of the Association and of members other than the Declarants entitled to cast at least fifty-one percent (51%) of the voting power held by members other than the Declarants.

12.3 Notwithstanding Sections 1 and 2 of this Section 12, the percentage of the voting power of the Association or of members other than the Declarants necessary to amend a specific clause or provision in these bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

13. GENERAL PROVISIONS

13.1 Conflicting Provisions. In the case of any conflict between any provisions of the Declaration and these bylaws, the conflicting provisions of the Declaration shall control.

13.2 Fiscal Year. The fiscal year of the Association shall be a calendar year unless and until a different fiscal year is adopted by the members at a duly constituted meeting thereof.

13.3 Proof of Membership. No person shall exercise the rights of membership in the Association until satisfactory proof thereof has been furnished to the secretary. Such proof may

consist of either a copy of a duly executed and acknowledged grant deed or title insurance policy showing said person to be the owner of an interest in a condominium townhome entitling him to membership. Such deed of policy shall be deemed conclusive in the absence of a conflicting claim based on a later deed or policy.

13.4 Absentee Ballots. The board may make such provisions as it may consider necessary or desirable for absentee ballots.

13.5 Consent to Waiver of Notice. The transactions at any meeting of the board, however noticed, shall be as valid as though had at a meeting duly held after regular notice if a quorum be present and either before or after the meeting each director not present thereat signs a written waiver of notice or a consent to the holding of such meeting or an approval of the true and correct minutes thereof. All such waivers, consents or approvals shall be filed with the records of the board and made a part of its minutes.

13.6 Reserves. Any amounts collected by or paid to the Association in excess of operational needs shall be set aside as reserves for future financial needs in the manner set forth in the Declaration and shall be deposited into insured interest-bearing accounts. These sums may include amounts collected by Declarants from owners through purchase escrows representing capital contribution by such owners to the Association.

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, Secretary of The Highlands Townhomes Property Owners Association, an Idaho non-profit corporation, does hereby certify that the above and foregoing bylaws were duly adopted by the Board of Directors of said Association on the _____ day of _____, 1994, and that they now constitute said bylaws.

Secretary

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

(Space Above This Line For Recorder's Use)

WARRANTY DEED

SUN VALLEY PARTNERS - 1989, a general partnership, hereinafter called the Grantor, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby grants, bargains, sells and conveys unto _____, whose current address is _____, hereinafter called the Grantee, the following described premises situated in Blaine County, Idaho, to wit:

"Condominium Townhome Unit _____ as shown on the condominium townhome plan for The Highlands Condominiums appearing in the records of Blaine County, Idaho, as Instrument No. _____, and as defined and described in that declaration for The Highlands Condominiums recorded in the records of Blaine County, Idaho, as Instrument No. _____."

TOGETHER WITH all improvements, water, water rights, ditches, ditch rights, easements, hereditaments and appurtenances thereto, if any.

SUBJECT TO:

1. Liens for taxes and assessments not yet due and payable;
2. Reservations and exceptions in any patents from the United States or any patent or deed from the State of Idaho;-
3. Building and zoning ordinances and regulations;
4. Covenants, conditions, rights-of-way, easements, restrictions and other matters of record as disclosed by the records of Blaine County, Idaho;
5. Any facts which an inspection or correct survey would disclose; and

TO HAVE AND TO HOLD, the said premises, and their appurtenances unto the said Grantee and to the Grantee's heirs and assigns forever. Grantor, for himself and his heirs and assigns,