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AFTER RECORDING, RETURN TO:

Howard M. Feuerstein
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, Oregon 97204

DECLARATION SUBMITTING THE RIDGE AT SILVER VALLEY, A CONDOMINIUM TO CONDOMINIUM OWNERSHIP

SILVER MOUNTAIN INVESTORS, LLC DECLARANT

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DECLARATION SUBMITTING THE RIDGE AT SILVER VALLEY, A CONDOMINIUM TO CONDOMINIUM OWNERSHIP

THIS DECLARATION, pursuant to the provisions of the Idaho Condominium Property Act, is made and executed this 11TH day of AUGUST, 2009, by **SILVER MOUNTAIN INVESTORS, LLC**, a Washington limited liability company corporation ("**Declarant**").

Declarant proposes to create a condominium project to be known as The Ridge at Silver Valley, A Condominium that will be located in the City of Kellogg, Shoshone County, Idaho. The purpose of this Declaration is to submit the property described in Article 2 below to the condominium form of ownership and use in the manner provided by the Idaho Condominium Property Act.

NOW, THEREFORE, Declarant does hereby declare and provide as follows:

Article 1

DEFINITIONS

When used in this Declaration the following terms shall have the following meanings:

1.1 "**Association**" means the association of unit owners established as the managing body of the Project pursuant to Article 14 below.

1.2 "**Bylaws**" means the Bylaws of The Ridge at Silver Valley Owners Association adopted pursuant to Section 14.4 below as the same may be amended from time to time.

1.3 "**Declarant**" means Silver Mountain Investors, LLC, a Washington limited liability company and its successors and assigns.

1.4 "**Declaration**" means this Declaration as the same may hereafter be amended and any supplemental declaration annexing property to the Project.

1.5 "**Mortgage**" and "**Mortgagee**" mean, respectively, a recorded mortgage, trust deed or contract of sale that creates a lien against a unit, and the holder, beneficiary or vendor of such a mortgage, trust deed or contract of sale.

1.6 "**Plat**" means the plat of The Ridge at Silver Valley, A Condominium recorded simultaneously with the recording of this Declaration.

1.7 "**Project**" means all of that property submitted to the condominium form of ownership by this Declaration.

1.8 "**Restricted Access Areas**" means those general common areas that are not available to the individual unit owners for access, as more particularly described in Section 12.6 below.

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1.9 **Incorporation by Reference**. Except as otherwise provided in this Declaration, each of the terms defined in the Idaho Condominium Property Act, shall have the meanings set forth in such act.

Article 2

SUBMISSION OF PROPERTY TO CONDOMINIUM STATUTE

The property submitted to the Idaho Condominium Property Act by this Declaration is held by Declarant and conveyed by Declarant in fee simple estate. The land submitted is located in the City of Kellogg, Shoshone County, Idaho, and is more particularly described in the attached Exhibit A. The property submitted includes the land so described, all buildings, improvements and structures, all easements, and rights and appurtenances located on, belonging to or used in connection with such land.

Article 3

NAME OF PROJECT

The name by which the Project shall be known is "**The Ridge at Silver Valley, A Condominium**."

Article 4

UNITS

4.1 **General Description of Buildings**. The Project consists of one building containing four stories, without basement. The building is of wood frame construction with corrugated metal, and synthetic cement siding and single ply membrane and corrugated metal roof.

4.2 **General Description, Location and Designation of Units**. The Project contains 29 units. The designation, location, description of boundaries and area in square feet of each unit are shown on the Plat and the attached Exhibit B.

4.3 **Boundaries of Units**. Each unit shall be bounded by the interior surfaces of its perimeter and bearing walls, floors, ceilings, windows and window frames, doors and door frames, and trim. Where no boundary wall separates two units or a unit and a common area, the boundary shall be a vertical plane as shown on the Plat. The unit shall include all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of its finished surfaces, except those portions of the walls, floors or ceilings that materially contribute to the structural or shear capacity of the Project. All other portions of the walls, floors or ceilings shall be a part of the common areas. In addition, each unit shall include the following: (a) all spaces, nonbearing interior partitions, interior doors, door frames and all other fixtures and improvements within the boundaries of the unit; and (b) all outlets of utility and communications service lines, including but not limited to power, light, gas, hot and cold water, heating, refrigeration, air conditioning and waste disposal, security, cable

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television and telephone, within the boundaries of the unit, but shall not include any part of such lines or ducts themselves.

Article 5

GENERAL COMMON AREAS

The general common areas consist of all portions of the Project that are not part of a unit or a limited common area, including, but not limited to, the following:

5.1 The land, walkways, parking areas, grounds, lobby, laundry room, trash/recycling room, and spa area, including steam room, sauna and toilet room.

5.2 Pipes, ducts, flues, chutes, conduits, wires and other utility and communications installations to their outlets.

5.3 Roofs, foundations, bearing and shear walls, common walls added to separate units, perimeter walls, beams, columns and girders to the interior surfaces thereof, and windows, window frames and exterior doors.

5.4 Stairways, landings, hallways, lobbies, elevator, entrances and exits that are not part of a unit.

5.5 All other elements of the buildings and the Project necessary or convenient to their existence, maintenance and safety, or normally in common use, except as may be expressly designated in this Declaration as part of a unit or a limited common area.

Article 6

LIMITED COMMON AREAS

The following shall constitute limited common areas, the use of which shall be restricted to the units to which they pertain: all patios and decks, each of which shall pertain to the unit that it adjoins as shown on the Plat.

Article 7

ALLOCATION OF UNDIVIDED INTERESTS IN COMMON AREAS

Each unit will be entitled to an undivided ownership interest in the common areas determined on the basis of relative value, which for purposes of this Declaration shall be presumed to be the ratio by which the square footage of the particular unit bears to the total square footage of all units combined, as shown on the attached Exhibit B. Each unit's interest in the common areas shall be inseparable from the unit and any conveyance, encumbrance, judicial sale, or other transfer, voluntary or involuntary, of an undivided interest in the common areas shall be void unless the unit to which that interest is allocated is also transferred.

Article 8

COMMON PROFITS AND EXPENSES; VOTING

8.1 **Allocation of Common Profits and Expenses**. The common profits and common expenses of the Project shall be allocated to the owner of each unit according to the ratio by which the square footage of the particular unit bears to the total square footage of all units combined as set forth in Exhibit B, except that charges for electric, gas and water on the common meters shall be allocated as follows: (a) 28.66 percent of such charges shall be allocated based upon each unit's allocation of undivided interest in the common areas as set forth in Exhibit B, and (b) 71.34 percent of such charges shall be allocated to each unit based upon the amount of such unit's heat pump compressor run time compared to the total heat pump compressor run time of all units combined. Except upon termination of the Project or as otherwise provided in the Bylaws with respect to damage, destruction or condemnation, any such common profits shall be used solely for the purpose of maintaining, repairing and replacing the common areas or for other expenses or reserves of the Association.

8.2 **Allocation of Voting Rights**. Each owner of a unit shall be entitled to a vote in the affairs of the Association based on the ratio by which the square footage of a particular unit bears to the total square footage of all units combined; provided, however, that Declarant shall have five times the voting rights otherwise allocable to each unit owned by Declarant until the earlier of (a) when Declarant has sold and conveyed to a person other than a successor declarant 90 percent or more of the units in the Condominium, or (b) 10 years after the date of the first conveyance of a unit to a person other than a successor declarant. The method of voting shall be as specified in the Bylaws.

Article 9

SERVICE OF PROCESS

The Association shall designate an agent to receive service of process in any action relating to the common areas and facilities and file the same with the Shoshone County Auditor as provided in Section 55-1512 of the Idaho Condominium Property Act.

Article 10

USE OF PROPERTY

Each unit is to be used for residential purposes as defined in the Bylaws, provided, however, that any of the ground floor units may also be used for any office or retail purposes permitted by applicable zoning regulations, but may not be used for sales of pornographic or erotic videos, literature, objects or similar merchandise, for a video or amusement center or arcade, or as a nightclub or other facility providing nighttime entertainment or as a restaurant. Additional limitations on use are contained in the Bylaws and the rules and regulations adopted pursuant to the Bylaws. Each unit owner shall be bound by each of such documents.

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Article 11

MAINTENANCE OF COMMON AREAS

11.1 **Responsibility for Maintenance**. The necessary work to maintain, repair or replace the common areas shall be the responsibility of the board of directors of the Association and shall be carried out as provided in this Declaration and the Bylaws.

11.2 **Mortgagee's Rights upon Failure to Maintain**. If the mortgagee of any unit determines that the board of directors is not providing an adequate maintenance, repair and replacement program for the common areas, such mortgagee, at its option, may give a notice to the board of directors by delivering same to the registered agent, setting forth the particular defect that it believes exists in the maintenance, repair and replacement program. If the specified defects are not corrected within 90 days subsequent to receipt of such notice, then the mortgagee, upon written notice to the registered agent that it is exercising its proxy rights, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each unit on which it holds a mortgage on all business coming before such meeting. Such proxy rights shall continue until the defects listed on the notice are corrected.

Article 12

EASEMENTS

12.1 **In General**. Each unit has an easement in and through each other unit and the common areas for all support elements and utility, wiring, heat, plumbing, and service elements, and for reasonable access thereto, as required to effectuate and continue proper operation of the Project. In addition, each unit and all the common areas are specifically subject to easements as required for the electrical wiring and plumbing for each unit. The specific mention or reservation of any easement in this Declaration does not limit or negate the general easement for common areas reserved by law. Each unit owner has an unrestricted right of ingress and egress to his or her unit. This right is perpetual and passes with the ownership of the unit.

12.2 **Encroachments**. Each unit and all common areas shall have an easement over all adjoining units and common areas for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or movement of any portion of the property, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of the encroaching units and common areas so long as the encroachments shall exist, and the rights and obligations of owners shall not be altered in any way by the encroachment. The encroachments described in this Section 12.2 shall not be construed to be encumbrances affecting the marketability of title to any unit.

12.3 **Granting of Easements by Association**. The Association may grant, execute, acknowledge, deliver and record on behalf of the unit owners leases, easements, rights-of-way, licenses, and similar interests affecting the common areas and consent to vacation of roadways within and adjacent to the Project. Any such instrument shall be executed by the president and secretary of the Association. No such interest may be granted with regard to a limited common area unless the owners and mortgagees of the units having the right to use such limited common area consent to and join in the instrument granting the interest.

12.4 **Right of Entry**. The board of directors of the Association, managing agent, manager or any other person authorized by the board of directors shall have the right to enter any unit and limited common area in the case of an emergency originating in or threatening such unit or other condominium property, whether or not the owner is present at the time. Such persons shall also have the right to enter any unit and limited common area for the purpose of performing installations, alterations or repairs to any common area and for the purpose of inspection to verify that the unit owner is complying with the restrictions and requirements described in this Declaration and the Bylaws, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner.

12.5 **Easements for Declarant**. Declarant and Declarant's agents, successors and assigns shall have an easement over and upon the common areas as may be reasonably necessary for the purpose of completing or making repairs to existing structures, for the purpose of carrying out sales and rental activities necessary or convenient for the sale or rental of units, including, without limitation, the right to use the units owned by Declarant as model units and the right to use a unit or the community room as a sales office, and for the purpose of discharging any other obligation of Declarant or exercising any other special Declarant right, whether arising under the Idaho Condominium Property Act or reserved in this Declaration or the Bylaws.

12.6 **Restricted Access Areas**. The board of directors of the Association may designate certain general common areas as Restricted Access Areas that are not available to individual unit owners for access. Such areas may include, without limitation, the elevator equipment room, mechanical rooms, electrical rooms and storage rooms. The board may designate storage areas for the use of the Association managing agent and rental management companies retained by individual unit owners.

Article 13

MORTGAGEES

13.1 **Notice of Action.** The Mortgagee, insurer or guarantor of a Mortgage on any unit in the Condominium shall be entitled to timely written notice of the following:

(a) Any condemnation or casualty loss that affects a material portion of the Condominium or affects the unit securing its Mortgage.

(b) Any 60-day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the Mortgage.

(c) A lapse, cancellation or material modification of any insurance policy maintained by the Association.

(d) Any proposed action that would require consent of a specified percentage of Mortgagees as required by this article.

13.2 **Termination and Amendment to Documents**.

(a) Unless a greater vote is required by this Declaration, the Bylaws or the Idaho Condominium Property Act, the approval of Mortgagees holding Mortgages on units that represent at least 51 percent of the voting rights of units subject to Mortgages shall be required to terminate the legal status of the project as a condominium.

(b) Except when a greater percent is required by the Declaration or Bylaws, or a greater or lesser percent is required by the Idaho Condominium Property Act, the consent of the Mortgagees holding Mortgages on units that represent at least 51 percent of the voting rights of units subject to Mortgages shall be required for any amendments to the Declaration or Bylaws of a material adverse nature to Mortgagees.

(c) Any eligible Mortgagee who receives a written request to approve any termination, additions or amendments under this Article 13 and who fails to submit a response to the requesting party a negative response within 60 days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, return receipt requested, shall be deemed to have approved such request.

Article 14

ASSOCIATION OF UNIT OWNERS

14.1 **Organization**. Upon the recording of this Declaration an association of unit owners shall be organized to serve as the managing body through which the unit owners may take action with regard to the administration, management and operation of the Project. The name of this association shall be "The Ridge at Silver Valley Owners Association."

14.2 **Membership; Board of Directors**. Each unit owner shall be a member of the Association. The affairs of the Association shall be governed by a board of directors as provided in the Bylaws.

14.3 **Powers and Duties**. The Association shall have such powers and duties as may be granted to it by the Idaho Condominium Property Act, together with such additional powers and duties afforded it by this Declaration or the Bylaws.

14.4 **Adoption of Bylaws, Declarant Control of Association**. Upon the execution and the recording of this Declaration, Declarant shall adopt Bylaws for the Association, which Bylaws are attached as Exhibit C. Declarant specifically reserves the right to control the Association by appointing the interim directors of the Association until the organizational and turnover meeting of the Association has been held and the unit owners have elected regular directors as provided in Sections 2.2 and 3.3 of the Bylaws. In addition, Declarant shall have the right to consent to any amendment to the Declaration or the Bylaws as provided in Section 16.2 below and Section 9.2 of the Bylaws.

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Article 15

CHANGES TO UNITS

15.1 **Relocation or Elimination of Boundaries; Consolidation of Units**. Subject to compliance with the provisions of this Article and the Idaho Condominium Property Act, the boundaries between adjoining units may be relocated, or may be eliminated so as to consolidate two or more such units into one unit.

15.2 **Proposed Amendment**. The owner or owners of the units to be changed as provided in Section 15.1 above shall submit to the board of directors of the Association a proposed amendment which shall (a) state the purposes of the amendment, (b) identify the units involved, (c) assign an identifying number to any new unit created, (d) reallocate the interest in the common areas and the use of any limited common areas, voting rights, common expense liability and the right to common profits on the basis of the relative square footage of the units, (e) provide a means of access for each unit to common areas in the case of division of units or conversion of units to common areas, (f) include words of conveyance in the case of a relocation or elimination of boundaries and (g) include any additional provisions necessary to conform to any other provisions of this Declaration or the Bylaws.

15.3 **Approval of Board of Directors**. The board of directors shall approve the proposed amendment unless the board determines within 45 days that the amendment is inconsistent with this Declaration or the Bylaws, or the change will impair the structural integrity or mechanical systems of the Project or lessen the support of any portion of the Project.

15.4 **Opinion of Engineer; Supervision**. The board of directors may require the owner or owners of the units to be changed to submit an opinion of a registered professional structural engineer as to whether or not the proposed change will impair the structural integrity or mechanical systems of the Project or weaken support of any portion of the Project. The board of directors or any agent appointed by the board may supervise the work necessary to effect the change. Any expenses incurred under this section shall be charged to the owners requesting the change.

15.5 **Execution and Recording of Amendment and Plat**. The amendment shall be executed by the owner or owners and any mortgagees of the affected units, certified by the president and secretary of the Association and approved and recorded in the Records of Shoshone County, Idaho. In addition, a plat showing the change shall be recorded in the plat records of Shoshone County, Idaho. Such reallocation shall not occur more frequently than every three years.

Article 16

AMENDMENT

16.1 **How Proposed**. Amendments to the Declaration shall be proposed by either a majority of the board of directors or by unit owners holding 30 percent or more of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice

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of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment.

16.2 **Approval Required**. Except as may otherwise be provided in this Declaration or by the Idaho Condominium Property Act, this Declaration may be amended if such amendment is approved by unit owners holding 75 percent of the voting rights of the Project and by mortgagees to the extent required by Article 13. Declarant's prior written consent shall also be required so long as Declarant owns any of units, but no such consent shall be required after ten years from the date of conveyance of the first unit to a person other than Declarant. Except as otherwise permitted by the Idaho Condominium Property Act, no amendment may change the size, location, allocation of undivided interest in the common areas, the method of determining liability for common expenses, the method of determining the right to common profits, or the method of determining voting rights of any unit unless such amendment has been approved by the owners and mortgagees of the affected unit. Any amendment that would limit or diminish any special Declarant rights established in this Declaration or the Bylaws shall require the written consent of Declarant.

16.3 **Recordation**. The amendment shall be effective upon recordation in the Deed Records of Shoshone County, Idaho, of the Declaration as amended or of the amendment thereto, certified to by the president and secretary of the Association as being adopted in accordance with this Declaration and the provisions of the Idaho Condominium Property Act.

Article 17

REMOVAL AND PARTITION

The Property shall be removed from the provisions of the Idaho Condominium Property Act and partitioned in accordance with such Act only upon the following: (a) the written agreement of not less than 90 percent of the voting power of the Association, together with the consent of mortgagees as may be required by this Declaration, or (b) damage, destruction or condemnation of any portion of the Property under such circumstances as may be set forth in the Bylaws. In the event of such partition, the Association shall have an irrevocable power of attorney to sell and convey the entire Project for the benefit of all owners, which power shall (i) be binding upon all owners, and (ii) be exercisable only after recordation of a certificate by the president and secretary of the Association that such power of attorney is properly exercisable under this Declaration, which certificate shall be conclusive evidence of the facts related therein in favor of any person relying thereon in good faith.

Article 18

SEVERABILITY

Each provision of this Declaration and the Bylaws shall be deemed independent and severable, and the validity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision of this Declaration or the Bylaws.

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Article 19

APPLICABILITY

Each unit owner, including Declarant as to any unsold unit, shall be subject to all of the rights and duties assigned to unit owners under the terms of the Declaration and Bylaws.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed as of the day and year first set forth above.

SILVER MOUNTAIN INVESTORS, LLC,
a Washington limited liability company

By ______________________
Eric Brown, General Manager

STATE OF IDAHO)
) ss.
County of Shoshone)

The foregoing instrument was acknowledged before me this 12th day of August, 2009 by Eric Brown, General Manager of Silver Mountain Investors, LLC, a Washington limited liability company, on behalf of the corporation.

STEPHANIE M. LAYTON
NOTARY PUBLIC
STATE OF IDAHO

Stephanie M Layton
Notary Public for Idaho
My commission expires: March 06, 2012
Commission No.:

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EXHIBIT A

Legal Description

Parcel 1

Being a tract of land lying in the Northwest Quarter of Section 6, Township 48 North, Range 3 East, Boise Meridian, Kellogg, Shoshone County, State of Idaho, and more particularly describes as follows:

Using the official City of Kellogg meridian and beginning at Corner No. 5 of the BUNKER HILL SECOND ADDITION to the City of Kellogg, which is identical with the Southwest corner of the tract and from which the West Quarter corner of Section 6, Township 48 North, Range 3 East, Boise Meridian, bears

South 55°20'20" West, 636.85 feet and ongoing; thence

South 71°22.5' East, 100 feet to the Southeast corner; thence

North 18°37.5' East, 100 feet to the Northeast corner; thence

North 71°22.5' West, 50 feet to an angle point on the North end line of the parcel; thence

North 18°37.5 East, 40 feet to the a point on the North end line of that parcel; thence

North 71°22.5' West, 50 feet to the Northwest corner; thence

South 18°37.5' West, 140 feet to Corner No. 5 of the BUNKER HILL SECOND ADDITION and PLACE OF BEGINNING.

Parcel 2

A tract of land lying in the Northwest Quarter of Section 6, Township 48 North, Range 3 East, Boise Meridian, Kellogg, Shoshone County, State of Idaho, and more particularly describes as follows:

Using the official City of Kellogg survey coordinates and meridian and beginning at a point from whence the West Quarter corner of Section 6, Township 48 North, Range 3 East, Boise Meridian, bears South 70°54 West, 835.26 feet; thence

North 71°22.5' West, 87.00 feet to a point; thence

North 18°37.5' East, 160.00 feet to a point, the Southeast corner of said tract and the TRUE POINT OF BEGINNING; thence

North 18°37.5' East, 58.35 feet; thence

North 76°06.8' West, 193.94 feet; thence

South 18°37.5' West, 62.33 feet; thence

South 71°22.5' East, 50.00 feet; thence

South 18°37.5' West, 40.00 feet; thence

South 71°22.5' East, 50.00 feet; thence

North 18°37.5' East, 5.0 feet; thence

South 71°22.5' East, 57.00 feet; thence

North 18°37.5' East, 55.00 feet; thence

South 71°22.5' East, 36.28 feet to the TRUE POINT OF BEGINNING.

Parcel 3

Being a tract of land lying in the Northwest quarter of Section 6, Township 48 North, Range 3 East, Boise Meridian, Kellogg, Shoshone County, State of Idaho, known as 828 West McKinley Avenue and more particularly described as follows:

Using the official City of Kellogg Survey Coordinates and Meridian and beginning at the Southeast corner of the Shoshone County Mining and Smelting Museum tract (North 9940.05 East 1476.84), a cross scribed in a concrete curb from which the West quarter corner of Section 6, Township 48 North, Range 3 East, B.M., bears South 70°54.1' West 835.26 feet distance, running thence

North 71°22.5' West, 87.00 feet to the Southwest corner of said museum lot, which is identical to Corner No. 1 of the 828 West McKinley Avenue Tract and the true POINT OF BEGINNING; thence

North 18°37.5' East, 160.0 feet to the Corner No. 2; thence

North 71°22.5' West, 36.28 feet to Corner No. 3; thence

South 18°37.5' West, 55.0 feet to Corner No. 4; thence

North 71°22.5' West, 57.0 feet to corner No. 5; thence

South 18°37.5' West, 105.0 feet to Corner No. 6. which is identical to the Southeast corner of Bunker Hill Main Office tract, 834 West McKinley Avenue; thence

South 71°22.5 East, 93.28 feet to Corner No. 1 and the true POINT OF BEGINNING.

EXHIBIT B

Unit Square Footages and Undivided Interests

Unit	Square Footage	Undivided Interest
101	1092	1092/25600
102	1092	1092/25600
103	1092	1092/25600
104	1092	1092/25600
105	583	583/25600
201	583	583/25600
202	811	811/25600
203	638	638/25600
204	1092	1092/25600
205	583	583/25600
206	1092	1092/25600
207	992	992/25600
208	1092	1092/25600
301	583	583/25600
302	811	811/25600
303	638	638/25600
304	1092	1092/25600
305	583	583/25600
306	1092	1092/25600
307	992	992/25600
308	1092	1092/25600
401	583	583/25600
402	811	811/25600
403	638	638/25600
404	1092	1092/25600
405	583	583/25600
406	992	992/25600
407	1092	1092/25600
408	1092	1092/25600
	25600	

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Instrument # 452999
WALLACE,SHOSHONE COUNTY, IDAHO
8-12-2009 02:47:00 No. of Pages: 16
Recorded for : SILVER MOUNTAIN INVESTORS, LLC
PEGGY DELANGE-WHITE Fee: 48.00
Ex-Officio Recorder Deputy
Index to: CONDOMINIUM DECLARATION

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BYLAWS

OF

THE RIDGE AT SILVER VALLEY OWNERS ASSOCIATION

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BYLAWS OF

THE RIDGE AT SILVER VALLEY OWNERS ASSOCIATION

Article 1

PLAN OF CONDOMINIUM OWNERSHIP

1.1 **Name and Location**. These are the bylaws of **THE RIDGE AT SILVER VALLEY OWNERS ASSOCIATION** (the "**Association**"). **THE RIDGE AT SILVER VALLEY, A CONDOMINIUM** (the "**Project**") is located in the City of Kellogg, Shoshone County, Idaho, and has been submitted to the Idaho Condominium Property Act by a declaration recorded simultaneously with these Bylaws and by supplemental declarations, if any, annexing property to the Project (collectively the "**Declaration**"). The location of the Project is more specifically described in the Declaration.

1.2 **Principal Office**. The principal office of the Association shall be located at such address as may be designated by the board of directors from time to time.

1.3 **Purposes**. This Association is formed as the managing body under the provisions of the Idaho Condominium Property Act to serve as the means through which the unit owners may take action with regard to the administration, management and operation of the Project.

1.4 **Applicability of Bylaws**. The Association, all unit owners, and all persons using the Property shall be subject to these Bylaws and to all rules and regulations that may be adopted pursuant to these Bylaws.

1.5 **Composition of Association**. The Association shall be composed of all the unit owners of the Project, including Silver Mountain Investors, LLC and its successors and assigns (the "**Declarant**"), and the Association, itself, to the extent any of these own any unit or units of the Project.

1.6 **Incorporation.** Upon a majority vote of the voting power of the Association, the Association shall be incorporated under the Idaho Non-Profit Corporation Law, in which case the Articles of Incorporation of the Association shall be consistent with the Declaration and these Bylaws, and these Bylaws shall constitute the bylaws of the incorporated association.

1.7 **Definitions**. The definitions contained in or adopted by the Declaration shall be applicable to these Bylaws.

Article 2

MEETINGS OF ASSOCIATION

2.1 **Place of Meetings**. The Association shall hold meetings at such suitable place convenient to the unit owners as may be designated by the board of directors from time to time.

2.2 **Organizational and Turnover Meeting**. Within ten years after the date of conveyance of the first unit to a person other than the Declarant, or within 90 days after Declarant has sold and conveyed 75 percent or more of the units in the Project, whichever is earlier, the Declarant shall call the first meeting of the unit owners to organize the Association and to elect directors. Notice of such meeting shall be given to all owners as provided in Section 2.5. If Declarant fails to call the meeting, the meeting may be called and notice given by any unit owner or mortgagee of a unit. The expense of giving notice shall be paid or reimbursed by the Association. At the meeting, Declarant shall deliver to the Association such information and documents as may be required by the Idaho Condominium Property Act. Nothing in this Section shall be construed as preventing the Declarant from calling the organizational and turnover meeting prior to such date, or from calling informal, informational meetings of the unit owners.

2.3 **Annual Meetings**. The annual meetings of the Association shall be held on such date each year as may be established by the board of directors from time to time, or if the board does not establish such a date, then in the month of June at such hour and on such date as the president may designate, or if the president should fail to designate such date by the first day of June then on the last Tuesday in June. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

2.4 **Special Meetings**. Special meetings of the Association may be called by the president or by a majority of the board of directors, and must be called by such officers upon receipt of a written request from at least 30 percent of the unit owners stating the purpose of the meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice of meeting.

2.5 **Notice of Meetings**. Notice of the annual meeting and all other meetings of the Association stating the time and place and the purpose or purposes for which the meeting is being called shall be given by the president or secretary. Such notice shall be in writing and mailed not less than 10 days nor more than 50 days prior to the date of the meeting to each unit owner at his address as it appears on the books of the Association and to any first mortgagee requesting such notice. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived by any unit owner before or after meetings. When a meeting is adjourned for less than 30 days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

2.6 **Voting**. Each owner of a unit shall have a vote based upon the ratio by which the square footage of a particular unit bears to the total square footage of all such units combined; provided, however, that Declarant shall have five times the voting rights otherwise allocable to each unit owned by Declarant until the earlier of (a) when Declarant has sold and conveyed to a person other than a successor declarant 90 percent or more of the units in the Condominium, or (b) 10 years after the date of the first conveyance of a unit to a person other than a successor declarant. Declarant shall be entitled to vote as the unit owner of any then existing units retained by Declarant, and the board of directors shall be entitled to vote on behalf of any unit that has been acquired by or on behalf of the Association; provided, however, that the board of directors shall not be entitled to vote such units in any election of directors.

2.7 **Absentee Ballots and Proxies**. A vote may be cast in person, by absentee ballot or by proxy. A proxy given by a unit owner to any person who represents such owner at meetings of the Association shall be in writing and signed by such owner, and shall be filed with the secretary at any time prior to or at the start of the meeting. An owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting or to the board of directors if a vote is being conducted by written ballot in lieu of a meeting. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date unless the proxy specifies a shorter term. Every proxy shall automatically cease upon sale of the unit by its owner. A unit owner may pledge or assign such owner's voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the unit owner is entitled under these Bylaws and to exercise the unit owner's voting rights from and after the time that the mortgagee shall give written notice of such pledge or assignment to the board. Any first mortgagee may designate a representative to attend all or any meetings of the Association.

2.8 **Fiduciaries and Joint Owners**. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any unit owned or held in such capacity, whether or not the same shall have been transferred to his or her name; provided, that such person shall satisfy the secretary that he or she is the executor, administrator, guardian or trustee, holding such unit in such capacity. Whenever any unit is owned by two or more persons jointly, according to the records of the Association, the vote or proxy of such unit may be exercised by any one of the owners then present, in the absence of protest by a co-owner. In the event of disagreement among the co-owners, the vote of such unit shall be disregarded completely in determining the proportion of votes given with respect to such matter unless a valid court order establishes the authority of a co-owner to vote.

2.9 **Tenants and Contract Vendors**. Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a unit shall be exercised by the owner/landlord. Unless otherwise stated in the contract, all voting rights allocated to a unit shall be exercised by the vendee of any recorded land sale contract on the unit.

2.10 **Quorum of Unit Owners**. At any meeting of the Association, members holding 30 percent of the voting rights, present in person or by proxy, shall constitute a quorum. The subsequent joinder of a unit owner in the action taken at a meeting by signing and concurring in the minutes of the meeting shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a unit owner or owners. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present. The quorum for the adjourned meeting shall be reduced to 15 percent of the voting rights, present in person or by proxy.

2.11 **Majority Vote**. The vote of the holders of more than 50 percent of the voting rights, present in person or by proxy at a meeting at which a quorum is constituted, shall be binding upon all unit owners for all purposes except where a higher percentage vote is required by law, by the Declaration or by these Bylaws.

2.12 **Order of Business**. The order of business at annual meetings of the Association shall be:

(a) Calling of the roll and certifying of proxies;

(b) Proof of notice of meeting or waiver of notice;

(c) Reading of minutes of preceding meeting;

(d) Reports of officers;

(e) Reports of committees, if any;

(f) Election of directors;

(g) Unfinished business;

(h) New business; and

(i) Adjournment.

2.13 **Rules of Order**. Unless other rules of order are adopted by resolution of the Association or the board of directors, all meetings of the Association shall be conducted according to the latest edition of *Robert's Rules of Order* published by Robert's Rules Association.

2.14 **Ballot Meetings**. At the discretion of the board of directors, any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting if the Association delivers a written ballot to every member that is entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action.

(a) If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which a certain percentage of total votes cast is required to authorize the action, the proposal will be deemed to be approved when the date for return of ballots has passed, a quorum of unit owners has voted and the required percentage of approving votes has been received. Otherwise, the proposal shall be deemed to be rejected. If approval of a proposed action otherwise would require a meeting at which a specified percentage of unit owners must authorize the action, the proposal shall be deemed to be approved when the percentage of total votes cast in favor of the proposal equals or exceeds such required percentage. The proposal shall be deemed to be rejected when the number of votes cast in opposition renders approval impossible or when both the date for return of ballots has passed and such required percentage has not been met. Votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date they are entered.

(b) All solicitations for votes by written ballot shall state the number of responses needed to meet any applicable quorum requirement and the total percentage of votes needed for approval. All such solicitations for votes shall specify the period during which the

Association will accept written ballots for counting, which period shall end on the earliest of (i) the date on which the Association has received a sufficient number of approving ballots to pass the proposal, or (ii) the date on which the Association has received a sufficient number of disapproving ballots to render the proposal impossible of passage, or (iii) a date certain on which all ballots must be returned to be counted. A written ballot may not be revoked.

Article 3

BOARD OF DIRECTORS

3.1 **Number and Qualification**. The affairs of the Association shall be governed by a board of directors composed of one to three interim directors or three regular directors, as provided in Sections 3.2 and 3.3 of this Article. All directors, other than interim directors appointed by Declarant, shall be owners or co-owners of units of the Project. For purposes of this Section, the officers and any duly appointed employees of any corporate owner, the members of any limited liability company and the partners of any partnership shall be considered co-owners of any units owned by such corporation, limited liability company or partnership.

3.2 **Interim Directors**. Upon the recording of the Declaration submitting the Project to the Idaho Condominium Property Act the Declarant shall appoint an interim board of one to three directors, who shall serve until replaced by Declarant or their successors have been elected by the unit owners as provided below.

3.3 **Election and Term of Office**. At the first organizational and turnover meeting called by Declarant pursuant to Section 2.2 of these Bylaws, the interim directors shall resign and three successors shall be elected, one to serve until the next annual meeting and two to serve until the second annual meeting after his or her election. The directors receiving the greatest number of votes shall serve for the two-year term. In the event of a tie, the terms shall be determined by lottery. Thereafter, at the expiration of the initial term of office of each respective director, his or her successor shall be elected to serve for a term of two years, so that the term of not less than one-third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the unit owners. Election shall be by plurality.

3.4 **Vacancies**. Vacancies in directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the remaining directors. Each person so elected shall be a director until a successor is elected to fill the unexpired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies in interim directors shall be filled by Declarant.

3.5 **Removal of Directors**. At any regular or special meeting of the Association duly called, any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the unit owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any director whose removal has been proposed shall be given an opportunity to be heard at that meeting.

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3.6 **Powers and Duties**. The board of directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these Bylaws may not be delegated to the board by the unit owners. The powers and duties to be exercised by the board shall include, but shall not be limited to the following:

(a) Operation, care, upkeep, maintenance, repair and replacement of the general and limited common areas and Association property, except those common areas to be maintained by the owners as provided in the Declaration or these Bylaws.

(b) Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.

(c) Preparation and adoption of budgets, preparation, review and update of reserve studies and assessment and collection of the common expenses, all in accordance with the provisions of these Bylaws.

(d) Employment and dismissal of such personnel as necessary for the efficient maintenance, upkeep and repair of the common areas.

(e) Employment of legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association; provided, however, the board may not incur or commit the Association to incur legal fees in excess of $5,000 for any specific litigation or claim matter or enter into any contingent fee contract for any claim in excess of $100,000 unless the unit owners have enacted a resolution authorizing the incurring of such fees or contract by a vote of 75 percent of the total voting rights of the Association. This limitation shall not be applicable to legal fees incurred in defending the Association and the board of directors from claims or litigation brought against them. The limitation set forth in this paragraph shall increase by 10 percent on each fifth anniversary of the recording of the Declaration. With regard to any pending litigation involving the Association, the board shall periodically report to the unit owners as to the status (including settlement offers), progress, and method of funding such litigation. Nothing in this paragraph shall be construed as requiring the board to disclose any privileged communication between the Association and its counsel.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Preparation and distribution of annual financial statements in accordance with these Bylaws and annual preparation and filing of all required income tax returns or forms for the Association.

(h) Purchasing units of the Project at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the unit owners as provided in these Bylaws.

(i) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with units of the Project acquired by the Association or its designee on behalf of all the unit owners.

(j) Obtaining insurance or bonds pursuant to the provisions of these Bylaws and at least annually review the insurance coverage of the Association.

(k) Making additions and improvements to, or alterations of, the common areas; provided, however, that no such project may be undertaken by the board if the total cost will exceed the amount of $30,000 unless the unit owners have enacted a resolution authorizing the project by a majority vote of the members. This limitation shall not be applicable to maintenance, repairs or replacement undertaken pursuant to paragraph (a) above. The limitation set forth in this paragraph shall increase by $1,000 on each anniversary of the recording of the Declaration.

(l) Close, remove, eliminate or discontinue the use of a common area facility or improvement or portion of the common area landscaping, except that modification, closure, removal, elimination or discontinuance other than on a temporary basis of any recreational amenity, including but not limited to the locker room and fitness room must be approved by at least a majority of the unit owners voting on such matter at a meeting or by written ballot held or conducted in accordance with these Bylaws.

(m) Designating one or more committees which, to the extent provided in the resolution designating the committee, shall have the powers of the board of directors in the management of the affairs of the Association. At least one member of each committee shall be a member of the board.

(n) Enforcement by legal means of the provisions of the Idaho Condominium Property Act, the Declaration, these Bylaws and any rules and regulations adopted hereunder. Nothing in these Bylaws shall be construed as requiring the Association to take any specific action to enforce violations.

(o) Maintain a current agent to receive service of process in any action relating to the common areas and facilities and file the same with the Shoshone County Auditor as provided in Section 55-1512 of the Idaho Condominium Property Act.

(p) Initiate or intervene in litigation or administrative proceedings (including mediation under Article 10 of these Bylaws) in the name of the Association, and without joining the individual unit owners, as permitted by the Idaho Condominium Property Act; provided that no litigation or administrative proceeding may be initiated on a matter relating to or affecting the unit or interest of a unit owner unless the unit owner has consented in writing to such action after full disclosure of the potential cost, duration and outcomes of the proposed litigation or administrative proceeding.

(q) Leasing or granting permits to use portions of the common areas to rental management companies.

(r) Establish and implement a policy for assignment of parking spaces and storage lockers.

3.7 **Managing Agent or Manager**. On behalf of the Association, the board of directors may employ or contract for a managing agent or a manager at a compensation to be established by the board. The board may delegate to the managing agent or manager such duties and powers as the board may authorize. In the absence of such appointment, the board shall act as manager.

3.8 **Organizational Meeting**. Unless otherwise agreed by the board, as soon as reasonably possible following the annual meeting of the Association or following any meeting at which an election of directors has been held, the board of directors shall hold an organization meeting at such place and time as shall have been fixed by the directors at the meeting at which the election was held.

3.9 **Regular and Special Meetings**. Regular meetings of the board of directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the board may be called by the president and must be called by the secretary at the written request of at least two directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone or telegraph at least seven days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. Unless other rules of order are adopted by resolution of the Association or the board, all meetings of the board shall be conducted according to the latest edition of *Robert's Rules of Order* published by Robert's Rules Association.

3.10 **Open Meetings** All meetings of the board of directors shall be open to unit owners except for those matters the board determines should be heard in executive session. Meetings of the board may be conducted by telephonic communication or by other means of communication that allows all members of the board participating to hear each other simultaneously or otherwise to be able to communicate during the meeting.

3.11 **Waiver of Notice**. Any director may, at any time, waive notice of any meeting of the board of directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the board shall constitute a waiver of notice by such director, except where the director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all of the directors are present at any meeting of the board, no notice to directors shall be required and any business may be transacted at such meeting.

3.12 **Quorum of Board of Directors**. At all meetings of the board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the board. If at any meeting of the board less than a quorum should be present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice to directors.

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3.13 **Compensation**. No director shall receive any compensation from the Association for acting as such.

3.14 **Liability and Indemnification of Directors, Officers and Managing Agent**. A member of the board of directors or an officer of the Association shall not be liable to the Association, any unit owner or any third party for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties so long as the individual acted in good faith, believed that the conduct was in the best interests of the Association, or at least was not opposed to its best interests, and in the case of criminal proceedings, had no reason to believe the conduct was unlawful. In the event any member of the board or any officer of the Association is threatened with or made a party to any proceeding because the individual was or is a director or officer of the Association, the Association shall defend such individual against such claims and indemnify such individual against liability and expenses incurred to the maximum extent permitted by law. The managing agent of the Association, and its officers and employees, shall not be liable to the Association, the unit owners or any third party on account of any action or failure to act in the performance of its duties as managing agent, except for acts of gross negligence or intentional acts. Prior to the Organizational and Turnover Meeting described in Section 2.2, the managing agent shall not be liable to the Association, any unit owner or any third party for any damage, loss or prejudice suffered or claimed on account of any action or failure to act that represents the exercise of authority established in Section 14.4 of the Declaration, including any action or failure to act requested by the Declarant or resulting from any prior or concurrent duty or loyalty owed by such director to the Declarant; provided that nothing in this section limits the liability of the Declarant for such actions or failure to act by the managing agent. In the event the managing agent is threatened with or made a party to any proceeding, the Association shall defend the managing agent against such claims and indemnify the managing agent and its officers and employees from any such claims to the maximum extent permitted by law.

3.15 **Insurance**. The board of directors shall obtain the insurance and fidelity bonds required in Article 8 of these Bylaws. In addition, the board, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association or unit owners. The board shall conduct an annual insurance review which, if appropriate, shall include an appraisal of all improvements contained in the Project.

Article 4

OFFICERS

4.1 **Designation**. The principal officers of the Association shall be the president, the secretary and the treasurer, all of whom shall be elected by the board of directors. The directors may appoint a vice president, an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. The president shall be a member of the board, but the other officers need not be directors or unit owners.

4.2 **Election of Officers**. The officers of the Association shall be elected annually, by the board of directors at the organization meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the board shall elect a successor to fill the unexpired term at any regular meeting of the board, or at any special meeting of the board called for such purpose.

4.3 **Removal of Officers**. Upon the affirmative vote of a majority of the directors, any officer may be removed either with or without cause, and a successor may be elected at any regular meeting of the board of directors, or at any special meeting of the board called for such purpose.

4.4 **President**. The president shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the board of directors. The president shall have all of the general powers and duties that are usually vested in the chief executive officer of an association, including but not limited to the power to appoint committees from among the unit owners from time to time as the president may, in his or her discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

4.5 **Secretary**. The secretary shall keep the minutes of all proceedings of the board of directors and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the unit owners and directors and other notices required by law. The secretary shall keep the records of the Association, except for those of the treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the president. In addition, the secretary shall act as vice president, taking the place of the president and performing the president's duties whenever the president is absent or unable to act, unless the directors have appointed another vice president.

4.6 **Treasurer**. The treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of required financial statements. He or she shall be responsible for overseeing the deposit of all moneys and other valuable effects in such depositories as may from time to time be designated by the board of directors. The treasurer shall perform all other duties incident to the office of treasurer of an association and such other duties as may be assigned to him or her by the board.

4.7 **Execution of Instruments**. All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the board of directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the president. All checks shall be signed by the treasurer, or in the absence or disability of the treasurer, by the president or any duly elected assistant treasurer, or by the managing agent.

4.8 **Compensation of Officers**. No officer who is a member of the board of directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the unit owners. The board may fix any compensation to be paid to any officers who are not also directors.

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Article 5

BUDGET, EXPENSES AND ASSESSMENTS

5.1 **Budget**. The board of directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment and plus any underassessment, and assess the common expenses to each unit owner in the proportion set forth in the Declaration. The budget shall provide for a reserve fund in accordance with Section 5.5 below. Within 30 days after adopting the annual budget, the board shall provide a summary of the budget to all owners. If the board fails to adopt an annual budget, the last adopted budget shall continue in effect.

5.2 **Determination of Common Expenses**. Common expenses shall include:

(a) Expenses of administration, including management fees.

(b) Expenses of maintenance, repair or replacement of common areas, any other portions of the Project required to be maintained by the Association pursuant to the Declaration or these Bylaws, and any Association property.

(c) Cost of insurance or bonds obtained in accordance with these Bylaws.

(d) A general operating reserve, including an amount sufficient to cover the deductible under the property damage insurance policy.

(e) Reserve for replacements, repairs and maintenance.

(f) Any deficit in common expenses for any prior period.

(g) Utilities and services for the common areas and other utilities and services with a common meter or commonly billed, including, but not limited to, trash collection, water and sewer, hot and cold water for heating and cooling, domestic hot and cold water, wireless internet service and common telephone and cable television.

(h) Any other items properly chargeable as an expense of the Association.

5.3 **Assessment of Common Expenses**.

(a) **Obligation to pay**. All unit owners shall be obligated to pay common expenses assessed to them by the board of directors on behalf of the Association pursuant to these Bylaws and the Declaration. No unit owner by the owner's own action may claim exemption from liability for contribution towards common expenses by waiver by the owner of use or enjoyment of any of the common areas or by abandonment by the owner of the owner's unit. A unit owner may not claim an offset against an assessment for failure of the Association to perform its obligations and no unit owner may offset amounts owing or claimed to be owing by the Association or Declarant to the unit owner. Declarant shall be assessed as the unit owner of any unsold unit, but such assessments shall be prorated to the date of sale of the unit. The board, on behalf of the Association shall assess the common expenses against the unit owners

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from time to time, and at least annually, and shall take prompt action to collect from a unit owner any common expense due that remains unpaid for more than 30 days from the due date for its payment. The board may elect to round assessments to the nearest dollar.

(b) **Working capital fund**. Declarant shall establish a working capital fund in an amount at least equal to two months of estimated regular association assessments for each unit to be funded by the purchasers of units as provided in this paragraph. At the time of closing of the initial sale of each unit and thereafter on any subsequent sale of a unit, the purchaser shall make a contribution to the working capital of the Association equal to two months' regular association assessments for the unit. At the time of the organizational and turnover meeting, the Declarant shall pay such contribution for all unsold units, but may obtain reimbursement for such sums from the purchaser upon the sale of each such unit. Such contribution shall be in addition to the regular monthly common expense assessment and shall not be considered as an advance payment of regular assessments. The working capital fund shall be transferred to the Association for deposit to a segregated fund. Declarant may not use the working capital fund to defray any of Declarant's expenses, reserve contributions, or construction costs or to make up any budget deficits while Declarant is in control of the Association. The board of directors, at its discretion, may use working capital funds for regular operating expenses, extraordinary items of maintenance, repair or replacement or capital additions, or may deposit all or a portion of such funds into the reserve account.

(c) **Commencement of regular operating expense assessments**. Regular monthly assessments for common operating expenses for units in the Project shall commence upon closing of the first sale of a unit in the Project. Declarant may elect to defer commencement of common operating expense assessments as to all units until the earlier of (i) the sale of 50 percent of the units in the Project have closed, or (ii) the turnover meeting described in Section 2.2 above. If Declarant so elects to defer commencement of assessments for operating expenses, Declarant shall subsidize the Association by paying for all common operating expenses as they accrue, without cost or operating expense assessment to the other unit owners, until regular operating expense assessments commence. Declarant shall give 10 days' written notice to individual unit owners prior to the commencement of regular operating expense assessments.

(d) **Commencement of assessment for replacement reserves**. Regular monthly assessments for replacement reserves as described in Section 5.5 for all units in the Project shall commence upon the closing of the sale of the first unit in the Project. Declarant may elect to defer commencement of assessments for reserves as to all units until the earlier of (i) the sale of 50 percent of the units have closed, or (iii) the turnover meeting described in Section 2.2 above. Once assessments for reserves have commenced, Declarant may elect to defer payment of such reserve assessments to the Association for each unit owned by Declarant until the closing of the sale of such unit, but not beyond the date of the turnover meeting referred to in Section 2.2 above, or if no turnover meeting is held, the date the owners assume administrative control of the Association. The books and records of the Association shall reflect the amount owing from Declarant for all reserve assessments.

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5.4 **Special or Extraordinary Assessments**.

(a) **Special Assessments for Capital Improvements**. In the case of any duly authorized capital improvement to the common areas, the board of directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the unit owners, and the proceeds of which shall be used only for the specific capital improvements described in the resolution. The Association shall not assess units owned by the Declarant for additional capital improvements to the Project without the written consent of Declarant as long as Declarant owns any units in the Project.

(b) **Other Special or Extraordinary Assessments**. In the event the board of directors determines that the assessments established upon adoption of the budget as provided in Section 5.1 above will be insufficient to pay the common expenses, or the board determines that additional funds will be needed to meet unexpected or unbudgeted common expenses, the board may levy an additional special or extraordinary assessment. Such assessment shall be allocated to each unit in the same proportion set forth in the Declaration, and may be payable in installments over a specified period, in a lump sum, or in a lump sum with option to pay in installments with interest, as determined by the board.

5.5 **Reserve Trust Funds**. In establishing reserves for the maintenance, repair or replacement of the common areas, the board of directors may elect by resolution to establish one or more segregated funds for the maintenance, repair or replacement of specific items, in which case the board shall either designate part of the regular assessment or establish separate assessments for such purposes. The proceeds therefrom shall be held in such trust funds and used only for the designated maintenance, repairs or replacements.

5.6 **Default in Payment of Assessments**. In the event of default by any unit owner in paying any assessments to the Association, including assessed common expenses and any other charge imposed or levied by the Association pursuant to the provisions of the Declaration, these Bylaws or the Idaho Condominium Property Act, such unit owner shall be obligated to pay interest on such assessment from the due date thereof at such rate as may be established by the board of directors from time to time, not to exceed the maximum lawful rate, if any. In addition, the defaulting unit owner shall pay a late charge for any assessment not paid when due in an amount as may be established by the board from time to time by resolution, together with all expenses incurred by the Association in collecting such unpaid assessments, including attorneys' fees (whether or not suit is instituted, and at trial or any appeal or petition for review therefrom). If the assessment is not paid within 30 days of its due date, the board of directors may declare any remaining installments of assessments for the balance of the fiscal year immediately due and payable and may terminate the right to receive utility services paid for out of assessments or the right of access to and use of recreational and service facilities of the Project until assessments have been brought current. The board shall have the right and duty to recover for the Association such assessments, together with such charges, interest and expense of the proceeding, including attorneys' fees, by an action brought against such unit owner or by foreclosure of the lien upon the unit granted by the Idaho Condominium Property Act. The board shall notify the holder of any first mortgage upon a unit of any default not cured within 60 days of the date of default.

5.7 **Foreclosure of Liens for Unpaid Assessments**. In any suit brought by the Association to foreclose a lien on a unit because of unpaid assessments, the unit owner shall be required to pay a reasonable rental for the use of the unit during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The board of directors, acting on behalf of the Association, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the unit. A suit or action to recover a money judgment for unpaid assessments shall be maintainable without foreclosing the liens securing the same.

5.8 **Statement of Assessments**. The board of directors shall advise each unit owner in writing of the amount of assessments payable by such owner, and furnish copies of each budget on which such assessments are based to all unit owners and, if requested, to their mortgagees. The board shall promptly provide any unit owner who makes a request in writing with a written statement of the owner's unpaid assessments.

5.9 **Priority of Lien; First Mortgages**. Any lien of the Association against a unit for assessments shall be prior to all other liens filed or recorded subsequent to recordation of a notice of assessment, except any first mortgage of record and except as otherwise provided by law with respect to labor and materialmen's liens. Where the purchaser or mortgagee of a unit obtains title to the unit as a result of foreclosure of a first mortgage, such purchaser or mortgagee, its successors and assigns, shall not be liable for any of the assessments chargeable to such unit that became due prior to the acquisition of title to such unit by such purchaser or mortgagee. Such unpaid share of assessments shall be a common expense and reallocated on a pro rata basis for all units, including the mortgaged unit. The purchaser or mortgagee shall not be relieved of the obligation to pay further assessments. A deed in lieu of foreclosure accepted by the holder of a first mortgage shall extinguish a lien filed by the Association to secure unpaid assessments.

5.10 **Voluntary Conveyance**. In a voluntary conveyance of a unit, the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor of the unit up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, upon request of an owner or an owner's agent, for the benefit of a prospective purchaser, the board of directors shall make and deliver a statement of the unpaid assessments against the prospective grantor or the unit effective through a date specified in the statement, and the grantee in that case shall not be liable for any unpaid assessments against the grantor not included in the written statement.

Article 6

RECORDS AND AUDITS

6.1 **General Records**. The board of directors and the managing agent or manager, if any, shall keep detailed records of the actions of the board and the managing agent or manager, minutes of the meetings of the board and minutes of the meetings of the Association. The board shall maintain a book of policies and procedures containing the rules, regulations and policies adopted by the Association, board and the manager. The board shall maintain a list of owners entitled to vote at meetings of the Association and a list of all mortgagees of units.

6.2 **Financial Records and Accounts**. The board of directors or its designee shall keep financial records sufficient for proper accounting purposes. All assessments shall be deposited in a separate bank account in the name of the Association. All expenses of the Association shall be paid from the Association's bank account.

6.3 **Assessment Roll**. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each unit. Such account shall designate the name and address of the owner or owners, the amount of each assessment against the owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

6.4 **Payment of Vouchers**. The treasurer or managing agent shall pay all vouchers for all budgeted items and for any nonbudgeted items up to such amount as may be authorized by a resolution of the board of directors.

6.5 **Reports and Audits**. An annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year shall be rendered by the board of directors to all unit owners and to all mortgagees of units who have requested the same within 120 days after the end of each fiscal year. From time to time the board, at the expense of the Association, may obtain an audit or review of the books and records pertaining to the Association and furnish copies thereof to the owners and such mortgagees. The board may elect to have the financial statement audited or reviewed. Upon written request, any holder, insurer or guarantor of a first mortgage shall be entitled to an audited financial statement for the immediately preceding fiscal year at the expense of the requesting party, if one is not otherwise available.

6.6 **Notice of Sale, Mortgage, Rental or Lease**. Immediately upon the sale or mortgage of a unit or upon the rental or lease of any unit for a period of 30 days or more, the unit owner shall promptly inform the secretary or manager of the name and address of said vendee, mortgagee, lessee, or tenant.

6.7 **Availability of Records**. During normal business hours or under other reasonable circumstances, the Association shall make reasonably available for examination and, upon written request, available for duplication, by unit owners, lenders and holders, insurers, or guarantors of any first mortgage that make the request in good faith for a proper purpose, current copies of the Declaration, bylaws, other rules concerning the Project, amendments or supplements to such documents, and the financial statements and current operating budget of the Association. The Association, within 10 business days after receipt of a written request by a unit owner, shall furnish copies of such documents to the requesting unit owner. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The board of directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs incurred to furnish the information.

6.8 **Statement of Assessments Due**. The Association shall provide, within 10 business days of receipt of a written request from an owner, together with payment of a reasonable fee as established by the board of directors, a written statement that provides: (a) the amount of assessments due from the owner and unpaid at the time the request was received, including regular and special assessments, fines and other charges, accrued interest, and late payment charges; (b) the percentage rate at which interest accrues on assessments that are not paid when due; and (c) the percentage rate used to calculate the charges for late payment or the amount of a fixed rate charge for late payment. The Association is not required to comply with this Section if the Association has commenced litigation by filing a complaint against the owner and the litigation is pending when the statement would otherwise be due.

Article 7

MAINTENANCE AND USE OF THE PROPERTY

7.1 **Maintenance and Repair**. Except as otherwise provided in Section 7.3 for damage or destruction caused by casualty:

(a) **Units**. All maintenance of and repairs to any unit shall be made by the owner of such unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining that at any time may be necessary to maintain the good appearance and condition of the unit. In addition, each unit owner shall be responsible for the maintenance, repair, or replacement of interior doors and any plumbing, heating or air conditioning fixtures, telephones, water heaters, fans, vents, lighting fixtures and lamps, electrical outlets, blinds, garbage disposals, fireplaces, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with such owner's unit. The Association, however, may repair or replace, at the Association's expense, portions of units to the extent reasonably necessary for the preservation of the common areas in good condition and working order.

(b) **Common areas**. All maintenance, repairs and replacements to the common areas and to Association property shall be made by the Association and shall be charged to all the unit owners as a common expense. Each unit owner, however, shall maintain those portions of the common areas to be maintained by the unit owner pursuant to the Declaration in a safe, clean and good condition.

7.2 **Additions, Alterations or Improvements**.

(a) A unit owner may not make any improvements or alterations to such owner's unit without first notifying the Association and obtaining approval by the board of directors of the proposed alteration. The owner shall have the burden of establishing to the reasonable satisfaction of the board that the proposed improvements or alterations will not impair the weather tightness, acoustic performance, structural integrity or fire, life, safety and mechanical systems of the Project, lessen the support of any portion of the Project, jeopardize the soundness or safety of the Project, reduce its value, impair any easement or hereditament or increase the common expenses or increase sound transmissions to other units. The board may elect to require contractors to coordinate their access and working hours so as to minimize disruption to the Project. A unit owner shall reimburse the Association for any actual costs incurred by the Association in reviewing and monitoring such alterations. A unit owner is expressly prohibited from drilling into or attaching anything to windows or window frames and from making any penetration into the building envelope, and may not change flooring to a hard-wearing surface.

(b) After acquiring an adjoining unit or an adjoining part of an adjoining unit, a unit owner may submit a written request to the board of directors for permission to remove or alter any intervening partition or to create apertures therein, even if the partition in whole or in part is a common area. The board shall approve the change unless it determines within 45 days that the proposed change will impair the structural integrity or mechanical systems of the Project or lessen the support of any portion of the Project. The board may require the unit owner, at such owner's own expense, to submit an opinion of a registered architect or registered professional engineer that the proposed change will not impair the structural integrity or mechanical systems of the Project or lessen the support of any portion of the Project. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries.

(c) A unit owner may not change the appearance of the common areas or the exterior appearance of a unit without the prior written permission of the board of directors.

(d) Any owner performing any additions, alterations or improvements shall be liable for any damages caused by or resulting from such work and neither the Association or its directors, officers or managers nor Declarant or its design professionals, contractors and subcontractors and their consultants, including, without limitation, all of their officers, members, managers, directors, employees, agents and brokers, shall have any liability therefor, and the owner shall indemnify such persons and entities from and against any claims by unit owners or other persons or entities for loss or damage resulting from such work

7.3 **Damage or Destruction by Casualty of the Property**. In the case of damage or destruction that affects a material portion of the project, timely written notice shall be given to the unit owners and their mortgagees and the following provisions shall apply:

(a) In the event of damage or destruction by casualty of the Property, the damage or destruction shall be repaired, reconstructed or rebuilt unless, within 14 days of such damage or destruction, the board of directors or more than 10 percent of the unit owners shall have requested a special meeting of the Association. Such special meeting must be held within 60 days of the date of damage or destruction. At the time of such meeting, unless unit owners holding 90 percent of the voting power, whether in person, by writing or by proxy, with the approval of mortgagees as required by the Declaration, vote not to repair, reconstruct or rebuild the damaged property, the damage or destruction shall be repaired, reconstructed or rebuilt. If the damage or destruction is not repaired, reconstructed or rebuilt, then the property shall be removed from condominium ownership in the manner provided in the Idaho Condominium Property Act.

(b) The Association shall be responsible for repairing, reconstructing or rebuilding all such damage or destruction to the common areas and, to the extent of the Association's insurance coverage, all such damage or destruction to the units. Each unit owner shall be responsible for such repairing, reconstructing or rebuilding of his unit as is not so covered by the Association's insurance and to the extent of any deductible under the Association's insurance.

(c) If, due to the act or neglect of a unit owner, or of a member of such owner's family or household pet or of a guest or other occupant or visitor of such unit owner, damage shall be caused to the common areas or to a unit owned by others, or maintenance, repairs or replacements shall be required that would otherwise be a common expense, then such unit owner shall pay for such damage and such maintenance, repairs and replacements as may be determined by the Association, to the extent not fully covered by the Association's insurance.

(d) In the event any portion of the insurance proceeds paid to the Association is not used to repair, reconstruct or rebuild the damaged or destroyed property, the Association shall distribute the proceeds among the unit owners and their mortgagees (as their interests may appear) in the same proportion as common expenses are shared, unless the property is removed from unit ownership. If the property is removed from unit ownership, the insurance proceeds, together with the proceeds from the sale of the property, shall be distributed to the unit owners and their mortgagees (as their interests may appear) in the manner described in the Idaho Condominium Property Act.

7.4 **Condemnation**. If any portion of the Project is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, notice of the proceeding or proposed acquisition shall promptly be given to each unit owner and to each mortgagee. The Association shall represent the unit owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any portion of the common areas, and each unit owner appoints the Association to act as his attorney-in-fact for such purposes. All compensation, damages or other proceeds of the taking, other than any award for moving expenses of specific unit owners, shall be payable to the Association and allocated and distributed as provided in this Section 7.4.

(a) **Complete Taking**. If the entire Property is taken, or if unit owners holding 90 percent of the voting power agree that such substantial portion of the Project has been taken as to make the project obsolete, then the property shall be deemed removed from unit ownership. In such event, any proceeds of the condemnation paid to the Association, together with any other proceeds upon sale of the remaining Property, shall be distributed among the unit owners and their mortgagees, as their interests may appear, in accordance with the provisions of the Declaration and the Idaho Condominium Property Act.

(b) **Partial Taking**. If less than the entire Property is taken and the property is not determined to be obsolete as provided in paragraph (a) above, then as soon as practicable the board of directors shall, reasonably and in good faith, allocate the award among the units in accordance with the reduction in the value of each unit and its interest in the common areas, compared to the total reduction in value of all units and their interest in the common areas. In the event any unit owner or mortgagee objects to the allocation determined by the board, the matter shall be submitted to arbitration in accordance with Article 10 below. The cost of such determination shall be paid out of the proceeds of the condemnation. Any portion of the award allocated to a unit owner under this paragraph shall be paid first to all mortgagees and holders of liens on the unit owner's interest in accordance with the existing priorities, and the balance to the unit owner. If any reconstruction or repair is undertaken as a result of the condemnation, the board may retain and apply such portion of each unit owner's share of the award as is necessary to discharge the owner's liability for any special assessment arising from such reconstruction or repair.

7.5 **Restrictions and Requirements Respecting Use of the Property**. The following restrictions and requirements are in addition to all other restrictions and requirements contained in the Declaration and these Bylaws:

(a) **Use of Units**. Units may only be used for residential purposes, except that ground floor units may be used for office or retail purposes to the extent permitted in the Declaration. Except for ground floor units, no commercial activities of any kind shall be carried on in any unit without the consent of the board of directors of the Association, except activities relating to the rental or sale of units. This provision, however, shall not be construed so as to prevent or prohibit a unit owner from maintaining his or her professional personal library, keeping his or her personal business or professional records or accounts, handling his or her personal business or professional telephone calls, or conferring with business or professional associates, clients or customers, in such owner's unit.

(b) **Occupancy Limits and Timeshare Ownership**. Units shall be subject to the following occupancy limits: Two bedroom units – six persons, One bedroom units - four persons; Studios – four persons. No unit may be part of any organized timeshare or fractional ownership program except for such a program established by Declarant. This restriction shall not be interpreted as prohibiting joint or common ownership among related or acquainted parties.

(c) **Use of common areas**. The common areas shall be used for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of the units. The use, operation and maintenance of the common areas shall not be obstructed, damaged or unreasonably interfered with by any unit owner.

(d) **Offensive or unlawful activities**. No noxious or offensive activities shall be carried on in any unit nor shall anything be done in or placed upon any unit or common area that interferes with or jeopardizes the enjoyment of other units or the common areas or which is a source of annoyance to residents. Unit occupants shall exercise extreme care not to make noises that may disturb other unit occupants, including the use of musical instruments, radios, televisions and amplifiers. Occupants may not discard or throw items out of windows or from decks, including, without limitation cigarettes or ashes. No unlawful use shall be made of the Project nor any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed. Owners and other occupants shall not engage in any abusive or harassing behavior, either verbal or physical, or any form of intimidation or aggression directed at other owners, occupants, guests, or invitees, or directed at the managing agent, its agents or employees, or vendors.

(e) **Animals**. No animals or fowls shall be raised, kept or permitted within the Project or any part thereof, except domestic dogs, cats, or other household pets kept within a