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Attention: Jim Frank

MASTER DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS

MONTROSE P.U.D.

KOOTENAI COUNTY, IDAHO

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MASTER DECLARATION OF
COVENANTS, CONDITIONS, AND
RESTRICTIONS MONTROSE P.U.D.
KOOTENAI COUNTY, IDAHO

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS ("Master Declaration"), is made on the date hereinafter set forth, by GREENSTONE-K-OOTENAI, INC., an Idaho corporation ("Declarant"), with reference to the following facts:

A. Declarant is the owner of that certain real property located in Kootenai County, Idaho, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property" or "Phase One ")

B. Declarant has subdivided and developed the Property into one hundred and seventy three (173) residential Lots and appurtenant park areas (Common Area). Declarant desires to establish the property as Phase One of a mixed use planned unit development, to be known as Montrose.

C. Declarant also owns or has the right to acquire additional land adjacent to or otherwise in the vicinity of the Property described on Exhibit "A", which additional property is described on Exhibit "B" attached hereto and incorporated herein by this reference (the "potential Annexation Property"). While the Declarant currently intends to develop the Property described herein (Exhibit "A") and the Potential Annexation Property (Exhibit "B") as an integrated mixed use planned unit development, this Master Declaration shall only encumber the Property described on Exhibit "A" (Phase One), unless and until additional property is annexed to and made a part of the Project by the recordation of one or more Declarations of Annexation, according to the annexation procedures set forth herein.

D. The development (the First Phase and any property later annexed thereto) shall be hereinafter referred to as the "Project." The Owner of each Lot shall receive title to such Lot and rights of membership in the Montrose Master Association, Inc., a nonprofit corporation formed to operate and maintain the park area and trail system and other Common Area, and otherwise to manage the Project.

E. Declarant intends by this document to impose upon the Property mutually beneficial restrictions under a general plan of operation for the benefit of all of the said Lots and the Owners thereof.

Declarant hereby declares that the Property and the Project shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the following declarations, limitations, covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, and the Project, and every part thereof, in accordance with the plan for the establishment of the Project as a mixed use planned unit development. All of the declarations, limitations, covenants, conditions, restrictions, and easements shall constitute covenants and encumbrances which shall run with the land and shall be perpetually binding upon Declarant and its successors-in-interest and assigns, and all parties having or acquiring any right, title, or interest in or to any part of the Property or the Project.

ARTICLE 1. DEFINITIONS

Unless otherwise expressly provided, the following words and phrases, when used in this Master Declaration and in the Project Documents, shall have the following meanings:

1.1 Articles: The Articles of Incorporation of the Association as restated or amended from time to time.

1.2 Assessment: That portion of the cost of maintaining, improving, repairing, operating, insuring and managing the Common Area (or otherwise needed for the administration or management of the Project) which is to be paid by the Lot Owners as determined by the Association under this Master Declaration. Assessments may be designated as Regular Assessments, Extraordinary Assessments, or Special Assessments, as those terms are more specifically defined in Article 6 of this Master Declaration.

1.3 Association: Montrose Master Association, Inc., an Idaho nonprofit corporation, formed by Declarant in conjunction with the creation of the Project, the Members of which shall be the Owners of Lots in the Project as provided herein. The existence of the Association under this Master Declaration shall be without prejudice to the establishment of subassociations charged with administering special requirements of particular Phases.

1.4 Board or Board of Directors: The governing body of the Association.

1.5 Bylaws: The Bylaws of the Association as restated or amended from time to time.

1.6 Common Area: The park area, trail system, and all other property owned, operated, and/or maintained by the Association for the benefit of all Lots and their Owners.

1.7 Common Expenses: The actual and estimated expenses of maintenance, improvement, repair, operation, insurance and management of the common Area and of administering the Association and the Project, and any reasonable reserve for such purposes as determined by the Board, and all sums designated as Common Expenses by or pursuant to the Project Documents.

1.8 Declarant: Greenstone-Kootenai Inc., an Idaho corporation, and its successors-in-interest and assigns with respect to the entire Project, but excluding independent third parties purchasing completed Lots,

1.9 Developer: A single person or entity acquiring more than two (2) Lots for purposes of constructing improvements thereon for sale to a third parties, and who shall be designated as a "Developer" by the Declarant in its discretion.

1.10 Director: A member of the Board of Directors of the Association.

1.11 Lot: Any separately numbered parcel of land shown on the Plat as a build able parcel, intended for sale to and use and enjoyment by an Owner (excluding areas designated on the Plat as Common Area). Additionally, the term "Lot" shall include any separately owned condominium unit established pursuant to the Idaho Condominium Act, even though the condominium building may be

constructed on a single legal parcel of land.

1.12 Master Declaration: This Master Declaration of Covenants, Conditions and Restrictions, as it may be amended from time to time.

1.13 Member: A person entitled to membership in the Association as provided herein.

1.14 Mortgage: Includes a recorded mortgage, deed of trust, real estate contract, **or** other instrument creating a security interest in any Lot.

1.15 Mortgagee: Includes a mortgagee, beneficiary or holder of a deed of trust, real estate contract vendor, or other holder of a mortgage (including Declarant or Declarant's assignee with respect to any purchase-money security interest retained by Declarant on sale of any Lot).

1.16 Mortgagor: Includes a mortgagor, the trustor of a deed of trust, real estate contract vendee or other individual granting a security interest in any Lot.

1.17 Owner or Owners: The record holder or holders of title to a Lot in the Project. This shall include any person having a fee simple title to any Lot, but shall exclude persons or entities having any interest merely as security for the performance of any obligation. Further, if a Lot is sold under a recorded contract of sale to a purchaser, the purchaser, rather than the fee owner, shall be considered the "Owner."

1.18 Person: Any individual or any corporation, joint venture, limited partnership, partnership, firm, association, trust, or other similar entity or organization.

1.19 Phase: Any separately platted parcel of land that is subjected to the terms of this Master Declaration. The Property described in Recital A above constitutes Phase One of the Project. Subsequent Phases shall be brought within the coverage of this Master Declaration by the recordation of one or more Declarations of Annexation pursuant to this Master Declaration.

1.20 Plat: The recorded final subdivision plat (or plats) of the Project, as amended or expanded from time to time by the annexation of addition Phases. The Flat shall identify each Lot in the Project and shows its relative location and dimensions.

1.21 Project: the entirety of the project described by this Master Declaration, as expanded by the annexation of additional Phases (generally synonymous with "Property")

1.22 Project Documents: This Master Declaration, the Final plat map, and the Articles, Bylaws and rules and regulations of the Association, as each shall be restated or amended from time to time.

1.23 Property: The land described in Recital A (Exhibit "A") in this Master Declaration, together with all buildings, improvements or structures thereon, and every easement or right appurtenant thereto, and all personal property intended for use in connection therewith or for the use, benefit or enjoyment of the Owners. The Property may be expanded in the future by the annexation of additional Phases pursuant to this Master Declaration.

ARTICLE 2.

VOTING RIGHTS AND ASSOCIATION. ADMINISTRATION. MEMBERSHIP

2.1 Organization of Association. The Association is or shall be incorporated under the name of Montrose Master Association, Inc., as a nonprofit corporation under the Idaho Nonprofit Corporation Act.

2.2 Duties and Powers. The duties and powers of the Association are those set forth in this Master Declaration, and in the Articles and Bylaws, together with its general and implied powers as a nonprofit corporation, generally to do any and all things that a nonprofit corporation organized under the laws of the State of Idaho may lawfully do and which are necessary or proper in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in this Master Declaration, the Articles and Bylaws.

2.3 Membership. The Owner of a Lot shall automatically, upon becoming the Owner of that Lot, be a Member of the Association, and shall remain a Member thereof until such time as his or her ownership ceases for any reason, at which time his or her membership in the Association shall automatically cease. Membership shall be in accordance with the Articles and the Bylaws of the Association.

2.4 Transferred Membership. Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership of the Lot to which it is appurtenant, and then only to the new Owner. Any attempt to make a prohibited transfer is void. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his or her name to the purchaser of the Lot, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

2.5 One Class of Membership: Voting Requirements. The Association shall consist of one (1) class of voting membership established according to the Articles. However, in the case of a commercial Lot being annexed to the Project, the Declarant shall, in the Declaration of Annexation, assign a "residential equivalency" to such commercial Lot (taking into consideration the burden placed on the Common Area and the Association by the commercial use proposed for such Lot). The Owner of the commercial Lot shall be a Member of the Association, with the same voting rights and assessment obligations as the Owner of a residential Lot; provided that such voting power and assessment obligation shall be directly proportional to the residential equivalency established in the Declaration of Annexation. Should the Declarant fail to assign such a residential equivalency to any commercial Lot, such Lot shall be deemed equivalent to one (1) residential Lot for each 12,000 square feet of gross area of land within the commercial Lot (with fractional voting power and assessment obligations being contemplated for Lot sizes not evenly divisible by 12,000) For example, a commercial Lot having a gross area of 60,000 square feet would have a voting power and assessment liability equivalent to five (5) residential Lots, if no specific residential equivalency is established in the Declaration of Annexation.

2.6 Membership Meetings. Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place, and in accordance with the provisions of the Bylaws of the Association.

2.7 Board of Directors. The affairs of the Association shall be managed by a Board of Directors, which shall be established and which shall conduct regular and special meetings according to the provisions of the Bylaws of the Association. The Board of Directors shall be elected by the Members according to the Bylaws; provided that; for so long as the Declarant retains a substantial ownership interest in the Project (as provided in the Bylaws), the Declarant shall reserve the right to control the Board by appointing a majority of the Directors.

2.8 Use of Agent. The Board of Directors, on behalf of the Association, may contract with a professional management agent for the management and oversight of maintenance and repair of the Common Area, and for conducting other activities on behalf of the Association, as may be determined by the Board. Any contract for professional management services must contain term and termination provisions, and must allow termination without penalty, on advance notice of not more than ninety (90) days, and shall otherwise be subject to such limitations as may be set forth in the Bylaws. Notwithstanding the foregoing, where the Declarant holds at least 15% of the total voting power of the Association, the Board may contract with the Declarant or an affiliate of the Declarant, for management services, without regard to the term and termination provisions above. In such event, the agreement shall be reasonably standard in the industry.

2.9 Subassociations. Nothing in this Master Declaration shall preclude the Declarant or any Developer or the Owners of any Phase of the Project from establishing one or more separate Subassociations for purposes of administering special requirements of a particular Phase. However, the establishment of such a Subassociation shall have no effect on the rights and obligations of Owners and Lots under this Master Declaration or the remaining Project Documents, without the written approval of the Declarant (so long as the Declarant has any interest in the Project or in any Potential Annexation Property) and the Board of the Association.

ARTICLE 3. RIGHTS IN COMMON AREA

3.1 Common Area. The Common Area shall include all park areas and the trail system within the Property and all easement rights and equipment necessary to the operation and maintenance of such areas, as set forth in Paragraph 1.6 above. Each Lot Owner shall have a nonexclusive right to use the Common Area in accordance with the purposes for which it is intended without hindering the exercise of or encroaching upon the lawful rights of any other Lot Owners, subject to rules and regulations enacted by authority of the Board as provided herein.

3.2 No Separate Conveyance of Rights. The right of each Owner to use the common Area shall be appurtenant to such Owner's Lot, and may not be assigned or conveyed except with the Lot. The Common Area shall be dedicated to the exclusive use and enjoyment of the Owners of Lots within the Project (and their guests and invitees); shall have no independent value; and shall not be converted to any use other than as Common Area, or sold or transferred without the prior written consent of Kootenai County. To the extent possible, the Declarant and the Association shall take all reasonable measures to assure that the Common Area is not separately assessed for real estate tax purposes, but that the value of the use and enjoyment of the Common Area shall be reflected in the assessment of the individual Lots.

3.3 Regulation of Common Area Use. The rights and easements of use and enjoyment of the Common Area created by this Master Declaration shall be subject to such rules and regulations as may be adopted by the Board of Directors from time to time.

3.4 Damage by Member. Each Owner shall be liable to the Association for any damage to the Common Area not ruttly reimbursed to the Association by insurance, if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper use of such Common Area by the owner of any family member, guest, tenant, employee or invitee of the Member. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association. The cost of correcting the damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against the Lot and may be enforced as provided hereby for the enforcement of other Assessments.

ARTICLE 4. ARCHITECTURAL CONTROL

4.1 Prohibition of Alteration and Improvement. Subject to the exemption of Declarant hereunder, no building, sign, fence, wail, landscaping, or other improvement or structure of any kind, which would be visible from the public right of way or any other area outside of any Lot itself, shall be constructed, installed, painted or maintained upon the Property, nor shall any alteration or improvement of any kind be made thereto unless and until the same has been approved in writing by the Architectural Control Committee (the "Committee") appointed as provided in this Article.

4.2 Plans and Approval. Plans and specifications showing the nature, kind, shape, color, size, materials and location of any such improvements or alterations, shall be submitted to the Committee for approval as to quality of workmanship and design. Any application submitted to the Committee pursuant to this Article shall be deemed approved, -unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the applicant within thirty (30) days after the date of receipt by the Committee of all required materials.

4.3 Architectural Control Committee. Until the Declarant, in its discretion and in writing, turns over the function of architectural control to the Board, all functions of the Committee described in this Article shall be undertaken by the Declarant (or agents of the Declarant appointed for such purpose) Once turned over to the Board, such functions shall be undertaken -by the Board, unless and until the Board determines to appoint an independent Committee. If a Committee is thereafter appointed, all members thereof shall be appointed by the Board from the membership of the Association. There shall be not less than three (3) nor more than five (5) members of the Committee, as determined by the Board.

The members of the committee shall receive no compensation for services rendered, other than reimbursement for authorized expenses incurred by them in the performance of their duties hereunder. Neither the Committee nor any member of the Committee shall be liable in damages or otherwise for decisions made in good faith pursuant to the authority granted in this Article.

4.4 Architectural Guidelines. It is the intent of this Master Declaration to create of community with architectural quality and harmony of design and appearance as determined by the Committee. In furtherance of this objective, the Committee shall have the authority to adopt Architectural Guidelines, and to augment, amend, or otherwise modify such Guidelines from time to time; provided that they shall at all times be consistent with the remaining Project Documents and building restrictions imposed by law.

4.5 Construction Completion Requirements. Any dwelling or other structure erected or placed on any Lot shall be completed as to external appearance, including finished painting and front and

side yard landscaping, pursuant to approved plans and specifications, as soon as reasonably practicable, and in any case within one (1) year from the date of commencement of construction. Rear yard landscaping must be completed within one (1) year of initial occupancy.

ARTICLE 5 REPAIR AND MAINTENANCE

5.1 Repair and Maintenance Rights and Duties of Association. Subject to provisions in this Master Declaration pertaining to eminent domain and destruction of improvements, the Association shall maintain, repair and replace the Common Area and all elements thereof, or shall contract for such maintenance, repair and replacement thereof, with all Common Area to be kept in good condition, reasonable wear and tear excepted.

Additionally, in the event an Owner fails to maintain his or her Lot as provided herein in a manner which the Board deems necessary to preserve the appearance and value of the Property, the Board may notify the Owner of the work required and request it be done within sixty (60) days from the giving of such notice. In the event the Owner fails to carry out such maintenance within such period, the Board may cause such work to be done and may specially assess the cost thereof to such Owner, and, if necessary, lien his or her Lot for the amount thereof.

For the purpose of performing the maintenance, repair or replacement of the Common Area as authorized by this Article, or for purposes of making emergency repairs necessary to prevent damage to the Common Area or to any Lots, or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Master Declaration, the Board (and its agents and employees) shall have the irrevocable right, after reasonable notice to the Owner, and at reasonable hours, to enter upon any Lot.

5.2 Repair and Maintenance Rights and Duties of Owners. Except for those portions of the Project which the Association is required or elects to maintain and repair, each Lot Owner shall, at his or her sole cost and expense, maintain and repair his or her Lot and all improvements thereon, keeping the same in good condition.

ARTICLE 6. ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

6.1 Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Project, hereby covenants, and each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association the following Assessments, which shall be established and collected as provided herein:

- a. Regular Assessments;
- b. Extraordinary Assessments; and
- c. Special Assessments.

All Assessments, together with interest, costs, penalties and actual attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each Assessment is made, the lien to become effective upon recordation of a Notice of Assessment Lien by the Board as required by law (and limited in duration as provided by law). Each such Assessment, together with interest, costs, penalties and actual attorneys' fees, shall also be the personal obligation of the person who was the Owner of

such Lot at the time when the Assessment fell due. No Owner of a Lot may exempt himself or herself from liability for his or her contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Area or any other part of the Project, or by the abandonment of his or her Lot.

6.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to .pro mote the health, safety and welfare of all the Owners of Lots in the entire Project and/or for the operation, maintenance, improvement, repair, and replacement of the Common Area for the common good of the Project.

6.3 Regular Assessments. Until a new assessment shall be established according to this Master Declaration, immediately following the closing of the sale of the first Lot in the Project, the annual maximum Regular Assessment per Lot shall be such amount as is set forth in the Project budget prepared by Declarant, payable in installments as determined by the Board. Each Lot's share for the first year shall be prorated based on the number of months remaining in that • fiscal year. Thereafter, the Board shall determine and fix the amount of the maximum annual Regular Assessment against each Lot, on a yearly basis, at least thirty (30) days in advance of the effective date of the new assessment; provided, however, that the maximum annual Regular Assessment may not be increased by more than twenty percent (20%) above the maximum annual Regular Assessment for the immediately preceding year, without the vote or written assent of a majority of the total voting power of the Association (plus the consent of the Declarant, where the Declarant holds at least 15% of the total voting power of the Association)

6.4 Extraordinary Assessments. In addition to the Regular Assessments authorized above, the Board may levy, in any fiscal year. an Extraordinary Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement element of the Common Area, including fixtures and personal property related thereto, or to defray any unanticipated or underestimated Regular Assessment; provided, however, that the aggregate Extraordinary Assessments for any fiscal year shall not exceed twenty percent (20%) of the budgeted gross expenses of the Association (excluding reserves) for that fiscal year, without the vote or written assent of a majority of the total Voting power of the Association (plus the consent of the Declarant, where the Declarant holds at least 15% of the total voting power of the Association)

6.5 Special Assessments. In addition to the Regular and Extraordinary Assessments authorized above, the Board may levy Special Assessments (without limitation as to amount or frequency) against an individual Lot and its Owner to reimburse the Association for costs incurred in bringing that Owner and his or her Lot into compliance with the provisions of the Project Documents, including interest, penalties, actual attorneys' fees and costs. In addition a Special Assessment may be imposed on an existing lot owner for the transfer of Association membership upon the sale of any property within the Project to differ the costs incurred by the Association in transferring membership and providing Association information to the new member. ,

6.6 Allocation of Assessments. Each residential Lot, including Lots owned by Declarant, shall bear an equal share of each aggregate Regular and Extraordinary Assessment (subject to the right of the Declarant to defer the commencement of Assessments against Lots owned by the Declarant or any Developer as provided in Paragraph 6.7 below); provided that if a Lot is improved with a multi-family structure under a single ownership (such as an apartment building), such Lot shall bear a one-third (1/3) share of each such Assessment for each unit within the structure;

and provided, further, that a commercial Lot shall bear such share of each Assessment as corresponds to the "residential equivalency" for such commercial Lot established according to Paragraph 2.5 above.

6.7 Date of Commencement of Assessment: Due Dates. The Regular Assessments provided for herein shall commence as to all Lots in the Project on the first day of the month following closing of the sale of the first Lot in the Project. Due dates of Assessments shall be the first day of every calendar month, or otherwise as ordered by the Board. No notice of such Assessment shall be required other than an annual notice setting forth the amount and frequency of the Assessment for the following year.

Notwithstanding the foregoing, Declarant shall have the right to defer the commencement of assessments with respect to any Lot owned by Declarant or a Developer, until the earlier of: (i) the occupancy of the improvements on such Lot; or (ii) one (1) year from the date of completion of the improvements on the Lot. This exemption shall only apply to such portion of the Assessments which pertains to operation, maintenance, repair, and insurance of the Common Area, and shall be available only for so long as the Declarant and/or the Developers subsidize all actual maintenance and repair of the Common Area to the extent such maintenance and repair is not covered by Assessments against Lots not owned by the Declarant or Developers.

6.8 Working Capital Fund. A working capital fund shall be established to meet unforeseen expenditures or to purchase any additional equipment or services reasonably required in the discretion of the Board, with the initial fund to be established by deposits at the closing of the sale of each Lot by the Declarant, in the amount of the greater of: (i) two (2) months' Regular Assessments; or (ii) Fifty Dollars (\$50.00) whichever shall be greater. Amounts paid into the fund shall be considered reserve funds under Paragraph 6.2 above, and shall not be considered as advance payments of the monthly Regular Assessments. The Declarant shall have no right to use the working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while the Declarant retains voting control over the Association. In the case of the sale of a Lot to a Developer, the Declarant may waive the deposit, if the Developer agrees to collect and deposit the required amount on sale of the Lot to a third party.

6.9 Transfer of Lot by Sale or Foreclosure. The sale or transfer of any Lot shall not affect any Assessment lien, or relieve the Lot from any liability therefore, whether the lien pertains to payments becoming due prior or subsequent to such sale or transfer. Notwithstanding the foregoing, the sale or transfer of any Lot pursuant to foreclosure or by deed in lieu of foreclosure of a recorded first mortgage given in good faith and for value shall extinguish the lien of all such Assessments as to payments which became due prior to such sale or transfer. Sale or transfer pursuant to mortgage foreclosure shall not, however, affect the personal liability of the Owner for unpaid Assessments. Any Assessments for which the liens are extinguished pursuant to this Paragraph shall be deemed to be Common Expenses collectible from all of the Lots including the Lot for which the lien was extinguished. In a voluntary conveyance of a Lot, the grantee of the same shall be jointly and severally liable with the grantor for all unpaid Assessments by the Association against the latter for his or her share of the Common Expenses (and for his or her obligation for individual Special Assessments) 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 therefore. However, any such grantee shall be entitled to a statement from the Board, setting forth the amount of the unpaid Assessments due the Association, and such grantee shall not be liable for, nor shall the Lot conveyed be subject to a lien for, any unpaid Assessments made by the Association against the grantor in excess of the amount set forth in the statement; provided, however, the grantee shall be liable for any such Assessment becoming due after the date of any such statement.

6.10 Enforcement of Assessment Obligation; Priorities; Discipline. If any part of any Assessment is not paid and received by the Association or its designated agent within ten (10) days after the due date, an automatic late charge equal to ten percent (10%) of the Assessment (but not less than \$10.00) shall be added to and collected with the Assessment. Additionally, if any part of any Assessment is not paid and received by the Association or its designated agent within thirty (30) days after the due date, the total unpaid Assessment (including the late charge) shall thereafter bear interest at the rate of eighteen percent (18%) per annum until paid. Each unpaid Assessment, whether Regular, Extraordinary or Special, shall constitute a lien on each respective Lot prior and superior to all other liens recorded subsequent to the recordation of the Notice of Assessment Lien, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (2) labor or material men's liens arising under Idaho law (timely and duly filed) if the legal effective date is prior to the recording of the Notice of Assessment Lien. Such lien, when delinquent, may be enforced by sale by the Association (acting through the Board), its attorney or other person authorized by this Master Declaration or by-law to make the sale, after failure of the Owner to pay such Assessment, in accordance with the provisions of Idaho law applicable to the exercise of powers of sale in deeds of trust (with the Board having the right and authority to appoint an independent trustee), or by judicial foreclosure as a mortgage, or in any other manner permitted by law. The Association, acting on behalf of the Lot Owners, shall have the power to bid for the Lot at the foreclosure sale, and to acquire and hold, lease, encumber and convey the same. The foreclosing party shall have the right to reduce or eliminate any redemption rights of the defaulting Owner as allowed by law. Suit to recover a - money judgment for unpaid Assessments, rent, interest, costs, penalties, and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same. The Board may impose reasonable monetary penalties including actual attorneys' fees and costs and may temporarily suspend the Association membership rights of a Lot Owner who is in default in payment of any Assessment, after notice and hearing according to the Bylaws.

6.11 Payment of Taxes Assessed Against Common Area or Personal Property of Association. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than against the Lots, said taxes shall be included in the Assessments made under the provisions of this Article, and, if necessary, an Extraordinary Assessment may be levied against the Lots in an amount equal to said taxes (regardless of the limitation on Extraordinary Assessments set forth in Paragraph 6.4 above).

ARTICLE 7. EASEMENTS AND UTILITIES

7.1 Common Area Easements. Declarant expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements as necessary to maintain and repair the Common Area, and to perform all other tasks in accordance with the provisions of this Master Declaration.

7.2 Encroachment and Utility Easements. Each Lot within the Property is hereby declared to have an easement over all adjoining Lots for the purpose of accommodating any encroachment due to engineering errors, errors in original construction or reconstruction, repair, shifting, settlement or other movement of any portion of the improvements. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners.

Declarant also expressly reserves for the benefit of itself and its successors-in-interest and assigns, including the Association, easements over and under the entire Property (together with the right to grant and transfer the same) for the installation, repair, and maintenance of sanitary sewer, water, electric, gas, telephone, television and other utility lines and services, as may be deemed appropriate to service the Project.

7.3 Utility Services. Each Owner shall make all arrangements for and pay directly for all utilities and services furnished to or used by such Owner, including without limitation, water, sewer, gas, electricity,' garbage collection, telephone service, and television receiving. In addition to charges to an individual Lot based on private power usage, each Owner's electric bill may include a share of charges for street lighting provided by Washington Water Power Company or its successor.

ARTICLE 8. USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Property and each Lot therein is subject to the following:

8.1 Single-Family Residential Use. No residential Lot shall be occupied and used except for single-family residential purposes by the Owner and his or her family, or by a single-family tenant; provided that the Declarant, in its discretion, shall have the right to designate certain Lots for multi-family or condominium construction, or for commercial use.

8.2 Commercial Use. Except for Lots designated by the Declarant as commercial Lots (on the appropriate plat map or in the Declaration of Annexation), a Lot may not be used for commercial or other nonresidential purposes without the approval of the Declarant, so long as the Declarant owns any Lot, and unless the proposed use complies with all requirements of any governmental or quasi-governmental agency having jurisdiction over the Property. In any event, no commercial use shall be allowed on a residential Lot, where there is outward evidence of the commercial nature of the use (e.g., advertising signs, special lighting, extra parking, or increased traffic through the Project)

8.3 Animals. No animals shall be raised or maintained within any Lot, except that no more than two (2) cats and two (2) dogs may be kept on any Lot.

8.4 Temporary Structures. No trailer, tent, shack, camper, or other outbuilding or structure of a temporary nature shall be used as a residence. As used in this Paragraph the term "residence" shall mean substantially continuous occupancy for any period of two (2) weeks or longer.

8.5 Further Subdivision Prohibited. No Lot shall be further subdivided (other than in connection with the creation of a condominium regime if allowed by the Declarant). No Owner shall bring any action for partition or division of any Lot. Judicial partition by sale of a single Lot owned by two or more persons and division of the sale proceeds is not prohibited hereby (but physical partition of a single Lot is prohibited).

8.6 Lot Maintenance. Each Lot and all improvements and landscaping thereon shall be maintained in a clean, neat and orderly condition and in good repair at all times. All rubbish, trash and garbage shall be regularly removed from the Project, and shall not be allowed to accumulate thereon.

Trash, garbage and other waste shall not be kept except in sanitary containers which shall be kept screened and concealed from the view of other Lots and the public right of way.

8.7 Nuisances. No noxious, illegal, or offensive activities shall be carried on in any Lot, or in any part of the Property, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the Owners of his or her respective Lot.

8.8 Vehicle and Equipment Restrictions. No utility trailer, boat trailer, camper or other trailer, mobile home, commercial vehicle, bus, truck (other than standard size pickup truck), inoperable automobile, boat, or similar equipment, and no Vehicle which is in an extreme state of disrepair, shall be permitted to remain on the street or on any Lot other than temporarily (as for purposes of loading and unloading of passengers or Personal property), unless placed within an enclosed garage or placed in the rear yard and screened from view. No noisy or off-road, unlicensed motor vehicles shall be maintained or operated upon the Property, except such recreational vehicles as may have been approved by the Board.

8.9 Signs. Signs advertising Lots for sale or rent may be displayed on the Property without prior approval of the Board provided that such signs shall be of reasonable and customary size. Except as expressly permitted by this Paragraph, no signs shall be displayed to the public view on any Lots or on any portion of the property, unless first approved by the Architectural Control Committee in its discretion. Political signs are an expression of free speech and are permitted, Such signs shall be removed within 24 hours of the election for which they were intended.

8.10 Leasing of Lots. Any Owner may lease his or her Lot to any tenant or lessee under such terms and conditions as they may agree, except that no lease or rental agreement shall relate to less than the whole of any Lot (except in the case of a multi-family structure, such as an apartment building, or in the case of a multi-unit commercial Lot) Any lease or rental agreement shall be in writing and shall by its terms provide that it is subject in all respects to the Project Documents. Any failure by a lessee to comply with the terms of the Project Documents shall be a default under the lease, whether or not it is expressed therein, and the Owner shall be liable for any costs incurred which result from the lessee's actions.

8.11 No Warranty of Enforceability. While Declarant has no reason to believe that any of the restrictive covenants contained in this Article 8 or elsewhere in this Master Declaration are or • may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Lot in the Project in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring the Lot agrees to hold Declarant harmless therefrom.

ARTICLE 9 INSURANCE .

9.1 Duty to Obtain Insurance: Types. The Association shall obtain and maintain the following policies of insurance:

a. Hazard Insurance. With respect to the Common Area, a policy of hazard insurance covering loss or damage to all parts of the Common Area in the amount of the full

replacement value thereof, providing protection against all direct causes of loss. The policy shall name the Association (for the use and benefit of the individual Owners), as the named insured and shall contain the standard mortgage clause, naming the holders of first mortgages (and their successors and assigns) as the mortgagees.

b. Liability Insurance: With respect to the Common Area, a comprehensive general liability insurance policy, with policy limits and endorsements deemed appropriate by the Board (but having a combined single limit of liability of not less than \$ 1,000,000.00), covering all occurrences relating to the operation of the Common Area.

c. Fidelity Bonds: If required by any first mortgagee, blanket fidelity bonds for anyone who either handles or is responsible for funds which are held or administered by the Association, whether or not they receive compensation for such services.

9.2 Lenders' Requirements. Without limiting the foregoing insurance requirements, the Association and each residential Lot Owner shall maintain insurance and fidelity bonds meeting the requirements for similar projects established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), the Mortgage Association ("TMC"), Veterans Administration ("VA") and/or the Federal Housing Administration ("FHA"), so long as any of them shall be a holder, insurer, or guarantor of a mortgage on a Lot within the Project, except to the extent such coverage is not available or has been waived in writing by FNMA, GNMA, TMC, VA and/or FHA, as applicable.

9.3 Waiver of Claim Against Association. As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors, and the Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said persons.

9.4 Right and Duty of Owners to Insure. It is the responsibility of each Owner to provide insurance on all improvements and personal property located on his or her Lot. Nothing herein shall preclude any Owner from carrying any public liability insurance as he or she deems desirable to cover his or her individual liability for damage to persons or property occurring on his or her individual Lot or elsewhere upon the Property. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur, and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him or her to the Association to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

9.5 Notice of Expiration Requirements. If available, all of the policies of insurance maintained by the Association shall contain a provision that said policy or policies shall not be canceled, terminated or expired by their terms, without thirty (30) days prior written notice to the Board, Declarant, Owners and their respective first mortgagees (provided that such persons shall have filed written requests with the carrier for such notice)

9.6 Insurance Premiums. Insurance premiums for any policies carried by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association and collected from the Owners. That portion of the Regular Assessments necessary for the required

insurance premiums shall be separately accounted for by the Association in the reserve fund to be used solely for the payment of premiums of required insurance as such premiums become due.

9.7 Trustee for Policies. The Association, acting through the Board, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Paragraph 9.1 above shall be paid to the Board as Trustee.

ARTICLE 10. DESTRUCTION OF IMPROVEMENTS

10.1 Damage to Common Area. In the event of any destruction of any element of the Common Area,, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article 9 hereof shall be used for such purpose, unless otherwise provided herein. It shall be presumed that the Association is authorized to levy an Extraordinary Assessment to collect any expense of restoration and repair not covered by insurance, and to proceed forthwith with the restoration and repair. However, within thirty (30) days of the date of destruction, by the vote or written consent of the Declarant (so long as the Declarant owns any Lot) and not less than seventy-five percent (75%) of the total voting power of the Owners other than the Declarant, together with the approval of at least seventy-five percent (75%) of the first mortgagees of record, the Owners may decide to proceed other than by restoring and repairing the Common Area.

10.2 Damage to Lots. Restoration and repair of any damage to the improvements on any individual Lot shall be made by and at the individual expense of the Owner of the Lot so damaged. Such repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee as provided herein,

ARTICLE 11. EMINENT DOMAIN

11.1 Taking of Lots In the event of any taking of any Lot in the Project by eminent domain (including actual condemnation or sale under threat of condemnation), the Owner of such Lot shall be entitled to receive the award for such taking (subject to the rights of any mortgagee thereof), and after acceptance thereof, he or she and the mortgagee(s) of the Lot shall be divested of all interest in the Project if such Owner shall vacate the Lot as a result of such taking. The remaining portion of the Project shall be resurveyed, if necessary, and this Master Declaration shall be amended to reflect such taking and to readjust the interests of the remaining Owners in the Project.

In the event of a taking by eminent domain of more than one Lot at the same time, the Board shall participate in the negotiations, and shall propose the method of division of the proceeds of condemnation, where Lots are not valued separately by the condemning authority or by the court. In the event any Lot Owner disagrees with the proposed allocation, he or she may have the matter submitted to arbitration under the rules of the American Arbitration Association.

11.2 Taking of Common Area. In the event of any taking of all or any portion of the Common Area by eminent domain (including actual condemnation or sale under threat of condemnation), the

Association shall be entitled to receive the award for such taking. The proceeds of the condemnation shall be used to restore and repair the Common Area as necessitated by the taking.

However, within thirty (30) days of the date of the taking, by the vote or written consent of the Declarant (so long as the Declarant owns any Lot) and not less than seventy-five percent (75%) of the total voting power of the Owners, together with the approval of at least seventy-five percent (75%) of the first mortgagees of record, the owners may decide to proceed other than by restoring and repairing the Common Area.

ARTICLE 12. RIGHTS OF MORTGAGEES

In order to induce various lenders and lending agencies, including without limitation, The Mortgage Corporation ("TMC"), the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA"), the Veterans Administration ("VA") and/or the Federal Housing Administration ("FHA") to participate in the financing of the sale of residential Lots within the Project, this Article 12 is included in this Master Declaration. To the extent these added provisions, pertaining to the rights of such lenders and lending agencies conflict with any other provisions of this Master Declaration or any other of the Project Documents, these added restrictions shall control. For purposes of this Article 12, the terms "Eligible Holder" and "Eligible Insurer or Guarantor" refer to a holder, insurer or guarantor of any first mortgage on a Lot, who has provided a written request to the Association, to be notified of any proposed action requiring the consent of a specified percentage of such holders, insurers, or guarantors.

12.1 Notwithstanding any other provision of Project Documents, no amendment or violation of the Project Documents shall operate to defeat or render invalid the rights of any mortgagee of a Lot made in good faith and for value, provided that after the foreclosure of any such mortgage, such Lot shall remain subject to the Project Documents.

12.2 Each first mortgagee of a mortgage encumbering any residential Lot, which obtains title to such Lot pursuant to judicial foreclosure or the powers provided in such mortgage, shall take title to such Lot free and clear of any claims for unpaid Assessments or charges against such Lot which accrued after the time such mortgagee recorded its mortgage, and prior to the time such mortgagee acquires title to such Lot.

12.3 First mortgagees, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours; (2) require from the Association the submission of financial reports and other financial data (audited in the discretion of the Board); (3) receive written notice of all meetings of the Owners; and (4) designate, in writing, a representative to attend all such meetings.

12.4 Each Owner hereby authorizes the first mortgagee of a first mortgage on his or her Lot to furnish information to the Board concerning the status of the first mortgage and the loan which it secures.

12.5 Lot Owners shall have the right to amend the Project Documents in accordance with Article 13 below, subject to the rights of Eligible Holders to participate in the amendment process as provided in this Paragraph, Amendments of a material nature shall be agreed to by (i) the Declarant (so long as the Declarant owns any Lot in the Project); (ii) Lot Owners representing at least sixty-seven percent (67%) of the total allocated votes in the Association, excluding votes held by the Declarant; and (iii) Eligible Holders representing at least fifty-one percent (51%) of the votes of residential Lots that are subject to mortgages held by Eligible Holders. A change to any of the

provisions governing the following would be considered as material:

Voting rights;

Increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;

Reductions in reserves for maintenance, repair and replacement of the Common Area;

Responsibility for maintenance and repairs;

Reallocation of rights in the Common Area;

Redefinition of any Lot boundaries;

Convertibility of Lots into Common Area or vice-versa;

Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project;

Hazard or fidelity insurance requirements;

Imposition of any restrictions on the leasing of Lots;

Imposition of any restrictions on a Lot Owner's right to sell or transfer his or her Lot;

A decision by the Association to establish self-management if professional management had been required previously by the project Documents or by an Eligible Holder;

Restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Project Documents;

Any provisions that expressly benefit mortgage holders, insurers or guarantors.

12.6 Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs shall be agreed to by: (i) the Declarant (so long as the Declarant owns any Lot in the Project); (ii) Lot Owners representing at least sixty-seven percent (67%) of the total allocated votes in the Association, excluding votes held by the Declarant; and (iii) Eligible Holders representing at least fifty-one percent (51%) of the votes of residential Lots that are subject to mortgages held by Eligible Holders. When Lot Owners are considering termination of the legal status of the Project for reasons other than substantial destruction or condemnation, approval must be obtained from Eligible Holders representing at least sixty-seven percent (67%) of the votes of residential Lots that are subject to mortgages held by Eligible Holders.

12.7 Implied approval of an Eligible Holder under Paragraph 12.5 or 12.6 may be assumed when the Eligible Holder fails to submit a response to any written proposal for an amendment or for termination of the legal status of the Project, within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt"

requested.

12.8 Each Eligible Holder and each Eligible Insurer or Guarantor, upon written request therefor, is entitled to timely written notice of the following:

Any condemnation or casualty loss that affects either a material portion of the Project or the Lot securing its mortgage;

Any sixty (60) day delinquency in the payment of assessments or charges owed by the owner of any Lot on which it holds the mortgage;

A lapse, cancellation or material modification of any insurance policy maintained by the Association; and

Any proposed action that requires the consent of a specified percentage of Eligible Holders.

12.9 In addition to the foregoing, the Board shall have the power and authority, without the vote of the Association, to enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the VA, FHA, TMC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first mortgages encumbering Lots. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential mortgage borrowers and potential sellers of their residential Lots, if such agencies approve the property as a qualifying Project under their respective policies, rules and regulations, as adopted from time to time.

ARTICLE 13. DURATION AND AMENDMENT

13.1 Duration. This Master Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods often (10) years, unless a Declaration of Termination is recorded, meeting the requirements of a material amendment to this Master Declaration as set forth in Paragraph 13.2.

13.2 Amendment Procedures. Notice of the subject matter of proposed amendment to this Master Declaration, in reasonably detailed form, shall be included in the notice of any meeting of the Association at which the proposed amendment is to be considered. A resolution adopting a proposed amendment may be proposed by an Owner at a meeting of the Members of the Association. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than sixty-seven percent (67%) of the total voting power of the Association (plus the consent of the Declarant, where the Declarant holds at least 15% of the total voting power of the Association)

Notwithstanding the foregoing, the following special voting provisions shall apply:

(a) Amendments of a material nature shall be enacted in compliance with the provisions of Article 12 of this Master Declaration;

(b) The specified percentage of the voting power necessary to amend a specified provision of this Master Declaration shall be not less than the percentage of affirmative votes prescribed for action to be taken under that provision; and

(c) The Declarant shall have the right to amend this Declaration, without the vote **or** consent of the membership, where required by an agreement for the benefit of one or more Project lenders, as contemplated under Paragraph 12.9; above.

A certificate, signed and sworn to by two (2) officers of the Association, that the record Owners of the required number of Lots (and the required number of first mortgagees, where applicable) have either voted for or consented in writing to any amendment adopted as provided above, when recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years.

ARTICLE 14. DECLARANTS RIGHTS AND RESERVATIONS

Declarant is undertaking the work of construction of the Project and the establishment of a mixed used planned unit development project thereon. The completion of that work and the sale, rental, and other disposal of the Lots is essential to the establishment and welfare of the Property as a mixed use planned unit development. In order that said work may be completed and said Property be established as a fully occupied project as rapidly as possible, no thing in this Master Declaration shall be understood or construed to:

14.1 Prevent Declarant or any Developer, or their respective contractors or subcontractors from doing on the Property or within any Lot, whatever is reasonably necessary or advisable in connection with the completion of the work; or

14.2 Prevent the Declarant from designating a particular Lot as a commercial Lot (in the appropriate plat map or in the Declaration of Annexation), and making such special provisions relating to the operation of the commercial Lot as the Declarant may deem appropriate, including the imposition of special conditions on the commercial Lots and/or exempting the commercial Lot from provisions of this Master Declaration.

14.3 Prevent Declarant or any Developer or their representatives from erecting, constructing and maintaining on any part or parts of the Property, such structures as may be reasonable and necessary for the conduct of their business of completing said work and establishing said Property as a mixed use planned unit development project, and disposing of the Lots by sale, lease or otherwise; or

14.4 Prevent Declarant or any Developer from maintaining such sign or signs on any of the Property as may be necessary for the sale, lease or disposition thereof.

So long as Declarant, its successors-in-interest and assigns, owns one or more of the Lots established and described in this Master Declaration, and except as otherwise specifically provided herein, Declarant, its successors and assigns, shall be subject to the provisions of this— Master Declaration.

In the event Declarant shall convey all of its right, title and interest in and to the Property to any third person, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such third person shall be obligated to perform all such duties and obligations of the Declarant.

ARTICLE 15. ANNEXATION OF ADDITIONAL PROPERTY

Additional property may be annexed to the Project and become subject to this Master Declaration by

either of the following methods:

15.1 Annexation Pursuant to Plan. All or any portion of the land described on Exhibit "B" attached hereto (the "Potential Annexation Property") together with any adjacent property which the Declarant may later acquire may be annexed to and become a part of the Project described herein, subject to this Master Declaration, and subject to the jurisdiction of the Association, without the assent of the Association or its Members, on condition that:

(a) Any annexation pursuant to this subparagraph shall be made prior to twenty-five (25) years from the date of recordation of this Master Declaration;

(b) The Project (all Phases) shall not comprise more than 3000 residential units;

(c) A Declaration of Annexation shall be recorded by Declarant.

15.2 Annexation Pursuant to Approval. Upon the vote or written assent of Declarant (while Declarant has any interest in the Project or retains the right to annex additional Phases under Paragraph 15.1), and of fifty-one percent (51%) of the total voting power of the Association, the owner of any property adjacent (including being across any public right of way) to the Property described herein, who desires to add it to the scheme of this Master Declaration and to subject it to the jurisdiction of the Association, may record a Declaration of Annexation covering the property to be annexed. Said Declaration shall incorporate this Master Declaration by reference and may contain such complementary additions and modifications of the covenants and restrictions contained herein as may be necessary to reflect the different character, if any, of the added property, and as are not inconsistent with the general scheme of this Master Declaration.

Upon annexation of additional property under either method described above, the annexed property shall become subject to this Master Declaration without the necessity of amending individual sections hereof. The Owners of the Lots in the original Project will continue to have the same easements, rights and interests therein and will acquire similar easements, rights and • interests in the annexed property. Owners of Lots in the annexed portion of the Project will likewise acquire similar easements, rights and interest in all portions of the Project, and will become members of the Association.

ARTICALE 16 GENERAL PROVISIONS '

16.1 Enforcement. The Association (acting through the Board), any Owner, and any governmental or quasi-governmental agency or municipality having jurisdiction over the Project shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by this Master Declaration, and in such action shall be entitled to recover costs and reasonable attorneys' fees as are ordered by the Court. Any such action by the Association shall be taken on behalf of two (2) or more Lot Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Area or more than one Lot. Failure by any such person or entity to enforce any such provision shall in no event be deemed a waiver of the right to do so thereafter.

16.2 Invalidity of Any Provision. Should any provision of this Master Declaration be declared invalid or in conflict with any law of the jurisdiction where the Project is situated, the validity of all

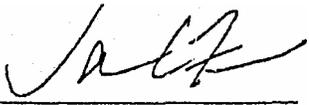
other provisions shall remain unaffected and in full force and effect.

16.3 Conflict of Project Documents. If there is any conflict among or between the Project Documents, the provisions of this Master Declaration shall prevail; thereafter, priority shall be given to Project Documents in the following order: the Flat; Articles; Bylaws; and rules and regulations of the Association. Notwithstanding the foregoing, any provision in any of the Project Documents which is for the protection of mortgagees shall have priority over any inconsistent provision in that document or in any other Project Document.

The undersigned, being the Declarant herein, has executed this Master Declaration on October 7, 1998.

DECLARANT:

GREENSTONE-KOOTENAI, INC an
Idaho corporation

By: 

JAMES FRANK, President

STATE OF WASHINGTON

COUNTY OF SPOKANE

On this 7th day of October, 1998, before me, Mary E. Duncan, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared James M. Frank, to me known to be the President of GREENSTONE-KOOTENAI, INC., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed (if any) is the corporate seal of said corporation..

Witness my hand and official seal hereto affixed the day and year first above written.

Mary E. Duncan

NOTARY PUBLIC, in and for the State of Washington. Residing at Spokane.

My commission expires 11/29/00

LEGAL DESCRIPTION

Section 33, Township 51 North, Range 5 West, Boise Meridian, City of Post Falls, Kootenai County, Idaho

EXCEPT therefrom Lots 1 through 4, Block 1, EMPIRE CENTER, according to the plat thereof recorded in Book G of Plats at Page 3 5, records of the Kootenai County Recorder.

ALSO EXCEPT Lots 7 through 12, Block 55, NELSON'S ADDITION⁷ TO POST FALLS, according to the plat thereof recorded in Book A of Plats at Page 1, records of the Kootenai County Recorder.
ALSO EXCEPT Tax No. 1432.

ALSO EXCEPT Tax No. 1433.

ALSO EXCEPT Tax No. 12537.

ALSO EXCEPT the Burlington Northern Railroad right of way.

ALSO EXCEPT the Spokane International Railroad right of way

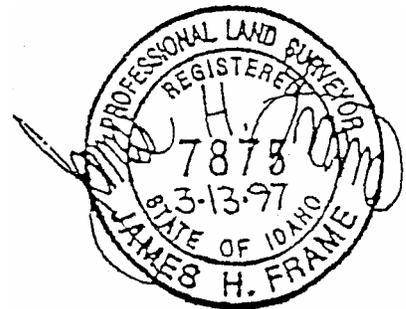
ALSO EXCEPT any portion lying within the public road rights of way of Seltice Way, Empire Center Boulevard, McGuire Road, Poleline Road; Chase Road. Mullan Road. the non-vacated portion of Cannon Street and the alleyway north of said Block 55 of NELSON'S ADDITION TO POST FALLS.

ALSO EXCEPT the west 408.40 feet of the east 433.0 feet of the south 1212.99 feet of the north 1237.99 feet of the Northeast Quarter of said Section 33.

ALSO EXCEPT the west 387.00 feet of the east 412.00 feet of the south 80.00 feet of the north 1317.99 feet of said Northeast Quarter of Section 33.

ALSO EXCEPT the west 250.00 feet of the east 290.00 feet of the north 173.00 feet of the Southeast Quarter of said Section 33.

ALSO EXCEPT that portion of the Northwest Quarter of said Section 33 lying northerly of the northerly margin of the aforementioned Spokane International Railroad right of way.



Recorded at the Request of

GREENSTONE-KOOTENAI, INC.
1421 N, Meadowwood Lane, Suite 200
Liberty Lake WA 99019

DECLARATION OF ANNEXATION
MQNTROSE MASTER ASSOCIATION
SECOND ADDITION
CITY OF POST FALLS
KOOTENAI COUNTY, IDAHO

This Declaration of Annexation is made on the date hereinafter set forth, by GREENSTONE-KOOTENAI, INC., an Idaho corporation ("Declarant"), with reference to the following facts:

A. Declarant is the developer of a certain tract of land located in the City of POST FALLS, Kootenai County, Idaho, being a mixed used planned unit development commonly known as Montrose, which development is governed by that certain Master Declaration of Covenants, Conditions, and Restrictions, dated October 7, 1998, and recorded October 9, 1998, as Document No, 1557674, official records of Kootenai County, Idaho (the "Master Declaration"), the definitions and terms of which Master Declaration are incorporated herein by this reference.

B. Declarant is the purchaser/developer of the following property in the vicinity of the Montrose project, .but which has not yet been subjected to the Master Declaration (the "Annexed Property"):

Lots 1 through 3 in Block 1; Lots 1 through 4 in Block 2; Lots 1 through 7 in Block 3; and Lots 1 through 4 in Block 4 of Montrose Second Addition, according to the plat filed in Book "I" of Plats, Pages 375 and 375A, records of Kootenai County, State of Idaho

C. Declarant desires to subject the Annexed Property to the Montrose project, as provided in this Declaration of Annexation.

NOW, THEREFORE, the Declarant declares as follows:

1. Annexation. Pursuant to the rights reserved to Declarant under Article 1.5 of the Master Declaration, the Annexed Property is hereby made subject to the Master Declaration and shall for all purposes be a part of the Montrose Project, effective on the date of recordation of the above-referenced Plat. The Annexed Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the declarations, limitations, covenants, conditions, restrictions, and easements set forth in the Master Declaration, all of Paragraph 15.1), and of fifty-one percent (51%) of the total voting power of the Association, the owner of any property adjacent (including being across any public right of way) to the Property described herein, who desires to add it to the scheme of this Master Declaration and to subject it to the jurisdiction of the Association, may record a Declaration of Annexation covering the property to be annexed. Said Declaration shall incorporate this Master Declaration by reference and may contain such complementary additions and modifications of the covenants and restrictions contained herein as may be necessary to reflect the different character, if any, of the added property, and as are not inconsistent with the general scheme of this Master Declaration.

Upon annexation of additional property under either method described above, the annexed property shall

become subject to this Master Declaration without the necessity of amending individual sections hereof. The Owners of the Lots in the original Project will continue to have the same easements, rights and interests therein and will acquire similar easements, rights and interests in the annexed property. Owners of Lots in the annexed portion of the Project will likewise acquire similar easements; rights and interest in all portions of the Project, and will become members of the Association.

ARTICLE 16 GENERAL PROVISIONS

16.1 Enforcement. The Association (acting through the Board), any Owner, and any governmental or quasi-governmental agency or municipality having jurisdiction over the Project shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by this Master Declaration, and in such action shall be entitled to recover costs and reasonable attorneys' fees as are ordered by the Court. Any such action by the Association shall be taken on behalf of two (2) or more Lot Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Area or more than one Lot. Failure by any such person or entity to enforce any such provision shall in no event be deemed a waiver of the right to do so thereafter.

16.2 Invalidity of Any Provision. Should any provision of this Master Declaration be declared invalid or in conflict with any law of the jurisdiction where the Project is situated, the validity of all other provisions shall remain unaffected and in full force and effect.

16.3 Conflict of Project Documents. If there is any conflict among or between the Project Documents, the provisions of this Master Declaration shall prevail; thereafter, priority shall be given to Project Documents in the following order: the Flat; Articles; Bylaws; and rules and regulations of the Association. Notwithstanding the foregoing, any provision in any of the Project Documents which is for the protection of mortgagees shall have priority over any inconsistent provision in that document or in any other Project Document which are for the purpose of enhancing and protecting the value and attractiveness of the entire Montrose Project. All of the limitations, covenants, conditions, restrictions, and easements set forth in the Master Declaration shall constitute covenants and encumbrances which shall run with the Annexed Property for the benefit of the entire Project, and shall be perpetually binding upon Declarant and its successors-in-interest and assigns, and all parties having or acquiring any right, title or interest in or to any part of the Annexed Property.

2. Grant and Reservation of Easements. Declarant hereby grants to all Owners of Lots in the Annexed Property all rights and easements created for the benefit of the entire Project, which rights and easements are reserved to Declarant in the Master Declaration. Declarant also hereby reserves from all Owners of Lots in the Annexed Property, and grants to the Owners of Lots in previously Annexed Phases, all rights and easements which were reserved to Declarant under the Master Declaration.

3. Master Association Assessments. Without limiting the generality of the foregoing, - Declarant, for each Lot owned within the Annexed Property, hereby covenants, and each Owner of any Lot within the Annexed Property, by acceptance of a deed therefore, is hereby deemed to covenant and agree to pay to Montrose Master Association (the "Association") regular monthly assessments or charges, and extraordinary and special assessments for capital improvements and unexpected expenses, all according to the Master Declaration.

4. Common Area. Those portions of the Annexed Property identified on the Plat, being park areas, shall be deemed "Common Area," which shall be owned in fee and maintained by the Master Association

according to the Master Declaration.

The undersigned, being the Declarant herein, has executed this Declaration of Annexation on this 18th day of December 2003.

DECLARANT

GREENSTONE-KOOTENAI, INC., an
Idaho corporation

James M. Frank, CEO

STATE OF WASHIGTON County of Spokane

On is 29th day December 2003 before me, Charity A. Smith, a Notary Public and for the State of Washington, personally appeared JAMES M. FRANK, known or identified to me to be the Chief Executive Officer of GREENSTONE-KOOTENAI, INC., the corporation that executed the instrument and the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Charity A. Smith

NOTARY PUBLIC, for Washington Residing at Post Falls,

My commission expires on May 9,2004

Recorded at the Request of
GREENSTONE-KOOTENAI, INC.
1421 N. Meadowwood Lane, Suite 200
Liberty Lake WA 99019

DECLARATION OF ANNEXATION

MONTROSE MASTER ASSOCIATION
THIRD ADDITION

CITY OF POST FALLS

KOOTENAI COUNTY, IDAHO

This Declaration of Annexation is made on the date hereinafter set forth, by GREENSTONE-KOOTENAI, INC., an Idaho corporation ("Declarant"), with reference to the following facts:

A. Declarant is the developer of a certain tract of land located in the City of POST FALLS, Kootenai County, Idaho, being a mixed used planned unit development commonly known as Montrose, which development is governed by that certain Master Declaration of Covenants, Conditions, and Restrictions, dated October 7, 1998, and recorded October 9, 1998, as Document No. 1557674, official records of Kootenai County, Idaho (the "Master Declaration"), the definitions and terms of which Master Declaration are incorporated herein by this reference.

B. Declarant is the purchaser/developer of the following property in the vicinity of the Montrose project, but which has not yet been subjected to the Master Declaration (the "Annexed Property"):

Lots I through.32 in Block 1; Lots 1 through 30 in Block 2; Lots 1 through 18 in Block 3;
and Lots 1 through 3 in Block 4 of Montrose Third Addition, according to the plat filed in Book "I" of
Plats, Pages 376 to 376E, records of Kootenai County, State of Idaho.

C. Declarant desires to subject the Annexed Property to the Montrose project, as provided in this Declaration of Annexation.

NOW, THEREFORE, the Declarant declares as follows:

1 Annexation. Pursuant to the rights reserved to Declarant under Article 15 of the Master Declaration, the Annexed Property is hereby made subject to the Master Declaration and shall for all purposes be a part of the Montrose Project, effective on the date of recordation of the above-referenced Plat. The Annexed Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the declarations, limitations, covenants, conditions, restrictions, and easements set forth in the Master Declaration of all.

Which are for the purpose of enhancing and protecting the value and attractiveness of the entire Montrose Project. All of the limitations, covenants, conditions, restrictions, and easements set forth in the Master Declaration shall constitute covenants and encumbrances which shall run with the Annexed Property for the benefit of the entire Project, and shall be perpetually binding upon Declarant and its successors-in-interest and assigns, and all parties having or acquiring any right, title or interest in or to any part of the Annexed Property.

2. Grant and Reservation of Easements. Declarant hereby grants to all Owners of Lots in the Annexed Property all rights and easements created for the benefit of the entire Project, which rights and easements are reserved to Declarant in the Master Declaration. Declarant also hereby reserves from all Owners of Lots in the Annexed Property, and grants to the Owners of Lots in previously Annexed Phases, all rights and easements which were reserved to Declarant under the Master Declaration.

3. Master Association Assessments. Without limiting the generality of the foregoing, . Declarant, for each Lot owned within the Annexed Property, hereby covenants, and each Owner of any Lot within the Annexed Property, by acceptance of a deed therefore, is hereby deemed to covenant and agree to pay to Montrose Master Association (the "Association") regular monthly assessments or charges, and extraordinary and special assessments for capital improvements and unexpected expenses, all according to the Master Declaration.

4. Common Area. Those portions of the Annexed Property identified on the Plat, being park areas, shall be deemed "Common Area," which shall be owned in fee and maintained by the Master Association according to the Master Declaration.

The undersigned, being the Declarant herein, has executed this Declaration of Annexation on this 18th day of December 2003.

DECLARANT

GREENSTONE-KOOTENAI, INC., an
Idaho corporation
By: James M. Frank, CEO

STATE OF

WASHINGTON County

of Spokane

On this 29th day of
December 2003 before me,
Charity A. Smith, a Notary
Public and for the State of
Washington, personally
appeared JAMES M. FRANK,
known or identified to me to be
the Chief Executive Officer of
GREENSTONE-KOOTENAI,
INC., the corporation that
executed the instrument and the
person who executed the
instrument on behalf of said
corporation, and acknowledged
to me that such corporation
executed the same.

WITNESS my hand and official
seal hereto affixed the day and
year first above written.

Chairty A. Smith
Notary Public for Washington
Residing at Post Falls, ID.
My commission expires May 9,
2004

AMENDED BYLAWS OF HOMEOWNERS MANUAL

Montrose Home Owners Association

Revised: January 2006

Including revised collection of dues policy and covenant violation policy

a. Revised Collection Policy

Association Dues are billed semi-annually and **due** (received on or before) **February 28th and August 31st**.

If any part of any assessment is not paid and received by the Association on or before the due date, your account will be charged the following:

- Late charge of twenty five (\$25.00) dollars each month the assessment is not paid in full; and
- Compound interest at the rate of 15 percent annually will be charged on the assessments and late charges.
- Return checks will be subject to a \$20.00 fee

Each unpaid assessment shall constitute a lien on the respective real property prior and superior to all other liens except: 1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and 2) the lien or charges of any mortgage of record made in good faith and for value. Such lien, when delinquent, may be enforced by foreclosure and sale by the Association, its attorney, or any other person authorized by this Declaration or by law to make the sale, after failure of the Owner to pay such Assessments, in accordance with the provisions of applicable law to the exercise of powers of sale in deed of trust, or by judicial foreclosures as a mortgage, or in any other manner permitted by law.

- You will receive notice of the lien if assessments are 60 day or more past due; and a \$50 fee will be added if we have to proceed with the intent to lien process.
- A lien will be recorded if assessments are 90 days or more past due, & over \$500. The lien fees are \$125.00
- Foreclosure and/or litigation will be initiated if assessments are 180 days or more past due. If such action becomes necessary, all fees and costs incurred will be sought; including a \$150 initial legal processing fee.
- Any monies paid which do not cover all past due assessments plus late charges and other penalties will be applied in the following priority unless specifically designated otherwise:
 1. Assessments;
 2. Late Fees;
 3. Other fines and penalties;
 4. Attorney fees and costs; and
 5. Interest.

The Association, acting on behalf of the property owner, shall have the power to bid for any property at the foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same. The foreclosing party shall have the right to reduce or eliminate any redemption rights of the defaulting owner as allowed by law. Suit to recover a money judgment for unpaid assessments, rents and/or attorney fees shall be maintainable without ' foreclosing or waiving the lien securing the same. The Board may impose reasonable monetary penalties including actual attorney fees and costs and may temporarily suspend the Association membership rights of any owner who is in default in payment of any assessment, after notice and hearing according to the Bylaws.

b. Revised Covenant Violation Policy.

If you are in violation of any covenant you will receive a courtesy notice of violation in the mail. If you correct the violation within the time noted in your Notice of Violation letter, the issue will be considered resolved.

If you fail to correct the violation within the time allowed, you will receive a final notice of violation letter. If you continue to fail to correct the violation you will receive an initial notice of fine. The schedule of fines is as follows:

First violation:
\$100.00

Second similar violation:
\$250.00

Third similar violation:
\$500.00

Fourth and subsequent similar violation: \$
1,000.00

The above fines are significant due to the abundant homeowners that voted unanimously to have the CC&R's followed, and a fine system adopted. Property values are maintained and elevated when neighborhoods are complying with the Rules & Regulations set by the Association members and the Board. This continues to preserve the aesthetic value of your neighborhood, as well as maintaining a healthy and abundant living environment. We hope that all will recognize the good intentions and comply without due process.

If you dispute the fine/violation, you will have fourteen (14) days within which to request a hearing. If you fail to do so, your right to dispute the fine will be deemed waived and the fine will be final. If you request a hearing, the violation and fine will be determined at a hearing of the Board, and the Board's decision shall be final. Unpaid fines will be sent to an attorney for collection. Said collection will also result in attorney fees and costs being charged to you. To request a Hearing, contact the Property Manager at 509-252-7507 ext 220.

BYLAWS OF MONTROSE MASTER ASSOCIATION, INC.

ARTICLE 1.

PLAN OF OWNERSHIP

1.1 Name and Location. The name of this association (" Association ") is MONTROSE MASTER ASSOCIATION, INC. The principal office of the Association shall be in Kootenai County, Idaho.

1.2 Application to Project. The provisions of these Bylaws are applicable to that certain residential planned unit development located in Kootenai County, Idaho; known as "Montrose." All present and future Owners, and their tenants, future tenants, and any other person who might occupy a Lot or use the facilities of the Property in any manner; are subject to the regulations set' forth in these Bylaws, in the Articles of Incorporation for the Association, and in the Master Declaration of Covenants, Conditions and Restrictions for the Property ("Declaration") recorded or to be recorded in the office of the Kootenai County' Recorder, and applicable to the Property.

1.5 Meaning of Terms. Unless otherwise specifically provided herein, the definitions contained in the Declaration are incorporated in these Bylaws by reference.

ARTICLE 2.

MEMBERSHIP; MEETINGS AND VOTING RIGHTS

2.1 One Class of Members. The Association shall have one (1) class of voting membership, with voting power being as described in the Articles of Incorporation (subject to special allocations of voting rights for multi-family and commercial uses within the Project)

2.2 Voting Requirements. Except when otherwise expressly provided in the Declaration, the Articles or these Bylaws; any action by the Association which must have the approval of the Association membership before being undertaken shall require the vote of a majority of a quorum present at any meeting (in person or by proxy)

2.3 Quorum. The presence in person or by proxy of at least twenty percent (20%) of the voting power (and the presence of the Declarant, where the Declarant holds at least 15% of the total voting power) shall constitute a quorum. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum (provided that the Declarant shall be present at all times in order for business to be conducted, where the Declarant holds at least 15% of the total voting power).

2.4 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. All proxies shall be valid only for the meeting for which the proxies are given (including any reconvened meeting in the event of an adjournment), unless provided otherwise in the proxy (but in no event for a period exceeding eleven (11) months from date of execution). Every proxy shall be revocable and shall automatically cease upon receipt of notice by the Secretary of the Association of the death or judicially declared incompetence of such

Member.

2.5 Annual Meetings. Regular annual meetings of the Members of the Association shall be held on a date selected by the board of directors.

2.6 Special Meetings. A special meeting of Members of the Association may be called by the President or by any two (2) members of the Board. A special meeting shall be called by the Board upon receipt of a written request therefore signed by Members representing not less than thirty-three percent (33%) of the voting power of the Association.

2.7 Notice and Location of Meetings. At the direction of the President, the Secretary, or the officers or persons calling a meeting, written notice of regular and special meetings shall be given to all Members in the manner specified for notices under these Bylaws. Such notice shall specify the place, day: and hour of the business to be undertaken, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except in the case of an emergency, at least ten (10) days' notice (but not more than fifty (50) days' notice) of any meeting shall be provided prior to the meeting. Meetings of the Association shall be held within the Property, or at a convenient meeting place close to the Property. Notice shall also be delivered to any institutional lender filing a written request for notice with me Association: and any such lender shall be permitted 10 designate a representative to attend, all such meetings.

2.8 Adjournment. In the absence of a quorum at a Members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. The quorum requirements-for a reconvened meeting shall be the same as for the initial meeting.

2.9 Action Without Meeting. Any action which may be taken at a meeting of the-Members may be taken without a meeting if a consent, in writing, setting forth the action so taken, is signed by all the Members entitled to vote thereon. Such consent shall have the same force and • effect as a unanimous vote.

2.10 Rules at Meetings. Except as otherwise Provided in these Bylaws, the Articles or the Declaration, all meetings of the Members shall be governed by Roberts Revised Rules of Order.

ARTICLE 3. BOARD OF DIRECTORS

3.1 Number and Term of Directors. The Board shall consist, initially, of three (3) Directors. At each annual meeting of the Association-, the number of Directors shall be adjusted automatically, according to the increase in voting power residing in Members other than the Declarant since the preceding annual meeting, according to the following:

<u>"Non-Declarant Votes as of Annual Meeting Date</u>	<u>Number of Directors</u>
Up to 300	3
Up to 500	4
Up to 700	5
Up to 900	6

Up to 1200	7
Up to 1500 Over 1500	9

Each Director shall be an Owner of a Lot or an agent of a corporate Owner. The initial Directors shall serve until the first annual meeting of the Association.

Each Director shall be designated as a Category I or Category II Director. The first, third, fifth, seventh, and ninth Director positions shall be Category I Director positions. The second, fourth, sixth, and eighth Director positions shall be Category II Director positions. The Category I Directors shall serve from the date of their election until the annual meeting held in the next odd-numbered calendar year, and the Category II Directors shall serve from the date of their election until the annual meeting held in the next even-numbered calendar year. The intent of designating Directors by Category is to preserve the staggering of terms on a two-year basis.

3.2 Election of Board of Directors.

a. Nomination. Nomination?; for election to the Board of Directors may be made from the floor at the annual meeting of the Association. Additionally, the Board may appoint a Nominating Committee, which shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. If the Board determines to appoint a Nominating Committee, the Committee shall be appointed at least sixty (60) days prior to each annual meeting of the Members, to serve until the close of such annual meeting, and shall make as many nominations for election to the Board of Directors as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled.

b. Election of Directors: Declarant Control. Elections of Board members shall be by secret written ballot, with the persons receiving the most votes being elected to serve. If Director positions are available in both Categories described in Paragraph 3.1 above, the Director receiving the most votes shall be designated for the Category providing the longest term. No cumulative voting rights shall be available.

Notwithstanding the foregoing, the Declarant shall have the right to control the Board by appointing a majority of all Directors (but not less than three Directors), with all remaining Directors being elected by the vote of the Members. The special right of the Declarant to control the Board by appointment of Directors shall cease on the occurrence of any of the following:

(i) When the Declarant no longer holds at least 15% of the total voting power in the Association; provided that the control privilege, once lost, may be reinstated upon the annexation of additional Phases, if the Declarant thereby holds at least 25% of the total voting power again; or

(ii) Twenty-five (25) years from the date of recordation of the Declaration.

3.3 Removal. An individual Director may be removed by the majority vote of a quorum of the membership at a meeting called for such purpose; provided that a Director appointed by the Declarant shall only be removed by the Declarant.

3.4 Vacancies. Vacancies in the Board caused by any reason, other than the removal of a Director by the voting in of a replacement by the Members, shall be filled by the Vote of a majority of the remaining Directors, or, in the case of a Director appointed by the Declarant, by a new appointment by the Declarant. Each person so elected shall be a Director for the remainder of the term of the Director he or she replaces, or until a successor is elected at a special meeting of the Members called for that purpose.

3.5 Regular Meetings. Regular meetings of the Board shall be conducted at least quarterly at a time and place within the Property, or at a convenient meeting place as may be fixed by the Board. Notice of the time and place of regular meetings shall be given to each Director, personally or by mail or facsimile, at least five (5) days prior to the day named for the meeting. One of the regular meetings shall be the annual meeting, which shall be held within ten (30) days following the annual meeting of Members.

3.6 Special Meetings. A special meeting of the Board may be called by written notice signed by the President of the Association or by any two (2) Directors other than the President. Notice shall be provided to all Directors in the manner prescribed for notice of regular meetings, and shall include a description of the nature of any special business to be considered by the Board.

3.7 Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her of the time and place of the meeting, except where such attendance is for the limited and express purpose of objecting to the transaction of any business at the meeting because the meeting is not lawfully called or convened.

3.8 Quorum. The presence in person of a majority of the Directors at any meeting of the Board shall constitute a quorum. The vote of a majority of the quorum actually present at any meeting shall constitute the vote of the Board, unless expressly provided to the contrary in these Bylaws, or in the Declaration or Articles of the Association.

3.9 Action by Consent of Directors. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually **or** collectively consent in writing to such action.

3.10 Adjournment: Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

3.11 Board Meetings Open to Members. Regular and special meetings of the Board shall be open to all Members of the Association; provided; however, that Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the unanimous vote of the Board.

ARTICLE 4.
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The Board shall have the powers and duties necessary for the administration of the affairs of the Association. Without limitation on the generality of the foregoing powers and duties, the Board shall be vested with, and responsible for, the following powers and duties:

4.1 To select, appoint, supervise, and remove all officers, agents and employees of the Association; to prescribe such powers and duties for them as may be consistent with law, and with the Articles, the Declaration and these Bylaws;

4.2 To enforce the applicable provisions of the Declaration, Articles, these Bylaws and other instruments relating to the ownership, management, architecture, and control of the Property;

4.3 To contract for casualty, liability and other insurance on behalf of the Association as required or permitted in the Declaration;

4.4 To keep, or cause to be kept, complete and accurate books and records of the receipts and expenditures of the Association, specifying and itemizing the maintenance and repair expenses incurred, and to prepare budgets and financial statements for the Association as required in these Bylaws in accordance with good accounting procedures;

4.5. To borrow money and incur indebtedness for purposes of the Association, and to cause to be executed and delivered therefore, in the Association's name, promissory notes or other evidences of debt (and security therefore), subject to the approval requirements of the Articles, these Bylaws, or the law;

4.6 To fix and collect Assessments according to the Declaration and these Bylaws, and, if deemed appropriate in the Board's discretion, to record a Notice of Assessment Lien and foreclose the lien against any Lot for which an Assessment is not paid within thirty (30) days after the due date, or bring an action at law against the Owner personally obligated to pay such Assessment;

4.7 To prepare and file annual tax returns with the federal government and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association. Without limiting the generality of the foregoing, the Board may, on behalf of the Association, elect to be taxed under Section 528 of the Internal Revenue Code or any successor or similar statute conferring income tax benefits on property owners associations.

ARTICLE 5. OFFICERS

5.1 Enumeration and Term. The officers of this Association shall be a President, Vice-President, Secretary, and Treasurer, and such other officers as the Board may, from time to time, by resolution create. The officers shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

5.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

5.3 Resignation and Removal. Any officer may be removed from office by a majority of the Board at any time with or without cause. Any officer may resign at any time by giving written notice to the Board- the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation

shall not be necessary to make it effective.

5.4 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

5.5 Multiple Offices. Any two or more offices may be held by the same person, except the office of President

5.6 Duties. The duties of the officers are as follows:

a. President The President shall preside at all meetings of the Association and the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all written instruments, agreements, and orders of the Board; and shall co-sign all checks.

b. Vice-President. The Vice-President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.

c. Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members, serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

d. Treasurer. The Treasurer shall receive and deposit, in appropriate bank accounts, all -monies of the Association, and shall disburse such funds as directed by resolution of the Board of Directors pursuant to approval of vouchers, when appropriate; shall co-sign all checks of the Association; and shall keep proper books of account and prepare or have prepared financial statements and tax returns as required in these Bylaws.

ARTICLE 6.

DISCIPLINE OF MEMBERS; SUSPENSION OF RIGHTS

The Association shall have no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his individually owned Lot on account of a failure by the Owner to comply with provisions of the Declaration, Articles, these Bylaws: or of duly enacted rules and regulations relating to the Property, except where the loss or forfeiture is the result of the judgment of a court or a decision arising out - of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association.

Notwithstanding the foregoing, the Board shall have the power to impose monetary penalties (fines), temporary suspensions of an. Owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Declaration, Articles, these Bylaws or duly enacted rules and regulations; provided that the accused shall be given notice and the opportunity to be heard by the Board with respect to the alleged Violations before a decision to impose discipline is reached. In the case in which monetary penalties (fines) are to be imposed, such amounts shall include actual attorney's fees and all costs in connection with the collection of such penalties.

ARTICLE 7.
BUDGETS, FINANCIAL STATEMENTS. BOOKS AND RECORDS

7.1 Budgets and Financial Statements. Financial statements and pro forma operating budgets for the Association shall be regularly prepared (at least annually) and copies shall be distributed to each Member of the Association and to the holder, insurer, or guarantor of any first mortgage on any Lot who shall have made a written request therefore. Annual financial statements shall be prepared and shall be available for distribution to requesting parties not later than 120 days after the expiration of the Association's fiscal year.

7.2 Fiscal Year. The fiscal year of the Association shall be as designated by resolution of the Board. In the absence of such a resolution, the fiscal year shall be the calendar year.

7.3 Inspection of Association's Books and Records. The membership register, books of account. Vouchers authorizing payments, minutes of meetings of the Members and of the Board, and copies of the current Declaration, Articles. Bylaws and rules and regulations for the Property shall be made available for inspection and copying by any Member of the Association, by any holder, insurer, or guarantor of a first mortgage on any Lot: or by its duly appointed representative! at any reasonable time and for a purpose reasonably related to its interest (and at the cost of the requesting party), at the office of the Association or at such other place within or near the Property as the Board shall prescribe.

7.4 Statement of Account. Upon ten (10) days' notice to the Board and payment of a reasonable fee, any Lot Owner shall be furnished a statement of its account setting forth the amount of any unpaid Assessments or other charges due and owing from such Owner.

ARTICLE 8.

AMENDMENT OF BYLAWS

These Bylaws may be amended at any time and in any manner by resolution approved by a majority of the Board of Directors, provided any such amendment shall not be inconsistent with the Articles, the Declaration, or the law.

ARTICLE 9.

MISCELLANEOUS PROVISIONS

9.1 Regulations. All Owners, tenants and their employees, and any other person that might use the facilities of the Project in any manner, are subject to the regulations set forth in these Bylaws and in the Project Documents and to all reasonable rules and regulations enacted pursuant to the Declaration. Acquisition, rental, or occupancy of any Lot shall constitute acceptance and ratification of the provisions of all such rules and regulations.

9.2 Compensation and Indemnity of Officers and Directors. No Director or officer shall receive any loan from the Association, or shall receive any compensation for services rendered for or on behalf of the Association, except reimbursement for actual sums spent on behalf of the Association, to the extent authorized by the Board. To the maximum extent permitted by the Idaho Nonprofit Corporation Act and the

Articles, each Director and officer shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her by judgment or settlement in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a Director or officer of the Association, except in cases of fraud, gross negligence or bad faith of the Director or officer in the performance of his or her duties.

9.3 Committees. The Board may appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purpose; provided, however, that the power and authority of any such committee shall be limited according TO the Idaho Nonprofit Corporation Act.

9.4 Notices. Any notice permitted or required to be given by the Property Documents may be delivered either personally or by mail or as otherwise specifically provided in the Property Documents. If delivered by mail, it shall be deemed to have been given seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid; addressed to each person at the current address given by such person to the Secretary of the Association or addressed to the Lot of such person if no address has been given to the Secretary.

ADOPTION OF BYLAWS

We, the undersigned being all of the Directors of MONTROSE MASTER ASSOCIATION, INC., do hereby assent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of said Association.

EXECUTED by the undersigned on October 7, 1998.

James Frank

Jason Wheaton

Gary Schneidmiller

STATE OF WASHINGTON
COUNTY OF SPOKANE

On this 7th day of October, 1998, before me, Mary E. Duncan, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared James M. Frank, Jason S. Wheaton and Gary Schneidmiller, to me known to be the Directors of MONTROSE MASTER ASSOCIATION, INC., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute the said instrument and that the seal affixed (if any) is the corporate seal of said corporation..

Witness my hand and official seal hereto affixed the day and year first above written.

Mary E. Duncan
NOTARY PUBLIC in and for the State of Washington. Residing at Spokane. My commission expires 11/29/2000