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BY-LAWS OF

RIVERSTONE TOWNHOUSE HOMEOWNER ASSOCIATION

ARTICLE 1 - NAME AND LOCATION

The name and location of the Association is Riverstone Townhouse Homeowner Association, hereinafter referred to as the "Association." The principal office of the Association shall be located at 846 North Eagle Road, Eagle, Idaho, or such other and later location as the Board of the Association shall determine. Meetings of the Association and of the Board may be held at such times and places within the State of Idaho, County of Ada, as may be designated by the Board.

ARTICLE 2 - DEFINITIONS

Section 1. "Association" shall mean and refer to the Riverstone Townhouse Homeowner Association, its successors and assigns.

Section 2. "Declarant" shall mean and refer to Robert V. DeShazo & Elizabeth L. DeShazo, and the successors and assigns thereof.

Section 3. "Properties" shall mean and refer to that certain real property and improvements described in the Declaration and Articles of Covenants, Conditions, and Restrictions of Riverstone Townhouses No. 2 Subdivision, Exhibit 1, and such additions thereto as may hereafter be brought within the jurisdiction of the Association. Properties shall not include such portions of the real property retained by Declarant which either which have existing buildings thereon not for the use of the Association or which do not have issued occupancy permits. Such areas shall be become part of the Properties, and therefore assessable, at such time as both of the following have occurred: (a) the Declarant has released such areas in writing as being eligible for assessment; and, (b) occupancy permits have been issued for such properties.

Section 4. "Common Area" shall mean all real property and improvements owned by the Association for the common use and enjoyment of the Owners, as described in Exhibit 1 to the Declaration. However, such definition shall not include such portions of Lots 1 and 8 of Block 1 which have existing buildings thereon not for the use of the Association. Such areas shall be become part of the Common Area at such time as the Declarant releases such areas in writing to the Association.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties, excluding the Common Area, all as defined on Exhibit 1 to said Declaration, subject to the limitations set forth above in Sections 2 and 3.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Declaration" shall mean and refer to the above described Declaration, as amended from time to time.

Section 8. "Member" shall mean and refer to those persons or entities entitled to membership as provided in the Declaration.

ARTICLE 3 - MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of recording of the Declaration, and each subsequent regular annual meeting shall be held on the same day of the same month of each year thereafter, at the hour set by the Board. If the day for the annual meeting is a legal holiday, state or federal, the meeting will be held on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board, or upon written request of members who are entitled to vote one-fourth (1/4) of the total votes allocated to Lots.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary, or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting, to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or the proxies entitled to cast, one-tenth (1/10) of the votes allocated to Lots, shall constitute a quorum for any action except as otherwise provided in the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. 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. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE 4 - BOARD OF DIRECTORS - TERMS OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of not less than Three (3) Directors, who must be members of the Association.

Section 2. Term of Office. At the first annual meeting the members shall elect one director for a term of one year, one director for a term of two years, and one director for a term of three years; and at each annual meeting thereafter, the members shall elect one director for a term of three years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a seventy five percent (75%) vote of the votes allocated to Lots. In the event of death, resignation, or removal of a director, his successor shall be selected by the remaining members of the Board, and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he shall render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors may have the right to take any action in the absence of a meeting which they could take at a meeting, by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors. Any such action taken shall be ratified at the next regular meeting of the directors, in order to place such action in the minutes of the Board.

Section 6. Manager. The Board may engage the services of a manager or managing agent, as described in the Declaration.

ARTICLE 5 - NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors, prior to each annual meeting of the members, to serve from the close of the said annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for elections 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. Such nominations shall be from among the members only and no person who is not a member, or who does not represent a member which is an entity rather than a person, may serve on the Board.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such elections the members or their proxies may cast, in respect to each vacancy, as many votes

as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE 6 - MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly, without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. No meeting shall be held at a day or time which will conflict with any creed or religious belief of a Board member.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held, subject to the last sentence of Section 1, when called by the President of the Association, or by any two directors, after not less than three (3) days' notice to every director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE 7 - POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

- (a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of any recreational facilities of a member during any time period in which such member shall be in default in the payment of any assessment levied by the Association; such rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days, for an infraction of published rules and regulations;
- (c) exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the membership by other provisions of the Declaration of these By-Laws;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;
- (e) prepare and adopt an annual budget, utilizing the prior year's budget and statements from outside authorities (including taxing entities, sewer districts,

water companies, etc.) and reasonable estimations based thereon, including bids and projections, to estimate the amount of the annual budget;

(f) review and pay, as appropriate, payment vouchers, bills and other such demands for payment, requiring, in all cases, adequate and complete verification of materials and labor furnished and expenses incurred, and inquiring into the reasonableness of all such items as necessary;

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs, and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by members holding or representing one-fourth (1/4) of the votes allocated to Lots;

(b) supervise all officers, agents, and employees of the Association, and see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(i) fix the amount of the annual assessment against each Lot, at least thirty (30) days in advance of each annual assessment period;

(ii) send written notice of each assessment to every Owner at least thirty (30) days in advance of each assessment period; and,

(iii) foreclose any lien against a Lot for which assessments are not paid within thirty (30) days after the due date thereof, or to bring an action at law against the Owner personally obligated to pay the same.

(d) issue, or cause an appropriate officer to issue, upon ten (10) days' notice to the manager or Board of Directors, and upon payment of a reasonable fee to be established by the Board, a statement of the account of the requesting Owner, setting forth the amount of any unpaid assessments or other charges due and owing from such Owner, with the provision that a representation on such statement that an assessment has been paid shall be conclusive evidence, as against the Association and the Board, that such payment as in fact made;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association or for which the Association may be liable;

(f) cause all officers and/or employees having fiscal responsibility to be bonded, if it may deem such appropriate;

(g) cause the Common Area to be maintained, repaired and replaced as necessary, and designate and remove personnel necessary for the same, or delegate such duty to the manager, as the Board shall deem appropriate;

(h) adopt and amend, from time to time administrative rules and regulations governing the operation and use of the Common Area and common elements, causing all such adoptions and amendments to be served in writing upon all Owners before the same shall become effective; and,

(i) to obtain expert counsel, including legal and accounting counsel, as shall be necessary to adequately protect the Association, the Owners and the Board from liability and to adequately carry out the affairs of the Association and the Board and perform the duties of the Board.

ARTICLE 8 - OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be the President, who shall be a member of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following the annual meeting of the members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, be removed, or otherwise become disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of who shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer and/or Board member may be removed from office, with or without cause, at any time upon the affirmative vote at least seventy-five percent (75%) of the votes allocated to Lots. Any officer or Board member may resign at any time by giving written notice to the Board, or 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.

Section 6. Vacancies. A vacancy in any office or on the Board may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the office or Board member he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

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

(b) Vice-President. The vice-president, who shall be a member of the Board, shall act in the place and stead of the president in the event of the president's absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him 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, keep the seal of the Association and affix it on all papers requiring such seal, 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 accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board, sign all checks and promissory notes of the Association with the President, keep proper books of account and financial records, cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year, and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and shall deliver a copy of such budget and statement to each member.

Section 9. Compensation. No officer shall receive compensation for any service he shall render to the Association. However, any officer may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE 9 - COMMITTEES

Section 1. Appointment. The Board shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. The

Board may also appoint such other committees as deemed appropriate in carrying out its purposes.

Section 2. Membership of Committees. Members of a Committee need not be members of the Board of Directors nor of the Association, except for the Nominating Committee, which shall consist of members of the Association.

ARTICLE 10 - BOOKS AND RECORDS

Section 1. Place of Keeping. The books, records and papers of the Association and the Board shall, at all times, be kept at the offices of the Association, except when placed temporarily with attorneys, accountants or other similar persons or entities. Such shall include copies of the Declaration and these By-Laws.

Section 2. Inspection by Members. All the books, records, and papers of the Association and the Board shall, during reasonable business hours, be subject to inspection by any member of the Association or his agent. Upon request, and for a reasonable fee determined by the Board, copies of such papers may be purchased by a member.

ARTICLE 11 - ASSESSMENTS

Section 1. Method of Assessment. Assessments for each Lot and/or Owner shall be established as set forth in the Declaration and elsewhere in these By-Laws. Assessments shall be based on the annual budget and/or upon estimations of actual expenses incurred or to be incurred. No assessment shall be made to create any sinking fund or establish funds for future expenditures not identified and budgeted.

Section 2. Liability for Assessments, Lien. As described in the Declaration, each Owner is obligated to pay to the Association annual and special assessments, which are secured by a continuing lien upon the property against which the assessment is made. If the assessment is not paid within thirty (30) days after its due date, the assessment shall bear interest as described in the Declaration and shall be subject to foreclosure or other action at law as is described in the Declaration. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of a Lot.

Section 3. Limitation on Assessments. The terms and conditions of this Article 11 are subject to the limitations set forth in Sections 2 and 3 Article 2.

ARTICLE 12 - SEAL

Section 1. Authorization for Seal. The Association, should the Board of Directors deem such appropriate, may have a seal, but is not required to have such.

Section 2. Use of Seal. The seal of the Association, should such be authorized and procured, shall be used as directed by the Board of Directors, including usage to establish the authenticity of any record or document of the Association.

ARTICLE 13 - AMENDMENTS

Section 1. Method of Amendments. These By-Laws may be amended at regular or special meetings of the members, by a vote of a majority of the votes allocated to Lots, so long as a quorum is present at such meeting in person or by proxy.

Section 2. Conflicts. In the event of any conflict between the terms of the Declaration and the terms of these By-Laws, the Declaration shall control.

Section 3. Notice of Proposed Amendments. Notice of the subject matter of a proposed amendment to these By-Laws shall be included in the notice of any meeting at which a proposed amendment is considered.

Section 4. Certification, Recording. A copy of each amendment shall be certified by the President and Secretary of the Association as having been duly adopted and shall be effective when recorded in the public records of Ada County, Idaho.

ARTICLE 14 - MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the thirty-first day of December of every year, except that the first fiscal year shall begin on the date of recording of the Declaration. The fiscal year of the Association may be changed by the Board of Directors from time to time.

Section 2. Proof of Ownership. Proof of status as Owner shall be subject to such rules and regulations as the Board shall establish, but shall be rebuttably presumed from presentation of a recorded deed to the Lot or of a Contract of Purchase or similar document as to the Lot in question.

Section 3. Parliamentary Rules. Roberts' Rules of Order (latest edition) shall govern the conduct of Association and Board meetings, when not in conflict with the Declaration or these By-Laws.

Section 4. Initial Officers. Until the first meeting of the Association and of the Board of Directors, Robert DeShazo shall act as President and Elizabeth L. DeShazo shall act as Secretary.

The foregoing were adopted as the By-Laws of Riverstone Townhouses No. 2 Subdivision Association by the acting President and Secretary of the Association in the month of MAY, 1993.

Elizabeth R. DeShazo
Secretary

APPROVED: Robert V DeShazo
President

The foregoing were adopted as the By-Laws of Riverstone Townhouse Homeowner Association at the first meeting of the Board of Directors on 5-26-1993.

Elizabeth L. DeShazo
Secretary

APPROVED: Robert V DeShazo
President

STATE OF IDAHO)
) ss.
COUNTY OF ADA)

On this May 19th, 1993, before me, Betty Holt, a Notary Public in and for said State, personally appeared Robert DeShazo and Elizabeth L. DeShazo, known to me to be the persons whose names are subscribed to the within By-Laws as acting President and acting Secretary, respectively, of Riverstone Townhouses No. 2 Subdivision Association, and to be such officers, and acknowledged to me that said Association executed the same.

IN WITNESS WHEREOF, I have hereunto placed my official hand and seal the day and year in this Certificate first above written.

Betty E. Holt
Notary Public for Idaho
Residing at Boise, Idaho
Commission Expires 1/6/99