

After Recording Return to:
Bel-Tane Acres, Inc.
E. 3221 Tara Drive
Spokane, WA 99223

409337

BYLAWS OF

BEL-TANE FIRST OWNERS ASSOCIATION, INC.

ARTICLE 1 PLAN OF OWNERSHIP

1.1 Name and Location. The name of this association ("Association") is BEL-TANE FIRST OWNERS ASSOCIATION, INC. The principal office of the Association shall be in Bonner County, Idaho.

1.2 Application to Project. The provisions of these Bylaws are applicable to that residential/recreational subdivision known as Bel-Tane Acres, First Addition, located in Bonner County, Idaho. All present and future Owners, and their tenants, future tenants, employees, and any other person who might 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 Declaration of Covenants, Conditions and Restrictions for the Property ("Declaration") recorded or to be recorded in the office of the Bonner County Recorder, and applicable to the Property. The mere acquisition or rental of any Lot in the Property, or the mere act of occupancy of any Lot will signify that these Bylaws are accepted, ratified, and will be observed.

1.3 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 established according to the Articles of Incorporation.

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 or written assent of the prescribed percentage of the total voting power of the Association. Except on matters specifically provided for in the Declaration, the Articles, or these Bylaws, the vote of a majority of a quorum present at any meeting (in person or by proxy) shall constitute the vote of the Members.

2.3 Quorum. A quorum shall be those Members present at any duly called meeting, either in person or by valid proxy.

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 the second Thursday of each July.

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 therefor signed by Members representing not less than twenty-five percent (25%) of the total voting power of the Association or by Members representing not less than fifteen percent (15%) of the voting power residing in Members other than Declarant.

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 meeting place as close thereto as possible. Notice shall also be delivered to any institutional lender filing a written request for notice with the Association, and any such lender shall be permitted to designate a representative to attend all such meetings.

2.8 Adjournment. A majority of those present in person or by proxy at any meeting may adjourn the meeting to another time. Unless the adjournment is to a date more than thirty (30) days from the original meeting date or to a different place, no new notice shall be required.

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.

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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 MANAGERS

3.1 Number and Term of Managers. The Board shall consist of three (3) Managers, each of whom shall be a Lot Owner or an agent of Declarant (while Declarant remains a Lot Owner). Except for the initial Managers, who shall serve until the first meeting of the Association, the Managers shall serve concurrent terms of two (2) years.

3.2 Election of Board of Managers.

3.2.1 Nomination. Nominations for election to the Board of Managers 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 Managers, 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 ninety (90) 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 Managers as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled.

3.2.2 Election of Managers. Elections of Board members shall be by secret written ballot. All elections in which two (2) or more positions on the Board are to be filled shall be conducted by cumulative voting.

3.3 Removal. An individual Manager shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal is at least equal to the number of votes which would be required to elect that Manager in an election of the entire Board.

3.4 Vacancies. Vacancies in the Board caused by any reason other than the removal of a Manager by the voting in of a replacement by the Members shall be filled by vote of the majority of the remaining Managers, and each person so elected shall be a Manager for the remainder of the term of the Manager he 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, as may be fixed by the Board. Notice of the time and place of regular meetings shall be given to each Manager, personally or by mail or telegraph, at least three (3) days prior to the day named for the meeting, and shall be posted at a prominent

place or places within the Property. One of the regular meetings shall be the annual meeting, which shall be held within ten (10) 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) Managers other than the President. Notice shall be provided to all Managers and posted within the Property 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 Manager may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to that Manager. Attendance by a Manager at any meeting of the Board shall be a waiver of notice by him 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 Managers 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 any future amendment thereto.

3.9 Action by Consent of Managers. Any action required or permitted to be taken by the Board of Managers 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 Managers, 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 vote of a majority of a quorum of the Board.

ARTICLE 4 POWERS AND DUTIES OF THE BOARD OF MANAGERS

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; and to require from them security for faithful service when deemed advisable by the Board;

4.2 To enforce the applicable provisions of the Declaration, Articles, these Bylaws and other instruments relating to the ownership, management 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 operate and maintain the water system servicing the Property and to cause all Common Areas to be maintained;

4.5 To delegate its powers to committees, officers or employees of the Association, or to a management company pursuant to a written contract, as expressly authorized by the Articles, Declaration and these Bylaws;

4.6 To keep 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; to provide for independent audits as required by law and these Bylaws;

4.7 To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Articles, Declaration, these Bylaws and such rules as may be promulgated by the Board, in accordance with procedures set forth in these Bylaws;

4.8 To borrow money and incur indebtedness for purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor, subject to the approval requirements of the Articles, these Bylaws, or the law;

4.9 To fix and collect regular and special 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;

4.10 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 homeowners 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 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 Managers 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 replaces.

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

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

5.6.1 President. The President shall preside at all meetings of the Association and the Board of Managers; 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 (unless the authority to sign checks in the ordinary course of Association business has been delegated to a management company) and promissory notes.

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

5.6.3 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.

5.6.4 Treasurer. The Treasurer shall receive and deposit, in appropriate bank accounts, all monies of the Association and shall disburse such funds as directed by resolution of the Board of Managers pursuant to approval of vouchers, when appropriate; shall co-sign all checks and promissory notes 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. The duty of the Treasurer to receive and deposit funds and to sign checks in the ordinary course of Association business may be delegated to a management company as provided 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, 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, 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; 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 are to be imposed, such penalties 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.

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, of the Board, and of committees of the Board of the Association, 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 his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within or near the Property as the Board shall prescribe. Such inspection may take place on weekdays during normal business hours, following at least forty-eight (48) hours' written notice to the Board by the Member desiring to make the inspection. Any Member desiring copies of any document shall pay the reasonable cost of reproduction. Every Manager shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Manager includes the right to make extracts and copies of documents.

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 his 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 Managers, subject to repeal or change by action of a majority of the voting power of the Members, 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 Property in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration and to all reasonable rules 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 Managers. No Manager 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, each Manager and officer shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him by judgment or settlement in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Manager or officer of the Association, except in cases of fraud, gross negligence or bad faith of the Manager or officer in the performance of his duties.

9.3 Committees. The Board may appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Managers shall 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 delivery is 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, return receipt requested, 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; provided, however that notice of regular or special meetings of Members of the Board may be mailed without request for a return receipt.

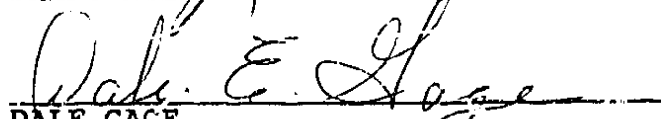
ADOPTION OF BYLAWS

We, the undersigned, being all of the Managers of BEL-TANE FIRST OWNERS 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 _____, 1992.


GEORGE C. ALEX


SALLY ALEX

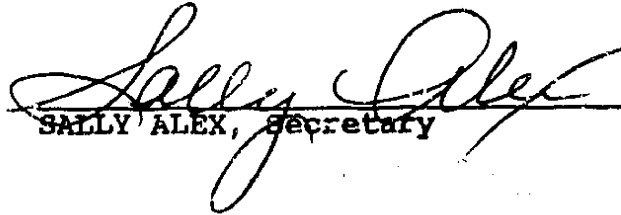

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I, the undersigned, the duly elected and acting Secretary of BEL-TANE FIRST OWNERS ASSOCIATION, INC., do hereby certify:

That the within and foregoing Bylaws were adopted as the Bylaws of said Association on _____, 1992, and that the same do not constitute the Bylaws of said Association.

EXECUTED by the undersigned on _____, 1992.


SALLY ALEX, Secretary

FILED & Sandpoint Title Insurance
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REGISTERED OF DEEDS
COUNTY BY M/H DEP.