

BYLAWS
OF
SCHWEITZER MOUNTAIN COMMUNITY ASSOCIATION
An Idaho Nonprofit Corporation

Pursuant to the provisions of the Idaho Nonprofit Corporation Act, the Board of Directors of Schweitzer Mountain Community Association, an Idaho nonprofit corporation, hereby adopts the following Bylaws for such nonprofit corporation.

ARTICLE 1

NAME, PRINCIPAL OFFICE

1.1 Name. The name of the nonprofit corporation is Schweitzer Mountain Community Association, hereinafter referred to as the "Master Association."

1.2 Offices. The principal office of the Master Association shall be at 1000 Schweitzer Mountain Road (mailing address: P. O. Box 815), Sandpoint, Idaho 83864.

ARTICLE 2

DEFINITIONS

2.1 Definitions. Except as otherwise provided herein or as may be required by the context, all terms defined in Article I of the Master Declaration of Covenants, Conditions and Restrictions of the Schweitzer Mountain Community Association, an expandable planned unit development in Bonner County, Idaho, hereinafter collectively referred to as the "Declaration", shall have such defined meanings when used in these Bylaws.

ARTICLE 3

PURPOSES

The Master Association is organized as a nonprofit corporation and shall be operated exclusively for the purpose of maintaining, operating and governing the numbered Lots and Units within that certain tract of real property in Bonner County, State of Idaho (commonly referred to as Schweitzer Mountain Community Association Development (the "Project").

No dividend shall be paid and no part of the net income of the Master Association, if any, shall be distributed to the Members, Directors or Officers of the Master Association, except as otherwise provided herein, or under Idaho law.

ARTICLE 4

POWERS OF THE ASSOCIATION

Subject to the purposes declared in Article 3 above and any limitations herein expressed, the Master Association shall have and may exercise each and all of the following powers and privileges:

- (a) All of the powers and privileges to perform all of the duties and obligations of the Master Association as set forth in the Declaration as recorded in the office of the county recorder of Bonner County, State of Idaho, and as the same may be amended from time to time as therein provided; and
- (b) The power to acquire, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Master Association.

ARTICLE 5

MEMBERSHIP

The members of the Association shall be the Declarant and each Maintenance Association established within the Project. No person or entity other than Declarant or the Maintenance Associations established in the Project may be a member of the Association. Membership in the Association may not be transferred, pledged or alienated in any way, or on behalf of, any Maintenance Association.

ARTICLE 6

MEMBERSHIP CERTIFICATES

The Master Association may issue certificates of Membership, but such certificates shall not be necessary to evidence Membership in the Master Association. Membership in the Master Association shall begin immediately and automatically upon the legal establishment of each Maintenance Association and shall cease immediately and automatically upon the termination or dissolution of such Maintenance Association.

ARTICLE 7

MEMBERS MEETINGS

7.1 Annual Meetings. The annual meeting of Members of the Master Association shall be held on the first Saturday in December of each year at 7:00 p.m. However, the initial meeting of the Master Association shall be held within a reasonable time following the adoption of these bylaws. The initial meeting and each annual meeting of the Master Association shall be held for the purpose of electing Directors and transacting such other business as may come before the meeting. The Board of Directors may from time to time by resolution change the date and time for the annual meeting of the Members.

7.2 Special Meetings. Special meetings of the Members shall be promptly called by the Board of Directors upon:

(a) the vote for such meeting by a majority of a quorum of the Board of Directors, or

(b) the written request of Members representing at least five percent (5%) of the total voting power of the Master Association.

7.3 Place of Meeting. Meetings of the Master Association shall be held within the Project or at some other location in Bonner County, Idaho, as designated by the Board of Directors. If no designation is made, or if a special meeting is otherwise called, the place of the meeting shall be at the principal office of the Master Association, as set forth in Article 1 hereto.

7.4 Notice of Meetings. The Board of Directors shall cause written or printed notice of regular and special meetings to be delivered, personally or by mail, to each Member of record. This notice shall be given not less than ten (10) nor more than ninety (90) days before the date of any meeting. The notice shall specify the place, day and hour of the meeting and, in the case of

a special meeting, the nature of the business to be undertaken. If mailed, such notice shall be deemed to be delivered when deposited in the U. S. Mail addressed to the Member at his registered address, with first-class postage thereon prepaid. Each Member shall register with the Master Association such Member's current mailing address for purposes of notice hereunder. Such registered address may be changed from time to time by notice in writing with the Master Association. If no address is registered with the Master Association, a Member's Lot address shall be deemed to be his registered address for purposes of notice of meetings hereunder.

7.5 Members of Record. For the purpose of determining Members entitled to notice of any meeting of the Master Association, or any adjournment thereof, the Board of Directors may designate a record date, which shall not be more than fifty (50) nor less than ten (10) days prior to the meeting, for determining Members entitled to notice of any meeting of the Master Association. If no record date is designated, the date on which notice of the meeting is mailed shall be deemed to be the record date for determining Members entitled to notice of the meeting. The persons or entities appearing in the records of the Master Association on such record date as the Maintenance Associations of record in the Project shall be deemed to be the Members of record entitled to notice of the meeting of the Master Association.

7.6 Quorum. At any meeting of the Master Association, the presence of authorized representatives from Maintenance Associations having power to vote, more than fifty percent (50%) of the title votes of the Master Association shall constitute a quorum for the transaction of business. In the absence of a quorum at a Master Association meeting, those representing a majority of the voting power present may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of a quorum by those in attendance 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 for an adjourned meeting shall be the presence of authorized representatives holding at least twenty-five percent (25%) of the total votes of the Master Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed in Section 7.4 hereof for regular meetings.

7.7 Authorized Voting Representatives. Any authorized representative of a Maintenance Association, other than the president of such Association, shall only be entitled to exercise the voting power of such Association if he (or she) shall deliver to the Secretary of the Master Association, or to such other

officer or person who may be acting as secretary of the meeting, a written instrument authorizing the representative to exercise the voting power of such Maintenance Association, which instrument shall be signed by a majority of the members of the governing body of such Maintenance Association. The secretary of the meeting shall enter a record of all such authorized representatives in the minutes of the meeting.

7.8 Votes. Except for the votes of Declarant, all voting rights of the Master Association shall be exercised on behalf of the Members by the authorized representatives of each of the Maintenance Associations of the Project, in accordance with the provisions of the Declaration.

7.9 Waiver of Irregularities. All inaccuracies and irregularities in calls or notices of meetings and in the manner of voting, form of proxies and method of ascertaining Members present shall be deemed waived if no objection thereto is made at the meeting.

7.10 Informal Action by Members. Any action that is required or permitted to be taken at a meeting of the Master Association, except the election of Directors where cumulative voting is a requirement, may be taken without a meeting, if a consent in writing complying with the provisions of applicable state law, setting forth the action so taken, shall be signed by the authorized representatives of all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE 8

BOARD OF DIRECTORS

8.1 General Powers. The property, affairs and business of the Master Association shall be managed by its Board of Directors. The Board of Directors may exercise all of the powers of the Master Association, whether derived from law, the Articles of Incorporation, the Declaration, or these Bylaws, except such powers as are by law, by these Bylaws, by the Articles of Incorporation or by the Declaration vested solely in the Members.

8.2 Election, Number, Tenure and Qualifications. The number of Directors of the Master Association shall be at least three (3), but not more than seven (7). The initial Board of Directors specified in the Articles of Incorporation shall serve until the initial meeting of the Master Association as specified in Section 7.01 hereof, at which time all seats of the Board shall be filled by the vote of the Master Association as provided herein. Two (2) of the Directors elected at the initial meeting of the Master Association shall be elected to three-year terms, and the

remaining Directors elected at the initial meeting shall serve for two-year terms. Thereafter, all Directors shall be elected to three-year terms. In that initial election, and each election held thereafter, the members of the Master Association shall be entitled to vote for the election of Directors under the Articles of Incorporation of the Master Association. Each voting member of the Master Association shall be entitled to one vote for each Director to be elected at each election. Voting shall be by written secret ballot. Each Director shall hold office until his successor shall have been elected and qualified, or until he resigns or is removed pursuant to Section 8.7 hereof. So long as a majority of the voting power of the Master Association resides in Declarant, if any incumbent Directors are re-elected to the Board, at least one (1) of the incumbent Directors must be or have been elected by a majority of the voting power residing in Members other than Declarant, so long as said members attend said election and cast votes therein.

8.3 Regular Meetings. Regular meetings of the Board of Directors shall be held at least semi-annually:

(a) immediately after, and at the same place as the annual meeting of the Members; and

(b) on the first Saturday of June at 7:00 p.m. at a place within the Project as determined by the Board of Directors. The Board of Directors may from time to time, by resolution, change the dates and times for the regular meetings of the Board, so long as a meeting is held at least once every six months. Notice of the time and place of each meeting of the Board of Directors shall be posted at a prominent place or places within the Project, and shall be communicated to each of the Directors not less than four (4) days prior to the meeting; provided, however, that notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

8.4 Special Meeting. Special meetings of the Board of Directors may be called by written notice signed by the President of the Master Association or by any two members of the Board of Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice of any special meeting shall be posted in a manner prescribed for notice of regular meetings of the Board and shall be sent to all members of the Board of Directors not less than 72 hours prior to the scheduled time of the meeting; provided, however, that notice of such meeting need not be given to any Director signing a waiver of notice or a written consent to the holding of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U. S. Mail, with first-class postage thereon prepaid.

8.5 Quorum and Manner of Acting. A majority of the then authorized number of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. The Directors shall act only as a Board, and individual Directors shall have no powers as such. Regular and special meetings of the Board of Directors shall be open to all Members of the Master Association; provided, however, that the Master Association Members may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. The Board of Directors may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Master 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.

8.6 Compensation. No Director shall receive compensation for any services that he may render to the Master Association as a Director provided, however, that a Director may be reimbursed for expenses incurred in performance of his duties as a Director to the extent such expenses are approved by the Board of Directors and (except as otherwise provided in these Bylaws) may be compensated for services rendered to the Master Association other than in his capacity as a Director.

8.7 Resignation and Removal. A Director may resign at any time by delivering a written resignation to either the President or the Board of Directors. Unless otherwise specified therein, such resignation shall take effect upon delivery. A Director who has been elected solely by the voting power of the Master Association other than Declarant may be removed from office prior to the expiration of his term only by the vote of at least a simple majority of the voting power residing in Members other than Declarant. Any other Director may be removed by the vote of a majority of the voting power of the Master Association. However, unless the entire Board is removed from office by the vote of the Master Association, no individual Director shall be removed prior to the expiration of his term of office if the votes cast against removal would be sufficient to elect the Director if voted cumulatively at an election at which the same total number of votes were cast and the entire Board of Directors was being elected.

8.8 Vacancies and Newly Created Directorships. If vacancies shall occur in the Board of Directors by reason of the death, resignation or disqualification of a Director, or if the authorized number of Directors shall be increased, the Directors

then in office shall continue to act, and such vacancies or newly created Directorships shall be filled by a majority vote of the Directors then in office, though less than a quorum. Any vacancy in the Board of Directors occurring by reason of removal of a Director by the Members may be filled by election at the meeting at which such Director is removed or at any other regular or special meeting of the Master Association. The Board of Directors is not authorized to fill any vacancies on the Board resulting from the removal of a Director. Any Director elected or appointed hereunder to fill a vacancy shall serve for the unexpired term of his predecessor or for the term of the newly created Directorship, as the case may be.

8.9 Informal Action by Directors. Any action that is required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Directors, and an explanation of the action so taken is posted at a prominent place or places within the Common Area of the Project within three (3) days after the written consent of all Directors has been obtained.

8.10 Budgets and Financial Statements. The Board of Directors shall be responsible for the preparation of budgets and financial statements of the Master Association and for distribution of the same to the Master Association Members in accordance with the requirements set forth in the Declaration. Preparation of those financial documents may be delegated, assigned or contracted for as the Board sees fit.

ARTICLE 9

OFFICERS

9.1 Officers. The officers of the Master Association shall be a President, a Vice President, a Secretary, a Treasurer and such other officers as may from time to time be appointed by the Board of Directors.

9.2 Election, Tenure and Qualifications. The officers of the Master Association shall be chosen by the Board of Directors annually at the regular meeting of the Members of the Master Association. In the event of failure to choose officers at such meeting of the Board of Directors, officers may be chosen at any other regular or special meeting of the Board of Directors. Each such officer (whether chosen at a regular meeting of the Board of Directors or otherwise) shall hold his office until the next ensuing regular meeting of the Board of Directors which follows the regular annual meeting of the Master Association and until his successor shall have been chosen and qualified, or until his

death, or until his resignation, disqualification or removal in the manner provided in these Bylaws, whichever first occurs. Any one person may hold any two or more of such offices, except that the President may not also be the Secretary. NO person holding two or more offices shall act in or execute any instrument in the capacity of more than one office.

9.3 Subordinate Officers. The Board of Directors may from time to time appoint such other officers or agents as it may deem advisable, each of whom shall have such title, hold office for such period, have such authority, and perform such duties as the Board of Directors may from time to time determine. The Board of Directors may from time to time delegate to any officer or agent the power to appoint any such subordinate officers or agents and to prescribe their respective titles, terms of office, authorities and duties. Subordinate officers need not be Members of the Master Association.

9.4 Resignation and Removal. Any officer may resign at any time by delivering a written resignation to the President or the Board of Directors. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any officer may be removed by the Board of Directors at any time, without cause.

9.5 Vacancies and Newly Created Offices. If any vacancy shall occur in any office by reason of death, resignation, removal, disqualification or any other cause, or if new office shall be created, such vacancies or newly created offices may be filled by the Board of Directors at any regular or special meeting thereof.

9.6 President. The President shall be the chief executive officer of the Master Association and shall exercise general supervision over its property and affairs. He shall sign on behalf of the Master Association all membership certificates, conveyances, mortgages and contracts and shall do and perform all acts and things which the Board of Directors may require of him. The President shall be invited to attend meetings of each committee.

9.7 The Vice President. The Vice President 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 of Directors.

9.8 The Secretary. The Secretary shall keep the minutes of the Master Association and shall maintain such books and records as these Bylaws, the Delcaration or any resolution of the Board of Directors may require him to keep. He shall be the custodian of the seal of the Master Association, if any, and shall affix such seal, if any, to all papers and instruments requiring the same.

He shall perform such other duties as the Board of Directors may require of him.

9.9 The Treasurer. The Treasurer shall have the custody and control of the funds of the Master Association, subject to the action of the Board of Directors, and shall, when requested by the President to do so, report the state of the finances of the Master Association at each annual meeting of the Members and at any meeting of the Board of Directors. He shall perform such other duties as the Board of Directors may require of him.

9.10 Compensation. No officer shall receive compensation for any services that he may render to the Master Association as an officer; provided, however, that an officer may be reimbursed for expenses incurred in performance of his duties as an officer to the extent such expenses are approved by the Board of Directors and (except as otherwise provided in these Bylaws) may be compensated for services rendered to the Master Association other than in his capacity as an officer.

ARTICLE 10

COMMITTEES

10.1 Designation of Committees. The Board of Directors may from time to time by resolution designate such committees as it may deem appropriate in carrying out its duties, responsibilities, functions and powers. No committee member shall receive compensation for services that he may render to the Master Association as a committee member; provided, however, that a committee member may be reimbursed for expenses incurred in performance of his duties as a committee member to the extent that such expenses are approved by the Board of Directors and (except as otherwise provided in these Bylaws) may be compensated for services rendered to the Master Association other than in his capacity as a committee member. Selection to and membership on the Architectural Committees for each Subdivision shall be governed by the terms of the Declaration.

10.2 Proceedings of Committees. Each committee designated hereunder by the Board of Directors may appoint its own presiding and recording officers and may meet at such places and times and upon such notice as such committee may from time to time determine. Each such committee shall keep a record of its proceedings and shall regularly report such proceedings to the Board of Directors.

10.3 Quorum and Manner of Acting. At each meeting of any committee designated hereunder by the Board of Directors, the presence of members constituting at least a majority of the

persons selected by the Board of Directors and any determination so made shall be binding on the indemnified officer or director.

11.3 State Law. The right of indemnification hereinabove provided for shall not be exclusive of any rights to which any director or Director of the Master Association may otherwise be entitled by law.

ARTICLE 12

FISCAL YEAR AND SEAL

12.1 Fiscal Year. The fiscal year of the Master Association shall begin on the 1st day of January each year and shall end on the 31st day of December next following, except that the first fiscal year shall begin on the date of the closing of the sale of the first Lot or Unit in the Project.

12.2 Seal. The Board of Directors may by resolution provide a Master Association seal which shall be circular in form and shall have inscribed thereon the name of the Master Association.

ARTICLE 13

RULES AND REGULATIONS

13.1 Rules and Regulations. The Board of Directors may from time to time adopt, amend, repeal and enforce reasonable rules and regulations governing the use and operation of the Project, to the extent that such rules and regulations are not inconsistent with the rights and duties set forth in the Declaration or these Bylaws. Each Member shall be provided with copies of all rules and regulations affecting his Lot or Unit as well as copies of all amendments and revisions thereof.

ARTICLE 14

INSPECTION OF BOOKS AND RECORDS

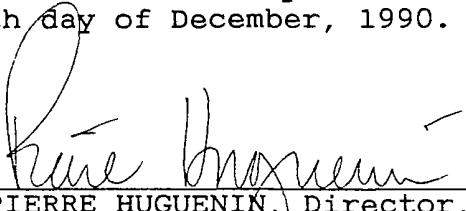
14.1 Inspection of Books and Records. The membership register, books of account and minutes of meetings of the Members, of the Board of Directors and of committees of the Board of Directors shall be made available for inspection and copying by any Member of the Master Association or his duly appointed representative as provided in the Declaration.

ARTICLE 15

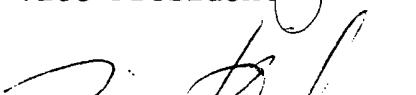
AMENDMENTS

15.1 Amendments. Except as otherwise provided by law, by the Declaration or by these Bylaws, these Bylaws may be amended, altered or repealed and new bylaws may be made and adopted by the Members upon the affirmative vote of a majority of the total votes of the Master Association, and the affirmative vote of at least a majority of the voting power residing in Members other than Declarant. Nevertheless, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. No amendment shall be effective unless and until a written instrument setting forth (i) the amended, altered, repealed or new bylaw, (ii) the number of votes cast in favor of such action, and (iii) the total votes of the Master Association, shall have been executed and verified by the current President of the Master Association and recorded in the official records of the Master Association.

IN WITNESS WHEREOF, the undersigned, consisting of all the Directors of Schweitzer Mountain Community Association have executed these Bylaws on the 5th day of December, 1990.



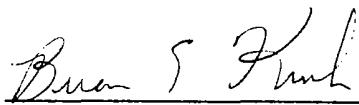
PIERRE HUGUENIN, Director,
Vice-President



TIM HINDERMAN, Director,
President,



WAYNE BENNER, Director,
Secretary



BRIAN KRUK, Director,
Treasurer