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DECLARATION OF TOWNHOUSE
OF

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QUAIL HOLLOW TOWNHOUSES,
AN IDAHO TOWNHOUSE PROJECT

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Exhibit A. Plat

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NO. _____
RECORDED - ELECTRONIC
Shurtliff Engineering

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DECLARATION OF TOWNHOUSE
OF
QUAIL HOLLOW TOWNHOUSE
AN
IDAHO TOWNHOUSE PROJECT

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Article 1. Recitals, Description of Property, and Creation of Townhouse Ownership.

1.1 This Declaration of townhouse "The Declaration", is made on the date hereinafter set forth by those persons constituting the record owners of the property described in 1.2. The names of the record owners appear with their signatures at the conclusion of this declaration. Such record owners may, even though plural in numbers, be referred to as "the declarant".

1.2 The Real Property. Declarant is the actual owner of the following described real property situated in the County of Bannock, State of Idaho, The surface of which is described as follows:

COMMENCING AT THE SOUTHEAST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 22, IN TOWNSHIP 6 SOUTH, RANGE 34 EAST OF THE BOISE MERIDIAN, AND RUNNING THENCE NORTH 330 FEET FOR THE PLACE OF BEGINNING; THENCE WEST AT RIGHT ANGLES TO THE EAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE NORTH AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE EAST AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE SOUTH AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET TO THE PLACE OF BEGINNING, EXCEPT THE RIGHT OF WAY FOR MCKINLEY AVENUE, ACCORDING TO THE OFFICIAL PLAT OF THE SURVEY OF SAID LANDS RETURNED TO THE GENERAL LAND OFFICE BY THE SURVEYOR GENERAL.

1.3 Plats... Exhibit A. is a plat of the above described real property, with designations thereon of various lots. The following lots as designated on said plat shall be individually owned lots and improvements within the townhouse, while all other areas shown on said plat shall be common areas within said project:

Lots 1,2,3,4,5,6,7,8,9, and 10,11,12,13,14,15,16,and 17

Each building shall when built become part of the lot on which it is constructed, and the ownership interest therein and the lot on which it is built shall be a separate interest.

1.4 Creation of Townhouse Ownership. The Declarant hereby declares his intent to and does hereby create a townhouse form of

ownership being governed by and subject to both the provisions of this declaration and all amendments that may hereafter be made hereto, (and the Idaho Condominium Property Act as in effect on the date of the recording of this declaration). The townhouse project shall be known as QUAIL HOLLOW TOWNHOUSES, and the areas to be held in separate ownership and common ownership shall be as set forth in section 1.3 and in Exhibit A. referred to in section 1.3

Article II. Definitions.

2.1 The terms used herein, unless otherwise defined herein, shall have the meanings given such terms in the act.

2.3 "Association" means the Quail Hollow Owner's Association, an unincorporated association composed of all owners, including all owners in future phases.

2.4 The term "management body" shall be Scott Construction Inc. until completion and sale of 12 lots in the project. Thereafter, the association will be the management body until the association elects a board of managers, and thereupon the board of managers shall be the management body. If the board of managers selects a management agent, then to the extent the board delegates powers to such agent, the agent shall be the management body. The term "board of managers" shall be synonymous with "board of directors".

2.5 "Common Area" means the areas in project excepting those lots and deeded to individual owners. All common areas shall be general/improvement common areas, except where designated.

2.6 "Common Expense" means any amount assessed against the owners pursuant to the act, the declaration or such rules and regulations pertaining to the project as the management body may from time to time adopt, and pursuant to such determinations and agreements lawfully made and/or entered into by the management body, and shall specifically include but not be limited to, all charges or assessments referred to in this declaration as common expense.

2.7 "Townhouse" means the lot and improvements of an owner which lot and improvements consists of a separate interest in a lot improvements together with undivided interest in common with all other owners in the common area of the project. These undivided interest are expressed as percentages of the entire ownership interest in the common area on Exhibit A. attached hereto.

2.8 "Mortgage" means any mortgage, deed of trust, or other security interest by which a townhouse or any part thereof is encumbered.

2.9 "Mortgagee" means person, or any successor to the interest of any such person, named as the mortgagee, trust beneficiary, or creditor under any mortgage, as mortgage is defined in the immediately preceding subparagraph.

2.10 "Owner" or "townhouse owner" means any person who holds an ownership interest in a lot in the project, whether in the first phase or any subsequent phases of development, to the extent such ownership interest is reflected in the records of the Recorder's Office of Bannock County, Idaho. A purchaser under a contract of purchase shall be deemed an owner if such contract is of record in the records of the Recorder's Office of Bannock County, Idaho. Such purchaser shall after the recording of the contract of purchase be an owner and the seller shall not be an owner until the contract of purchase is rescinded and the agreement of rescision is recorded in the Bannock County Recorder's Office or until the contract is declared null and void by a court decree which is recorded in said County Recorder's Office. "Owner" does not refer to any mortgagee, as herein defined, unless such mortgagee has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure. If ownership of a lot is held by one or more persons or entities, the multiple owners of that lot shall be deemed a single owner for purposes of voting in meetings of the association.

2.11 "Project" means the entirety of the property or including any property described in Exhibit A.

2.12 "Lot" or "townhouse lot" or "residential lot" means those lots of a townhouse which an owner owns separately and which, as shown on Exhibit A, are not part of the common area, including all improvements built on such areas.

Article III Legal Description of Townhouse

3.1 For purposes of conveying, mortgaging, or otherwise affecting title, any lot may be legally described by its identifying lot number. After the filing of the declaration in the records of Bannock County, such legal description shall describe not only the improvement or lot, but also the appurtenant undivided interest in the common areas, and shall include as an appurtenance, all rights and limitations incident to the ownership of a townhouse lot. Such legal description shall be substantially as follows:

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Townhouse Lot No. _____ of Quail Hollow Townhouses, in SECTION 22, IN TOWNSHIP 6 SOUTH, RANGE 34 EAST OF THE BOISE MERIDIAN, AND RUNNING THENCE NORTH 330 FEET FOR THE PLACE OF BEGINNING; THENCE WEST AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE NORTH AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE EAST AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE SOUTH AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET; THENCE SOUTH AT RIGHT ANGLES TO THE LAST DESCRIBED LINE, A DISTANCE OF 330 FEET TO THE PLACE OF BEGINNING, EXCEPT THE RIGHT OF WAY FOR MCKINLEY AVENUE, ACCORDING TO THE OFFICIAL PLAT OF THE SURVEY OF SAID LANDS RETURNED TO THE GENERAL LAND OFFICE BY THE SURVEYOR GENERAL.

It is the intention of the project developer to create townhouses, under the Condominium Act of Idaho Code 15-1501 et. seq. by expressing an intention to create townhouse ownership, it is the intention of the project developer to create an estate in property which includes the individual ownership of the lots described in the plat and referenced in this declaration, and further to create an ownership interest in the townhouse owner or owners in the common areas of the project as set out and contained in the legal description described above. In the event of an ambiguity or uncertainty regarding the projects intentions, the Idaho Condominium Property Act should be controlling in resolving any such ambiguities or uncertainties.

The incidents of a townhouse grant under this declaration are those set forth in Idaho Code P. 55-1509(b)-(d), and the last sentence of (a), and as set forth subsequently in this paragraph 3.1. The provisions of Idaho Code P. 55-1509(a), excepting for the last sentence thereof, shall not apply to govern the owners of the condominium estates sharing such joint foundations. The division line between adjoining residences resting on such joint foundations shall be an equal distance between the two separate walls of the residences resting on such joint foundations, regardless of whether the unit line as depicted on the plat attached to Exhibit A exactly corresponds with such line which is equidistant between the walls. Each adjoining owner of such joint foundation shall have a joint undivided one-half interest in the entirety of the joint foundation, and shall have a right to use such joint foundation jointly with the adjoining owner for the support of improvements resting on the same. In interpreting this declaration, all attached exhibits to this declaration, and all deeds executed making a conveyance of any interest under this declaration, the existing physical boundaries of improvements on units shall be conclusively presumed to be the boundaries of such units if the existing physical boundaries of improvements extend outside of the boundaries of the units depicted on the plat on which such physical improvements are principally constructed.

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Likewise as above set forth, the boundary between adjoining units shall be conclusively presumed to be a line equidistant between separate walls resting on a joint foundation where such exist, regardless of the actual location of the metes and bounds division line expressed or depicted in the declaration or attached plats, or in the plats of any subdivision or any deeds.

3.2 Conveyances and form of Holding Ownership. The lots in the project may be conveyed and recorded as individual properties capable of independent usage, each having its own exits to the common areas of the project. Each townhouse may be held in any traditional form of holding real property interests including, but not limited to, community property, joint tenancy, or tenancy in common. The owners of the respective residential lots may have the absolute right to lease their individual lots and improvements provided the lease is made subject to the covenants and conditions contained in this declaration and any rules and regulations made by the management body.

Article IV. Nature of Ownership

4.1 Covenants Appurtenant to Townhouse Lot. All rights or interests and all obligations or restrictions of an owner created hereunder shall be deemed appurtenant to his lot and shall not be separable therefrom. Any conveyance or encumbrance of a townhouse lot shall also be deemed a conveyance or encumbrance of those appurtenant rights or interests even though such rights or interests are not expressly referred to in such conveyance or encumbrance.

4.2 Nonseparability of Common Areas. The common areas shall remain an undivided 1/17 and shall not be separated from the lots to which they appertain. No owner shall bring any action for partition or division of interests in common areas of units from their appurtenant interests in common areas. Each unit will carry with it a 1/17 ownership in common area.

4.3 Covenants to run with the Land. This declaration and all covenants, restrictions, limitations, easements, conditions, and uses as herein provided for shall constitute covenants to run with the land hereby submitted to the project and shall be a burden and/or a benefit to the declarant, and to the heirs, personal representatives successors and assigns of each person constituting declarant, and to any persons acquiring any interest in the above described property, and to their heirs, personal representatives, successors and/or assigns.

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Article V. Bylaws.

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5.1 Meetings of Association.

(a) Place of Meetings. Meetings of the association shall be held at such place within the State of Idaho as the management body may specify in the notice except as herein otherwise specified.

(b) Annual Meetings. The annual meetings of the association shall be held at 7:00 o'clock p.m. on the third Thursday of October of each year, at the project, in Bannock County, Idaho, provided that the management body may by resolution fix the date, time and place of the annual meeting on such other date or at such other place or time as the management body may deem appropriate.

(c) Special Meetings. Special meetings of the association may be called any time by written notice signed by a majority of the management body, or by owners having 30 per cent of the total votes, delivered not less than 10 days prior to the dated fixed for said meeting. Such meeting shall be held on the project or such other place as the management body may specify, and the notice thereof shall state the date, time and matters to be considered.

(d) Notices. Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered 24 hours after a copy of the same has been deposited in the United States Mail, postage prepaid, addressed to each owner at the address given by such person to the management body for the purpose of service of such notice or to the unit owned by such person if no address has been given. Such address may be changed from time to time by notice in writing to the management body.

(e) Quorum. At any meeting of the association, the owners of more than 30 percent of the voting rights shall constitute a quorum for any and all purposes, except where by express provision of the act or this declaration a greater vote is required, in which event a quorum shall be the number required for such vote. In the absence of a quorum the meeting may be adjourned from time to time, without notice other than by announcement at the meeting, until holders of the amount of interest requisite to constitute a quorum shall attend. At any such adjourned meeting at which a quorum shall be present any business may be transacted at the meeting as originally notified.

(f) Voting. When a quorum is present at any meeting, the vote of owners representing at least 51 percent or more of the voting rights of the owners present in person or represented by proxy, shall decide any question of business brought before such meeting, unless such question is one upon which, by express provision of the

statutes or of this declaration, a different vote is required, in which case such express provisions shall govern and control the decision of such question. All votes may be cast either in person or by proxy. All proxies shall be in writing, and in the case of proxies for the annual meeting, they shall be delivered to the secretary at least five days prior to said annual meeting.

Proxies for special owners' meetings must be of record with the secretary at least two days prior to said special meeting. Each owner shall have a vote equal to the percentage attributable to the lot owned by that owner.

(g) Waivers of Notice. Any owner may at any time waive any notice required to be given under these bylaws, or by statute or otherwise. The presence of an owner at any meeting of the owners shall be deemed such waiver, except where attendance is for the express purpose of objecting to either the failure to receive such notice or defects contained therein.

5.2 Board of Managers.

(a) Purposes and Powers. The board of managers shall be composed of not less than three or more than five members, as the association in a lawfully convened meeting may from time to time determine, all of whom must be owners of townhouses in the project.

(b) Election. At the first special meeting of the association called for that and any other purpose, an election of the board of managers shall be held for the election of not less than three or more than five which shall constitute the board, the first two elected managers shall serve for one year, the second two for two years, and the fifth for three years. At the expiration of the initial term of office of each respective manager, his successor shall be elected to serve a term equal to the longest term of any initially elected members of the board of managers. The members of the board shall hold office until their successors have been elected and hold their first meeting.

(c) Vacancies. Vacancies on the board of managers caused by any reason whatsoever shall be filled by the vote of a majority of the remaining members thereof even though they may consist of less than quorum and each person so elected shall be a member of the board of managers until his successor is elected by the association at the next annual meeting.

(d) Regular Meetings. A regular annual meeting of the board of managers shall be held immediately after the adjournment of each annual association meeting. Regular meetings, other than the annual meeting, shall or may be held at regular intervals at such places and at such time as either the president or the board of managers may from time to time designate.

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(e) Special Meetings. Special meetings of the board of managers shall be held whenever called by the president, the vice-president, or by three or more managers. By unanimous consent of the board of managers, special meetings may be held without call or notice at any time or place.

(f) Quorum. A quorum for the transaction of business at any meeting of the board of managers shall consist of a majority of the board of managers then in office.

(g) Compensation. Members of the board of managers, as such, shall not receive any stated salary or compensation; provided that nothing herein contained shall be construed to preclude any member of the board of managers from serving the project in any other capacity and receiving compensation therefor.

(h) Waiver of Notice. Before or at any meeting of the board of managers, any member thereof may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the board of managers at any meeting thereof shall be a waiver of notice by him of the time and place thereof.

(i) Adjournments. The board of managers may adjourn any meeting from day to day or for such other time as may be prudent or necessary, provided that no meeting may be adjourned for longer than thirty (30) days.

(j) Fidelity Bonds. The board of managers may require that all officers and employees of the board of managers handling or responsible for funds provide adequate fidelity bonds. The premium on such fidelity bonds shall be a common expense.

5.3 Officers.

(a) Designation and election. The principal officers of the board of managers shall be a president, a vice-president, a secretary-treasurer, all of whom shall be elected by and from the board of managers.

(b) Other Officers. The board of managers may appoint such other officers, in addition to the officers herein above expressly named, as it shall deem necessary from time to time.

(c) Removal of Officers and Agents. All officers and agents shall be subject to removal, with or without cause, at any time by the affirmative vote of the majority of the members of the board of managers.

(d) President. The president shall be the chief executive of the board of managers, and shall exercise general supervision over the

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associations property and affairs. The president may also function as the management agent. The president shall sign on behalf of the townhouse project all conveyances, mortgages, and contracts relating to the project, and shall do and perform all acts and things which the board of managers may require of him. He shall have all of the general powers and duties which are normally vested in the office of the president of a corporation, including but not limited to, the power to appoint committees from among the members from time to time as he may at his discretion decide is appropriate to assist in the conduct of the condominium project.

(e) Vice President. The vice-president shall take the place of the president and perform his duties whenever the president shall be absent or unable to act. If neither the president or the vice-president is able to act, the board of managers shall appoint some other member thereof to do so on an interim basis. The vice-president shall also perform such other duties as shall from time to time be prescribed by the board of managers.

(f) Secretary. The secretary shall keep the minutes of all meetings of the board of managers and of the association; he shall have charge of the books and papers as the board of managers may direct; and he shall in general perform all the duties incident to the office of secretary.

(g) Treasurer. The treasurer shall have the responsibility for the funds and securities of the board of managers, and shall be responsible for keeping full and accurate accounts of all receipts and all disbursements in books belonging to the board of managers. He shall be responsible for the deposit of all monies and all other valuable effects in the name, and to the credit of, the board of managers in such depositories as may be from time to time designated by the board of managers.

(h) Compensation. No compensation shall be paid to the officers for their services as officers. No remuneration shall be paid to an officer for services performed by him for the board of managers in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the board of managers before the services were undertaken.

5.4 Management

(a) Management of Project. Quail Hollow Townhouse Project shall be managed by the management body.

(b) Management in Accordance with Declaration, Etc. The management body shall be responsible for the control, operation, and management of the project in accordance with the provisions of the act, this declaration and such administrative, management and operational rules and regulations as may be adopted from time to time.

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time as herein provided and all agreements and determinations lawfully made and entered into by the management body.

(c) Necessary Powers of Management Body. The management body shall have the powers necessary for the administration of the project's affairs. In addition, the management body shall have the responsibilities and duties imposed upon it by resolution of the association. The board of managers shall have absolute authority to discharge any management agent for any reason and at any time. Notwithstanding the foregoing, unless at least 75% of the first mortgagees (based upon one vote for each mortgage owned) of townhouse lots have given their prior written approval, neither the association nor the board of managers, nor any management agent shall have the power of any act or omission to seek abandonment, partition, subdivision, encumbrance, the selling or transferring of any of the common elements of the project. Provided, however, the granting of easement for public utilities or for other purposes consistent with the intended use of the common areas by the townhouse project shall not be deemed a transfer within the meaning of this paragraph.

(d) Indemnification. Each member of the board of managers shall be indemnified and held harmless by the owners against all costs, expenses and liabilities whatsoever, including with limitation, attorney's fees reasonable incurred by him in connection with any proceedings to which he may become involved by reason of his being or having been a member of said body. Expenses incurred by reason of this indemnification shall be a common expense.

(e) Actions by Management Body. Without limiting the rights of any owner, actions may be brought by the management body on behalf of two or more of the owners with respect to any cause of action relating to the common areas appurtenant to one or more units, but all expenses incurred by the management body in so doing shall be assessed to the owners for whose benefit the suit is being brought.

(f) Specific Duties of Management Body. The management body shall have the authority and obligation to employ personnel and/or contractors necessary for the operation repair and maintenance of the townhouse project to employ necessary legal and accounting services, and to purchase materials and supplies for the operation, maintenance and repair of the townhouse project.

The management body shall pay all taxes and special assessments which would be a lien upon the entire project or common areas and shall obtain a discharge of any lien or encumbrance levied against the entire project or common areas. The management body shall make arrangements for the regular maintenance of all portions of the common areas and facilities of the townhouse project, and of the exterior of all units in the townhouse project, and all driveways

and sidewalks (including those in the public right of way) in the townhouse project needing such regular maintenance. All expenses for such regular maintenance whether of the common areas and facilities or the exterior of the units shall be a common expense. The management body shall make all expenditures authorized by the board of managers provided such expenditures have been provided for in the annual budget; provided, however, the management body, so long as the same is Scott Construction Company, may make reasonable and necessary expenses without authorization of the board of managers or without prior submission of an annual budget to the association. Once officers are elected, payment vouchers shall be approved by the president and after such approval shall be paid by the management body. Upon 10 days notice to management body, and upon payment of a reasonable fee therefor, the management body shall furnish to any owner a statement of his account setting forth the amount of any unpaid assessment or other charge due or owing from such owner. It shall be the duty of the management body to bill, collect, and receipt the collection of all monthly assessments and to enforce the obligation to enforce the collection thereof. The management body shall have the affirmative obligation to enforce all affirmative and restrictive covenants, terms and conditions of this declaration, and shall retain the services of an attorney when necessary to do so, and shall enforce the same by both affirmative and negative injunctive powers, and shall recover damages for any such breaches. The management body shall record in the office of Bannock County Recorder all instruments affecting the project or in which an owner waives any right under the provisions of Idaho Condominium Act, all amendments to this declaration or to any of the foregoing documents. The management body shall during January of each year record in the Bannock County Recorder's Office a certificate of identity of the person or persons then comprising the management body in accordance with the provisions of the Idaho Condominium Property Act. Idaho Code P. 55-1505(i). The management body shall record in the Bannock County Auditors Office a designation of the person to receive service of process in any action relating to the common areas and facilities together with an acknowledgement in writing of acceptance of such designation by the person so designated. The person to receive service of process shall be the president unless otherwise designated by the board of managers. Upon termination of such persons capacity or authority to receive service a new designation shall be duly made and filed, as above provided.

If any assessments are not paid within 90 days, a duly prepared and executed notice of assessments shall be filed by the management body in the Bannock County Recorder's Office.

Upon payment of such assessments and collection costs as set forth in the notice of assessment, or other satisfaction thereof, the management body shall cause to be recorded a further notice stating the satisfaction and release of lien thereof. If such lien is not satisfied within nine months from the date of filing, the management body shall immediately initiate action for the enforcement thereof. The management body shall see that all members are informed with respect to all regulations as may be adopted and promulgated by the board of managers or association from time to time. The management body shall give to the holder of any recorded mortgage, written notification of any default by the mortgagor of performance of such mortgagors obligations under this declaration, including bylaws, and any duly adopted rules or regulations pertaining to the project which default has been demanded to be corrected by the management body and which default has not been cured with in 30 days. Said notice shall be given within 20 days after the lapse of said 30 day period of default and more than 20 days before suit is filed for collection of the same. The management body shall have the authority and duty to designate and remove, when it deems removal appropriate, personnel necessary for the maintenance, repair, and replacement of the common elements.

Optional Powers of Management Body.

(g) The management body shall have the authority to acquire personal property for use of the common areas, which property shall thereafter become part of the property in the project as defined in 1.4 of this declaration, and shall be owned by the owners in proportion with their interests as set forth on Exhibit A. all such property may be sold, leased or mortgaged, or otherwise transferred by the management body and deemed owned by the owners in proportion to their interests as set forth in Exhibit A. The management body shall have power to maintain facilities of all kinds within the project, and shall have the authority to care for vacant unimproved or unkept units. This management body may do any activity suggested or implied from the terms of this declaration, including but not limited to any activity for which an annual budget may be allocated as suggested in 6.2 of this declaration, to charge such fees as it deems reasonable for the use by owners of any common area or facility. All such fees, however, shall be uniformly charged to the owners on the basis of use or some other basis deemed applicable by the management body.

The management body may acquire and hold, for the benefit of the townhouse owners, tangible and intangible personal property, and may dispose of the same by sale or otherwise; the beneficial interest in such personal property shall be owned by the townhouse owners in the same proportion as their respective

interests in the common areas, and shall not be transferable by such owners except with transfer of a townhouse. The transfer of a townhouse shall transfer to the transferee ownership of the transferor's beneficial interest in such personal property.

5.5 Accounting.

(a) Books and Accounts. The books and accounts of the townhouses project shall be kept under the direction of the treasurer and in accordance with the reasonable standards of accounting procedures.

(b) Report. At the close of each accounting year, the books and records of the project shall be reviewed by a person or firm approved by the association. Report of such review shall be prepared and submitted to the owners at or before the annual meeting of the association. Provided, however, that a certified audit by a Certified Public Accountant approved by the association shall be made if the owners so vote

(c) Inspection of Books. Financial report, and all books of the association or board of managers or managing agent shall be kept at the principal office of the board of managers, and shall be subject to inspection at all reasonable times by any owner or mortgagee.

5.6 Right to Enter. The management body or its designated agents shall have the right to enter any townhouse in case of emergency originating in or threatening such unit or any part of the project, whether or not the owner or occupant thereof is present at the time. The management body or its designated agents shall also have the right to enter any townhouse or the common areas of the project and for the purpose of performing installations, alterations or repairs to the mechanical or electrical devices or installations located therein or thereon; provided, however, that such installations, alterations, or repairs are necessary to prevent damage or threatened damage to other townhouses; and provided, further, that the owner affected by such entry shall first be notified if available and if time permits. The management body or its designated agents have a right of entry on any townhouse to effect exterior maintenance on the exterior of such townhouse pursuant to the obligations of said management body to perform the same pursuant to the terms of this declaration.

Article VI Common Expenses.

6.1 Owner shall pay. Each owner shall pay the management body his allocated portion of the common expenses of the project

which shall include the annual budget for the expenses of the management, operation, repair, and maintenance of all the common areas and facilities, and the exteriors of all units.

6.2 Annual Budget. The management body shall prepare an annual budget which shall indicate anticipated management, operating, maintenance, repair, and other common expenses for the association's next fiscal year and which shall be sufficient to pay all estimated expenses and outlays of the management body for the next calendar year growing out of or in connection with the maintenance and operation of the project and may include among other things the cost of management, special assessments, fire, casualty and public liability insurance, common lighting, landscaping, and care of grounds, repairs, renovations, painting of improvements located in common areas, and painting of exteriors of improvements located on units, snow removal, waste and garbage removal, wages, water charges, legal and accounting fees, management fees, expenses and liabilities incurred by the management body under or by reason of this declaration, the payment of any deficit remaining from a previous period and creation of any reasonable contingency or other reserve or surplus fund, as well as all costs and expenses relating to the project. An adequate reserve fund for replacement of common facilities or for the maintenance and repair of common elements must be established and included within the annual budget.

6.3 Presented to Owners. The annual budget shall be presented at a meeting of the association no less than one month before the commencement of the budgeted year and unless disapproved at such meeting by a simple majority vote of all the owners present shall become the annual budget for the following fiscal year.

6.4 How Assessed to Owners and Paid. All portions of the annual budget shall be assessed to the owners in proportion to their interests in the common areas, as more particularly provided in Section 4.2. The assessment as thus determined and prorated to the owners shall be payable by such owners in 12 equal installments with the first installment due on the first day of the budgeted year and each succeeding installment due at one month intervals thereafter. The owners shall pay the assessments when due without any deduction on account of any set off or claim which the owner may claim to have against the association.

6.5 Adjustment of Monthly Installments. The management body may at any time, up to the close of the budget year, increase or decrease the amount previously fixed as the annual budget and adjust the monthly installments assessed against each owner accordingly.

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6.6 Interest and Costs of Collection. Each monthly installment of such assessment shall bear interest at the rate of 12% per annum if not paid within 30 days after it is due. All costs of collection of such assessments, including reasonable attorney's fees, costs of suit and costs of establishing a lien or foreclosure of the same shall become a debt of the owners at the time such costs are incurred.

6.7 Lien Against Townhouses. The amount of any such assessments together with costs of collection of such assessments as above enumerated shall be secured by a lien upon the townhouse assessed, from and after the time the management body causes to be recorded with the Bannock County Recorder's Office a notice of assessment which shall state the amount of such assessment and all incurred and anticipated collection costs, a description of the townhouse against which it has been assessed and the name of the recorded owner thereof. Such notice shall be signed by a duly authorized representative of the management body or by the president.

6.8 Capital Improvements. Assessments to townhouse owners for building improvements shall not be made without a 75% vote of approval of such owners as attend a duly called meeting of the association. Improvements as used in this paragraph shall be limited to include only capital expenditures exceeding the sum of \$750.00, with expenses of a lesser nature being deemed to be normal repairs.

6.9 No Abandonment. No owner may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the common areas or by abandonment of his townhouse. The owners shall not by act or omission seek to abandon the townhouse status of the project except as provided in Section 10.1 or as allowed by the act.

6.10 Reserve Fund Upon Transfer. If an owner transfers his townhouse to another; his interest in any reserve fund or funds shall be deemed to also have been transferred to the new owners as an appurtenance to the transferred townhouse.

6.11 Grant Liable. Subject to subparagraph below, the grantee of a townhouse shall be jointly and severally liable with the grantor for all unpaid assessments owed by the grantor for assessments by the management body against the grantor per his share of the common expenses assessed and due at the time of the conveyance, but such liability shall be without prejudice to the grantee's rights to recover from the grantor the amounts owed by the grantor and paid by the grantee thereof.

6.12 Statement of Assessment. Upon payment of a reasonable fee and upon written request by an owner, mortgagee, perspective mortgagee, or prospective purchaser of a townhouse, the management body shall issue a written statement setting forth with respect to any townhouse the amount of the unpaid assessments, if any, the amount of the current periodic assessment, and the date that such assessment becomes or became due, credit for advanced payments or prepaid items, including, but not limited to, an owners share of the prepaid insurance premiums, which statement shall be conclusive upon the management body in favor of persons who rely thereon in good faith. Unless the request for such written statement shall be met within 10 days, all unpaid assessments which became due prior to the date of making such request shall be subordinated to any lien or other encumbrance thereafter placed of record in the records of Bannock County, Idaho, by the person making such request. Any mortgagee may pay any amount shown as due on such statement and upon such payment said mortgagee shall have a lien on such townhouse for the amounts paid of the same ranks as the encumbrance held by said mortgagee.

6.13 Priorities. If a mortgagee or other purchaser obtains title by reason of foreclosure or a mortgage encumbering a townhouse, such purchaser, his successor or assigns, shall not be liable for any assessment by the management's body, the notice of lien for which was filed of record in the Bannock County Recorder's Office subsequent to the date when such mortgage was filed of record in that office.

6.14 Assignment of Rents. If an owner who is renting his townhouse to another shall default for a period of one month in the payment of any assessments, the management body may, at its option, and for so long as such default shall continue, demand and receive from any tenant occupying the townhouse, any portion of the rent due or becoming due, and to the extent such rent is paid to the management body such tenant shall be discharged of liability to the owner.

6.15 Notification of Default. Any mortgagee of any townhouse estate, at its request, is entitled to a written notification from the management body of any default by the mortgagor of such unit in the performance of such mortgagor's obligation under this townhouse declaration or any amendment hereof, which is not cured within 30 days after notice to the mortgagor of such default and demand that the same be cured.

Article VII Use of the Project.

7.1 Owner's Obligation to Maintain and Repair. Each owner at his own expense shall keep the interior of his unit in good order,

condition and repair, and in a clean and sanitary condition, and shall do all redecorating and painting which may at any time be necessary to maintain the good appearance of his townhouse. Except to the extent that he is protected by insurance purchased by the management body, an owner shall repair all injury or damages to the project caused by the deliberate, negligent, or careless action or inaction of such owner, occupants of his townhouse, members of their families, agents, employees or guests, and all such repairs, redecorating and painting shall be in quality and kind equal to the original work. In addition to decorating and keeping the interior of his townhouse in good repair, each owner shall be responsible for the maintenance or replacement of any fixtures or appliances such as refrigerators, air conditioning and heating equipment, dishwashers, disposal and ranges, which are part of his unit or which service his townhouse exclusively. Additionally each owner shall pay for the power to the light fixture wired to their townhouse along with their power bill for his own townhouse.

7.2 Lot Taxation. Under the Idaho Townhouse Property Act, each townhouse is subject to a separate assessment and taxation by each taxing authority. The project will not be taxed as a whole but each owner will pay all taxes assessed against his townhouse.

7.3 Single Family. Each of the townhouses shall be occupied only by a family, its tenants, servants and guests, as a private residence and for not other purpose. No unit may be divided or subdivided into a smaller unit. No portion may be sold or otherwise transferred apart from the remaining portions of the particular townhouse.

7.4 Common Areas. Subject to the limitations contained in this declaration, each owner together with his immediate family, tenants, and guests, shall have the non-exclusive right to use and enjoy the common areas for the purposes for which they are intended, i.e., furnishing of services and facilities for the enjoyment of the individual lot owners.

7.5 Perpetual Easement. There is hereby granted a perpetual easement by the owners of each townhouse in the townhouse project to the management body, to cross over such lots which are either paved or in lawn, to maintain grass, grounds, and exterior walls of improvements

7.6 Party Foundations and Walls. Adjoining townhouses within the project have common or party foundations, and in some instances party walls. All such common or party foundations and walls shall be maintained equally by the unit owners sharing such foundations or walls, excepting to the extent the wall may be an exterior wall,

in which case it shall be maintained by the management body, and the maintenance costs shall be borne as a common expense. Each adjoining owner shall have a joint and undivided one-half interest in any such joint foundation, and shall have a right to use in conjunction with the adjoining owner said joint foundation for supporting improvements located on each adjoining lot.

7.7 No Nuisance. No use or practice shall be permitted on the projects which is a source of annoyance to residents or which interferes with the peaceful possession and proper use of the project by its residents. All parts of the project shall be kept in a clean and sanitary condition, and no rubbish, refuse, or garbage shall be allowed to accumulate nor any fire hazard to exist. No owner shall permit any use of his townhouse, lot, or of the common areas which will increase the rate of insurance upon the project, nor shall any owner permit the use of his townhouse, lot, or any common area in a manner that would be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon such property, no tiki torches or open flame torches shall be permitted to be used on such property except in self-contained barbecue units while attended and in use for cooking purposes or within a safe and well-designated interior fireplace. If any owner permits any part of the project or of his townhouse to become unclean or unsanitary or permits any fire hazard to exist, the management body may immediately cause such unclean, unsanitary or hazardous condition to be eliminated and all costs of eliminating the same may be assessed as one of the regular assessments to the owner or owners causing such problems to exist; to accomplish the foregoing, the management body is hereby authorized to enter any townhouse for purposes of discharging the obligations created pursuant to this sentence, and furthermore the management body is authorized to effect an eviction of any offenders.

7.8 Declarant's Use of Project. Until Scott Construction has completed and sold all townhouses in the project held in its name, the owners and management body shall not interfere with the completion of the contemplated improvements nor with the sale of townhouses owned by Scott Construction. Scott Construction may make such use of unsold units and the common areas as may facilitate such completion and sale, including, but limited to, the maintenance of a sales office, the showing of the project, and the display of signs.

7.9 Signs. Except as provided in 7.8 above, no signs or advertisements shall be placed on or from any townhouse or common area without the written approval of the management body, except real estate for sale signs which should not exceed 30"x30".

7.10 Improvements to Lots. No lot of this townhouse project shall be improved by placing of any structure thereon, other than those set by Scott Construction.

7.11 It shall be the responsibility of the association to arrange and pay for the maintenance of the water supply pipe which runs along the northerly boundary of this project. Same water supply pipe serves to provide Fort Hall irrigation water to the Gee Water Users Association.

A. No structure or other above-ground improvements shall be permitted on any lot which is detached or separated from the principal structure. No house trailer, tent, shack, attached garage, barn or other outbuilding or structure shall be erected or placed on any lot within said project. Also, no house, garage, outbuilding, fence or other structure shall be built, placed, erected, materially altered or materially repaired, including without limitation to, the alteration of a garage into a living area or altering the exterior colors or textures of any building in the project unless and until the building owner has received prior approval of the board of directors. The approval of the board of directors shall be wholly at the discretion of the board of directors, and approval may be denied for any reason. No working or commercial vehicles of 3/4 ton or greater, or trailers, house trailers, boats, campers, trucks, or other recreational vehicles shall regularly or as matter of practice be parked or otherwise located in the project.* No animals, livestock or poultry of any kind shall be raised, bred or kept by any owner in the project except dogs, cats, and other household pets, provided they do not unreasonably bother or constitute a nuisance to others and are not frequently found on portions of the common areas. Provided further that the management body shall have authority to limit the number of dogs, cats, or other household pets to be maintained in any townhouse at any one time, and in the absence of such resolution by the management body, there shall be no more than two household pets in any townhouse. No owner shall make or permit any noises that will disturb or annoy the occupants of any townhouse in the project. No owner shall hang any outside shades, awning, window guards, ventilators, fans, or air conditioning devices from townhouses which shall extend or protrude from the exterior of any improvement on any unit.

* City ordinance prohibits the parking of such vehicles on city streets.

Article VIII Transfer or Lease of Townhouses.

8.1 Association's right of First Refusal. If any owner desires to sell or lease his townhouse or if he desires to change

lessees or if a lessee desires to sublease a townhouse or change subleases, such owner or lessee shall give notice in writing to the management body of his intent and the terms of the proposed sale, lease or sublease, and the name of the person to whom the townhouse is proposed to be sold, leased or subleased. The management body shall have the first option to be exercised within 10 days after receiving the notice, to buy, lease or sublease such townhouse on the same terms as set forth in the notice. If such option is not exercised within 10 days, the owner desiring to sell, lease or sublease, may thereafter do so to the person designated in the notice and upon the terms designated in the notice, but if the owner changes the terms of such sale, lease, or sublease, a new notice shall be given and the management body shall have a similar first option as above provided.

8.2 Certificate of Compliance or Waiver. Upon written request of any prospective seller, buyer, lessor, tenant or mortgagee, the management body shall furnish a duly acknowledged certificate of compliance with, or a waiver of, the provisions of this article.

8.3 First Right of Refusal Upon Foreclosure. If any townhouse is sold pursuant to any attachment or execution or if it becomes an asset of a bankruptcy estate, the management body shall have the first right to purchase such townhouse from such executing creditor or bankruptcy estate for fair market value. In the event agreement as fair market value cannot be reached, each party shall appoint one Certified appraiser to make an appraisal of the townhouse. The cost of each appraisal shall be paid by the party appointing the responsible appraiser. If the two Certified appraisers cannot agree upon the fair market value of the townhouse, the average of the two appraisers shall be deemed to be the fair market value. Such attaching creditor or bankruptcy estate shall be obligated to sell such townhouse estate to the management body for such fair market value, and any such attaching creditor or bankruptcy estate shall be deemed to take the interest of the owner subject to the provisions of this paragraph and subject to all provisions of this declaration establishing a plan for townhouse ownership, the provisions of which shall run with the land. For purpose of effecting a purchase by the management body, said management body is hereby appointed the irrevocable agent of the owners of all townhouses in the project other than on to be purchased.

8.4 Ownership by Association. After a purchase by the management body, the owners shall thereafter own such townhouse as tenants in common in proportion to their vestiture of title. However, the management body shall be the irrevocable attorney in

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fact to sign all documents necessary to thereafter effect conveyance of the same in the names of the owners, which conveyance shall be authorized upon a majority vote of the board of managers.

8.5 Right of First Refusal Not Applicable to Mortgagee. Any holder of a mortgage which comes into possession of a townhouse pursuant to the remedies provided in the mortgage or foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall be exempt from all rights of first refusal as set forth in this article or as elsewhere set forth in this declaration.

Article IX Insurance.

Coverage. The management body shall secure and maintain the following insurance coverage. Such policy or policies shall provide for a separate loss payable endorsement in favor of any mortgage of each unit.

(a) A policy or policies insuring the management body of each owner and all owners collectively against any liability arising from the ownership, use of maintenance of any portion of the project, including use of units or common areas by anyone. Limits of liability under such insurance shall in no event be less than \$100,000/\$300,000 for bodily injury; and shall not be less than \$20,000 for property damage for each occurrence. Such limits and coverage shall be reviewed at least annually by the association and changed if found to be inadequate or excessive. Said policy or policies shall deny subrogation rights against owners.

(c) Workmen's Compensation to the extent necessary to comply with any applicable laws.

(d) Insurance for such other risks as are or hereafter may customarily be covered with respect to other townhouse projects similar in construction, design, and use.

9.2 Authority to Adjust, Etc. The management body shall have exclusive authority to adjust casualty losses under insurance policies maintained by it. However, any claims as to any personal liability of any owner arising out of the ownership, use, operation or management of the common areas may be compromised or settled as to his portion of any such claim by any owner without prejudice to the remaining balance thereof and without the same constituting evidence or admission for or against any such claimant. All insurance herein authorized may be written in the name of the management body, as trustee for each of the owners.

Insurance on common areas shall be written as to any one owner in the percentage established in Exhibit B to this declaration or as

it may be amended. All premiums for insurance procured by the management body shall be a common expense. Insurance written on lots shall be written according to the value of each lot and individual improvements shall be without prejudice to the right of each owner to insure his own lot and improvement for his own benefit, but no owner shall obtain insurance which in any way will decrease the amount which the management body on behalf of all owners may realize under any insurance policy which it is hereunder authorized to procure and does procure.

Article X Compliance with Covenants, Bylaws, Rules and Regulations

10.1 Administrative Rules and Regulations. The management body shall have the power to adopt and establish by resolution, such building, management and operation, management and control of the project. All such regulations shall be adopted only after due notice of the proposed regulation or regulations are given to the owners and the owners are given an opportunity to present arguments for or against such regulations. Such regulations shall not be inconsistent with the provisions of this declaration, but may otherwise deal with any matters affecting the common areas and townhouses if such matters are of general concern to all owners and do not unnecessarily affect any particular owner's rights with respect to his townhouse. When a copy of a duly adopted regulation or a duly adopted amendment, alteration, or repeal of a regulation is mailed in writing to the address of each townhouse, it shall become effective.

10.2 Obligation to Comply Herewith. All owners shall comply with all provisions of this declaration, the bylaws, and the administrative rules and regulations pertaining to the project, and shall require such compliance from their children, tenants, guests, employees and any other person whom they invite upon the project. All agreements, decisions, and determinations lawfully made by the management body shall be deemed to be binding on all owners and shall inure to their benefit. Each owner, any group of owners, or the management body shall have standing and authority, unless otherwise provided, to enforce by any legal means, including suit for specific performance, injunctive relief or damages, the provisions of these declarations and any duly adopted decisions or resolutions of the association or management body.

Article XI Miscellaneous

11.1 Severability. In the event that a phrase, sentence, clause, paragraph or article contained herein should be invalid, or should operate to render this agreement invalid, this declaration shall be constructed as if such invalid phrase, sentence, clause,

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paragraph or article had not been inserted.

11.2 Gender and Number. The singular, whenever used herein, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

11.3 Waivers. No provisions contained in this declaration shall be deemed to have been waived by reason of any failure to enforce it, irrespective of the number of violations which may occur.

11.4 Topical Headings. The topical headings of the articles and paragraphs contained in this declaration are for convenience only and do not define, limit or construe the contents of the articles or paragraphs of this declaration. Thus, for instance, the designation of Article VI as bylaws is not to be construed to mean that the bylaw provisions of the condominium are contained exclusively in said article. The bylaw provisions as required to be contained in a townhouse declaration under Idaho Code P. 55-1507 are in fact scattered throughout this townhouse declaration.

11.5 Effective Date. This declaration shall take effect upon recording.

IN WITNESS WHEREOF, the undersigned has hereby signed his name as owner of the property described in paragraph 1.2 Pocatello, Bannock County Idaho.

Scott Construction Inc. by

Michael G. Scott

STATE OF IDAHO
COUNTY OF BANNOCK

On this _____ day of _____ 1992
before me, a notary public in
and for the State of Idaho
personally appeared Michael G.
Scott, known to me to be the
person whose name is subscribed
to the within instrument and
acknowledged to me that he ex-
ecuted the same.

Notary Public

Residing at: _____
My commission expires: _____

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paragraph or article had not been inserted.

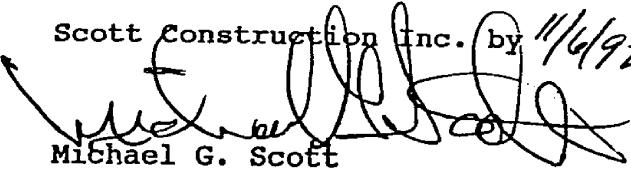
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IN WITNESS WHEREOF, the undersigned has hereby signed his name as owner of the property described in paragraph 1.2 Pocatello, Bannock County Idaho.

Scott Construction Inc. by 11/6/92

Michael G. Scott

STATE OF IDAHO
COUNTY OF BANNOCK
On this 6 day of NOV 1992
before me, a notary public in
and for the State of Idaho
personally appeared Michael G.
Scott, known to me to be the
person whose name is subscribed
to the within instrument and
acknowledged to me that he ex-
ecuted the same.


Notary Public

Residing at: 
My commission expires: 1-27-96

NOTARY SEAL