

BYLAWS
OF
THE HIGHLANDS CONDOMINIUM ASSOCIATION

ARTICLE I

PLAN OF OWNERSHIP

Section 1. Name and Location. The name of this association (“Association”) is The Highlands Condominium Association. The principal office of the Association shall be in Spokane County, Washington.

Section 2. Application to Project. The provisions of these Bylaws are applicable to that residential condominium project known as The Highlands, located in Spokane County, Washington. All present and future Owners, and their tenants, guests, and invitees, and any other person who might use the facilities of the Property in any manner, are subject to the regulations set forth in the Declaration of Covenants, Conditions and Restrictions for the Project to be recorded in the office of the Spokane County Recorder (the “Declaration”), in these Bylaws, and in the remaining Project Documents. The mere acquisition or rental of any Unit in the Project, or the mere act of occupancy of any Unit will signify that these Bylaws and all Project Documents are accepted, ratified, and will be observed.

Section 3. Meaning of Terms. Unless otherwise specifically provided herein, the definitions contained in the Declaration are incorporated in these Bylaws by reference.

ARTICLE II

MEMBERSHIP; MEETINGS AND VOTING RIGHTS

Section 1. Classes of Members. The Association shall have two (2) classes of voting membership established according to the Articles of Incorporation. Voting power shall be as provided herein, in the Declaration, and in the Articles.

Section 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 a quorum of the membership (both classes combined). 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 (both

classes combined), shall constitute the vote of the Members. Where there are multiple Owners of a single Unit, the voting rights allocated to such Unit shall all be cast together, according to the agreement of the Owners, and not be split. If the Owners are unable to agree on how the voting rights should be exercised with respect to a particular issue, no vote shall be cast on such issue with respect to such Unit.

Section 3. Quorum. The presence in person or by proxy of at least fifty percent (50%) of the total voting power (and the presence of the Declarant, where the Declarant holds at least 25% of the total voting power) shall constitute a quorum. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum (provided that the Declarant shall be present at all times in order for business to be conducted, where the Declarant holds at least 25% of the total voting power).

Section 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 the 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.

Section 5. Annual Meetings. Regular annual meetings of the Members of the Association shall be held within the month of October of each year, with the actual date to be selected in the discretion of the Board and provided to the membership in the notice of the meeting.

Section 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. Additionally, a special meeting shall be called by the Board upon receipt of a written request therefore signed by Members representing not less than twenty percent (20%) of the total voting power of the Association.

Section 7. Notice and Location of Meetings. At the direction of the President, the Secretary, or the officers or other 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 sixty (60) 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.

Section 8. Adjournment. In the absence of a quorum at a Members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not

less than five (5) days and not more than thirty (30) days from the original meeting date. The quorum for such a reconvened meeting shall be forty percent (40%) of the total voting power of the Association (and the presence of the Declarant, where the Declarant holds at least 25% of the total voting power).

Section 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.

Section 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 III

BOARD OF DIRECTORS

Section 1. Number and Term of Directors. The Board shall consist of three (3) Directors, each of whom (except as provided in the Declaration) shall be a Unit Owner or an agent of a non-individual Owner. Subject to the right of the Declarant to appoint Directors as provided below and in the Declaration, all Directors shall serve staggered two-year terms, with the Directors occupying the A and B positions being re-elected in even-numbered years, and the Director occupying the C position being re-elected in odd-numbered years.

Section 2. Declarant Control. To provide the Declarant reasonable control of the Project during development and sale of Units, the Declarant shall have the right to appoint Directors, as and to the extent set forth in the Declaration.

Section 3. Election of Directors. Subject to the right of the Declarant to appoint Directors, as provided in the Declaration, Directors shall be elected as follows:

a. Nomination. Nominations for election to the Board of Directors may be made from the floor at the annual meeting of the Association. Additionally, the Board may appoint a Nominating Committee, which shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. If the Board determines to appoint a Nominating Committee, the Committee shall be appointed at least 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 Directors as it shall, in its discretion, determine, but not less than the number of vacancies that are to be filled.

b. Election of Directors. Elections of Board members shall be by a single secret written ballot, with the candidate(s) receiving the most votes being deemed elected. Where more than one Director is to be elected, the candidate receiving the most votes shall occupy the A position, the candidate receiving the next highest number of votes shall occupy the B position, and the candidate receiving the third highest number of votes shall occupy the C position, if necessary.

Section 4. Removal. Except for a Director appointed by the Declarant, an individual Director may be removed prior to the expiration of his or her term of office by the vote of two-thirds of the voting power of the Association present and entitled to vote at any meeting of the Unit Owners at which a quorum is present.

Section 5. Vacancies. Vacancies in the Board caused by any reason other than the removal of a Director by the voting in of a replacement by the Members shall be filled by vote of the majority of the remaining Directors, or, in the case of a Director appointed by the Declarant, by a new appointment by the Declarant. Each person so elected shall be a Director for the remainder of the term of the Director he or she replaces, or until a successor is elected at a special meeting of the Members called for that purpose.

Section 6. 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. Written notice of the time and place of regular meetings shall be given to each Director personally, by e-mail, or by mail or telegraph, at least five (5) 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.

Section 7. Special Meetings. A special meeting of the Board may be called by written notice signed by the President of the Association or by any two (2) Directors other than the President. Notice shall be provided to all Directors 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.

Section 8. Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her of the time and place of the meeting, except where such attendance is for the limited and express purpose of objecting to the transaction of any business at the meeting because the meeting is not lawfully called or convened.

Section 9. Quorum. The presence in person of a majority of the Directors at any meeting of the Board shall constitute a quorum. The vote of a majority of the quorum actually present at any meeting shall constitute the vote of the Board unless expressly provided to the contrary in these Bylaws. However, while the Declarant retains the power to appoint a majority of the Board, any Board action shall have the approval of a majority of the Directors appointed by the Declarant who are present at the meeting.

Section 10. Action by Consent of Directors. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action.

Section 11. Adjournment; Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become

involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 12. 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 IV

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

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

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

Section 2. To enforce the applicable provisions of the Project Documents, and other instruments relating to the ownership, management and control of the Property;

Section 3. To adopt and publish Rules and Regulations governing the use of any Common Elements, and the personal conduct of the Members and their tenants, guests and invitees thereon, and to establish procedures and penalties for the infraction thereof, subject to approval of the membership;

Section 4. To pay all taxes and assessments which are, or could become, a lien on any Common Elements or a portion thereof;

Section 5. To contract for casualty, liability and other insurance on behalf of the Association as required or permitted in the Declaration;

Section 6. To cause the Common Elements (including Limited Common Elements, except to the extent otherwise required by the Declaration) to be maintained and to contract for goods and/or services for any Common Elements or for the Association;

Section 7. 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 Project Documents; provided that any management contract shall be terminable on not more than 90 days written notice, with or without cause, and shall otherwise comply with the Act;

Section 8. 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;

Section 9. To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Project Documents, in accordance with procedures set forth in these Bylaws:

Section 10. To borrow money and incur indebtedness for purposes of the Association, and to cause to be executed and delivered therefore, in the Association's name, promissory notes or other evidences of debt, subject to the approval requirements of the Project Documents and any applicable law;

Section 11. To fix and collect Regular, Extraordinary, 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/or foreclose the lien against any Unit 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;

Section 12. To prepare and file annual tax returns with the federal and state governments 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 V

OFFICERS

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

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

Section 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.

Section 4. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 5. Multiple Offices. Any two or more offices may be held by the same person, except the offices of President and Secretary. ✓

Section 6. Duties. The duties of the officers are as follows:

a. President. The President shall preside at all meetings of the Association and the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all agreements 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).

b. 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.

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

d. Treasurer. The Treasurer shall receive and deposit, in appropriate bank accounts, all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors pursuant to approval of vouchers, when appropriate; shall co-sign all checks 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 co-sign checks in the ordinary course of Association business may be delegated to a management company as provided in these Bylaws.

Section 7. Execution of Instruments. The President or Secretary shall have the power to execute and deliver on behalf of and in the name of the Association any instrument requiring the signature of an officer of the Association, except where the execution and delivery thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Association. Unless authorized to do so by these Bylaws or by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Association in any way, to pledge its credit, or to render it liable for any purpose or in any amount.

ARTICLE VI

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 Unit on account of a failure by the Owner to comply with provisions of the Project Documents, 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

reasonable monetary penalties, temporary suspensions of an Owner's rights as a Member of the Association (e.g., voting rights, or right to use the Common Elements, other than Limited Common Elements appurtenant to the Owner's Unit) or other appropriate discipline for failure to comply with the Project Documents; 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 VII

BUDGETS, FINANCIAL STATEMENTS, BOOKS AND RECORDS

Section 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. The budget for any fiscal year of the Association shall be adopted by the Board at least 90 days prior to the end of the then current year. Within thirty (30) days following adoption, the Board shall provide a summary of the budget to all Unit Owners, and shall set a date for a meeting, not less than 14 days nor more than 60 days after mailing of the summary, to consider ratification of the budget. Unless the budget shall be rejected at the meeting, by Owners of Units to which a majority of the total voting power in the Association shall be allocated (regardless of the presence of a quorum), the budget shall be ratified. The Board may provide for an independent audit of the financial statements of the Association at any time. If the Board determines not to have an independent audit, any mortgage holder may determine to have an audit prepared at its expense.

Section 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.

Section 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 Project 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 Parcel, 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 or other person desiring copies of any document shall pay the reasonable cost of reproduction. Every Director 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 Director includes the right to make extracts and copies of documents.

Section 4. Statement of Account. Upon ten (10) days' notice to the Board and

payment of a reasonable fee, any Unit 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 VIII

AMENDMENT OF BYLAWS

These Bylaws may be amended at any time and in any manner by resolution approved by a majority of the Board of Directors, subject to repeal or change by action of a majority of the total voting power of the Members, provided any such amendment shall not be inconsistent with the Articles, the Declaration, or the law.

ARTICLE IX

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 1. Definitions. As used in this Article, terms shall have the definitions set forth in the Declaration. Additionally, the following definitions shall apply:

- a. "Another Enterprise" means a corporation (other than the Association), partnership, joint venture, trust, association, committee, employee benefit plan, or other group or entity.
- b. "Director" means each person who is or was a director of the Association or an individual who, while a director of the Association, is or was serving, at the request of the Association, as a director, officer, partner, trustee, employee, or agent of Another Enterprise.
- c. "Expenses" includes counsel fees.
- d. "Indemnitee" means each person who was, is, or is threatened to be made a party to or is involved (including without limitation as a witness) in any Proceeding because the person is or was a director, officer, employee, or agent of the Association and who possesses indemnification rights pursuant to the Articles, these Bylaws or other corporate action. The term shall also include, for officers, employees, or agents, service at the Association's request as a director, officer, partner, trustee, employee, or agent of Another Enterprise.
- e. "Loss" means the obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan, or reasonable Expenses incurred with respect to a Proceeding.
- f. "Party" includes an individual who was, is, or is threatened to be named a defendant or respondent in a Proceeding.

g. "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative.

Section 2. Right to Indemnification. The Association shall indemnify and hold each director and officer harmless against any and all Loss except for Losses arising out of:

- a. The Indemnitee's acts or omissions finally adjudged to be intentional misconduct or a knowing violation of law;
- b. Any transaction in which it is finally adjudged that the Indemnitee personally received a benefit in money, property, or services to which the Indemnitee was not legally entitled.

The Association shall not indemnify an Indemnitee in connection with a Proceeding (or part thereof) initiated by the Indemnitee unless such Proceeding (or part thereof) was authorized by the Board of Directors of the Association. If, after the effective date of this Article, the Act is amended to authorize further indemnification of directors or officers, then directors and officers of this Association shall be indemnified to the fullest extent permitted by the Act, as so amended.

Section 3. Contribution. If the indemnification provided in Section 2 of this Article is not available to be paid to Indemnitee for any reason other than those set forth in subparagraphs a and b of Section 2 of this Article (for example, because indemnification is held to be against public policy even though otherwise permitted under Section 2) then in respect of any Proceeding in which the Association is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Association shall contribute to the amount of loss paid or payable by Indemnitee in such proportion as is appropriate to reflect:

- a. The relative benefits received by the Association on the one hand and the Indemnitee on the other hand from the transaction from which such Proceeding arose; and
- b. The relative fault of the Association on the one hand and the Indemnitee on the other hand in connection with the events which resulted in such loss, as well as any other relevant equitable consideration.

The relative fault of the Association on the one hand and the Indemnitee on the other shall be determined by a court of appropriate jurisdiction (which may be the same court in which the Proceeding took place) with reference to, among other things, the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent the circumstances resulting in such loss. Association agrees that it would not be just and equitable if contribution pursuant to this Section 3 was determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

Section 4. Notification and Defense of Claim. Promptly after receipt by Indemnitee of notice of commencement of any Proceeding, Indemnitee must, if a claim in respect thereof is to

be made against the Association under this Article, notify the Association of the commencement thereof; with respect to any such Proceeding as to which Indemnatee has notified Association of the commencement thereof:

a. The Association will be entitled to participate therein at its own expense;

b. Except as otherwise provided below, to the extent that it may wish, the Association, jointly with any other indemnifying party similarly notified, will be entitled to assume the defense thereof, with counsel satisfactory to Indemnatee. After notice from the Association to Indemnatee of its election to assume the defense thereof, the Association will not be liable to Indemnatee under this Article for any legal or other expenses subsequently incurred by Indemnatee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. Indemnatee shall have the right to employ its counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Association of its assumption of the defense thereof shall be at the expense of Indemnatee unless:

(1) The employment of counsel by Indemnatee has been authorized by the Association;

(2) Indemnatee shall have reasonably concluded that there may be a conflict of interest between the Association and Indemnatee in the conduct of the defense of such Proceeding; or

(3) The Association shall not in fact have employed counsel to assume the defense of such Proceeding, in any of which cases the fees and expenses of counsel shall be at the expense of the Association.

The Association shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Association or as to which Indemnatee shall have made the conclusion provided in (2) of this subparagraph; and

c. The Association shall not be liable to indemnify Indemnatee under this Article for any amounts paid in settlement of any Proceeding affected without its written consent. The Association shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnatee without Indemnatee's written consent. Neither the Association nor Indemnatee will unreasonably withhold its consent to a proposed settlement.

Section 5. Right of Indemnatee to Bring Suit. If a claim under this Article is not paid in full by the Association within sixty (60) days after a written claim has been received by the Association, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty (20) days, the Indemnatee may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the Indemnatee shall be entitled to be also paid the expense of prosecuting such claim.

Neither the failure of the Association (including its Board of Directors, its members, or independent legal counsel) to have made a determination prior to the commencement of such Proceeding that indemnification of or reimbursement or advancement of expenses to the Indemnitee is proper in the circumstances, nor an actual determination by the Association (including its Board of Directors, its members, or independent legal counsel) that the Indemnitee is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the Proceeding or create a presumption that the Indemnitee is not so entitled.

Section 6. Indemnification of Employees and Agents of the Association. The Association may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of an action to employees and agents of the Association, with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Association or pursuant to rights granted pursuant to, or provided by, the Act or otherwise.

Section 7. Contract Right. Rights of indemnification under this Article shall continue as to an Indemnitee who has ceased to be a director or officer, as long as Indemnitee shall be subject to any possible action, by reason of the fact that Indemnitee was a director or officer of the Association or serving in any other capacity referred to herein, and shall inure to the benefit of his or her heirs, executors, and administrators.

The right to indemnification conferred in this Article shall be a contract right upon which each director or officer shall be presumed to have relied in determining to serve or to continue to serve as such. Any amendment to or repeal of this Article shall not adversely affect any right or protection of a director or officer of the Association for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

Section 8. Severability. If any provision of this Article or any application thereof shall be invalid, unenforceable or contrary to applicable law, the remainder of this Article, or the application of such provisions to persons or circumstances other than those as to which it is held invalid, unenforceable, or contrary to applicable law, shall not be affected thereby and shall continue in full force and effect.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 1. Compensation of Officers and Directors. No Director or officer shall receive any loan from the Association, or shall receive any compensation for services rendered for or on behalf of the Association, except reimbursement for actual sums spent on behalf of the Association, to the extent authorized by the Board.

Section 2. Committees. The Board may appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as

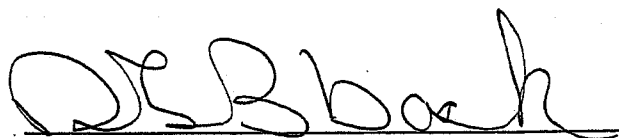
deemed appropriate in carrying out its purpose; provided, however, that the power and authority of any such committee shall be limited according to Washington law.

Section 3. Notices. Any notice permitted or required to be given by the Project Documents shall be delivered either personally or by first class mail or as otherwise specifically provided in the Project Documents or allowed by the Act. If delivery is by mail, it shall be deemed to have been given forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to each person at the current address given by such person to the Secretary of the Association or addressed to the Unit of such person if no address has been given to the Secretary.

ADOPTION OF BYLAWS

We, the undersigned, being all of the Directors of The Highlands Condominium Association, do hereby assent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of said Association.

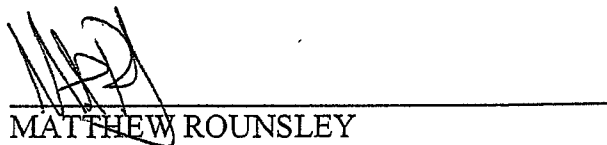
EXECUTED by the undersigned on Dec 2, 2005.



D. GIB BRUMBACK



SUSAN L. BRUMBACK



MATTHEW ROUNSLEY

I, the undersigned, the duly elected and acting Secretary of The Highlands Condominium Association, do hereby certify:

That the within and foregoing Bylaws were adopted as the Bylaws of said Association on Dec 2, 2005, and that the same do constitute the Bylaws of said Association.

EXECUTED by the undersigned on Dec. 2, 2005.



Susan L. Brumback, Secretary

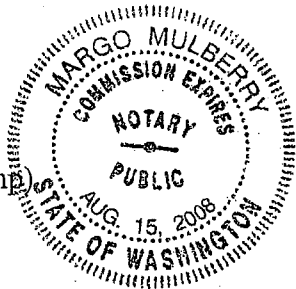
STATE OF WASHINGTON)

:ss.

County of Spokane)

On this 15th day of December, 2005, before me, Margo Mulberry, a Notary Public in and for the State of Washington, personally appeared D. GIB BRUMBACK, known or identified to me to be the manager of HIGHLAND HEIGHTS APARTMENTS, LLC, the limited liability company that executed the within instrument and the person who executed the instrument on behalf of said company, and acknowledged to me that such company executed the same.

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



(Seal or Stamp)

Margo Mulberry
Notary Public (Signature)
Margo Mulberry
(Print Name)

My appointment expires: 8/15/08

STATE OF WASHINGTON)

County of Spokane)
:ss.

On this _____ day of _____, 2005, before me, _____, a Notary Public in and for the State of Washington, personally appeared _____, known or identified to me to be the person whose name is subscribed to the within instrument as the _____ of American West Bank, a Washington bank corporation that executed the within instrument and the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

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

Notary Public (Signature)

(Print Name)

(Seal or Stamp)

My appointment expires: _____

EXHIBIT "B" TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
THE HIGHLANDS CONDOMINIUM

1. Recreational Facilities: There is a recreational center in the Project that houses a laundry facility, a storage area, two restrooms and a swimming pool.
2. Additional Limited Common Elements: None.
3. Moorage Slips: None.
4. Existing Parking:
 - (a) Uncovered – 21 spaces.
 - (b) Covered – 46 spaces.Total – 67 spaces.
5. Existing Storage Lockers: Each Townhouse Unit has an assigned storage unit. Buildings 1, 2, and 3 each have 5 storage units for 6 Units. The sixth Unit has a storage unit inside the Unit – not a limited common element – those Units are: 11, 17, 22, 29, 34, 41, 46 all have storage units inside. There are 39 total storage units.