

BYLAWS

OF

SMR HOMEOWNERS' ASSOCIATION, INC.

**ARTICLE 1. GENERAL PLAN OF OWNERSHIP**

Section 1.1 Name. The name of the corporation is SMR HOMEOWNERS' ASSOCIATION, INC. (the "Corporation"). The principal office of the Corporation shall be located at 871 East Parkcenter Boulevard, Boise, Idaho 83706, in Ada County, Idaho.

Section 1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Spring Mountain Ranch (hereinafter called the "Property"), a subdivision located in the City of McCall, County of Valley, State of Idaho, generally provided for in the Master Declaration of Covenants, Conditions and Restrictions for Spring Mountain Ranch, and the amendments and supplements thereto, recorded or to be recorded in the office of the County Recorder, Valley County, Idaho (the "Master Declaration").

Section 1.3 Personal Application. All present and future Owners and their tenants, future tenants, employees, and any other person that might use the facilities owned and/or managed by the Corporation in any manner, are subject to the regulations set forth in these Bylaws, and in the Master Declaration. The mere acquisition or rental of any of the Building Lots of the Property or the mere act of occupancy of any of the Building Lots will signify that these Bylaws are accepted, ratified, and will be complied with.

**ARTICLE 2. VOTING, QUORUM, PROXIES**

Section 2.1 Voting. Except for the Class B Membership as provided for in the Articles of Incorporation and the Master Declaration, and except as may be otherwise provided in the Master Declaration, each Member shall be entitled to one vote for each Building Lot owned by such Member. Except as otherwise provided in the Master Declaration, the affirmative vote of more than fifty percent (50%) of the votes of the Members is the act of the Members.

Section 2.2 Quorum. Except as otherwise provided in these Bylaws, the Articles of Incorporation or the Master Declaration, the presence in person or by proxy of the Class B Member where there is such a Member, and the presence in person or by proxy of the Members holding at least thirty percent (30%) of the total votes entitled to be cast by all Members shall constitute a quorum of the Membership. 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. If any meeting cannot be held because a quorum is not present, the Members present may adjourn the meeting to a time not less than ten (10) days nor more than thirty (30) days from the time the original meeting was scheduled, without notice other than announcement at the meeting. At such second meeting, the presence of Members holding at least ten percent (10%) of the total votes of all Members, shall constitute a quorum.

Section 2.3 Proxies. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary at least twenty-four (24) hours before the appointed time of each meeting. Every proxy shall be revocable at the pleasure of the Member who executed the proxy and shall automatically cease after completion of the meeting of which the proxy was filed, if filed for a particular meeting. In no event shall a proxy be valid after eleven (11) months from the date of its execution.

## ARTICLE 3. ADMINISTRATION

Section 3.1 Responsibilities. The Corporation shall have the responsibility of administering the Common Area owned and/or managed by the Corporation, if any, approving the annual budget, establishing and collecting all assessments, if any, and may arrange for the management of the same pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the Manager, as defined below. Except as otherwise provided, decisions and resolutions of the Corporation shall require an affirmative vote of a majority of Members present at an annual or special meeting of the Corporation at which a quorum is present.

Section 3.2 Place of Meetings. Meetings of the Corporation shall be held on the Property or such other suitable place as close to the Property as practicable in Valley County as may be designated by the Board of Directors, and shall be conducted in accordance with Robert's Rules of Order.

Section 3.3 Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. At each annual meeting there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of these Bylaws. At the first annual meeting, the Directors shall be elected to serve until the second annual meeting, and at the second annual meeting, and annually thereafter, Directors shall be elected for a term of one (1) year beginning with such annual meeting. In the event that an annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting held for that purpose. Each Director shall hold office until a successor has been elected or until death, resignation, removal or judicial adjudication of mental incompetence. The Members may also transact such other business of the Corporation as may properly come before them at any such annual meeting.

Section 3.4 Special Meetings. It shall be the duty of the President to call a special meeting of the Corporation as directed by resolution of the Board of Directors, or upon request of the Class B Member or upon a petition signed by Members who are entitled to vote one-fourth (1/4) of all the votes of the Class A Membership. The notice of all regular and special meetings shall be given as provided in Section 3.5 of these Bylaws, and shall state the nature of the business to be undertaken. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of the Members holding more than fifty percent (50%) of the votes of the Members in the Corporation, either in person or by proxy.

Section 3.5 Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of the Corporation, stating the purpose thereof as well as the day, hour and place where such meeting is to be held, to each Member of record, and any person in possession of a Building Lot, at least ten (10) but not more than thirty (30) days prior to such meeting. The notice may set forth time limits for speakers and nominating procedures for the meeting. The mailing of a notice, postage prepaid, in the manner provided in this Section 3.5, shall be considered notice served, after said notice has been deposited in a regular depository of the United States mail. If no address has been furnished the Secretary, notice shall be deemed to have been given to a Member if posted in a conspicuous place on the Property.

Section 3.6 Adjourned Meetings. If any meeting of the Corporation cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than ten (10) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least ten percent (10%) of the total votes entitled to be cast at such meeting. Such adjourned meetings may be held without notice thereof as provided in this Article 3, except that notices shall be given by announcement at the meeting at which such adjournment is taken. If a meeting

is adjourned for more than thirty (30) days, notice of the adjourned meeting shall be given as in the case of an original meeting.

Section 3.7 Order of Business. The order of business at all meetings shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of Directors; (g) unfinished business; and (h) new business. Meetings shall be conducted by the officers of the Corporation in order of their priority.

Section 3.8 Action Without Meeting. Any action, which under the provisions of the Idaho Nonprofit Corporation Act may be taken at a meeting of the Corporation, may be taken without a meeting if authorized in writing signed by all of the Members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 3.9 Consent of Absentees. The transactions of any meeting of the Corporation, either annual or special, however called and noticed, shall be as valid as though transacted at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if either before or after the meeting each of the Members not present in person or by proxy signed a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made part of the minutes of the meeting.

Section 3.10 Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

#### ARTICLE 4. BOARD OF DIRECTORS

Section 4.1 Number and Qualification. The Property, business and affairs of the Corporation shall be governed and managed by a Board of Directors composed of at least three (3) persons, who need not be Members of the Corporation. Directors shall not receive any salary or other compensation for their services as Directors; provided, however, that nothing herein contained shall be construed to preclude any Director from serving the Corporation in some other capacity and receiving compensation therefor.

Section 4.2 Powers and Duties. The Board of Directors has the powers and duties necessary for the administration of the affairs of the Corporation, as more fully set forth in the Master Declaration, and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done exclusively by the Owners.

Section 4.3 Special Powers and Duties. Without prejudice to such foregoing general powers and duties, and such powers and duties as set forth in the Master Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(a) To select, appoint and remove all officers, agents, and employees of the Corporation, to prescribe such powers and duties for them as may be consistent with law, with the Articles of Incorporation, the Master Declaration, and these Bylaws; to fix their compensation, if any, and to require from them security for faithful service when deemed advisable by the Board of Directors;

(b) To conduct, manage and control the affairs and business of the Corporation, and to make and enforce such rules and regulations therefor consistent with law, with the Articles of

Incorporation, the Master Declaration, and these Bylaws, as the Board of Directors may deem necessary or advisable;

(c) To change the principal office for the transaction of the business of the Corporation from one location to another within the County of Valley, State of Idaho, as provided in Article 1 hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of the Corporation consistent with the provisions of Section 3.2 hereof; and to adopt and use a corporation seal and to alter the form of such seal from time to time as the Board of Directors in its sole judgment may deem best, provided that such seal shall at all times comply with the provisions of law;

(d) To borrow money and to incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the Corporation's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidence of debt and securities therefor; subject, however, to the limitations set forth in the Articles of Incorporation and the Master Declaration;

(e) To fix and levy from time to time Regular Assessments, Special Assessments, and Limited Assessments upon the Owners, as provided in the Master Declaration; to determine and fix the due date for the payment of such Assessments, and the date upon which the same shall become delinquent; provided, however, that such Assessments shall be fixed and levied only to provide for the payment of the expenses of the Corporation, and of the taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Corporation, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Corporation for the general benefit and welfare of the Owners, in accordance with the provisions of the Master Declaration. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as the Board of Directors shall deem to be necessary or advisable in the interest of the Corporation or welfare of the Owners. The funds collected by the Board of Directors from the Owners, attributable for replacement reserves, for maintenance recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Owners and shall not be commingled with other Assessments collected from the Owners. Such Regular Assessments, Special Assessments and Limited Assessments shall be fixed in accordance with the provisions of the Master Declaration. Should any Owner fail to pay such Assessments before delinquency, the Board of Directors in its discretion, is authorized to enforce the payment of such delinquent Assessments as provided in the Master Declaration;

(f) To enforce the provisions of the Master Declaration covering the Property, these Bylaws or other agreements of the Corporation;

(g) To contract for and pay for, casualty, blanket, liability, malicious mischief, vandalism and other insurance, insuring the Owners, the Corporation, the Board of Directors and other interested parties, in accordance with the provisions of the Master Declaration, covering and protecting against such damages or injuries as the Board deems advisable, which may include without limitation, medical expenses of persons injured on the Property, and to bond the agents and employees of any management body, if deemed advisable by the Board of Directors;

(h) To operate, maintain and otherwise manage or provide for the operation, maintenance and management of the Common Area, if any, and to contract for and pay maintenance, gardening, utilities, materials and supplies, and services relating to the Common Area, if any, and to employ personnel necessary for the operation of the Common Area, if any, including legal and accounting services, and to contract for and pay for improvements and any recreational facilities on the Common Area, if any;

(i) To grant easements where necessary for utilities and sewer facilities over the Common Area to serve the Property;

(j) To fix, determine and name from time to time, if necessary or advisable, the public agency, fund, foundation or corporation which is then or there organized or operated for charitable purposes, to which the assets of this Corporation may be distributed upon liquidation or dissolution according to the Articles of Incorporation of the Corporation unless such assets shall be distributed to Owners of Building Lots as more particularly provided in the Articles of Incorporation. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Corporation, and after distribution of all property held or acquired by the Corporation under the terms of a specific trust or trusts;

(k) To adopt, amend, and repeal by majority vote of the Board of Directors, rules and regulations as to the Corporation deemed reasonable and necessary; and

(l) To pay all real and personal property taxes and assessments levied against the Common Area owned or managed by the Corporation.

**Section 4.4 Nomination, Election and Term of Office.** Nomination for election to the Board of Directors shall be made by a nomination committee. Nominations may also be made from the floor at the annual meeting. The nomination committee shall consist of a chairperson, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The nominating committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The nomination committee 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. Such nominations may be made from among Members or non-Members.

At the first annual meeting of the Corporation, and thereafter at each annual meeting of the Corporation, new Directors shall be elected by secret written ballot by a majority of Members present at such meeting as provided in these Bylaws. Cumulative voting is not permitted. The term of the Directors shall be for one (1) year. In the event that an annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting held for that purpose. Each Director shall hold office until a successor has been elected or until death, resignation, removal or judicial adjudication of mental incompetence. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms during which a Director may serve.

**Section 4.5 Books, Financial Statements and Audit.** The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Corporation in a manner consistent with generally accepted accounting principles. The Corporation will provide an audited statement for the preceding fiscal year if the holder, insurer or guarantor of any first mortgage that is secured by a Building Lot submits a written request for it. An annual operating statement reflecting income and expenditures of the Corporation shall be distributed to each Member within ninety (90) days after the end of each fiscal year, and to first mortgagees who have in writing requested notice of Corporation proceedings.

**Section 4.6 Vacancies.** Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum, and each person so elected shall be a Director until a successor is elected at the next annual meeting, or at a special meeting called for that purpose. A vacancy or vacancies shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in the case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place.

Section 4.7 Removal of Directors. At any regular or special meeting of the Corporation duly called, any one or more of the Directors may be removed with or without cause by a consent of the Members holding more than fifty percent (50%) of the votes of the Members present at such regular or special meeting, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed, new Directors may be elected at the same meeting.

Section 4.8 Organization Meeting. The first regular meeting of a newly elected Board of Directors shall be held within ten (10) days of the election of the Board of Directors, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers, and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the whole Board of Directors shall be present.

Section 4.9 Other Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meetings, unless the time and place of such meetings is announced at the organization meeting, in which case such notice of other regular meetings shall not be required.

Section 4.10 Special Meetings. Special meetings of the Board of Directors may be called by the President, or, if the President is absent or refuses to act, by the Vice President, or by any two (2) Directors. At least two (2) days, notice shall be given to each Director, personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and the purpose of the meeting. If served by mail, each such notice shall be sent, postage prepaid, to the address reflected on the records of the Corporation, and shall be deemed given, if not actually received earlier, at 5:00 o'clock p.m. on the second day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director has been absent from any special meeting of the Board of Directors, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

Section 4.11 Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall be waiver of notice by that Director of the time and place thereof. If all Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Corporation or made a part of the minutes of the meeting.

Section 4.12 Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 4.13 Action Without Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the vote or written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 4.14 Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Corporation handling or responsible for the Corporation funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Corporation or its Manager.

Section 4.15 Committees. The Board of Directors, by resolution, may from time to time designate such committees as the Board of Directors shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing a committee shall provide for the appointment of its members, as well as a chairperson, shall state the purpose of the committee, and shall provide for reports, termination, and other administration matters as deemed appropriate by the Board of Directors.

## ARTICLE 5. OFFICERS

Section 5.1 Designation. The principal officers of the Corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in the Board of Directors' judgment may be necessary. One person may hold two or more offices, except those offices of President and Secretary.

Section 5.2 Election of Officers. The officers of the Corporation shall be elected annually by the Board of Directors at the Organizational Meeting of each new Board of Directors, and each officer shall hold office for one (1) year unless he shall sooner resign or shall be removed or otherwise disqualified.

Section 5.3 Removal of Officers. Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed, either with or without cause, and a successor elected at any regular meeting of the Board of Directors, or any special meeting of the Board of Directors called for such purpose. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or Secretary of the Corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board of Directors shall not be necessary to make it effective. 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 5.4 Compensation. Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized or ratified by the Board of Directors. Appointment of any officer, agent or employee shall not of itself create contractual rights of compensation for services performed by such an officer, agent or employee. No officer, employee or Director of Grantor or any affiliate of Grantor may receive any compensation.

Section 5.5. Special Appointment. The Board of Directors may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may, from time to time, determine.

Section 5.6. President. The President shall be the chief executive officer of the Corporation. The President shall preside at all meetings of the Corporation and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the President of a nonprofit corporation, including but not limited to the power, subject to the provisions of Section 4.15, to appoint committees from among the Members and Owners from time to time as the President alone may

decide are appropriate to assist in the conduct of the affairs of the Corporation. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business of the Corporation. The President shall be ex officio a member of all standing committees, and the President shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

**Section 5.7. Vice President.** The Vice President shall take the place of the President and perform such duties whenever the President shall be absent, disabled or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or these Bylaws.

**Section 5.8. Secretary.** The Secretary shall record the votes and keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Corporation at the principal office of the Corporation or such other place as the Board of Directors may order. The Secretary shall keep the seal of the Corporation in safe custody and shall have charge of such books and papers as the Board of Directors may direct, and the Secretary shall, in general, perform all the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Corporation and of the Board of Directors required by these Bylaws or by law to be given. The Secretary shall maintain a book of record Owners, and any person in possession of a Building Lot that is not an Owner, listing the names and addresses of the Owners, and any person in possession of a Building Lot that is not an Owner, as furnished to the Corporation and such book shall be changed only at such time as satisfactory evidence or a change in ownership of a Building Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

**Section 5.9. Treasurer.** The Treasurer shall have responsibility for the Corporation funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts of the Property owned by the Corporation, tax records and business transactions of the Corporation including accounts of all assets, liabilities, receipts and disbursements, all in books belonging to the Corporation. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors in accordance with the Master Declaration, shall render to the President and Directors upon request, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

## **ARTICLE 6. OBLIGATIONS OF OWNERS**

### **Section 6.1 Assessments.**

(a) All Owners are obligated to pay, in accordance with the provisions of the Master Declaration, all Assessments imposed by the Corporation to meet all expenses of the Corporation, which may include, without limitation, a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of fire, earthquake or other hazard, as more fully provided in Section 4.3 of these Bylaws. Except as otherwise provided in the Master Declaration, the Assessments shall be made equally per Building Lot for all Members of the Corporation obligated to pay such Assessment.

(b) All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the Master Declaration.

## Section 6.2 Maintenance and Repair.

(a) Every Owner must perform promptly, at the Owner's sole cost and expense, all maintenance and repair work on such Owner's Building Lot as required under the provisions of the Master Declaration. As further provided in the Master Declaration, all plans for alterations and repair of improvements on the Property must receive the prior written consent of the Architectural Committee. The Architectural Committee shall establish reasonable procedures for the granting and denial of such approval in accordance with the Master Declaration.

(b) As further provided in the Master Declaration, each Owner shall reimburse the Corporation for any expenditures incurred in repairing or replacing any portion of the Property owned or controlled by the Corporation which are damaged through the fault of the Owner, and each Owner shall promptly reimburse the Corporation for the costs of repairing, replacing and/or maintaining that portion of the Property which the Corporation has repaired, replaced or maintained pursuant to the Master Declaration. Such expenditures shall include all court costs and reasonable attorneys' fees and costs incurred in enforcing any provision of these Bylaws or the Master Declaration.

## ARTICLE 7. AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Corporation at an annual meeting or at a duly constituted meeting of the Corporation for such purpose as provided in the Articles of Incorporation. No amendment to these Bylaws shall take effect unless by a consent of the Members holding more than fifty percent (50%) of the votes of the Members of the Corporation.

## ARTICLE 8. MEANING OF TERMS

Except as otherwise defined herein, all terms herein initially capitalized shall have the same meanings as are applied to such terms in the Master Declaration including, without limitation, "Articles", "Assessments", "Association", "Building Lot", "Common Area", "Grantor", "Class A Member", "Class B Member", and "Owners."

## ARTICLE 9. CONFLICTING PROVISIONS

In case any of these Bylaws conflict with any provisions of the laws of the State of Idaho, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other Bylaws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these Bylaws the Articles shall control; and in the case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

## ARTICLE 10. INDEMNIFICATION AND INSURANCE

Section 10.1 Certain Definitions. For the purposes of this Article, "agent" means any person who is or was a director, officer, employee or other agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, or was a director, officer, employee or agent of a corporation which was a predecessor corporation of the Corporation; "Proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and costs and any expenses of establishing a right to indemnification under Section 10.3 or paragraph (c) of Section 10.4.

Section 10.2 Indemnification. This Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of this Corporation to procure a judgment in its favor) by reasons of the fact that such persons is or was an agent of this Corporation, against expenses, judgments, fines, settlements and other amounts actually and

reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such persons was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the persons reasonably believed to be in or not opposed to the best interests of the Corporation or with respect to any criminal proceeding that the person had reasonable cause to believe that the person's conduct was unlawful. However, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation in the performance of such persons' duty to the Corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall deem proper.

Section 10.3 Expenses in Successful Defense. To the extent that an agent of the Corporation has been successful on the merits in defense of any proceeding referred to in Section 10.2 or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Section 10.4 Determination of Standard of Conduct. Except as provided in Section 10.3, any indemnification under this Article shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section 10.2, as determined by:

(a) A majority vote of a quorum consisting of directors who are not parties to such proceeding;

(b) Approval or ratification by the affirmative vote of a majority of Members entitled to vote represented at a duly held meeting of the Corporation at which a quorum is present or by the written consent of a majority of Members entitled to vote. For purposes of determining the required quorum of any meeting of the Corporation called to approve or ratify indemnification of an agent and the vote or written consent required therefor, an agent who is a Member to be indemnified shall not be entitled to vote thereon;

(c) The court in which such proceeding is or was pending, upon application made by the Corporation or the agent or the attorney or other persons rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Corporation; or

(d) Independent legal counsel in written opinion, engaged at the direction of a quorum of disinterested directors.

Section 10.5 Advancing Expenses. Expenses incurred in defending any proceeding may be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount, if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in this Article.

Section 10.6 Extent and Limitations of Indemnifications. No indemnification or advance shall be made under this Article, except as provided in Section 10.3 or paragraph (c) of Section 10.4, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the Articles of Incorporation, these Bylaws, a resolution of the Board of Directors or Members or an agreement in effect at the time of the

accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

This Article shall create a right of indemnification for each agent referred to in this Article, whether or not the proceeding to which the indemnification relates arose in whole or in part prior to adoption of this Article; and in the event of the death of such agent, whether before or after initiation of such proceeding, such right shall extend to such agent's legal representatives. In addition, to the maximum extent permitted by applicable law, the right of indemnification hereby given shall not be exclusive of or otherwise affected any other rights such agent may have to indemnification, whether by law or under any contract, insurance policy or otherwise.

Section 10.7 Liability Insurance. The Corporation may purchase and maintain insurance on behalf of any agent of the Corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Corporation would have the power to indemnify the agent against such liability under the provisions of this Article.

## ARTICLE 11. MISCELLANEOUS

Section 11.1 Checks, Drafts and Documents. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 11.2 Execution of Documents. The Board of Directors, except as in these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent or employee shall have the power or authority to bind the Corporation by any contract or engagement or to pledge the Corporation's credit or to render the Corporation liable for any purpose or in any amount.

Section 11.3 Inspection of Bylaws, Books and Records. The Corporation shall keep in the Corporation's office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times during office hours. The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Master Declaration, the Articles of Incorporation, and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

Section 11.4 Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of June and end on the 31st day of May of every year except that the first fiscal year shall begin on the date of incorporation.

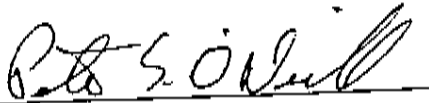
Section 11.5 Membership Book. The Corporation shall keep and maintain in the Corporation's office for the transaction of business a book containing the name and address of each Member. Termination or transfer of ownership of any Building Lot by an Owner shall be recorded in the books together with the date on which such ownership was transferred, and the new Owner shall be incorporated into the book in accordance with the provisions of the Master Declaration and the Articles of Incorporation.

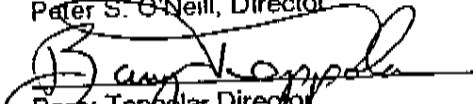
CONSENT OF DIRECTORS OF  
SMR HOMEOWNERS' ASSOCIATION, INC.  
IN LIEU OF MEETING

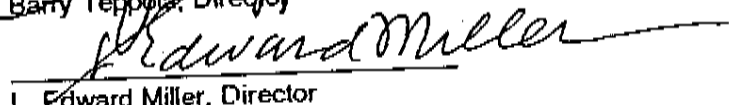
The undersigned, constituting all of the Directors of SMR HOMEOWNERS' ASSOCIATION, INC., an Idaho nonprofit corporation (the "Corporation"), do hereby consent to adopt and approve in writing the following corporate action without a meeting in accordance with the provisions of the general nonprofit corporation laws of the State of Idaho:

RESOLVED, That the above and foregoing Bylaws are hereby duly adopted as the Bylaws of the Corporation and that the same do now constitute the Bylaws of the Corporation.

This Consent of Directors of SMR Homeowners' Association, Inc. in Lieu of Meeting shall be effective the 13th day of September, 1993.

  
Peter S. O'Neill, Director

  
Barry Teppola, Director

  
L. Edward Miller, Director

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of SMR HOMEOWNERS' ASSOCIATION, INC., an Idaho nonprofit corporation; and

2. The foregoing Bylaws comprising 12 pages including this page constitute the Bylaws of SMR Homeowners' Association, Inc. and were duly adopted by the Board of Directors pursuant to that "Consent of Directors of SMR Homeowners' Association, Inc. in Lieu of First Meeting" dated effective the 13th day of September, 1993.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and attest the act of the Corporation effective the 13th day of September, 1993.

  
L. Edward Miller, Secretary