BYLAWS

OF

SV HOMEOWNERS' ASSOCIATION, INC.

ARTICLE 1. GENERAL PLAN OF OWNERSHIP

Section 1.1 Name. The name of the corporation is SV 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 Surprise Valley (hereinafter called the "Property"), a planned residential development located in the City of Boise City, County of Ada, State of Idaho, generally provided for in the Master Declaration of Covenants, Conditions and Restrictions for Surprise Valley Planned Residential Development, and the amendments and supplements thereto, recorded or to be recorded in the office of the County Recorder, Ada County, Idaho as Instrument No. 95042516 (the "Master Declaration").

Section 1.3 Personal Application. All present and future Owners and Occupants, and their 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 Building Lot or the mere act of occupancy of any Building Lot will signify that these Bylaws are accepted, ratified, and will be complied with.

ARTICLE 2. VOTING, QUORUM, PROXIES

Section 2.1 Voting. The Corporation shall have three classes of memberships:

Class A Members. Class A Members shall be the Delegates of Local Associations whose Members are designated in a Supplemental Declaration as Members of the Master Association and a Local Association. Each Delegate shall be entitled to one (1) vote for each single-family detached Building Lot and between one-half (½) vote and one (1) vote for each Townhome or Condominium Building Lot (as designated in the Supplemental Declaration for Phases in which Townhomes and/or Condominiums are contained therein) owned by the Class C Members represented by such Delegate.
Class B Member. Grantor shall be the Class B Member, and shall be entitled to five (5) votes for each of the 800 approved residential units for Surprise Valley or 4000 votes, less five (5) votes for each Building Lot owned by someone other than Grantor. The Class B Member shall cease to be a voting Member in the Master Association at the earlier of: (1) Grantor has 1000 or less votes in the Master Association; or (2) on June 1, 2015.

Class C Members. The Class C Members shall be all Owners, with the exception of the Grantor and the Delegates. Class C Members shall not be entitled to vote in the Master Association except that Building Lots owned by such Class C Members shall be counted for purposes of determining the number of votes of the Class A Members.

Section 2.2 Quorum. Except as otherwise provided in these Bylaws, the Articles or the Master Declaration, the presence in person or by proxy of the Delegates representing more than sixty percent (60%) of the total votes of the Corporation shall constitute a quorum. The Delegates 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 Delegates to leave less than a quorum. If any meeting cannot be held because a quorum is not present, the Delegates present may adjourn the meeting to a time not less than five (5) 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 Delegates representing no less than fifty percent (50%) of the total voting power of the Corporation 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 Corporation’s secretary at least twenty-four (24) hours before the appointed time of each meeting. Every proxy shall be revocable at the pleasure of the Delegate 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, Restricted Area and Maintenance Property 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 the Delegates present at an annual or special meeting of the Corporation at which a quorum is present and representing a majority of the total voting power in the Corporation.
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 Ada County as may be designated by the Board, and shall be conducted in accordance with Robert's Rules of Order.

Section 3.3 Annual Meetings. The Corporation shall hold an annual meeting each year and the first annual meeting shall be held within the first six (6) months following the close of the first sale of a Building Lot, and each subsequent regular annual meeting shall be determined by the Board. Except for the first annual meeting, the Board shall consist of all Delegates, who shall serve for a term of one (1) year beginning with such annual meeting, or until a successor has been elected or until death, resignation, removal or judicial adjudication of mental incompetence. All Delegates shall be elected pursuant to the terms and conditions enunciated in the Master Declaration. The Delegates may transact such 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 Corporation's president to call a special meeting of the Corporation as directed by resolution of the Board, or upon request of the Class B Member or upon a petition signed by Delegates at the direction of Members representing one-fourth (1/4) of all the votes of the Class C 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 Delegates representing more than fifty percent (50%) of the total voting power in the Corporation, either in person or by proxy.

Section 3.5 Notice of Meetings. Notice of annual or special meetings of the Corporation shall be delivered, mailed or faxed to all Delegates and Members and shall be given not less than ten (10) days nor more than thirty (30) days prior to the time of said meeting and shall set forth the place, date and hour of the meeting, and the nature of the business to be undertaken, by the acting chairman of the previous annual meeting, or, in such person's absence, by the Corporation's secretary of the previous annual meeting, or, in both persons' absence, by the Delegates having one-quarter (1/4) of the total voting power in the Corporation. 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 to the Corporation's secretary, notice shall be deemed to have been given to a Member if posted in a conspicuous place on the Property.

Section 3.6 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) unfinished business; and (g) new business.
Section 3.7 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 Delegates who would be entitled to vote at a meeting for such purpose, and filed with the Corporation’s secretary. Any action so approved shall have the same effect as though taken at a meeting of the Delegates.

Section 3.8 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 Delegates 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 party of the minutes of the meeting.

Section 3.9 Minutes. Presumption of Notice. Minutes or a similar record of the proceedings of meetings, when signed by the president or Corporation’s 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 composed of not less than three (3) and no more than twenty (20) directors, who, other than the initial directors specified in the Articles, shall be the Delegates to the Corporation. The Board shall be comprised of the Delegates elected pursuant to the terms and conditions enunciated in the Master Declaration. Delegates shall not receive any salary or other compensation for their services as Delegates; 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 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, Members and/or Grantor.

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 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, 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;

(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, the Master Declaration, and these Bylaws, as the Board 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 Ada, State of Idaho, as provided in Section 1.1 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 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 and the Master Declaration;

(e) To fix and levy from time to time Regular Assessments, Special Assessments, and Limited Assessments upon the Owners on behalf of itself, any and all Local Associations and the Recreation Facility Association, 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, any and all Local Associations or the Recreation Facility Association, and of the taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Corporation, any and all Local Associations and the Recreation Facility Association, 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, any and all Local Associations and the Recreation Facility Association for the general benefit and welfare of the Owners and/or Members, in accordance with the provisions of the Master Declaration. The Board 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, any and all Local Associations or the Recreation Facility Association shall deem to be necessary.
or advisable in the interest of the Corporation, any and all Local Associations or the Recreation Facility Association or welfare of the Owners and/or Members. The funds collected by the Board 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 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, the Articles, these Bylaws or other agreements of the Corporation, or any Local Association;

(g) To contract for and pay for, casualty, blanket, liability, malicious mischief, vandalism and other insurance, insuring the Owners, the Corporation, the Board 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 Common Area, Restricted Area, and Maintenance Property, and to bond the agents and employees of any management body, if deemed advisable by the Board;

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

(i) To grant easements where necessary for utilities and sewer facilities over the Common Area and Restricted 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 unless such assets shall be distributed to Owners of Building Lots as more particularly provided in the Articles. 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, rules and regulations as the Corporation deemed reasonable and necessary; and

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

Section 4.4 Election, Nomination and Term of Office. The Board shall consist of the Delegates elected pursuant to the terms and conditions enunciated in the Master Declaration. The Nomination of Delegates shall be determined by each Local Association or Phase, as the case may be; provided however, that such nomination procedures must be in compliance with the Master Declaration, the Articles, the Bylaws, any applicable Supplemental Declaration or any applicable Local Association articles of incorporation or bylaws.

At the first annual meeting of any Local Association or Phase, and thereafter at each annual meeting of said Local Association or Phase, a new Delegate shall be elected by secret written ballot by a majority of Members present in person or by proxy at such meeting as provided in these Bylaws. Cumulative voting is not permitted. The term of the Delegates shall be for one (1) year. In the event that an annual meeting is not held, or the Delegates are not elected thereat, the Delegates may be elected at any special meeting held for that purpose prior to the Corporation’s annual meeting. If no Delegate is elected by a Local Association or Phase prior to the Corporation’s annual meeting, said Local Association or Phase shall not be represented at the Corporation’s annual meeting. Each Delegate 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 Delegate may be re-elected, and there shall be no limitation on the number of terms during which a Delegate may serve; provided, however, that no Delegate shall serve more than two (2) consecutive terms.

Section 4.5 Books, Financial Statements and Audit. The Board 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. Financial statements for the Corporation shall be prepared regularly and, upon request, copies shall be distributed to each Member of the Corporation as follows:

(a) A pro forma operating statement or budget representing the Corporation for each fiscal year shall be available for distribution not less than sixty (60) days before the beginning of each fiscal year. The operating statement shall include a schedule of Assessments received and receivable.
(b) Within ninety (90) days after the close of each fiscal year, the Corporation shall cause to be prepared and available for delivery to each Member, a balance sheet as of the last day of the Corporation's fiscal year and annual operating statements reflecting the income and expenditures of the Corporation for its last fiscal year. Copies of the balance sheet and operating statement shall be available for distribution to each Member within ninety (90) days after the end of each fiscal year.

Section 4.6 Vacancies. Vacancies in the Board caused by any reason other than the removal of a Delegate by a vote of the Members shall be filled by vote of the majority of the remaining Delegates, even though they may constitute less than a quorum, and each person so elected shall be a Delegate until a successor is elected at the next applicable Local Association or Phase annual meeting, or special meeting called for that purpose; provided however, that said Delegate shall be a Member of the Local Association, or Owner within the Phase in which the vacancy occurred. A vacancy or vacancies shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Delegate, or in the case the full number of authorized Delegates are not elected at any meeting at which such election is to take place.

Section 4.7 Removal of Delegates. At any regular or special meeting of a Local Association or Phase, duly called, a Delegate may be removed with or without cause by a consent of the Members or Owners of that Local Association or Phase, as the case may be, holding more than fifty percent (50%) of the votes of the Members or Owners present at such regular or special meeting, and a successor may then and there be elected to fill the vacancy thus created. Any Delegate whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 4.8 Organization Meeting. The first regular meeting of a newly elected Board shall be held within thirty (30) days of the election of the Board, at such place as shall be fixed and announced by the Delegates subsequent to said Delegates' election, for the purpose of organization, election of officers, and the transaction of other business. No notice shall be necessary to the newly elected Delegates in order legally to constitute such meeting, provided a quorum of the Board shall be present.

Section 4.9 Other Regular Meetings. Regular meetings of the Board 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 shall be given to each Delegate, personally or by mail, telephone or fax, 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 may be called by the president, or, if the president is absent or refuses to act, by the vice president, or by any three (3) Delegates. At least two (2) days, notice shall be given to each Delegate, personally or by mail, telephone or fax, 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 Delegate has been absent from any special meeting of the Board, 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 Delegate, as required by law and as provided herein.

Section 4.11 Waiver of Notice. Before or at any meeting of the Board, any Delegate may in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Delegate at any meeting of the Board shall be waiver of notice by that Delegate of the time and place thereof. If all Delegates are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, 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 Delegates 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, a majority of the Delegates shall constitute a quorum for the transaction of business, and the acts of the majority of the Delegates present at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting from time to time.

Section 4.13 Voting. For Purposes of voting at Board meetings and for or against Board actions, each Delegate, including Grantor's Delegate, when acting in their capacity as Board members shall have the same number of votes as enunciated in Section 2.1, above.

Section 4.13 Action Without Meeting. The Delegates 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 Delegates. Any action so approved shall have the same effect as though taken at a meeting of the Delegates.
Section 4.14 **Fidelity Bonds.** The Board 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, by resolution, may from time to time designate such committees as the Board 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.

**ARTICLE 5. OFFICERS**

Section 5.1 **Designation.** The principal officers of the Corporation shall be a president, a vice president, secretary, and a treasurer, all of whom shall be elected by the Board. The Board may appoint an assistant treasurer and an assistant secretary, and such other officers in the Board's 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 at the organizational meeting of each new Board, 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 Board, any officer may be removed, either with or without cause, and a successor elected at any regular meeting of the Board, or any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board 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 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. 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, Delegate or affiliate of Grantor may receive any compensation.
Section 5.5. **Special Appointment.** The Board may elect such other officers as
the affairs of the Corporation may require, each of whom shall hold office for such
period, have such authority, and perform such duties as the Board 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. 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, 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 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 shall appoint a member of the Board 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 or these Bylaws.

Section 5.8. **Secretary.** The secretary shall record the votes and keep the
minutes of all meetings of the Board and the minutes of all meetings of the
Corporation at the principal office of the Corporation or such other place as the Board
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 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 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 of 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 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 Common Area, Restricted Area,
Maintenance Property, any 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. The
treasurer shall disburse the funds of the Corporation as may be ordered by the Board
in accordance with the Master Declaration, shall render to the president and
Delegates 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 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 levied by the Corporation to meet all
expenses of the Corporation, any and all Local Associations and the Recreation
Facility Association, 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, any and all Local Associations and the Recreation Facility
Association 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 Design Committee. The Design
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 Common Area, Restricted Area or Maintenance Property which is
damaged through the fault of an Owner or an Owner’s Occupant, and each Owner
shall promptly reimburse the Corporation for the costs of repairing, replacing and/or
maintaining that portion of the Common Area, Restricted Area or Maintenance
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. No amendment to these Bylaws shall take effect unless by the affirmative votes of more than fifty percent (50%) of the total voting power of the Corporation as cast by the Delegates.

ARTICLE 8. MEANING OF TERMS

Except as otherwise defined herein, all terms herein initially capitalized shall have the same meanings as are ascribed to such terms in the Master Declaration including, without limitation, "Articles", "Assessments", "Association", "Board", "Building Lot", "Common Area", "Delegate", "Design Committee", "Grantor", "Improvement", "Local Association", "Maintenance Property", "Member", "Owner", "Occupant", "Phase", "Recreation Facility", "Recreation Facility Association", "Restricted Area", and "Supplemental Declaration".

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 and these Bylaws the Articles 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 person 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 person 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 person's 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 the total voting power of the Corporation as cast by the Delegates at a duly held meeting of the Corporation at which a quorum is present; provided that a Delegate to such proceeding may vote on behalf of the Members or Owners he or she normally represents;

(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 Delegates.
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, these Bylaws, a resolution of the Board 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 affect 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.

Section 11.2 Execution of Documents. The Board, 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, 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 Corporation's secretary, which shall be open to inspection by the Members at all reasonable times during office hours. The books, records and papers of the Corporation shall at all times, during reasonable business hours, be subject to inspection by any member. The Master Declaration, the Articles, and the Bylaws shall be available for inspection by any Member at the principal office of the Corporation, 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.
CONSENT OF DIRECTORS OF
SV HOMEOWNERS' ASSOCIATION, INC.
IN LIEU OF MEETING

The undersigned, constituting all of the Directors of SV 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 SV Homeowners' Association, Inc. in Lieu of Meeting shall be effective the 20 day of July, 1995.

[Signatures]
Peter S. O'Neill, Director
Derick O'Neill, 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 SV HOMEOWNERS' ASSOCIATION, INC., an Idaho nonprofit corporation; and

2. The foregoing Bylaws comprising 17 pages including this page constitute the Bylaws of SV Homeowners' Association, Inc. and were duly adopted by the Board of Directors pursuant to that "Consent of Directors of SV Homeowners' Association, Inc. in Lieu of First Meeting" dated effective the 20 day of July, 1995.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and attest the act of the Corporation effective the 20 day of July, 1995.

[Signature]
Derick O'Neill, Secretary
BYLAWS

OF

SV RECREATION FACILITY ASSOCIATION, INC.

ARTICLE 1. GENERAL PLAN OF MEMBERSHIP

Section 1.1 Name. The name of the corporation is SV RECREATION FACILITY 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 of SV Recreation Facility Association, Inc. (these "Bylaws") are applicable to the Recreation Facility(ies) located in Surprise Valley (hereinafter called the "Property"), a planned residential development located in the City of Boise City, County of Ada, State of Idaho, generally provided for in the Master Declaration of Covenants, Conditions and Restrictions for Surprise Valley Planned Residential Development, and the amendments and supplements thereto, recorded or to be recorded in the office of the County Recorder, Ada County, Idaho as Instrument No. 95042516 (the "Master Declaration").

Section 1.3 Personal Application. All present and future Owners designated as Recreation Facility Association Members in a Supplemental Declaration are subject to the regulations set forth in these Bylaws, and in the Master Declaration. The mere acquisition, rental or occupancy of any Building Lot which has been designated in a Supplemental Declaration as a Building Lot whose Owner shall be a Recreation Facility Association Member will signify these Bylaws are accepted, ratified, and will be complied with by said Owner or Occupant.

ARTICLE 2. VOTING, QUORUM, PROXIES

Section 2.1 Voting. The Corporation shall have three (3) classes of memberships:

Class A Members. Class A Members shall be the Delegates of Local Associations whose Members are designated in a Supplemental Declaration as Members of the Recreation Facility Association. Each Delegate shall be entitled to one (1) vote for each single-family detached Building Lot and between one-half (½) vote and one (1) vote for each Townhome or Condominium Building Lot (as designated in the Supplemental Declaration for Phases in which Townhomes and/or Condominiums are contained therein) owned by the Class C Members represented by such Delegate.
Class B Members. The Class B Member shall be Grantor, and shall be
entitled to five (5) votes for each of the 800 approved residential units for
Surprise Valley, or 4000 votes, less five (5) votes for each Building Lot owned
by someone other than Grantor. The Class B Member shall cease to be a
voting Member in the Recreation Facility Association at the earlier of: (1)
Grantor has 1000 or less votes in the Recreation Facility Association; or (2) on
June 1, 2015.

Class C Members. The Class C Members shall be the Owners of
Building Lots whose Owners are entitled to use the Recreation Facility(ies),
except for the Grantor and the Delegates, and the Class C Members shall be
entitled to no votes except that Building Lots owned by the Class C Members
who are also Recreation Facility Association Members shall be counted for
purposes of determining the number of votes of the Class A Members.

Section 2.2 Quorum. Except as otherwise provided in these Bylaws, the
Articles of Incorporation of SV Recreation Facility Association, Inc. (the "Articles") or
the Master Declaration, the presence in person or by proxy of the Delegates
representing more than sixty percent (60%) of the total votes of the Corporation shall
constitute a quorum. The Delegates 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 Delegates to leave less than a quorum. If any meeting
cannot be held because a quorum is not present, the Delegates present may adjourn
the meeting to a time not less than five (5) 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 Delegates
representing no less than fifty percent (50%) of the total voting power of the
Corporation 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 Corporation's secretary at least twenty-four (24)
hours before the appointed time of each meeting. Every proxy shall be revocable at
the pleasure of the Delegate 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 Recreation Facility(ies) owned and/or managed by the Corporation,
approving its annual budget, establishing and submitting to the Master Association
for collection all Assessments, and may arrange for the management of the same
pursuant to an agreement containing provisions relating to the duties, obligations,
removal and compensation of a manager. Except as otherwise provided in the Master
Declaration, decisions and resolutions of the Corporation shall require an affirmative
vote of the Delegates present at an annual or special meeting of the Corporation at which a quorum is present and representing a majority of the total voting power present at the meeting.

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 Ada County as may be designated by the Recreation Facility Board, and shall be conducted in accordance with Robert’s Rules of Order.

Section 3.3 Annual Meetings. The Corporation shall hold an annual meeting each year and the first annual meeting shall be held within the first six (6) months following the close of the first sale of a Building Lot, and each subsequent regular annual meeting shall be determined by the Recreation Facility Board. Except for the first annual meeting, the Recreation Facility Board shall consist of all Delegates, who shall serve for a term of one (1) year beginning with such annual meeting, or until a successor has been elected or until death, resignation, removal or judicial adjudication of mental incompetence. All Delegates shall be elected pursuant to the terms and conditions enunciated in the Master Declaration. The Delegates may transact such business of the Corporation as may properly come before them at any such annual meeting. The Delegates present at each annual meeting shall select a chairman to preside over meetings and a secretary to transcribe minutes of the meetings, until a successor chairman and/or secretary are selected.

Section 3.4 Special Meetings. It shall be the duty of the Corporation’s president to call a special meeting of the Corporation as directed by resolution of the Recreation Facility Board, or upon request of the Class B Member or upon a petition signed by Delegates at the direction of Members representing one-fourth (1/4) of all the votes of the Class C 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 Delegates representing more than fifty percent (50%) of the total voting power in the Corporation, either in person or by proxy.

Section 3.5 Notice of Meetings. Notice of annual or special meetings of the Corporation shall be delivered, mailed or faxed to all Delegates and Members and shall be given not less than ten (10) days nor more than thirty (30) days prior to the time of said meeting and shall set forth the place, date and hour of the meeting, and the nature of the business to be undertaken, by the acting chairman of the previous annual meeting; or, in such person’s absence, by the Corporation’s secretary of the previous annual meeting, or, in both persons’ absence, by the Delegates having one-quarter (1/4) of the total voting power in the Corporation. 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 to the Corporation’s secretary, notice
shall be deemed to have been given to a Member if posted in a conspicuous place on the Property.

Section 3.6 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) unfinished business; and (g) new business.

Section 3.7 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 Delegates who would be entitled to vote at a meeting for such purpose, and filed with the Corporation's secretary. Any action so approved shall have the same effect as though taken at a meeting of the Delegates.

Section 3.8 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 Delegates 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 3.9 Minutes. Presumption of Notice. Minutes or a similar record of the proceedings of meetings, when signed by the president or Corporation's 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 Recreation Facility Board composed of not less than three (3) and no more than twenty (20) directors, who, other than the initial directors specified in the Articles, shall be the Delegates to the Corporation. The Recreation Facility Board shall be comprised of the Delegates elected pursuant to the terms and conditions enunciated in the Master Declaration. Delegates shall not receive any salary or other compensation for their services as Delegates; 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 Recreation Facility Board 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, Members and/or Grantor.

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 Recreation Facility Board 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, 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 Recreation Facility Board;

(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, the Master Declaration, and these Bylaws, as the Recreation Facility Board may deem necessary or advisable;

(c) 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 Recreation Facility Board 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 and the Master Declaration;

(e) To fix and submit to the Master Association for collection, from time to time, Regular Assessments, Special Assessments, and Limited Assessments upon the Members on behalf of itself, as provided in the Master Declaration; 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 the Recreation Facility(ies) 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 Members, in accordance with the provisions of the Master Declaration. The Recreation Facility Board 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 Recreation Facility Board shall deem to be necessary or advisable in the interest of the Corporation, or welfare of the Members. The funds received by the Recreation Facility Board from the Members, 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 Members and shall not be commingled with other Assessments received from the Members. Such Regular Assessments, Special Assessments and Limited Assessments shall be fixed in accordance with the provisions of the Master Declaration. Should any Member fail to pay such Assessments before delinquency, the Recreation Facility Board 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, the Articles, these Bylaws or other agreements of the Corporation relating to the Recreation Facility(ies);

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

(h) To operate, maintain and otherwise manage or provide for the operation, maintenance and management of Recreation Facility(ies), and to contract for and pay maintenance, gardening, utilities, materials and supplies, and services relating to the Recreation Facility(ies), and to employ personnel necessary for the operation of the Recreation Facility(ies), including legal and accounting services, and to contract for and pay for Improvements to the Recreation Facility(ies);

(i) To grant easements where necessary for utilities and sewer facilities over or through the Recreation Facility(ies) property 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;
(k) To adopt, amend, and repeal by majority vote of the Recreation Facility Board, 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 Recreation Facility(ies) owned or managed by the Corporation.

Section 4.4 Election, Nomination and Term of Office. The Recreation Facility Board shall consist of the Delegates elected pursuant to the terms and conditions enunciated in the Master Declaration. The Nomination of Delegates shall be determined by each Local Association or Phase, as the case may be; provided however, that such nomination procedures must be in compliance with the Master Declaration, the Articles, the Bylaws, any applicable Supplemental Declaration or any applicable Local Association articles of incorporation or bylaws.

At the first annual meeting of any Local Association or Phase, and thereafter at each annual meeting of said Local Association or Phase, a new Delegate shall be elected by secret written ballot by a majority of Members present in person or by proxy at such meeting as provided in these Bylaws. Cumulative voting is not permitted. The term of the Delegates shall be for one (1) year. In the event that an annual meeting is not held, or the Delegates are not elected thereat, the Delegates may be elected at any special meeting held for that purpose prior to the Corporation’s annual meeting. If no Delegate is elected by a Local Association or Phase prior to the Corporation’s annual meeting, said Local Association or Phase shall not be represented at the Corporation’s annual meeting. Each Delegate 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 Delegate may be re-elected, and there shall be no limitation on the number of terms during which a Delegate may serve; provided, however, that no Delegate shall serve more than two (2) consecutive terms.

Section 4.5 Books, Financial Statements and Audit. The Recreation Facility Board 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. Financial statements for the Corporation shall be prepared regularly and, upon request, copies shall be distributed to each Member of the Corporation as follows:

(a) A pro forma operating statement or budget representing the Corporation for each fiscal year shall be available for distribution not less than sixty (60) days before the beginning of each fiscal year. The operating statement shall include a schedule of Assessments received and receivable.
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 Recreation Facility Board may be called by the president, or, if the president is absent or refuses to act, by the vice president, or by any three (3) Delegates. At least two (2) days' notice shall be given to each Delegate, personally or by mail, telephone or fax, 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 Delegate has been absent from any special meeting of the Recreation Facility Board, 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 Delegate, as required by law and as provided herein.

Section 4.11 Waiver of Notice. Before or at any meeting of the Recreation Facility Board, any Delegate may in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Delegate at any meeting of the Recreation Facility Board shall be waiver of notice by that Delegate of the time and place thereof. If all Delegates are present at any meeting of the Recreation Facility Board, no notice shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Recreation Facility Board, 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 Delegates 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 Recreation Facility Board, a majority of the Delegates shall constitute a quorum for the transaction of business, and the acts of the majority of the Delegates present at a meeting at which a quorum is present shall be the acts of the Recreation Facility Board.

Section 4.13 Voting. For Purposes of voting at Recreation Facility Board meetings and for or against Recreation Facility Board actions, each Delegate, including Grantor's Delegate, when acting in their capacity as Recreation Facility Board members shall have the same number of votes as enunciated in Section 2.1, herein.
Section 4.14 **Action Without Meeting.** The Delegates 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 Delegates. Any action so approved shall have the same effect as though taken at a meeting of the Delegates.

Section 4.15 **Fidelity Bonds.** The Recreation Facility Board 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 4.16 **Committees.** The Recreation Facility Board, by resolution, may from time to time designate such committees as the Recreation Facility Board 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 Recreation Facility Board.

**ARTICLE 5. OFFICERS**

Section 5.1 **Designation.** The principal officers of the Corporation shall be a president, a vice president, secretary, and a treasurer, all of whom shall be elected by the Recreation Facility Board. The Recreation Facility Board may appoint an assistant treasurer and an assistant secretary, and such other officers in the Recreation Facility Board’s 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 Recreation Facility Board at the organizational meeting of each new Recreation Facility Board, and each officer shall hold office for one (1) year unless he or she 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 Recreation Facility Board, any officer may be removed, either with or without cause, and a successor elected at any regular meeting of the Recreation Facility Board, or any special meeting of the Recreation Facility Board called for such purpose. Any officer may resign at any time by giving written notice to the Recreation Facility Board 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 Recreation Facility Board shall not be necessary to make it effective. A vacancy in any office may be filled by appointment by the Recreation Facility 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 Recreation Facility Board. 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, Delegate or affiliate of Grantor may receive any compensation.

Section 5.5. Special Appointment. The Recreation Facility Board may elect such other officers as the affairs of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Recreation Facility Board 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 Recreation Facility Board. 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 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 Recreation Facility Board, 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 Recreation Facility Board 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 Recreation Facility Board shall appoint a member of the Recreation Facility Board 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 Recreation Facility Board or these Bylaws.

Section 5.8. Secretary. The secretary shall record the votes and keep the minutes of all meetings of the Recreation Facility Board and the minutes of all meetings of the Corporation at the principal office of the Corporation or such other place as the Recreation Facility Board 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 Recreation Facility Board 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 Recreation Facility Board required by these Bylaws or by law to be given. The secretary shall maintain a book of record Members, listing the names and addresses of the Members, as furnished to the Corporation and such book shall be changed only at such time as satisfactory evidence of 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 Recreation Facility Board 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 Recreation Facility(ies), any 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 Recreation Facility Board. The treasurer shall disburse the funds of the Corporation as may be ordered by the Recreation Facility Board in accordance with the Master Declaration, shall render to the president and Delegates 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 Recreation Facility Board or these Bylaws.

**ARTICLE 6. OBLIGATIONS OF MEMBERS**

Section 6.1 **Assessments.**

(a) All Members are obligated to pay, in accordance with the provisions of the Master Declaration, all Assessments levied by the Master Association on behalf of 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.**

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 Recreation Facility(ies) which is damaged through the fault of an Owner or an Owner's Occupant, and each Owner shall promptly reimburse the Corporation for the costs of repairing, replacing and/or maintaining that portion of the Recreation Facility(ies) 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. No amendment to these Bylaws shall take effect unless by the affirmative votes of more than fifty percent (50%) of the total voting power of the Corporation as cast by the Delegates.

ARTICLE 8. MEANING OF TERMS

Except as otherwise defined herein, all terms herein initially capitalized shall have the same meanings as are ascribed to such terms in the Master Declaration including, without limitation, "Assessments", "Association", "Building Lot", "Delegate", "Grantor", "Improvement", "Limited Assessment", "Local Association", "Member", "Owner", "Occupant", "Phase", "Recreation Facility(ies)", "Recreation Facility Association", "Recreation Facility Board", "Regular Assessment", "Special Assessment", and "Supplemental Declaration".

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 and these Bylaws the Articles 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 person 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 person 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 person's 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 the total voting power of the Corporation as cast by the Delegates at a duly held meeting of the Corporation at which a quorum is present; provided that a Delegate to such proceeding may vote on behalf of the Members he or she normally represents;

(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 Delegates.
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, these Bylaws, a resolution of the Recreation Facility Board 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 affect 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 Recreation Facility Board.

Section 11.2 Execution of Documents. The Recreation Facility Board, 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 Recreation Facility Board, 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 Corporation's secretary, which shall be open to inspection by the Members at all reasonable times during office hours. The books, records and papers of the Corporation shall at all times, during reasonable business hours, be subject to inspection by any member. The Master Declaration, the Articles, and the Bylaws shall be available for inspection by any Member at the principal office of the Corporation, 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 a Member shall be recorded in the books together with the date on which such ownership was transferred, and the new Member shall be incorporated into the book in accordance with the provisions of the Master Declaration and the Articles.
CONSENT OF DIRECTORS OF
SV RECREATION FACILITY ASSOCIATION, INC.
IN LIEU OF MEETING

The undersigned, constituting all of the Directors of SV RECREATION FACILITY 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 SV Recreation Facility Association, Inc. in Lieu of Meeting shall be effective the 26th day of September, 1995.

Peter S. O'Neill, Director

Derick O'Neill, 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 SV RECREATION FACILITY ASSOCIATION, INC., an Idaho nonprofit corporation; and

2. The foregoing Bylaws comprising 17 pages including this page constitute the Bylaws of SV Recreation Facility Association, Inc. and were duly adopted by the Recreation Facility Board of Directors pursuant to that "Consent of Directors of SV Recreation Facility Association, Inc. in Lieu of Meeting" dated effective the 26th day of September, 1995.

IN WITNESS WHEREOF, I have hereto subscribed my hand and attest the act of the Corporation effective the 26th day of September, 1995.

Derick O'Neill, Secretary