

**BY-LAWS
OF
RED LEAF NEIGHBORHOOD ASSOCIATION, INC.**

ARTICLE 1. GENERAL PLAN OF OWNERSHIP

1.1 Name. The name of the corporation is Red Leaf Neighborhood Association, Inc. (hereinafter "Association"). The principal office of the Association shall be located at 2150 N. Canter Place, Eagle, Idaho 83616, until changed by the Board.

1.2 By-laws Applicability. The provisions of these By-laws are applicable to the Red Leaf Heights Subdivision, together with such subsequent phases, additions or annexations thereto as may hereinafter be brought within the jurisdiction of the Association.

1.3 Personal Application. All present and future Members, Owners and their tenants, employees, and any other person that might use the facilities owned and/or managed by the Association are subject to these By-laws.

ARTICLE 2 VOTING, QUORUM, PROXIES

2.1 Voting. Except for the Class B Membership provided for in the Covenants Conditions and Restrictions for this Subdivision (hereinafter referred to as "CC&R's" or "Declaration"), and except as may be otherwise provided in the CC&R's, each Class A Member shall be entitled to one vote for each Building Lot owned by such Member. One Lot one vote for Class A Members

2.2 Quorum. The presence in person or by proxy of the Class B Member (if one), and the presence in person or by proxy of the Class A Members holding at least ten percent (10%) of the total Class A votes entitled to be cast shall constitute a quorum. The Members present at a 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.

2.3 Proxies. Votes may be cast in person or by proxy. Proxies must be in writing and filed at the meeting and are good for 11 months or until canceled by the member giving the proxy.

ARTICLE 3 ADMINISTRATION

3.1 Duties. The Association shall have the duties set out in the CC&R's" for Red Leaf Heights Subdivisions.

3.2 Meetings. Meetings of the Association shall be held on the Property or close to the Property, and shall be conducted in accordance with Robert's Rules of Order.

3.3 Annual Meetings. Annual meetings of the members shall be held on April 30 of each year, unless a different date between April 15 and May 31 is selected by the Board. (If a weekend or holiday then the next business day.) At each annual meeting, Members shall elect a Board of Directors (the "Board") to act until the next annual meeting. The Members may also transact such other business as may properly come before them.

3.4 Special Meetings. It shall be the duty of the President to call a special meeting as directed by the Board, 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 By-laws, and shall state the nature of the business to be undertaken.

3.5 Notice of Meetings. Notice shall be given to all Members at the address of the Lot in the subdivision or to such address as provided in writing to the Association.

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) election of Directors; (g) unfinished business; and (h) new business. Meetings shall be conducted by the officers of the Association in order of their priority.

3.7 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 then 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.

3.8 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.

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 party of the minutes of the meeting.

ARTICLE 4. BOARD OF DIRECTORS

4.1 Number and Qualification. The affairs of the Association shall be governed and managed by the Board composed of at least three (3) persons,

who need not be Members of the Association. 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 Association in some other capacity and receiving compensation therefor, or to receive reimbursement for out of pocket costs incurred in carrying out duties.

4.2 Powers and Duties. The Board has all powers and duties necessary for the administration of the affairs of the Association, and the powers set forth in the CC&R's.

4.3 Special Powers and Duties. In addition to the general powers the such powers and duties as set forth in the CC&R's, 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 Association and to prescribe such powers and duties for them; to fix their compensation; 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 Association, and to make and enforce rules and regulations as the Board may deem advisable.

(c) To change the principal office of the Association from one location to another within the county; to designate the place meetings.

(d) To borrow money and to incur indebtedness for the purposes of the Association, and to execute any necessary documents relating thereto.

(e) To fix, levy and determine the due dates of all Assessments as provided in the CC&R's. 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 CC&R's.

(f) To enforce the provisions of the CC&R's or other agreements

of the Association.

(g) To contract for and pay for insurance, insuring the Owners, the Association, the Board and/or other interested parties, in accordance with the provisions of the CC&R's as deemed advisable by the Board.

(h) To operate, maintain and otherwise manage or provide for the operation, maintenance and management of the pressurized irrigation system, all Common Area, if any, and to contract for and pay the expenses relating thereto.

(i) To grant easements or licenses as provided in the CC&R's.

4.4 Management and Other Agents. The Board may contract or employ for the Association a management agent ("Manager") or other Agents at a compensation established by the Board to perform such duties and services as the Board shall authorize.

4.5 Nomination, Election and Term of Office. Nomination for election to the Board may be made by a nomination committee and/or made from the floor at the annual meeting. The nomination committee shall consist of a chairman, who shall be a member of the Board, and two (2) or more members of the Association. The nominating committee may be appointed by the Board prior to each annual meeting. The nomination committee shall make as many nominations for election to the Board as it shall in its discretion determine.

At the first annual meeting, and thereafter at each annual meeting, Directors shall be elected by secret written ballot by a Majority present at such meeting. 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, the Directors shall hold office until a successor has been elected (at a special meeting if necessary) 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.

4.6 Books, Financial Statements and Audit. The Board shall cause to

be maintained a full set of books and records showing the financial condition and the affairs of the Association in a manner consistent with generally accepted accounting principles. An annual operating statement shall be made available to each Member as set out in the CC&R's, and to first mortgagees who have in writing so requested.

4.7 Vacancies. Vacancies in the Board 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.

4.8 Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the Directors may be removed with or without cause by a majority of all cast votes 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.

4.9 Board Meetings. The Board shall meet at such times and places as it shall reasonably determine provided a majority is present. Notice of regular meetings of the Board shall be given to each Director, personally or by mail, telephone or fax at least three (3) days prior to the day named for such meetings.

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 two (2) Directors. Whenever any Director 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.

4.12 Waiver of Notice. Before or at any meeting of the Board, any Director may in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at

any meeting of the Board shall be waiver of notice by that Director. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

4.13 Quorum. A majority of the Directors shall constitute a quorum 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.

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

4.15 Committees. The Board may designate such committees as the Board shall desire, and establish the purposes and powers of each such committee created.

ARTICLE 5. OFFICERS

5.1 Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board. One person may hold two or more offices, except those offices of President and Secretary.

5.2 Election of Officers. The officers of the Association shall be elected by the Board for one year terms.

5.3 Removal of Officers. Upon a vote of a majority of the Board, any officer may be removed, either with or without cause, and a successor elected at any meeting of the Board. Any officer may resign by giving written notice to the Board or to the President or Secretary of the Association.

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 or Director of Grantor or any affiliate of Grantor may receive any compensation.

5.5. Special Appointment. The Board 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 may, from time to time, determine.

5.6. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association 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 Association. The President shall, subject to the control of the Board, have general supervision, direction and control of the business of the Association.

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.

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 Association at the principal office of the Association or such other place as the Board may order. 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. The Secretary shall maintain a book of record Owners, and any person in possession of a Building Lot that is not an Owner (if known), listing the names and addresses as furnished to the Association.

5.9. Treasurer. The Treasurer shall have responsibility for the Association finances and shall be responsible for keeping, or causing to be kept, full and accurate accounts of the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, in accordance with the CC&R's, and shall render to the President and Directors upon request, an account of all

transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these By-laws.

ARTICLE 6. OBLIGATIONS OF OWNERS

6.1 Assessments. All Class A Owners are obligated to pay all Assessments set out in the CC&R's. All delinquent Assessments shall be enforced, collected or foreclosed in the manner provided in the CC&R's.

6.2 Maintenance and Repair. Every Owner must perform promptly, at the Owner's sole cost and expense, all maintenance and repair work on such Owner's Building Lot and improvements as required under the provisions of the CC&R's. Each Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Property owned or controlled by the Association which are damaged through the fault of the Owner.

ARTICLE 7. AMENDMENTS TO BY-LAWS

These By-laws may be amended at an annual meeting or at a special meeting for such purpose by a vote of the Class B Member (if one) and a 2/3 vote of the quorum of Class A Members.

ARTICLE 8. MEANING OF TERMS

All terms in these By-laws have the same meanings as in the CC&R's.

ARTICLE 9. CONFLICTING PROVISIONS

In case any of these By-laws conflict with any provisions of the laws of the State of Idaho, such conflicting By-laws shall be null and void upon final court determination to such effect, but all other By-laws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these By-laws the Articles shall control; and in the case of any conflict between the CC&R's and these By-laws, the CC&R's shall control.

ARTICLE 10. INDEMNIFICATION AND INSURANCE

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 Association, or is or was serving at the request of the Association 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 Association; "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.

10.2 Indemnification. This Association 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 Association to procure a judgment in its favor) by reasons of the fact that such persons is or was an agent of this Association, 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 Association 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 Association 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 Association in the performance of such persons' duty to the Association, 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.

10.3 Expenses in Successful Defense. To the extent that an agent of the Association 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.

10.4 Determination of Standard of Conduct. Except as provided in Section 10.3, any indemnification under this Article shall be made by the Association 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; or,

(b) Approval or ratification by the affirmative vote of a Majority of Members entitled to vote represented at a duly held meeting at which a quorum is present or by the written consent of a Majority thereof; or,

(c) The court in which such proceeding is or was pending, upon application made by the Association or the agent or the attorney or other persons rendering services in connection with the defense, determines that the agent is entitled to indemnification; or

(d) Independent legal counsel, engaged at the direction of a quorum of disinterested directors, gives a written opinion that indemnification is justified.

10.5 Advancing Expenses. Expenses incurred in defending any proceeding may be advanced by the Association 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.

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 By-laws, 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.

10.7 Liability Insurance. The Association may purchase and maintain insurance on behalf of any agent of the Association 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 Association would have the power to indemnify the agent against such liability under the provisions of this Article.

ARTICLE 11. MISCELLANEOUS

11.1 Checks, Drafts and Documents. All checks, drafts or other orders for payment or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed by such persons, and in such manner as approved by the Board.

11.2 Execution of Documents. The Board may authorize any officer(s)

or agent(s), to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have the power or authority to bind the Association by any contract or engagement or to pledge the Association's credit or to render the Association liable for any purpose or in any amount.

11.3 Inspection of By-laws, Books and Records. The Association shall keep a copy of the Articles, the CC&R's and By-laws, as amended, and the books, records and papers of the Association in the Association's office. These shall be subject to inspection by any member during reasonable business hours. Copies will be provided at a reasonable cost and with advance notice.

11.4 Fiscal Year. The fiscal year of the Association shall be a calendar year.

11.5 Membership Book. The Association shall keep and maintain in the Association'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 upon payment of any Transfer Assessment.