

**BY-LAWS
OF SAGUARO CANYON SUBDIVISION
HOMEOWNERS' ASSOCIATION, INC.**

The following are By-Laws of Saguario Canyon Subdivision Homeowners' Association, Inc., a non-profit Idaho corporation. Each owner of a Residential Lot automatically, by virtue of such ownership, becomes a member of the Association. All present and future owners, mortgagees and other encumbrancers, lessees, tenants and occupants of the Lots are subject to these By-Laws, the Declaration of Covenants, Conditions and Restrictions of Saguario Canyon Subdivision ("Declaration"), executed by Farwest L.L.C. ("Declarant"), and the rules and regulations adopted by the Board of Directors of the Association. In the event of any conflict between the Declaration and these By-Laws, the Declaration shall be controlling.

Words and phrases that are defined in the Declaration shall have the same meaning in these By-Laws.

Until the transition date, Declarant shall have the full power and authority to exercise all of the rights, duties and functions of the Board of Directors and the Officers of the Association. All references herein to the Board shall apply with equal force and effect to the Declarant or the Association's Board of Directors, which ever has the responsibility for administering the Association. The transition date shall be the date upon which the authority and responsibility to manage the Association passes to the Association. The transition shall be either (1) the date designated by Declarant in a written notice to the owners, which day may, at Declarant's election, be any date after the Declaration has been recorded; or (2) the date after which the Declarant has transferred title to purchasers of 15 residential lots within the subdivision; or (3) the first annual meeting of the members; whichever of the foregoing first occurs.

ARTICLE I. MEMBERSHIP; REGISTER; VOTING.

Section 1.1. Membership. The owners of the Residential Lots in the Subdivision shall constitute the Association. Owners of a Residential Lot, as joint tenants in common, community property, or other ownership involving more than one owner shall be joint members of the Association, but the vote for the Residential Lot shall be cast as a single vote.

Section 1.2. Persons Under Disability. Minors and persons declared legally incompetent shall be eligible for membership in the Association, if otherwise qualified, but shall not be permitted to vote except through a legally appointed, qualified and acting guardian of their estate voting on their behalf, or, in the case of a minor with no legal guardian of his estate, through a parent having custody of the minor.

ARTICLE 2. MEETING OF MEMBERS.

Section 2.1. Place. Meetings of the members of the Association shall be held at such suitable place as may be convenient to the membership and designated from time to time by the Board.

Section 2.2. Annual Meetings. The annual meeting of the Association shall be held in the first quarter of each year, on a date fixed by the Board. At such annual meeting there shall be a financial report, if applicable, the owners shall elect members to the Board or fill vacancies therein, and such other business as shall come before the meeting may be transacted.

Section 2.3. Special Meetings. It shall be the duty of the president to call a special meeting of the Association as directed by resolution of the board or upon the written request of a majority of the Board or upon the written request of owners having one-third (1/3) of the total voting power of the Association. A meeting called at the request of the members shall be held at such time as the president may fix, which time shall not be less than fifteen (15) nor more than thirty (30) days after the receipt of the written request therefore.

Section 2.4. Notice of Meetings. It shall be the duty of the secretary to give notice of each annual and special meeting, stating the purpose thereof and the time and place where it is to be held, to each member of the Association and to each mortgagee that has requested notice. Notice shall be given at least thirty (30) days before annual meetings and at least ten (10) days before special meetings. Before any meeting of the Association, any member may, in writing, waive notice of such meeting. Attendance by a member at a meeting of the Association shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins.

Section 2.5. Quorum. The presence in person or by proxy of members of the Association or voting representatives holding twenty-five percent (25%) of the total Residential Lots shall constitute a quorum for the transaction of business at any meeting of members of the Association.

Section 2.6. Proxies. Any Residential Lot owner or voting representative may vote by proxy. Proxies shall be in writing, signed by the owner, or voting representative and filed with the Board. Proxies may be revoked at any time by written notice to the Board. Any designation of proxy may be signed by all owners of a Residential Lot; but when husband and wife are owners, the proxy need be signed by only one spouse unless the other spouse notifies the Board not to accept the proxy.

Section 2.7. Majority Vote. Except as otherwise provided by statute, by the Declaration, or by these By-Laws, passage of any matter submitted to vote at a meeting where a quorum is in attendance shall required the affirmative vote of a least fifty-one percent (51%) of the owners of the Residential Lots.

Section 2.8. Order of Business. The order of business at meetings of the Association shall be as follows unless dispensed with on motion:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Minutes of preceding meeting;
- (d) Reports of officers;
- (e) Report of committees;
- (f) Election of directors (annual meeting or special meeting called for such purpose;
- (g) Unfinished business;
- (h) New business;
- (i) Adjournment.

Section 2.9. Parliamentary Authority. In the event of dispute, the parliamentary authority for the meetings shall be the most current available edition of *Robert's Rules of Order*.

ARTICLE 3. BOARD OF DIRECTORS.

Section 3.1. Number and Qualifications. The affairs of the Association shall be governed by a Board of three (3) directors, who shall be elected by ballot from the members of the Association. The members of the Association at any annual meeting may change the number of directors retroactively by amending this By-Law provision, but shall not reduce the number below three (3) or in such a manner to deny an incumbent director (unless removed for cause) a full term of office.

Section 3.2. Powers and Duties. The Board shall have the powers and duties provided for in the Idaho Non-Profit Corporation Act and in the Declaration, and all other power necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by statute or by the Declaration required to be done in another manner.

Section 3.3. Election and Term of Office. The initial directors named in the Articles shall serve until the first day of the calendar month following the date of adjournment of the first annual meeting. Thereafter, the term of office for directors shall begin on the first day of the calendar month following the date of adjournment of the annual meeting at which they are elected. The normal term of office for directors will be for three (3) years and until their successors are elected and take office. However, to provide for staggered terms, at the first annual meeting, one-third (1/3) of the number of directors (or the whole number nearest to one-third) shall be elected for one (1) years, the same number shall be elected for two (2) years, and the remainder shall be elected for three (3) years.

Section 3.4. Vacancies. Vacancies on the Board caused by reasons other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each person so selected shall be a director until a successor is elected at the next annual meeting of the Association to serve the balance of the unexpired term.

Section 3.5. Removal of Directors. At any regular or special meeting after the

Transition Date, any one or more of the directors may be removed with or without cause, by the owners of a majority of the Residential Lots and a successor may then and there be elected to fill the vacancy thus created and to serve the balance of the unexpired term. Any director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

Section 3.6. Compensation. No compensation shall be paid to directors for their services as directors.

Section 3.7. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors. Notice of regular meetings of the Board shall be given to each director personally or by mail, telephone or telegraph, at least three (3) days before the day fixed for the meeting.

Section 3.8. Special Meetings. Special meetings of the Board may be called by the president on three (3) days notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by either the president or the secretary in like manner and on like notice on the written request of any two (2) directors.

Section 3.9. Waiver of Notice. Before any meeting of the Board, any director may, in writing, waive notice of such meeting. Attendance by a director at any meeting of the Board shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins.

Section 3.10. Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board.

Section 3.11. Open Meeting. Any Residential Lot owner or voting representative may attend any meeting of the Board, but shall not be entitled to participate.

ARTICLE 4. OFFICERS

Section 4.1. 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. The directors may appoint such other officers as in their judgment may be necessary or desirable. Two or more offices may be held by the same person, except that a person may not hold offices of president and secretary simultaneously.

Section 4.2. Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board meeting after the annual meeting of the Association. They shall hold office at the pleasure of the Board.

Section 4.3. Removal of Officers. At any regular meeting of the Board or at any special meeting of the Board called for such purpose, upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause. A successor to the removed officer may be elected at any such meeting.

Section 4.4. President. The president shall be the chief executive officer of the Association. He shall, when present, preside at all meetings of the Association and of the Board and shall have all powers and duties usually vested in the office of the president.

Section 4.5. Vice President. The vice president shall perform the duties of the president when the president is absent or unable to act, and shall perform such other duties as may be prescribed by the Board.

Section 4.6. Secretary. The secretary shall keep the minutes of all meetings of the Board and of the Association and shall have custody of the business records of the Board and the Association, other than financial records kept by the treasurer. He shall also perform such other duties as may be prescribed by the Board.

Section 4.7. Treasurer. The treasurer shall have responsibility for the Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association.

Section 4.8. Other Officers and Employees. Other officers of the Association and any persons employed to assist the officers shall have such authority and shall perform such duties as the Board may prescribe within the provisions of the applicable statutes, the Declaration and these By-Laws.

Section 4.9. Compensation. No compensation shall be paid to officers for their services as officers.

Section 4.10. Declarant's Powers. In accordance with the Declaration, the Declarant, or Declarant's agent, may exercise the powers of the officers until the Transition Date.

ARTICLE 5. COMMITTEES.

Section 5.1. Committees of Directors. The Board may appoint one or more committees that consist of one or more directors. Such committees, if composed entirely of Board members, shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association. The appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management of the Association.

ARTICLE 6. ASSESSMENTS.

Section 6.1. Assessments. The Board shall have the authority to levy assessments, regular and special, in accordance with the Declaration.

ARTICLE 7. HANDLING OF FUNDS.

Section 7.1. Accounts. The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the Association. Overall superintendence of these funds shall be the responsibility of the treasurer of the Association. All accounts with banks or other depositories shall require the signature of two (2) officers on checks or other withdrawals.

ARTICLE 8. AMENDMENTS.

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors or by the members at any regular or special meeting. The amendment of these By-Laws is subject to the limitations set forth in the Declaration.

ARTICLE 9. INDEMNIFICATION.

To the full extent permitted by applicable law, each member of the Board, each member of an Association committee, each officer and the Declarant who filed the Declaration shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceedings to which he may be a party, or in which he may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his or her duties; provided, however, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interest of the Association; and further provided that this right of indemnification shall be inapplicable to the extent necessary, if at all, for the Association to obtain any insurance required by the Declaration.

The foregoing By-Laws shall be effective the 19th day of November, 2004.

SAGUAR CANYON SUBDIVISION
HOMEOWNERS' ASSOCIATION, INC.

By Marty Goldsmith
Marty Goldsmith, President