

ATV-1 HOMEOWNERS ASSOCIATION

FIRST AMENDMENT TO BYLAWS

This FIRST AMENDMENT TO BYLAWS is made and entered into to be effective on the date hereinafter subscribed for the purpose of amending the Bylaws of **ATV-1 HOMEOWNERS ASSOCIATION**, an Arizona non-profit corporation, pursuant to the provisions of Article X, Section 1 of said Bylaws.

1. Article V, Section 1 of the Bylaws is amended in its entirety to provide as follows:

Section 1. Number and Qualifications.

The business, property and affairs of the Association shall be managed, controlled and conducted by a Board of Directors consisting of not less than three (3) nor more than nine (9) directors, no two (2) of whom may be owners of the same lot or may be directly related to one another. The number of directors may be changed from time to time by the members of the Association.

2. Except as amended herein, the Bylaws shall remain in full force and effect.

DATED the 3rd day of December, 1993.

ATV-1 HOMEOWNERS ASSOCIATION, an
Arizona non-profit corporation

By *Edward J. Smith*
Secretary

Revision
Jan. 1990

BY-LAWS

OF

ATV-1 HOMEOWNERS ASSOCIATION

ARTICLE I

Offices

Section 1. Principal Offices.

The principal offices of the Association shall be in the City of Phoenix (Ahwatukee), County of Maricopa, State of Arizona.

Section 2. Other Offices.

The Association may establish such office or offices at such other places as the Board of Directors may, from time to time, designate.

ARTICLE II

Definitions

Section 1. "Association"

"Association" shall mean and refer to ATV-1 HOMEOWNERS ASSOCIATION, a non-profit corporation, its successors and assigns.

Section 2. "Declarant"

"Declarant" shall mean and refer to CHICAGO TITLE INSURANCE COMPANY, its successors and assigns, if such successors or assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 3. "Declaration"

"Declaration" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions for Ahwatukee ATV-1 recorded on April 4, 1983, in Docket No. 83-184001 at page 47 with the Maricopa County Recorder's Office, as amended from time to time.

Section 4. "Developer" and "Builder"

"Developer" and "Builder" shall be synonymous and shall mean and refer to PRESLEY DEVELOPMENT COMPANY OF ARIZONA, an Arizona corporation, its successors and assigns, and o any other contractor who builds for resale a significant number of houses on the bject property.

Section 5. "Lot"

"Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties with the exception of the Common Area and the Restricted Common Area.

Section 6. "Owner"

"Owner" shall mean and refer to the record fee simple owners, whether one or more persons or entities, of equitable title (or legal title if equitable title has merged) of any lot which is a part of the properties. Owner shall not include a person or entity having an ownership interest merely as security for the performance of an obligation. In the case of lots, the fee simple title which is vested of record in a Trustee, pursuant to Arizona Revised Statutes, Section 33-801, et seq., legal title shall be deemed to be in the Trustor.

Section 7. "Properties"

"Properties" shall mean and refer to that certain real property known as AHWATUKEE ATV-1 and shown on the plat recorded with the Maricopa County Recorder's Office in Book 252 of Maps, page 47.

Section 8. "Restricted Common Area"

"Restricted Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

ARTICLE III

Eligibility for Membership

Membership in the Association shall be limited to record owners of equitable title (or of legal title, if equitable title has merged) of lots contained within Ahwatukee ATV-1.

One membership in the Association shall be issued to the record owner of equitable title (or legal title, if equitable title has merged) of each lot. The record owners collectively shall be called the members of the Association. In the event any such lots are owned by two (2) or more persons, whether as community property, by joint tenancy, tenancy in common, or otherwise, the membership as to such lots shall be issued in the names of all the owners, and they shall designate to the Association, in writing, at the time of issuance, one person who shall hold the membership and have the power to vote said membership. No membership shall be issued to any other person or persons except as they may be issued in substitution for outstanding membership assigned to new record owners of equitable title (or legal title, if equitable title has merged).

ARTICLE IV

Members of the Association

Section 1. Annual Meetings.

The Annual Meeting of the members of the Association shall be held each year on the first Monday of the month of November. At such meeting, there shall be elected a Board of Directors in accordance with the requirements of Article V of these By-Laws. The members of the Association may also transact such other business of the Association as may properly come before them.

Section 2. Notice of Annual Meetings.

The President or Secretary shall give, or cause to be given, of the time, place, and date of each Annual Meeting by mailing or hand-delivering such notice at least fifteen (15) days prior to such meeting to each member of the Association at the respective addresses of said members as they appear on the records of the Association.

Section 3. Special Meetings.

Special Meetings of the members of the Association for any purpose or purposes other than those regulated by statute may be called for by the President, as directed by resolution of the Board of Directors, or upon a petition signed by one-fourth (1/4) of the members, and such petition shall state the purpose or purposes of such proposed meeting. No business shall be transacted at a Special Meeting, except as stated in the notice unless by consent of three-fourths (3/4) of the members present, either in person or by proxy.

Section 4. Notice of Special Meetings.

The President or Secretary shall give, or cause to be given, notice of the time, place, and purpose of holding each Special Meeting by mailing or hand-delivering such notice at least fifteen (15) days prior to such meeting to each member of the Association at the respective addresses of said members as they appear on the records of the Association.

Section 5. Quorum.

The presence at a meeting, either in person or by proxy, of members entitled to cast at least ten percent (10%) of the votes of the entire membership shall constitute a quorum for all purposes unless the representation of a larger group shall be required by law, by the Articles of Incorporation, or by these By-Laws, and, in that event, representation of the number so required shall constitute a quorum.

Section 6. Voting Rights.

The Association shall have one class of voting membership. The voting membership shall be all owners, with the exception of the Declarant, who are in good standing as of 4:00 p.m., on the last business day prior to the date of scheduled Annual or Special Meeting; i.e., no indebtedness to the Association more than 60 days in arrears or uncured violations of Association rules.

Section 7. Adjournment of Meetings.

If the number of members necessary to constitute a quorum shall fail to attend in person or by proxy at the time and place of meeting, the Chairman of the meeting, or a majority in interest of the members present, in person, or by proxy, may adjourn the meeting, from time to time, without notice other than an announcement at the meeting until the necessary number of members shall be in attendance. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting.

Section 8. Proxies.

A member may appoint only his or her spouse or any joint owner of his lot or any other member of the Association or Developer as a proxy. Any proxy must be filed with the Secretary before the appointed time of each meeting or upon the calling of the meeting to order. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

ARTICLE V

Directors

Section 1. Number and Qualifications.

The business property and affairs of the Association shall be managed, controlled, and conducted by a Board of Directors consisting of seven (7) members, no two (2) of whom may be owners of the same lot or may be directly related to one another. The number of directors may be changed from time to time by the members of the Association, but the Board shall always consist of not less than three (3) nor more than nine (9) directors.

Section 2. Power and Duties.

The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members. The powers of the Board of Directors shall include, but not be limited to, all of the rights and duties of the Board of Directors as set forth elsewhere in these By-Laws, the Articles of Incorporation, and in the Declaration and shall also include the power to promulgate such rules and regulations pertaining to such rights and duties as may be deemed proper and which are consistent with the foregoing and shall further include the right to suspend the voting rights and right to use of the recreational facilities of a member for any period during which any assessment against the member's lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published Rules and Regulations. The Board of Directors may delegate such duties as appear in the best interest of the Association and to the extent permitted by law.

Section 3. Term of Office.

The term of each director shall be for a period of two (2) consecutive years. The Board of Directors shall have the right and power to fill any vacancy occurring on the Board by reason of resignation, discharge, abandonment, increase in the number of directors,

or any other reason of such named directors. Any director named to fill a vacancy on the Board shall serve the remaining term of the vacated directorship. The successors to the Board of Directors shall be elected at the regular annual meeting. The members shall elect, in alternate years respectively, either three (3) or four (4) new directors.

The number of directors may be altered from time to time by the action of a majority of the members of the Association present and voting in person or by proxy at any regular meeting or special meeting, held prior to the Annual Meeting, called for such a purpose.

In the event of any increase in the number of directors, each additional director shall be appointed by the then Board of Directors and hold office until a successor is elected and shall qualify.

The terms of the new director(s) shall be determined by the number of directors elected at the previous Annual Meeting. If, at the past Annual Meeting, four (4) directors were elected, the new directors shall serve for the full one (1) year term. If three (3) members were elected at the previous Annual Meeting, the additional new members shall serve a full two (2) year term.

Section 4. Nomination.

Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the Annual Meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each Annual Meeting of the members to serve from the close of such Annual Meeting until close of the next Annual Meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall, in its discretion, determine, but not less than the number of vacancies that were to be filled. Such nominations shall be made from among members.

Section 5. Election.

Election to the Board of Directors shall be by secret ballot. At such election, the entitled voting members or their proxies may cast one (1) vote in respect to each vacancy. In the event of four (4) openings on the Board, the four (4) candidates receiving the highest number of votes shall be elected. Voting shall not be cumulative.

Section 6. Vacancies.

Vacancies on the Board of Directors caused by any reason shall be filled by vote of the majority of the remaining directors even though they may consist of less than a quorum, and each person so elected shall be a director for the remainder of the term of the vacated directorship and until his/her successor is elected and qualified.

Section 7. Removal of Directors.

At any regular or Special Meeting of the Board of Directors of the Association, any one or more of the directors may be removed with or without cause at any time by the affirmative vote of a majority of the entire Board of Directors, and a successor may then be elected to fill the vacancy that is created. Any director whose removal has been proposed by the Board of Directors shall be given an opportunity to be heard at the

meeting. Any Board member absent from three (3) consecutive regular Board meetings shall have his/her seat declared vacant and filled according to Article V, Section 6.

Section 8. Compensation.

No compensation shall be paid to directors for their services as directors, but a director may be reimbursed for his/her actual expenses incurred in the performance of his/her duties. No remuneration shall be paid to a director for services performed by him for the Association in any other capacity.

Section 9. Organizational Meeting.

The first meeting of the newly-elected Board of Directors shall be held within ten (10) days of the election at such time and place as shall be fixed at the meeting at which such directors were elected, and no notice shall be necessary to the newly-elected directors legally to constitute such meeting providing a majority of the whole Board shall be present.

Section 10. Regular Meetings.

Regular meetings of the Board of Directors shall be held on the second Monday of each month at a place to be determined by a majority of the directors.

Section 11. Special Meeting.

Special meetings of the Board of Directors 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 (as hereinabove provided) and purpose of the meeting. Special Meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least fifty percent (50%) of the directors.

Section 12. Waiver of Notice.

Before or at any Special Meeting of the Board of Directors, any director may, in writing, waive notice of such Special Meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any Special Meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any Special Meeting of the Board, no notice shall be required, and any business may be transacted at such Special Meeting.

Section 13. Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business but, if at any meeting of the Board, there be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

Section 14. Adjournments.

The Board of Directors may adjourn any meeting from day to day or for such other time as may be prudent or necessary in the interests of the Association provided that no meeting may be adjourned for a period longer than thirty (30) days.

Section 15. Action Taken Without a Meeting.

The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of a majority of all directors. Any action so approved will have the same effect as though taken at a meeting of the directors.

Section 16. Fidelity Bonds.

The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate Fidelity Bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE VI

Officers

Section 1. Designation.

The principal officers of the Association shall be a President, a Vice-President, a Secretary, a Treasurer, all of whom shall be elected by and from the Board of Directors. The directors may appoint an Assistant Secretary and an Assistant Treasurer and such other officers as, in their judgment, may be necessary. The same person may hold any two offices, except that the President may not, at the same time, hold the office of Vice-President or of Secretary.

Section 2. Election of Officers.

The officers of the Association shall be elected annually by the Board of Directors at the Organizational Meeting of each new Board.

Section 3. Removal of Officers.

Upon an affirmative vote of two-thirds (2/3) of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors or at any Special Meeting of the Board called for such purpose.

Section 4. President.

The President shall be the chief executive officer of the Association. He shall preside at all meetings of the members and of the Board of Directors. He shall have all of the general powers and duties which are normally vested in the office of the president of an Association or corporation, including, but not limited to, the power to appoint committees from among the members of the Association, from time to time, as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice-President.

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

Section 6. Secretary.

The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; he shall have the custody of the seal of the Association; he shall have charge of the membership books and such other books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer.

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

Section 8. Compensation.

No compensation shall be paid to officers for their services as officers. No remuneration shall be paid to an officer for services performed by him for the Association in any other capacity unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken.

ARTICLE VII

Powers, Rights, and Duties of the
Association and Members Thereof

The Association and its members shall all the powers, rights, duties, and obligations set forth in the Articles of Incorporation for the Association, these By-Laws, Rules and Regulations pursuant thereto, and recorded restrictions of the property, and as any of the same may be duly adopted or amended. No transfers of membership in the Association shall be made except as provided herein, and no such transfer shall be made upon the books of the Association within ten (10) days next preceding the Annual Meeting of the members.

The members and the Board of Directors, or each of them, shall have the express authorization, right, and power to enter into one or more management agreement with third parties in order to facilitate efficient operation of all buildings, improvements, and Common Area, including the real property described in Article III above. It shall be the primary purpose of such management agreements to provide for the administration,

management, repair, and maintenance of said real property, all improvements thereon designated as Common Area to the extent required by the recorded Declaration, as from time to time amended; and to assess, collect, and apply the management and common expenses; and to enforce the Declaration. The terms of said management agreement shall be as determined by the Board of Directors to be in the best interests of the Association and shall be subject to the Articles of Incorporation, these By-Laws, and the Declaration affecting said property. Notwithstanding the above, any and all such management agreements shall be written for a term not to exceed one (1) year, subject to renewal by agreement of the parties for successive one-year periods, and shall further provide that said management agreement may be canceled and terminated by the Board of Directors for any reason whatsoever upon giving thirty (30) days written notice of such cancellation and termination to the managing entity. The Board of Directors shall make all necessary arrangement for continuity of management and maintenance prior to the expiration of the term of any prior management agreement or the termination of the same. Any and all management agreements shall be entered into with a responsible party or parties having considerable experience with the management of a project of this type.

Each owner shall be bound by the terms and conditions of all management agreements entered into by the Owners Association. A copy of all management agreements shall be available to each owner upon request.

ARTICLE VIII

Corporate Seal

The Board of Directors shall provide a suitable corporate seal containing the name of the Association, which seal shall be in the custody and control of the Secretary.

The corporate seal shall be in circular form, shall have inscribed thereon the name of the Association, the year it was organized, and the word "Arizona." If and when so directed by the Board of Directors, a duplicate seal may be kept and used by such officer or other person as the Board of Directors shall name.

ARTICLE IX

Miscellaneous

Section 1. Books and Accounts.

Books and accounts of the Association shall be kept under the direction of the Treasurer and in accordance with the reasonable standards of accounting procedure and prudence.

Section 2. Auditing.

If required by the Board of Directors, or by the Rules and Regulations of FNMA, FHLMC, GNMA, FHA, or VA, at the close of each fiscal year, the books and records of the Association shall be audited by a Certified Public Accountant whose report will be prepared and certified. Based upon such reports, the Association will have available for inspection by its members a statement of the income and disbursements of the Association for each fiscal year.

Section 3. Inspection of Books.

Financial reports such as are required to be furnished and the membership records of the Association shall be available at the principal offices of the Association for inspection at reasonable times by any members or interested parties, such as any first mortgagee.

Section 4. Execution of Corporate Documents.

With the prior authorization of the Board of Directors, all notes checks, and contracts, or other obligations shall be executed on behalf of the Association by any two (2) officers of the Association or its managing agent, as directed or authorized by the Board.

Section 5. Compliance with Federal National Mortgage Association (FNMA), Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), Veterans Administration (VA), and Federal Home Loan Mortgage Corporation (FHLMC) Requirements.

For as long as a period of time as may be required to fully amortize any mortgage upon any of the residence units owned or insured by FHA, FNMA, GNMA, VA, or FHLMC, the books and accounts of the Association shall be kept in accordance with the Uniform Standards of Accounts prescribed by the FHA, FNMA, GNMA, VA, and FHLMC and the audited report of the Certified Public Accountant referred to in Section 2 hereof shall be prepared and certified in accordance with the requirements of FHA, FNMA, GNMA, VA, and FHLMC and shall be so furnished to the FHA, FNMA, GNMA, VA, and FHLMC.

Section 6. Fiscal Year.

The fiscal year of the Association shall be determined by the Board of Directors and shall be subject to change by the Board of Directors should the Association's practice subsequently necessitate such change.

Section 7. Rights of the Federal National Mortgage Association (FNMA), Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), Veterans Administration (VA), and Federal Home Loan Mortgage Corporation (FHLMC), and Holders of First Mortgages or Other Equivalent Liens.

FHA, FNMA, GNMA, VA, and FHLMC and the holder of first mortgages or other equivalent liens on residence units shall, upon request, be entitled to:

- (a) Receive notice of the annual assessment;
- (b) Receive notice of any special assessments;
- (c) Receive a copy of the annual audited financial statement of the Association;
- (d) Inspect the books and records of the Association during normal business hours;
- (e) Receive notice of all annual and special meetings of the Owners Association;

- (f) Receive notice of any meeting of the Board of Directors at which the Declaration of Covenants, Conditions, and Restrictions, Articles of Incorporation of the Owners Association are to be amended;
- (g) Have the right and power to designate a representative to attend all such meetings referred to in paragraphs 7(e) and 7(f) above;
- (h) Receive prompt notice of damage to a residence unit upon which said entity has an interest, provided said damage exceeds \$10,000.00;
- (i) Receive prompt notice of damage to common areas or related facilities, provided said damage exceeds \$10,000.00;
- (j) Receive prompt notice of any proceeding or proposed acquisition of any residence unit, or portion thereof, or of the Common Areas and facilities or any portion thereof by condemnation or eminent domain;
- (k) Receive notice of any meeting of the Board of Directors at which a decision to terminate professional management and assume self-management of the project is to be considered;
- (l) Receive written notice of any default in the performance by an individual FUD Unit Owner of any obligation under the FUD constituent documents co is not cured within sixty (60) days.

ARTICLE X

Amendment of the By-Laws

Section 1. Amendment by the Members.

These By-Laws may be amended by the affirmative vote of a majority of the members present or represented by proxy at any regular or special meeting provided that a quorum as prescribed in Section 5, Article IV herein, is present at any such meeting. Amendments may be proposed by the Board of Directors or petition signed by at least twenty-five percent (25%) of the members. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted upon. These By-Laws may not be amended insofar as such amendment would be inconsistent with the recorded restrictions of the property. FHA or VA shall have the right to veto amendments while there is a Class B membership.

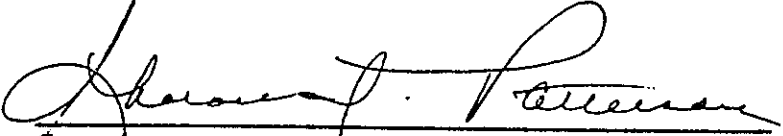
Section 2. Conflict Between Articles of Incorporation and By-Laws.

In the 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 Declaration and these By-Laws, the Declaration shall control.

Section 3. Compliance with Federal National Mortgage Association (FNMA), Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), Veterans Administration (VA), and Federal Home Loan Mortgage Corporation (FHLMC) Requirements.

For as long a period of time as may be required to fully amortize any mortgage upon any of the residence units owned or insured by FHA, FNMA, GNMA, VA, and FHLMC, no amendment shall be made which would be deemed to be in conflict with, or contrary to, the terms of any promissory note, mortgage, regulatory agreements, or document executed by the Association or any of the owners of residence units for the purpose of obtaining insurance or financing involving FHA, FNMA, GNMA, VA, and FHLMC without obtaining written approval and consent of FHA, FNMA, GNMA, VA, and FHLMC.

I, the undersigned, being the Secretary of ATV-1 HOMEOWNERS ASSOCIATION, do hereby certify the foregoing to be the First Revision of the By-Laws of said Association as adopted at a meeting of the Board of Directors held on the 17th day of January, 1990.


Secretary