

LOS OLIVOS HERMOSO -- TOWNHOME ASSOCIATION
AMENDED AND STATED BYLAWS

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AMENDED AND RESTATED BYLAWS
LOS OLIVOS HERMOSO - TOWNHOME ASSOCIATION

ARTICLE 1.
NAME, OFFICES, MEMBERSHIP

Each Owner of a lot in the Property, Los Olivos Hermoso, by virtue of being an Owner and for so long as he or she remains an Owner, shall be a Member of the Corporation Los Olivos Hermoso – Townhome Association. The rights, duties, privileges, and obligations of a Member and the powers, rights, and duties of the Association shall be those set forth in the Amended and Restated Articles of Incorporation, the Amended and Restated Declaration of Covenants, Conditions, and Restrictions, these Amended and Restated Bylaws, and the Association Rules and Regulations.

1.1 Name. The name of the Association shall be Los Olivos Hermoso - Townhome Association, hereinafter sometimes referred to as the Association or the Corporation.

1.2 Offices. The principal office of the Corporation shall be at Phoenix, Maricopa County, Arizona, or at such other place as the Board of Directors may from time to time direct. The Corporation may also establish and have such other offices as needed for the conduct of its business at such other place or places, as may from time to time be designated by the Board of Directors.

1.3 Membership. Each Owner of a lot in the Property, by virtue of being an Owner and for so long as he or she remains an Owner shall be a Member of the Corporation. The rights and obligations of a Member shall not be assigned, transferred, pledged, conveyed, or alienated in any way except upon the transfer of title to the Owner's lot and then only to the transferee of title to such lot. Any attempt to make a prohibited transfer is void. The rights, duties, privileges, and obligations of a Member of the Corporation shall be those set forth in the Amended and Restated Articles of Incorporation, and these Bylaws of the Corporation, and the recorded Amended and Restated Declaration of Covenants, Conditions, and Restrictions covering said Property. The Member's right to vote may not be severed, or separated from the lot ownership, to which it is appurtenant, and any sale, transfer, or conveyance of such lot to a new Owner, or Owners shall operate to transfer the appurtenant vote without any requirement of any express reference thereto. The right to be a Member of the Corporation shall cease and terminate immediately upon said Member conveying his or her entire interest in any lot; and the right of a Member to vote shall be automatically suspended for failure to pay assessments. The right to vote and to use the Common Areas may be suspended by the Board of Directors for violations or breaches of any of the provisions of the Community Documents. The Owner who does not have the right to vote in the election of a Director is considered a Suspended Member.

1.4 Definitions. The words used in these Bylaws shall have the same meaning as set forth in the Restated Declaration, unless the context shall prohibit.

ARTICLE 2. ASSOCIATION: MEETINGS, QUORUM, VOTING

2.1 Meetings. A meeting of the Members of the Corporation shall be held at least once each year. The Annual Meeting of the Members of the Corporation for the election of Directors and for the transaction of such other business as may properly come before such meeting shall be held on the fourth Tuesday of October at 7:00 p.m., or at such other time as may be stated in the notice of the meeting so as to occur no later than thirty (30) days before the close of the Association's fiscal year.

2.2 Special Meetings. A special meeting of the Members may be called at any time by the President of the Board, or by a vote of a majority of the Board of Directors, or upon the written request of any of the following: (i) Members of record holding in the aggregate at least twenty-five percent (25%) or more of the votes entitled to be cast by all Members of the Corporation (A.R.S. 33-1248); (ii) an Owner aggrieved by any action taken by the Board of Directors or by any committee, who requests the right to appeal the action to the Association Members at a special meeting (C.C.& R. Section 9.2); (iii) a Member challenging the Corporation's power to act on a specific issue. All such written requests shall state the purpose of the meeting and shall be delivered to the Board or to the President.

At the special meeting, Association Members have the final right to approve, rescind, or modify any action taken by the Board, or by any committee if by a majority of the eligible votes entitled to be cast by the Members at any special meeting called for that purpose. At a special meeting, the Association may conduct business only on those matters that are within the purpose or purposes described in the meeting notice.

2.3 Place of Meetings. The meeting of the Members of the Corporation shall be held at its principal office in the State of Arizona or any such other place as from time to time may be designated by the Board of Directors.

2.4 Notice of Meetings. Except as otherwise required by statute, notice of each meeting of the Members, whether annual or special, shall be in writing. Such notice shall state the purpose or purposes for which the meeting is called, the time when and the place where it is to be held. The notice of the meeting shall include a written absentee ballot for all agenda items requiring a vote of the membership. A copy of the notice shall be served, either hand-delivered, or sent prepaid by United States mail to a Member at his or her address as it appears on the books of the Corporation unless he or she shall have filed with the Secretary of the Corporation a written request that notice intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request. Such notice shall be delivered not less than fifteen (15) days or more than thirty (30) days before such meeting. If any Member in person or by attorney thereunto authorized shall waive in writing, notice of any meeting, notice thereof need not be given to him or her. Notice of any adjourned meeting of the Members need not be given if the new time and place for the meeting is fixed by those in attendance at the original meeting and the date is not more than 30 days from the time of the original meeting.

2.5 Notice of Special Meetings. Notice of any special meeting, in addition to stating the purpose, shall include the general nature of any proposed amendment to the Restated Declaration or the Restated Bylaws, changes in assessments that require approval of the Members, and any proposal to remove a Director or an officer. Failure of any Member to receive actual notice of a meeting of the Members does not affect the validity of any action taken at that meeting.

2.6 Waiver of Notice. Notice of meetings may be waived in writing by a Member either before or after the date and time stated in the notice. The waiver must be signed by the Member entitled to the notice, and be delivered to the Corporation for inclusion in the minutes or files of the Association. A Member's attendance at a meeting: (i) waives objection to lack of notice or defective notice of the meeting, unless the Member, at the beginning of the meeting objects to holding the meeting or transaction of business at the meeting, and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter at the time it is presented (A.R.S. 10-3706).

2.7 Record Date. The record date for determining the identity of Members entitled to notice of and to vote at an annual, regular, or special meeting is the day before the effective date of the notice to the Members. For adjournment of the meeting the original record date remains effective unless the Board fixes a new record date. The Board shall fix a new record date if the adjournment is to a date that is more than seventy (70) days after the original record date, for determining Members entitled to notice, for the original meeting. In case the transfer books have not been closed and no date has been fixed as a record date for the determination of the Members entitled to vote, no vote shall be allowed at any election by any Member who has become a Member within twenty (20) days next preceding such election of Directors.

2.8 Lists of Members. The Directors shall cause the Secretary, or other officer designated by them who has charge of the books and records of the Corporation to make, as of the record date for a meeting, a full, true, and complete list, in alphabetical order, of all Members entitled to notice and to vote at the ensuing meeting, the Member's post office address, and the number of

votes held by each. This list of Members entitled to vote shall be made as of the close of business on the record date unless another time for doing so is specified when the record date is fixed. The Corporation shall also identify on this list of Members any Members who are entitled to vote at the meeting, but have waived the right to notice of the meeting. The Association shall also prepare another list of Members, if any, whose right to vote at the ensuing meeting has been suspended. Such list of Suspended Members shall be a part of the total list of Members. The Board of Directors shall produce the list(s) of Members at the time and place of the meeting, and any Member, a Member's agent, or a Member's attorney may inspect the list(s) at any time during the meeting or during any adjournment. The Association shall also make the list(s) of Members available for inspection by any Member prior to the meeting and for the Member's purpose of communication with other Members concerning the meeting. On written demand, a Member, a Member's agent, or a Member's attorney may inspect, and subject to the limitations in Sections 6.9 – 6.11, may copy the list(s), during regular business hours in the period they are available for inspection, and at the Member's expense.

2.9 Quorum. At all meetings of the Association Members, a quorum is considered present throughout the meeting if Members entitled to cast a majority of the eligible votes in the Association are present in person or by absentee ballot at the beginning of the meeting. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, even if enough Members withdraw to leave less than a quorum; provided that (i) any action taken shall be approved by at least a majority of the Members required to constitute the original quorum, or (ii) in any action of the Members that requires approval by a requisite amount of the total eligible votes of the Association, such action can be taken only if that approval is cast in person and by absentee ballots submitted prior to the start of the meeting. Any provisions concerning quorums in the Restated Articles or the Restated Declaration are specifically incorporated herein. In the absence of a quorum, any officer entitled to preside at or act as Secretary of such meeting, may adjourn the meeting to a date and time specified by a majority of the Members who are present at such meeting.

2.10 Voting by Members. The voting rights of the Members shall be as set forth in the Restated Declaration, and such voting rights provisions are specifically incorporated herein. In Association voting, there shall be one vote for each lot, regardless of the number of Owners having an interest therein. The vote for each lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. In the event more than one vote is cast for a particular lot, none of said votes shall be counted, as the votes shall be deemed void. If any Owner or Owners cast a vote representing a certain lot, it will thereafter be conclusively presumed for all purposes that he, she, or they were acting with the authority and consent of any other Owners of the same lot.

2.11 Cumulative Voting. Every Owner entitled to vote at any election of the Members of the Board of Directors may cumulate the votes which he or she is entitled to cast and give to one candidate, or divide among the candidates, a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which he or she is entitled in accordance with the number of lots owned.

2.12 Action by Written Ballot (Without A Meeting). Any action that the Association may take at any annual, regular, or special meeting of Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. Such

written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. In addition, all solicitations for votes by written ballot shall: (i) indicate the number of responses needed to meet the quorum requirements, (ii) state the percentage of approvals necessary to approve each matter other than election of Directors; and (iii) specify the date and time by which a ballot must be delivered to the Corporation in order to be counted. Approval by written ballot is valid only if both: (i) the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action; and (ii) the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. A written ballot shall not be revoked (A.R.S. 10-3708).

2.13 Action by Written Absentee Ballot (With a Meeting). Any action that the Association may take at any annual, regular, or special meeting of Members, may be taken by any Member voting in person or submitting a written absentee ballot if the Association delivers a written absentee ballot with the Notice of the Meeting to every Member entitled to vote on the matter. Such absentee ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action; and, in the case of voting for Directors, an opportunity for cumulative voting among the candidates. In addition, all instructions for the absentee ballot shall include the same information as shown in Section 2.12, paragraphs (i), (ii), and (iii) for solicitation of the written ballot (A.R.S. 10-3708). At all meetings of the Members, all matters shall be decided by the vote present in person combined with the vote by absentee ballot. Under no circumstances will absentee ballots be accepted for filing after the commencement of the meeting. An absentee ballot is revoked only if the Member attends the meeting for which the absentee ballot had been submitted (A.R.S. 10-3724).

2.14 Action by Written Consent (Without a Meeting). Members may approve any action that requires the Members' approval, without a meeting of Members, if the action is approved by Members (i) holding at least a majority of the eligible votes of the Association, and (ii) the number of approvals equal or exceed the number required to approve such action at a meeting of the Members. The action shall be evidenced by one or more written consents describing the action to be taken, signed by those Members representing at least the requisite amount of eligible votes, and delivered to the Corporation for inclusion in the minutes or filing with the Corporation records. Any Member may revoke his or her Member's consent by delivering a signed revocation of the consent to the President or Secretary before the date that the consent or consents are signed by the last Member whose signature results in the requisite amount of the eligible votes (A.R.S. 10-3704). Unless otherwise specified in the consent, the effective date of the action is not less than ten (10) days after the Association gives all Members, including those not entitled to vote, written notice of the approved action.

2.15 Corporation Acceptance of Votes. If the name signed on a vote, consent, waiver, or absentee ballot corresponds to the name of the Owner of Record, the Corporation, if acting in good faith is entitled to accept the vote, consent, waiver, or absentee ballot, and give it effect as the act of the Owner/Member. If the name signed on a vote, consent, waiver, or absentee ballot does not correspond to the record name of the Owner or if the officer or agent authorized to tabulate votes has a reasonable basis for doubt about the validity of the signatures on it or about the signatory's authority to sign for the Member, the Corporation if acting in good faith is entitled to accept the vote, consent, waiver or absentee ballot and give it effect as the act of the Member if:

(a) The Member is an entity and the name signed purports to be that of an officer or agent of the entity.

(b) The name signed purports to be that of an administrator, executor, guardian, or conservator representing the Member, and, if the Corporation requests, evidence of fiduciary status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, or absentee ballot.

(c) The name signed purports to be that of a receiver or trustee in the bankruptcy of the Member, and, if the Corporation requests, evidence of this status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, or absentee ballot.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the Member and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the Member has been presented with respect to the vote, consent, waiver, or absentee ballot.

(e) Two or more persons hold the membership as co-owners or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners (A.R.S. 10-3727).

2.16 Credentials Committee. The President and the Secretary of the Corporation shall constitute a Credentials Committee and shall pass upon the validity of all votes, consents, waivers, and absentee ballots. The decision of the Credentials Committee regarding the validity of said submissions shall be conclusive. Corporation action based on the acceptance or rejection of a vote, consent, waiver, or absentee ballot is valid unless a court of competent jurisdiction determines otherwise.

2.17 Waiver of Irregularities. All informalities and irregularities in calls, notices of meetings, manner of voting, form of absentee ballot, credentials, and methods of ascertaining those present, shall be deemed waived if no objection is made thereto at the meeting.

2.18 Suspension of Member's Voting Rights and Use Privileges. In the event any Member shall be in arrears in the payment of any amounts due under any of the provisions of the Community Documents for a period of thirty (30) days said Member's right to vote and to use the common facilities shall automatically be suspended. If a Member shall be in default in the performance of or in breach of any of the terms of the Community Documents for a period of thirty (30) days, said Member's right to vote, as a Member of the Association shall be subject to suspension by the Board of Directors. If a Member's voting rights are suspended, such action shall continue until all payments are brought current and all defaults and breaches remedied. A Member whose voting rights are suspended is a Suspended Member. Upon the Association's receipt of all amounts due and the resolution of all violations and breaches under any provisions of the Community Documents, the Board of Directors shall restore the Member's full rights of membership. A Member whose right to vote is suspended continues to be liable to the Corporation for assessments and fees as a result of obligations and commitments made prior to the suspension.

2.19 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting 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 called. At such adjourned meeting, at which a quorum is present, any business which might have been transacted at the originally scheduled meeting may be transacted. If a time and place for the adjourned meeting is not fixed, by those in attendance at

the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings (A.R.S. 10-3705).

ARTICLE 3.

BOARD OF DIRECTORS: NUMBER, TERM, MEETINGS, POWERS

3.1 Governing Body: Composition and Selection. The affairs of the Corporation shall be governed by a Board of Directors. The Directors shall be Members of the Association, provided, however, no person, and his or her co-owner(s) may serve on the Board at the same time. Directors may not be delinquent in the payment of any assessment, nor be in violation or breach of any provisions of the Community Documents for more than thirty (30) days.

3.2 Number and Term of Office. The property, affairs, and business of the Corporation shall be managed by the Board of Directors consisting of a minimum of three (3) Directors and not more than seven (7) Directors. Each Director shall hold office for a term of three (3) years, and the election of Directors shall be staggered so that the terms of office of not more than three (3) Directors shall expire in any one (1) year. Each year of the Director's term of office shall coincide with the fiscal year (January 1 to December 31). Directors shall be elected at least thirty (30) days prior to the end of the fiscal year by the eligible Members of the Association to fill the positions of Directors whose terms are due to expire or are vacated. At that election of Directors, Members electing a Director to fill a vacated position, shall elect a Director to either: (i) a three (3) year term, if the term of the vacated position would normally expire at the end of the current fiscal year, or (ii) complete the unexpired portion of the term if the term of the vacated position would normally expire in one or two years.

3.3 Term Limitation of Directors. A Member is limited to serve two consecutive elected terms as a Member of the Board of Directors. Two years of non-membership on the Board of Directors must transpire before the Member may be reelected to the Board of Directors, or appointed to a vacated position.

3.4 Election of Directors. The Board of Directors shall issue a Call for Candidates for the positions of Directors whose terms are due to expire, thirty (30) days prior to the record date for the Annual Meeting. Members who are delinquent in the payment of any assessment, fine, or penalty, or who are in violation or breach of any provisions of the Community Documents as of the date of record are not eligible to be Candidates for the position of Director. The Candidate Information Forms shall be returned to the Board Member designated to receive the documents by the date indicated prior to the record date for the Annual Meeting. The Candidate Information Forms and written absentee ballots shall be included in the notice of the Annual Meeting, which shall be sent to all Members. At the Annual Meeting, the votes cast in person shall be added with the votes cast by written absentee ballots; the nominees who receive the highest number of votes entitled to be cast by the Members shall be declared elected.

3.5 Organization Meeting. A meeting of the newly elected Board of Directors, whose term begins with the new fiscal year, shall be held for the purpose of organization, for the election of officers, and for the transaction of such business as may properly come before the meeting, within thirty (30) days after each annual election of Directors, and upon the notice hereinafter provided for a special meeting. The Directors, however, may hold such meeting, with a general

notice in the notice of the Annual Meeting, at the place where the Annual Meeting of Members is held, immediately following such meeting.

3.6 Regular Meetings. Notice to Board Members and to the Members of the Association of the time and place of meetings of the Board of Directors shall be given at least forty-eight (48) hours in advance of the meeting, unless the Board of Directors by resolution provides for the holding of regular meetings at a fixed time and place. All other meetings are special meetings. The failure of any Member to receive actual notice of a meeting of the Board of Directors does not affect the validity of any action taken at that meeting. An affidavit of notice by an officer of the Association is prima facie evidence that notice was given as prescribed by this Section.

3.7 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Board of Directors or by a majority of Directors. Notice of each special meeting shall be given to all Members of the Association who are entitled to notice and to each Director at least forty-eight (48) hours in advance of the meeting. Such notice shall state the time and place of such meeting and the nature of any special business to be considered.

3.8 Executive Session. The Board may, with approval of a majority of a quorum of the Board, adjourn a meeting and reconvene in executive session to discuss one or more of the following: (i) legal advice from an attorney for the Board or the Association, (ii) pending or contemplated litigation, (iii) personal, health, and/or financial information about a Member or employee of the Association, or a contractor of the Association, (iv) matters relating to job performance of, compensation of, health information of, or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direction of the Association (A.R.S. 1248). The nature of any and all business to be considered in executive session shall first be announced in open session.

3.9 Notice of Meetings. When notice of a Board Meeting is required, it shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each Member at the unit mailbox or sent to the Member at the address designated by the Member with the Secretary of the Association and to each Director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the Director, or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (iv) facsimile, computer, fiberoptics, or other electronic communication device, with confirmation of transmission. All such notices shall be given at the Director's telephone number, fax number, electronic mail address, or sent to the Director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five (5) business days before the date set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least forty-eight (48) hours before the time set for the meeting. Notice of any meeting need not be given to any Director, however, if waived by him or her, before or after such meeting, in writing, or by facsimile, computer, or other electronic communication with confirmation of transmission; and no notice to Directors is required if emergency circumstances require action by the Board before notice can be given.

3.10 Open Meetings. All meetings of the Association and Board of Directors shall be open to all Members of the Association and any person designated by a Member in writing as the Member's Designated Representative (C.C.&R Section 1.30). All such persons shall be

permitted to attend and to speak at an appropriate time during the meeting deliberations and proceedings, except that any portion of a meeting may be closed and reconvened in executive session only if the closed portion of the meeting is limited to those topics described in Bylaws Section 3.8 Executive Session. The Board may place reasonable time restrictions on those persons speaking during the meeting, but shall permit a Member or Member's Designated Representative to speak before the Board takes formal action on the items under discussion in addition to any other opportunities to speak. The Board shall provide for a reasonable number of persons to speak on each side of an issue.

3.11 Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast at least a majority of the votes on the Board are present at the beginning of the meeting. In the absence of a quorum, a majority of the Directors present at the time and place of any meeting may adjourn such meeting from time to time until a quorum can be present. Notice of any adjourned meeting need not be given if at the time of adjournment, the new time and location were clearly stated.

3.12 Action by Written Consent (Without a Meeting). Action required by the Board of Directors to be taken at a Directors' meeting, may be taken without a meeting if the action meets all of the following criteria:

- (a) The action is a matter of immediate necessity the delay of which would have a negative effect on the Association and its properties;
- (b) The action is taken by a majority of the Directors;
- (c) The action is evidenced by one or more written consents describing the action;
- (d) The action is signed by all the Directors;
- (e) The action is included on the agenda of the next Board of Director's Meeting;
- (f) A motion regarding the action is included in the minutes of the next Board of Director's Meeting.

Action taken in this manner is effective when the last Director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document. Any Director may revoke the consent by delivering a signed revocation of the consent to the President or Secretary before the date the last Director signs the consent (A.R.S. 10-3821).

3.13 Resignations. Any Director may resign at any time by giving written notice of such resignation to the President or the Secretary of the Board of Directors. Unless otherwise specified therein, such resignation shall take effect immediately upon receipt of such notice by the President or Secretary.

3.14 Removals. Any Member of the Board of Directors may be removed, with or without cause, by a two-thirds vote of the eligible Members present or represented by absentee ballots at either (i) a meeting of the Members at which a quorum is represented in person and by absentee ballots, or by (ii) a written ballot without a meeting in which the total number of votes is equivalent to a quorum of the eligible Members. If the removal is to occur at a meeting of the Members, the meeting notice shall state that the purpose or one of the purposes of the meeting is the removal of the Director. A Director may also be removed from the Board of Directors by a majority vote of the Board Members, at a meeting at which a quorum is present, for the following reasons: (i) delinquent in the payment of an assessment for more than thirty (30) days,

or (ii) absent from three (3) consecutive regular meetings of the Board of Directors, or (iii) in violation of any provision of the Community Documents for more than thirty (30) days.

3.15 Vote of Censure. A Board Member may be censured by a unanimous vote of the remaining Members of the Board of Directors for an action or authorization of an action that is: (i) a violation of the Community Documents, or (ii) not authorized by the Community Documents and therefore requires a decision of the Board of Directors, or (iii) an undisclosed conflict of interest (Section 4.14) or potential conflict of interest (Section 4.12). Prior to any action by the Board of Directors, the Director who has been charged with such action shall be given notice and an opportunity to be heard in executive session at the next meeting of the Board of Directors. If it is confirmed to the satisfaction of all of the remaining Board Members, that the charges are correct, the Board Members may vote to issue a Letter of Censure to the Director for the actions taken. If a Director receives a second Letter of Censure, the Board of Directors shall schedule a meeting of the Members of the Association for the purpose of reporting the violations and the possible removal of the Director.

3.16 Vacancies. If any vacancy shall occur among the Directors by reason of death, resignation, disqualification, removal due to failure to attend meetings, delinquency in the payment of assessments, or violations of the Community Documents, such vacancy may be filled by a majority vote of the remaining Directors. The Director elected to fill the vacated position shall serve until the end of the current fiscal year; the eligible Members of the Association shall elect a Director, at the next election of Directors, to fill the unexpired portion of the term of the vacated position if one or two years remain. If the three (3) year term of the vacated position would normally expire at the end of the current fiscal year, the Members of the Association shall elect a Director to a three (3) year term. If the vacancy is created by the removal of a Director for other reasons, such vacancy may not be filled by the Board of Directors, but shall be filled by the eligible Members of the Association at the next election of Directors.

3.17 Compensation. Directors shall not be compensated for serving on the Board of Directors or as an officer of the Board of Directors. Nothing herein contained shall prevent any Director or officer from serving the Corporation in any other capacity and receiving compensation in that capacity.

3.18 Powers and Duties (Which May Not be Delegated). The Board shall be responsible for the affairs of the Association, shall have all powers and duties necessary for the administration of the Association, management of the Property, and may do all such acts and things as are not, by the Restated Articles, the Restated Declaration, or these Bylaws required to be exercised or done by the Members, or specifically prohibited as actions the Board may take. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall have the powers and be responsible for the following, in way of explanation, but not limitation:

Administration and Personnel

(a) Prepare an Annual Report for the current year and schedule an Annual Meeting of Corporation Members to review the report, and the proposed budget and plans for the next fiscal year.

(b) Hire, employ, and dismiss professional consultants, accountants, attorneys, bookkeepers, management personnel, etc., to perform such services and duties as the Board may direct, and delegate to such persons and their employees including, but without limitation, any

duties granted to the officers of the Association in these Bylaws, or duties of the Board except those set forth in this Section.

(c) Designate, hire, and dismiss the personnel necessary to provide services for the Property for the maintenance, operation, repair, and replacement of the Common Area, Common Elements, and the Area of Common Responsibility in accordance with the Community Documents; and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(d) Employ and dismiss such employees as deemed necessary, and prescribe their duties and compensation;

(e) Supervise all officers, committees, agents, and employees of the Association, and see that their duties are properly performed in accordance with the Community Documents;

(f) Fill a vacancy on the Board of Directors with an interim Director to serve until the end of the current fiscal year; at the regular election of Directors by the Members of the Association, the vacated position will be filled as described in Section 3.16;

Budget and Finances

(a) Open bank accounts on behalf of the Association and designate the signatories thereon;

(b) Propose for the approval of the Members a budget for revenues, expenditures, and reserves for the Association prior to the commencement of each fiscal year; such budget, if adopted, shall be considered notice of the budget for the new fiscal year. If the proposed budget is approved-as-amended or not approved, the Corporation shall provide to all lot Owners within thirty (30) days a summary of the amended budget or the budget that is currently in effect;

(c) Provide for the future maintenance, replacement, and enhancement of the Property by planning for capital expenditures with reserve planning;

(d) Propose for the approval of Members assessments to defray the common expenses, establish the means and methods of collecting such assessments, and establish the period for the installment payments of the assessments;

(e) As more fully provided in the Restated Declaration to: (i) propose, for Member's approval, the amount of the annual assessment against each lot; (ii) send written notice of the approved assessment to every lot Owner; (iii) collect assessments from lot Owners; (iv) record within reasonable time, a notice and claim of lien against any lot for which assessments are not paid, and foreclose the same within a reasonable time, or in the discretion of the Board, bring an action at law against the Owner personally obligated to pay the same;

(f) Issue, or cause an appropriate officer to issue, within fifteen (15) days of the request, to any person requesting the same, a certificate setting forth whether or not any assessment has been paid. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment and shall be binding on the Association;

Committees

(a) Appoint committees to assist with planning for the Property, administration of the organization, and management and maintenance of the physical property;

(b) Direct the organization of committees before the beginning of the fiscal year:

(i) Recruit and review applications of possible new committee members;

(ii) Assign committee areas of responsibility, projects, and events;

(iii) Allocate the approved budget for committee assignments;

- (iv) Assign operating procedures for committees, reports to the Board of Directors, scope of duties and responsibilities, requirements for authorization by the Board of Directors;
- (v) Require monthly written reports to the Board for inclusion in the agenda for actions taken during the past month and proposals for plans for the committee's work for the next month;
- (c) Require a written proposal for the next fiscal year to include work to be undertaken and a budget for the proposal; if the proposed work includes Major Maintenance items, there must be three contractors' estimates for each proposed project;
- (d) Receive suggestions, recommendations, and proposals from the committee for:
 - (i) Additional members for the committee;
 - (ii) Chairperson for the committee;
 - (iii) Removal of any committee member or chairperson;
 - (iv) Projects, events, and/or distribution of information to Owners or residents;
- (e) The Board of Directors may remove committee members and reorganize a committee or elect to assume the committee responsibilities until a new committee can be organized;
- (f) Require that all actions of a committee, other than routine duties, regular maintenance, or correction of an emergency situation, have the prior approval of the Board. When emergency actions have to be taken by a committee member, the decision must involve the concurrence of available Board Members;

Community Documents

- (a) Prepare and present to the Members of the Association for their approval, a Plan for the Property and a Plan for Reserves to support the proposed development of the Property; such plans shall be reviewed each year; shall form the basis for the proposal of the Association Budgets each year; and shall be updated every five (5) years;
- (b) Propose for the approval of Members amendments to the Restated Articles of Incorporation and the Restated Declaration of Covenants, Conditions, and Restrictions;
- (c) Amend the Bylaws;
- (d) Adopt and publish Association Rules and Regulations governing the use of the Properties and the common facilities, the personal conduct of the Members, their guests, lessees, invitees, and family members thereon;
- (e) Issue or cause an appropriate officer to issue the Association Resale Disclosure Package to prospective purchasers of lots in the Property; the requirements for giving clearance for the transfer of property must be presented to the Board of Directors for approval.

Enforcement

- (a) Enforce by legal means the provisions of the Restated Articles of Incorporation, Restated Declaration, these Bylaws, and the Association Rules and Regulations and bring any proceedings concerning the Association which may be instituted on behalf of or against the Owners.
- (b) Impose late charges for delinquent payment of assessments, and, after notice and an opportunity to be heard, impose reasonable monetary penalties upon Owners for violations of the Restated Declaration, these Bylaws and the Association Rules and Regulations. A schedule of the penalties for the next fiscal year shall be prepared by the Board of Directors and presented at the Annual Meeting for the approval of the eligible Members of the Association;
- (c) Suspend the rights of a Member to vote and to use the common facilities when the Member is delinquent in the payment of any assessment or penalty for a period of thirty (30) days, and, restore such rights when the assessment and all fines and penalties are paid.

(d) Suspend the right to vote and the right to use the common facilities, after notice and opportunity to be heard, of a Member during any period in which such Member shall be in default in the performance of, or in breach of any of the terms of the Community Documents for a period of thirty (30) days; and restore such rights when all violations and breaches are corrected, and all fines and penalties are paid.

(e) Declare the office of a Board Member to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board, or if such Member is delinquent in the payment of an assessment for more than thirty (30) days, or in violation of any provisions of the Community Documents for more than thirty (30) days;

(f) Enforce the Community Document restrictions on the conduct of Members of the Board of Directors by serving notice to the Director charged with a violation, and giving an opportunity to be heard in executive session at the next meeting of the Board; decisions shall follow the terms of Bylaws Section 3.15 Vote of Censure;

Insurance

(a) Procure and maintain adequate insurance against casualty, liabilities, and other occurrences, or events as required by the Declaration and current criteria required by lenders considering a mortgage in the Property; and pay the premium cost thereof;

(b) Provide for the indemnification of the Association officers and Board of Directors, and maintain Director's and officer's liability insurance;

(c) Cause all officers or employees having fiscal responsibilities to be bonded, as it may be deemed appropriate, or as required by the Restated Declaration;

(d) Cause all companies and persons providing on site services to supply evidence of liability insurance for all personnel, and for the services to be performed for the Association;

Member Survey. The eligible Members of the Association shall be solicited with an opinion survey on issues that come before the Board of Directors that may have an impact on the entire membership and/or the Properties. Issues may include recommendations brought to the Board of Directors by committees;

Property Management

(a) Review all bids for work to be performed on the Property; review all contracts and authorize two Board Members to sign an approved contract;

(b) Permit utility suppliers to use portions of the Common Area reasonably necessary for the ongoing development or operation of the Property;

(c) Make or contract for the making of repairs, additions to, improvements to, or alterations of the Properties, in accordance with the Community Documents, including after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

3.19 Powers and Duties (Which May be Delegated). The Board shall have the powers and be responsible for the following, in way of explanation, but not limitation:

Property

(a) Provide for the operation and maintenance of all the services for the Property, the facilities, and elements of the Area of Common Responsibility according to the Community Documents;

(b) Manage and regulate the use, maintenance, repair, replacement, and modification of Common Elements and the Shared Elements;

Records and Reports

(a) Keep books with detailed accounts of the receipts and expenditures affecting the Association and its administration, maintenance, and repair expenses, and any other expenses incurred;

(b) Collect the assessments, deposit the proceeds thereof in an approved bank depository, and use the proceeds to administer the affairs of the Association;

(c) Cause to be kept a complete record of all Board acts and Corporate affairs, and to present a statement thereof to the Members at the Annual Meeting of the Members, or at any special meeting when such statement is requested in writing by any Member entitled to vote.

3.20 Actions the Board of Directors May Not Take. The Board of Directors shall not act on behalf of the Association to amend the Restated Declaration; terminate the condominium; elect Members of the Board of Directors, except to fill a vacancy in its membership for a period to expire at the end of the current fiscal year (Section 3.16); or determine the qualifications, powers and duties, or terms of office of Members of the Board of Directors. In addition, the Board of Directors shall not take any of the following actions except with the written consent of a majority of the total eligible votes of the Members of the Association:

(a) Incur expenditures for capital improvements to the Common Area in any fiscal year;

(b) Sell during any fiscal year property of the Association;

(c) Pay compensation to Members of the Board or officers for services performed in the administration and direction of the Association's business; provided, however, the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association;

(d) Levy a special assessment against all lot Owners;

(e) Establish an annual assessment increase (except as provided in C.C.&R. Section 5.9);

(f) Borrow money for the purpose of modifying, improving, or adding amenities to the Common Area and facilities.

3.21 Management Agent. With the approval of a majority of the eligible votes of the Members of the Association, the Board of Directors may employ for the Association a professional management agent or agents, at a compensation to be approved by a majority of the eligible votes of the Members, to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, the duties granted to officers of the Association, and the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in Section 3.18. No management contract may have a term in excess of three years and must permit termination by either party without cause and without termination fee on thirty (30) days written notice. In the event of a contract termination, the Board of Directors can negotiate a temporary contract until the end of the fiscal year so long as the amount of the compensation does not exceed the terminated contract by more than five (5%) percent.

3.22 Board Standards. While carrying out the powers and duties for the administration of the Association, the Board shall be protected by the following standards:

(a) The business judgment rule shall protect a Director from personal liability while conducting the Association's business affairs so long as the party claiming liability does not prove that the Director failed to: (i) serve in a manner the Director believes to be in the best interests of the Association and the Members; (ii) serve in good faith; or (iii) act with such care as an ordinarily prudent person in a like position would use under similar circumstances;

(b) The rule of reasonableness shall be the test for the Board's actions in fulfilling its governance responsibilities. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Community Documents;

(c) Operational standards of the Board, the officers, and any committees appointed by the Board shall be the requirements set forth in the Community Documents or minimum standards which the Board and the various committees may establish. Operational standards may evolve as the needs and demands of the Properties change.

3.23 Conduct of Members of the Board of Directors. While assuming the responsibilities of the position of Member of the Board of Directors, a Member is expected to conduct himself/herself in a manner that respects the following standards:

(a) A Director has a duty to exercise reasonable care, due diligence, and to act within the scope of his/her authority.

(b) A Director is deemed to be in a position of trust and is required to manage the business of the Association in a manner that promotes the interests of the Association and the common interests of the Members of the Association.

(c) A Director cannot allow his/her self-interests to be in conflict with the interests of the Association.

(d) A Director is required to enforce the Community Documents. No Director may take an action that is not supported by the Community Documents or requires Board approval.

(e) A Director must protect the Association's assets with the goal of improving property values. This includes maintenance of all buildings and grounds and sound fiscal management.

(f) A Director must treat all Association Members/residents with respect. This shall include responding to all Member/resident requests, suggestions, and complaints promptly and bringing these items before the entire Board for review and action when applicable.

(g) A Director must treat fellow Board Members with respect. Each Director must consider all suggestions brought before the Board, regardless of his/her personal opinion. A Director will abide by and support all Board decisions even though he or she may not agree with all of them.

The Board of Directors collectively is required to enforce these standards of conduct for Board Members. Violations by individual Directors must be dealt with promptly as provided in Section 3.15.

ARTICLE 4. OFFICERS: TERM, DUTIES, AND POWERS

4.1 Number. The officers of the Corporation, all of whom are elected by the Board of Directors, shall be President, Vice President, Secretary, and Treasurer.

4.2 Term of Office and Qualifications. Each officer shall hold his or her office for one (1) year or until the officer's death, resignation, or removal as provided in Section 4.5. Any Director may hold any office. The President, Vice President, and Treasurer shall be elected from among the Members of the Board of Directors; the Secretary need not be a Director but must be a Member of the Corporation. Any person may hold more than one (1) office except that the President may not concurrently hold the office of Secretary.

4.3 Special Appointments. The Board of Directors may appoint such other assistants as the affairs of the Corporation may require, each of whom shall hold such position, for such period, have such authority, and perform such duties as the Board of Directors may from time to time determine.

4.4 Resignations. Any officer may resign at any time by giving written notice of such resignation to the President or the Secretary of the Board of Directors. Unless otherwise provided and specified therein, such resignation shall take effect immediately upon receipt of such notice by the President or the Secretary.

4.5 Removal. Any officer may be removed either with or without cause by a majority vote of the Directors, a quorum being present at a regular or special meeting called for that purpose.

4.6 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by the election of an officer by the Board of Directors to serve for the unexpired portion of the officer's term; if the vacancy was created by a vacancy on the Board of Directors, then the Board shall follow procedures for filling the position of Director, Section 3.16.

4.7 President. The President shall be the chief executive officer of the Corporation; shall preside at all meetings of the Members and of the Board; shall see that orders and resolutions of the Board of Directors are carried into effect; and shall have general and active management of the business of the Corporation.

4.8 Vice President. The Vice President shall act in the place and stead of the President in the event of his or her absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required by the Board of Directors.

4.9 Secretary. The Secretary shall: keep the minutes of and record all the votes of the meetings of the Members, the Board of Directors, and all committees; maintain Property Files for all lots in the Property; make a complete list of all Members entitled to notice and to vote, as of the designated record date for each meeting; see that all notices are given in accordance with the provisions of these Bylaws, the Restated Declaration, or as required by statute; be custodian of the records of the Corporation, the Board of Directors, and all committees; see that all lists, books, reports, statements, certificates, and other documents, and records required by law are properly kept or filed; record the Association contact information with the county recorder's office; provide the Association Resale Disclosure Package when requested; maintain current Registration Forms for Non-Owner occupied properties (if any); perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

4.10 Treasurer. The Treasurer is the chief financial officer of the Corporation and is responsible at all times for enforcement of the terms, conditions, and restrictions of the Community Documents as they concern the integrity of the Corporation financial system. The Treasurer shall receive and deposit in appropriate bank accounts, all monies of the Corporation and shall disburse such funds for authorized Association purposes in accordance with the Community Documents; secure two authorized signatures on all contracts, checks, agreements, deeds, and promissory notes of the Corporation; keep proper books of accounting; prepare a proposed annual budget for income, expenditures, and reserves, and the amount of the proposed annual assessment all to be presented to the membership at the Annual Meeting; deliver a notice of the approval of the budget and the assessment to each Member, or if amended or not approved, a statement of the changes and the budget and assessment that will be in effect; and, in general, perform all duties incident to the office of Treasurer. The Treasurer may be required to give the Corporation a bond in such sum, with such surety or sureties, as shall be satisfactory to the Board of Directors, for the faithful discharge of his or her duty. In addition, the Treasurer shall:

- (a) Reconcile bank statements;
- (b) Send delinquency notices and initiate legal action against delinquent accounts;
- (c) Prepare and present monthly financial reports to the Board of Directors to include status of all accounts, delinquencies, and the need for legal action, if any;
- (d) Maintain and safeguard all financial records;
- (e) Coordinate Association records with a certified public accountant for annual audit, tax filings, and filing of the annual report with the State Corporation Commission;
- (f) Coordinate Association bids for services with vendors; all bids and contracts must be presented to the Board of Directors for review and approval; all contracts with vendors must have the approval of the Board of Directors, and be authorized by the signatures of two Board Members;
- (g) Maintain copies of contracts for all vendors, consultants, attorneys, bookkeepers, and management personnel;
- (h) Collect vendor certifications of insurance, bonding, or licensing where required;
- (i) Prepare and present annual financial reports for the Board of Directors; prepare copies of the past fiscal year reports or summaries for distribution to lot Owners when requested.

4.11 Compensation. Officers shall not be compensated for serving as an officer or as a Director of the Board of Directors. However, nothing herein shall prevent an officer from serving the Corporation in any other capacity and receiving compensation in that capacity.

4.12 Conflict of Interest Transactions. A potential conflict of interest that must be disclosed is recognized to be present in transactions between the Corporation and interested persons such as the following: the sale, lease, or exchange of property, or services to or from interested persons and the Corporation; the lending or borrowing of monies to or from interested persons and the Corporation; the payment of compensation by the Corporation for services provided by interested persons; or the employment of Members of the Corporation. Board Members, officers, committee members, and agents of the Corporation are required to make full disclosure of the existence of conflicting interests (relationship with persons involved in the transaction) and all facts known to them respecting a transaction that an ordinary person would reasonably believe to be material to a judgment about whether or not to proceed with the transaction. Such conflicting interests may also include knowledge that any of the following

persons is a party to the transaction, or has a beneficial interest in, or is linked to the transaction so as to have financial benefit to themselves or to a related person: (i) the person is an individual who is associated with both entities in the transaction, i.e., an agent, employee, partner, director, or someone who was formerly so associated; (ii) the person, who is a partner, principal, or employer of said Director, is a party to the transaction. Board Members, officers, committee members, and agents are required to disclose to the Board of Directors in an open meeting the existence and nature of the conflicting interest and to play no part, directly or indirectly, in the transaction deliberations or vote (A.R.S. 10-3862). A majority, but at least two, of all the qualified Directors on the Board or on the committee is a quorum for purposes of action that complies with this section. For purposes of this section “qualified Director” means a Director who does not have either: a conflicting interest with respect to the transaction or a familial, financial, professional, or employment relationship with a second Director who does have a conflicting interest respecting the transaction (A.R.S. 10-3860).

4.13 Conflict of Interest and Member Voting. For any action that requires the approval of the Members, a majority of the eligible votes of the Members of the Association shall be considered a quorum if the action to be taken is on a conflict of interest transaction. Conflict of interest disclosure to the Board of Directors is effective if the membership vote was cast in favor of the transaction after all the following: (i) notice to Members describing the Director’s conflicting interest; (ii) notice of the number and identity of persons holding or controlling the vote of all membership interests that are known to be beneficially owned, or the voting of which is controlled, by the Director or by a person related to the Director, or both (A.R.S. 10-3863).

4.14 Conflict of Interest Transactions that are Prohibited. A conflict of interest does exist when a Board Member, officer, committee member, or agent of the Corporation is in a position to serve notice of a violation of any type, or participate in the enforcement of a community standard involving his or her own property, or that of any interested or related party (same definitions as used in Section 4.12). Board Members, officers, committee members, and agents who have a personal, familial, financial, professional, or employment relationship with the interests involved are required to play no part, directly or indirectly, in the action deliberation, vote, or enforcement.

ARTICLE 5. COMMITTEES

The Board of Directors, by the affirmative vote of a majority of the Board, may appoint one or more committees to assist with the planning for the Property, administration of the organization, and management and maintenance of the physical property. All committees will follow the procedures, duties and requirements established by the Board of Directors. Each committee may make additional recommendations to the Board of Directors.

5.1 Appointment, Qualification, and Term of Office. Prior to the beginning of each fiscal year, the Board of Directors shall call for the organization of committees Section 3.18, by receiving applications for new committee members, recommendations for committee chairpersons and new members, and assigning committee tasks.

(a) Committee members shall be Members of the Association. Suspended Members shall not be committee members.

(b) Association Members shall not serve on more than two committees simultaneously.

(c) A committee shall not have more than one Board Member serving at the same time.

(d) A Member of the Association who desires to be on a committee may present an application to either the specific committee or the Board of Directors. The committee may present its recommendations for members to the Board of Directors when the Board makes committee assignments.

(e) In order to have more than one (1) person on a committee, the Board may elect to combine areas of responsibility.

(f) Committee members are limited to a two (2) year term before they may reapply.

(g) The Committee Chairperson shall be appointed annually by the Board of Directors after consideration of any recommendations from the committee members.

(h) Committee members desiring to resign shall submit a written resignation to the Board of Directors.

(i) A Chairperson or committee member may be removed at any time, with or without cause, by the Board of Directors or upon the recommendation to the Board of an affirmative vote of a majority of the committee members.

5.2 Areas of Responsibility for Committees. Each year, the Board of Directors shall be responsible to direct the organization of Committees and responsibilities of Members who will assist with the management and/or maintenance of the following areas:

(a) Architecture – Responsible for issues relating to areas defined in CC&R Sections 3.1 – 3.18.

(b) Community Activities – Responsible for introducing new Members to the various aspects of the Community, and planning and coordinating social activities for the Community.

(c) Finance – Responsible for reviewing the financial records and assisting the Board and Treasurer in presenting proposals to the Association for the Operating and Major Maintenance Budgets.

(d) Landscape – Responsible for issues relating to landscaping the Common Areas defined in CC&R 6.3 (a) and the Areas of Shared Elements defined in CC&R 6.4(c) and contact with the landscape service personnel.

(e) Newsletter – Responsible for producing a Community newsletter on a monthly basis.

(f) Streets – Responsible for the use of the streets, parking of vehicles, safety issues, access for emergency vehicles, and maintenance of the streets, signs, and street lights.

(g) Swimming Pools – Responsible for the maintenance of the physical pools, their surrounding, equipment, and contact with the pool service personnel.

(h) Tennis Court – Responsible for issues relating to the enclosed area of the tennis court and its surface.

5.3 Ad Hoc Committees. An ad hoc committee may be appointed by the Board of Directors to complete a specific job in a specific amount of time. The method of selecting the committee shall be the same as that of all other committees. The number of members to be on the committee, instructions to the committee and a deadline for completion of the specific task shall

be determined by the Board of Directors. The powers and duties granted in these Bylaws Article 5 extend to ad hoc committees.

.4 Committee Duties.

(a) The committee shall review the duties and responsibilities established by the Board of Directors, the objectives and plans previously set forth for the committee, the budget allocated for the year, and establish an outline that details the goals for the year.

(b) The Committee Chairperson shall prepare and present a report of the committee's activities

and recommendations to the Board on a monthly basis. The report shall be placed on the agenda of the Board Meeting and recommendations presented for Board action. The Directors will be responsible for accepting or rejecting the committee's recommendations.

(c) Each committee is responsible for planning the projects and a proposed budget for the next fiscal year. The proposals will be provided to the Finance Committee approximately one hundred (100) days prior to the Annual Meeting date. Proposals relating to major maintenance projects must include three contractor cost estimates with the proposed budget.

.5 Meetings.

(a) Prior to the beginning of each fiscal year, each committees will have an organization meeting to meet with new applicants, review goals, objectives, allotted budget, and plans for the next year. Committees shall present recommendations to the Board of Directors for the Committee Chairperson, new and continuing members, and plans for the year. The Board of Directors shall be responsible for accepting or rejecting the committee recommendations.

(b) Committees responsible for directing the personnel of landscape and pool services shall meet such personnel weekly; committees responsible for the other areas of the physical property and architecture shall walk the Property once a week. Other committees shall meet at least monthly.

(c) Sections 3.6 and 3.9 of these Bylaws apply to committee meetings and notification of committee meetings.

(d) A monthly community newsletter may be used as a method of notification to Association Members.

.6 Committee Standards.

(a) Committees will serve under the direct supervision of the Board of Directors.

(b) Committees will not make decisions or take actions other than the assigned duties, regular maintenance, or correction of an emergency situation without Board approval. When emergency actions have to be taken by a committee member, the decision must involve the concurrence of available Board Members.

(c) Committee proposals, actions, and recommendation will be presented, in writing, to the Board of Directors at its regular meeting.

(d) Committees will be responsible to research the needs of the Association and make recommendations regarding how those needs may best be met.

(e) Committees will be responsible to respond to all owner requests and concerns within five (5) days of receipt of a written request; a summary of all such concerns and requests and the actions taken shall be reported to the Board in the monthly report.

5.7 Powers. The powers of a committee are those granted by the Board of Directors and all proposals and actions of a committee must receive the prior approval of the Board of Directors. Except as otherwise provided by statute or by these Bylaws as set forth in Section 3.19, some powers of the Board of Directors when not in session may be vested, to the extent from time to time determined by the Board of Directors, in one or more committees, if any, appointed in accordance with Section 5.1. Powers and duties that may not be vested in a committee are those set forth in Section 3.18. In addition, a committee shall not take any of the following actions:

- (a) Approve any action or recommend to any Member any action that requires the vote of the Board of Directors or the Members of the Association;
- (b) Approve any request or take any action that is in any manner a violation of any provisions of the Community Documents;
- (c) Adopt, amend, or repeal these Bylaws or any Association Rules and Regulations;
- (d) Fill vacancies on the Board of Directors or any other committee;
- (e) Fix the compensation of officers, agents or service personnel;
- (f) Authorize distribution of money or property.

ARTICLE 6.

MANAGEMENT OF ACCOUNTS AND RECORDS

6.1 Management Standards. The following management standards of performance will be followed unless a majority vote of all Board Members specifically determines otherwise:

- (a) Accrual accounting, as defined by generally accepted accounting principles, shall be employed for daily accounting purposes; cash basis shall be used for the annual audit and tax purposes;
- (b) Accounting and controls should conform to established American Institute of Certified Public Accountants (AICPA) guidelines and principles;
- (c) A segregation of accounting duties should be maintained, and disbursements by check shall require two (2) signatures of the authorized Members of the Board of Directors;
- (d) No cash funds may be maintained by the Association;
- (e) No remuneration may be accepted by Board Members, officers, committee members, or the Managing Agent from vendors, independent contractors, other contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, services, or otherwise; anything of value received shall benefit the Association;
- (f) Any financial or other interest that a Board Member, officer, committee member, or the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors (Section 4.12).

6.2 Required Records. The Association shall keep as permanent records: minutes of all meetings of its Members and Boards of Directors; a record of all actions taken by the Members, or Boards of Directors without a meeting; and a record of all actions taken by a committee of the Board of Directors on behalf of the Corporation. The Association records shall be kept in written

form or in another form capable of conversion into written form within a reasonable time (A.R.S. 10-11601). The Association shall maintain:

- (a) Appropriate accounting records.
- (b) Records for the Owner(s) of Record of each lot in a form that permits preparation of a list of Owner's names in alphabetical order, showing property address, Owner's mailing address, lot number, and number of votes each Member is entitled to cast;
- (c) Copies of all the Community Documents and all amendments to them currently in effect;
- (d) Copy of the Association insurance policy for the current year;
- (e) Copy of all contracts or service agreements with consultants, advisors, services, etc.;
- (f) All resolutions adopted by the Board of Directors;
- (g) The minutes of all Board Meetings, committee meetings, and Members' meetings; and records of all actions taken by these groups without a meeting;
- (h) All financial statements furnished for the past seven years;
- (i) A list of the names and addresses of the current Directors and officers, and the names of all Directors and officers for all periods of Association history;
- (j) Copy of the most recent Annual Report delivered to the State Corporation Commission;
- (k) Property File for each Lot to include a complete record of the Lot since the first transfer of title (if available). Such records shall include all transfers of title, deeds, resale disclosure forms, signature receipt forms; Non-Owner Occupied Property Registration Forms, notices, committee actions; communications between Owners, occupants, and the Board of Directors; and any decisions made by committees and/or the Board of Directors regarding the Lot.

6.3 Required Reports. The Association shall prepare the following reports:

- (a) Annual Financial Statement for Members. The latest annual financial report shall include a balance sheet as of the end of the fiscal year and a statement of operation for that year. If the annual financial statements have been reviewed by a certified public accountant, that report shall accompany them (A.R.S. 10-11620).
- (b) Annual Report to Members. The Board of Directors shall prepare an Annual Report for the current year to be submitted to the Members at the Annual Meeting of the Association.
- (c) State of Arizona Corporation Commission Annual Report and Certificate of Disclosure. The Board of Directors shall prepare the Annual Report for the State Corporation in a timely manner.

6.4 Financial Reports. Reports for the Association shall contain the following:

- (a) A Balance Sheet reflecting balances as of the end of the current month on an accrual basis.
- (b) An Account Activity Statement (Statement of Operations) reflecting all actual receipt and disbursement activity for the current month, the year-to-date, and comparison with the previous year activity for the same month and the year-to-date;
- (c) An Account Status Report reflecting: (i) the current month status of accounts in an actual versus approved budget format, (ii) the year-to-date status of all accounts in an actual versus approved budget format with both the current month and year-to-date reports showing the differences in each account between the actual and the approved budget figures;

(d) A Statement of Operations as of the current month that aligns in one spread sheet, the information from items (b) and (c) above;

(e) A Trend Report for all accounts showing the current year, month-by-month status of each account, and the total year trend of each account as of the current month;

(f) An Accounts Receivable Aging Report listing all Owner's current balances, and summarizing the age of delinquent balances for the preceding three (3) month period, and describing the status of any action to collect such installments which remain delinquent on the fifteenth (15th) day of each month;

(g) A Balance Sheet as of the last day of the Association's fiscal year and an Operating Statement for said fiscal year, both of which shall be available to lot Owners within ninety (90) days after the close of a fiscal year and upon request.

6.5 Tax Returns. The Association tax returns shall be prepared by a certified public accountant and filed in a timely manner.

6.6 Annual Audit. An audit of the accounts of the Association shall be completed annually within one-hundred and eighty (180) days of the end of the fiscal year as a common expense by a certified public accountant. Within thirty (30) days after the completion of the audit and upon written request, any Association Member or institution holder of a first mortgage, shall be provided a copy or a review of the annual audited financial statement.

6.7 Resale Disclosure. With each pending sale of a lot in the Property, the Association shall provide the prospective purchaser with the Association Resale Disclosure Package as defined by the current State Statutes. The package shall be sent to the purchaser within ten (10) days of receipt of the notification of the pending sale: if to the purchaser's address, sent by registered or certified mail, return receipt requested; if delivered personally to the purchaser, a signed receipt must be obtained from the purchaser. All signature receipts must be filed in the Association Property File. The Association may charge the selling Owner both Transfer and Disclosure Fees for the preparation of the Resale Disclosure Package. Such fees shall normally be payable to the Association at the closing of the transfer of the title to the lot; however, if the sale of the property to the purchaser fails to take place, the Owner of the lot shall pay to the Association, upon notification by the Board, only the Disclosure Fee. The Association shall make available to any interested party the amount of the Transfer and Disclosure Fees as established annually by the Board of Directors. For purposes of the required disclosure, Owner means the seller of the lot title and excludes any licensed real estate agent or broker, or trustee of a deed or trust who is selling the property in a trustee's sale. A purchaser or seller who is damaged by the failure of the Association to disclose the information required by this Section may pursue any and all remedies at law or in equity against the Association, including the recovery of reasonable attorney fees. The Association Resale Disclosure Package to be mailed or delivered to the purchaser shall contain all of the following:

(a) A dated statement, "Acceptance of the Contract", requiring (i) the signature of the prospective purchaser, and (ii) the return of the statement to the Association in the attached, stamped and addressed envelope, within fourteen (14) days. The statement shall read:

"I hereby acknowledge that the Declaration, Bylaws, and Rules and Regulations of the Association constitute a Contract between the Association and me (the purchaser). By signing this statement, I acknowledge that I have read and understand the Association's Contract with me (the purchaser). I also understand that by accepting this

Contract, I may be giving up any rights to the homestead exemption protection regarding the lien of the Association.”

- (b) A copy of the Restated Declaration;
- (c) A copy of the Restated Bylaws;
- (d) A copy of the Restated Articles of Incorporation;
- (e) A copy of the Association Rules and Regulations;
- (f) A copy of the current budgets of the Association;
- (g) A copy of the most recent annual financial report of the Association. If the report is more than ten (10) pages, the Association may provide a summary of the report in lieu of the entire report;
- (h) A copy of the most recent Plan for Reserves of the Association;
- (i) A dated statement, “Association and Lot Information” containing:
 - (i) The telephone number and address of a principal contact for the Association, who may be an Association Manager or officer of the Association or other person designated by the Board of Directors;
 - (ii) The amount of the common regular assessment for the lot; and the amount of any unpaid common regular assessment, special assessment, or other assessment, fee, or charge currently due and payable from the selling Owner;
 - (iii) A statement as to whether a portion of the unit is covered by insurance maintained by the Association;
 - (iv) The total amount of money held by the Association as reserves;
 - (v) A statement as to whether the records of the Association reflect any alterations or improvements to the unit or lot that violate the Community Documents;
 - (vi) A statement of case names and case numbers for pending litigation with respect to the lot, filed by the Association against the selling Owner or filed by the selling Owner against the Association.

6.8 Delivery of Notices and Documents. All notices, demands, bills, statements, or other communication required by these Bylaws shall be in writing, and shall be deemed to have been duly given if delivered personally, placed in the unit mailbox, or if sent by registered or certified mail, return receipt requested, first class postage prepaid: (i) if to a Member, at the address which the Member has designated in writing and filed with the Secretary, or if no such address has been designated, at the address of the unit of such Owner; or (ii) if to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Association, or the Managing Agent, if any, or at the other address as shall be designated by the notice in writing to the Owners pursuant to this Section. Written notice is effective at the earliest of the following: (i) when received, (ii) five (5) days after it is deposited in the United States mail as evidenced by the postmark, if mailed postpaid and correctly addressed, or (iii) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and if the receipt is signed by or on behalf of the addressee. (A.R.S. 10-3141)

6.9 Inspection of Books and Records. Any Member who has been a Member of record at least six (6) months immediately preceding a demand is entitled to inspect and copy any of the permanent records that the Corporation is required to keep by State Law. Such inspection shall be during regular business hours provided the Member gives the Corporation written notice at least five business days before the date on which the Member wishes to inspect and copy. The Association may impose a reasonable charge covering the costs of labor and material for copies of any documents provided to the Member. A Member may inspect and copy the records identified in Sections 6.2, 6.3, and 6.4, only if the following conditions are met: (i) the

Member's demand is made in good faith and for a proper purpose, (ii) the Member describes with reasonable particularity the Member's purpose and the records the Member desires to inspect, and (iii) the records are directly connected with the Member's purpose (A.R.S. 10-11602).

6.10 Books and Records Not Open to Inspection. Unless the Board of Directors provides express permission to the Member, a Member of the Association is not entitled to inspect or copy any records, documents, or other materials that are maintained by, or in the possession of the Association, and that are related to any of the following:

(a) Privileged communications between an attorney for the Association and the Association.

(b) Pending or contemplated litigation.

© Meeting minutes or other records of a session of a Board Meeting or an executive session that is not required to be open to all Members (A.R.S. 33-1448).

(d) Personal, health, and financial information of an individual Member of the Association or an individual employee of a contractor for the Association.

(e) Records relating to the job performance of, compensation of, health information of, or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direction of the Association.

In addition, the Association shall not be required to disclose financial or other records of the Association if disclosure would violate any State or Federal Law.

6.11 Limitations on the Use of the List of Members. Without the consent of the Board of Directors, no person may obtain or use a membership list or any part of the membership list for any purpose unrelated to a Member's interest as a Member. The list shall not be used to solicit money, property, or for any commercial purposes; nor shall it be sold to or allowed to be purchased by any Person (A.R.S. 10-11605).

ARTICLE 7.

ENFORCEMENT OF THE COMMUNITY DOCUMENTS

7.1 Power to Enforce. The Association shall have the power to impose monetary penalties upon the Owner(s) of lots for violation of the Restated Declaration, these Bylaws, and the Association Rules and Regulation. This power shall apply to violations by the Owner(s) and the Owner(s) shall be liable for any violation committed by a family member, guest, tenant, or other occupant of the Owner's unit. The amount of monetary penalties shall be determined based on the nature of the offense and the number of violations. The amount so established by the Association's Board of Directors shall range from a minimum of \$20.00 to a maximum of \$500.00 per occurrence; a schedule of the penalties for the next year shall be presented by the Board of Directors at the Annual Meeting for the approval of the eligible Members of the Association.

7.2 Duty to Enforce. The Association shall have the duty to enforce the restrictions, covenants, and conditions cited in the Community Documents for the purpose of enhancing and protecting the value, desirability, and attractiveness of the real property and all of which are for the benefit of all the Property and all the other Owners thereof.

7.3 Initial Notification. For violations of the Community Documents, delinquency in payment of an assessment or penalty, and conditions or behaviors which have generated complaints, the Association shall immediately notify the lot Owner of the problem, verbally or by a reminder notice, thereby allowing the Owner time to correct the problem or conditions prior to the need for formal action by the Board of Directors.

7.4 Written Notice. Prior to imposition of any sanction hereunder, the Board shall serve the Owner(s) of the lot with written notice describing (i) the nature of the alleged violation with reference to the Section of the Documents being cited for the violation, (ii) the proposed sanction to be imposed, (iii) an opportunity to be heard in executive session at the next meeting of the Board of Directors, a period of not less than fifteen (15) days notice; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless the Owner notifies the Board within ten (10) days that he or she does request a hearing at the next the Board Meeting. Written notice shall be given by hand-delivery, or registered or certified mail, return receipt requested, at the last known address of the Owner(s). If a timely request to be heard is not made, the sanction stated in the written notice shall be imposed in executive session at the scheduled Board Meeting.

7.5 Opportunity to Be Heard. If a hearing is requested in a timely manner, the hearing shall be held in executive session affording the Owner a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice as required by these Bylaws, Section 6.8, shall be placed in the minutes of the executive session. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the Director, officer, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the Owner appears at the hearing (A.R.S. 10-3621). The minutes of the executive session shall contain a written statement of the results of the hearing and the sanction, if any, imposed. After the hearing, the Owner may appeal the decision of the Board of Directors (Section 2.2).

7.6 Continuing Violation After Written Notice and Imposition of Sanctions. If it is determined that the Owner is guilty of a continuing violation, the Board may impose reasonable monetary penalties for each subsequent day of violation and such continuing penalties shall remain in effect until the Owner(s) notify the Board that the violation has ceased and the Board has confirmed that this, in fact, is the case. Prior to the imposition of such monetary penalties, the Board shall give the Owner (i) notice of the continuing violation, (ii) an opportunity to be heard, and (iii) a statement that the proposed sanction shall be imposed as contained in the notice unless the Owner notifies the Board within ten (10) days that he or she does request a hearing at the next Board Meeting. Any penalties assessed against the Owner(s) may be enforced against the lot of the Owner(s) in the same manner established in the Restated Declaration in regard to Fines and Penalties, Section 8.12, and said Owner(s) shall be liable in this manner for all violations committed by family members, guests, tenants, or any other occupant of the Owner's unit.

7.7 Additional Enforcement Rights. Notwithstanding anything to the contrary contained in the Restated Declaration, these Bylaws, or the Association Rules and Regulations, the Association, acting through the Board of Directors, may elect to enforce any provision of the Restated Declaration, these Bylaws, or the Rules and Regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking

rules and regulations), or by suit at law, or in equity to enjoin any violation, or to recover monetary damages, or both without the necessity for compliance with the procedure set forth above. A judgment in any such action brought under this section shall include costs and reasonable attorney's fees for the prevailing party.

ARTICLE 8. GENERAL

8.1 Binding Effect. All persons, and/or Corporations, or Associations who shall become a Member of this Corporation shall become such subject to and bound by the provisions of the Restated Articles of Incorporation, the Restated Declaration, these Bylaws, the Association Rules and Regulations, and any amendments duly adopted there under.

8.2 Parliamentary Rules. Except as may be modified by a Board resolution establishing procedures, Robert's Rules of Order (current edition) shall govern the conduct of the Association proceedings when not in conflict with Arizona Law, the Restated Articles of Incorporation, the Restated Declaration, or these Bylaws.

8.3 Fiscal Year. The fiscal year of the Corporation shall end on December 31 in each year or on such other date as may be determined by the Board of Directors.

8.4 Amendment. These Bylaws may be amended by a seventy-five percent (75%) affirmative vote of the Directors at any regular meeting of the Board of Directors. The vote shall be taken after the following conditions have been met:

(a) The proposed amendment has been presented in writing at a regular meeting of the Board of Directors no less than ninety (90) days prior to the meeting at which the vote is to be taken;

(b) A copy of the proposed amendment has been provided to each Member of the Association no less than sixty (60) days prior to the meeting at which the vote is to be taken;

(c) At a Board Meeting thirty (30) days prior to the meeting at which the vote is to be taken, Members of the Association may (i) submit written statements to be included in the agenda for the meeting, and (ii) voice opinions regarding the proposed amendment at this meeting;

(d) At the meeting at which the vote is to be taken, Members or a Member's Designated Representative may speak regarding the proposed amendment prior to the vote of the Members of the Board of Directors.

8.5 Construction. If there are conflicts or inconsistencies between the provisions of Arizona Law and the Community Documents then the provisions of Arizona Law, the Restated Declaration, the Restated Articles of Incorporation, the Restated Bylaws, and the Association Rules and Regulations (in that order) shall prevail.

IN WITNESS WHEREOF, the undersigned, being the President and the Secretary of the Corporation, hereunto set their hands and certify that by a duly held vote of the Members of the Corporation, as evidenced by the signatures of not less than fifty-one percent (51%) of the Owners, these Amended and Restated Bylaws are approved.

LOS OLIVOS HERMOSO -
TOWNHOME ASSOCIATION

By:

Its: President

Attested:

Its: Secretary

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this ____ day of _____, 2004, before me, the undersigned
notary public,
personally appeared _____ and _____ of
Los Olivos Hermoso - Townhome Association, and that as such officers being authorized to do
so, executed the foregoing instrument for the purposes therein contained, by signing the name of
the Corporation.

Notary Public _____

MY COMMISSION EXPIRES: _____