

BYLAWS
OF
SILVERTON II HOMEOWNERS ASSOCIATION, INC.

**TABLE OF CONTENTS
TO
BYLAWS OF
SILVERTON II HOMEOWNERS ASSOCIATION, INC.**

	Page
ARTICLE I GENERAL PROVISIONS.....	1
1.1 Name.....	1
1.2 Principal Office.....	1
1.3 Defined Terms.....	1
1.4 Conflicting Provisions.....	1
1.5 Corporate Seal.....	1
1.6 Designation of Fiscal Year.....	1
1.7 Books and Records.....	1
1.8 Amendment.....	1
1.9 Open Meetings.....	2
1.10 Exemption of Private Property.....	2
1.11 FHA/VA Financing.....	2
ARTICLE II MEETINGS OF MEMBERS.....	2
2.1 Annual Member Meeting.....	2
2.2 Special Member Meetings.....	2
2.3 Notice of Member Meetings.....	2
2.4 Member Quorum and Voting.....	3
2.5 Proxies.....	3
2.6 Eligibility.....	3
2.7 Joint Ownership.....	3
2.8 Corporate Ownership.....	4
2.9 Suspension of Voting Rights.....	4
ARTICLE III BOARD OF DIRECTORS.....	4
3.1 Number of Directors.....	4
3.2 Board Term of Office.....	4
3.3 Removal and Resignation.....	5
3.4 Compensation.....	5
3.5 Notice to Members of Board Meetings.....	5
3.6 Vacancies on the Board.....	6

**TABLE OF CONTENTS
TO
BYLAWS OF
SILVERTON II HOMEOWNERS ASSOCIATION, INC.**

	Page
3.7 Regular Board Meetings	6
3.8 Special Board Meetings	6
3.9 Quorum of Directors	6
3.10 Powers and Duties of the Board.....	6
3.11 Non-Monetary Violations	8
3.12 Committees of Board	9
ARTICLE IV OFFICERS AND THEIR DUTIES.....	9
4.1 Enumeration of Officers	9
4.2 Election of Officers.....	9
4.3 Officer Term	9
4.4 Special Appointments	9
4.5 Resignation and Removal of Officers.....	9
4.6 Vacancies in Offices	10
4.7 Multiple Offices	10
4.8 Powers and Duties of Officers	10
ARTICLE V INDEMNIFICATION	10
5.1 Indemnification	10
5.2 Procedure	11
5.3 Scope of Article	11
5.4 Liability.....	11
ARTICLE VI ARCHITECTURAL CONTROL.....	11
6.1 Committee Composition	11
6.2 Terms of Office.....	11
6.3 Appointment and Removal	12
6.4 Resignations.....	12
6.5 Vacancies	12
6.6 Duties	12
6.7 Meetings and Compensation.....	12
6.8 Architectural Committee Rules.....	12

TABLE OF CONTENTS
TO
BYLAWS OF
SILVERTON II HOMEOWNERS ASSOCIATION, INC.

	Page
6.9 Waiver.....	12
6.10 Time for Approval	12
ARTICLE VII ARBITRATION RULES	13
7.1 Arbitration Rules.....	13
7.2 Panel Size.....	13
7.3 Applicability of Arbitration Rules	13
7.4 Consolidation	13
7.5 Joinder.....	13
7.6 Discovery	13
7.7 Confidentiality	14
7.8 Commencement and Timing of Proceeding	14
7.9 Pre-hearing Conferences.....	14
7.10 Motions	14
7.11 Mandatory Resolution Procedures.....	14
7.12 Allocation of Costs of Resolving Claims	17

BYLAWS

OF

SILVERTON II HOMEOWNERS ASSOCIATION, INC., an Arizona nonprofit corporation

ARTICLE I

GENERAL PROVISIONS

1.1 **Name.** The name of this nonprofit corporation (“**Association**”) is “Silverton II Homeowners Association, Inc.”

1.2 **Principal Office.** The principal office of this corporation will be located initially at 2005 West 14th Street, Suite 100, Tempe, Arizona 85281; however, meetings of Members and Directors may be held at any other place within the State of Arizona that may be designated by the Directors.

1.3 **Defined Terms.** Terms used but not defined in these Bylaws will have the same meanings specified in the Declaration of Homeowner Benefits and Covenants, Conditions, and Restrictions for Estrella Vista recorded in the Official Records of Maricopa County, Arizona (“**Declaration**”). Terms used in these Bylaws but defined in the Declaration include, but may not be limited to, the following: Assessments, Declarant, Common Area, Members, Project Documents, Declarant Control, Project, Mortgagee, Owner, Lot, Areas of Association Responsibility, Covered Claim, Association Rules, and Architectural Committee.

1.4 **Conflicting Provisions.** ~~If there is any conflict between the Articles of Incorporation (“Articles”) for the Association and these Bylaws, the terms of the Articles will control. In the case of any conflict between the Declaration and these Bylaws, the Declaration will control.~~

1.5 **Corporate Seal.** The Association may have a corporate seal in a form approved by the Board.

1.6 **Designation of Fiscal Year.** The fiscal year of the Association will begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year will begin on the date of incorporation of the Association.

1.7 **Books and Records.** The books and records of the Association (including the Project Documents) will be available for inspection by any Owner of a Lot (each a “**Member**”) or the Member’s authorized agents during reasonable business hours for a proper purpose at the principal office of the Association. The books and records of the Association may be withheld from disclosure for any of the reasons specified in A.R.S. § 33-1805.

1.8 **Amendment.** These Bylaws may be amended by a vote of the Members that are present in person or by proxy at a regular or special meeting of the Members and that have greater than fifty percent (50%) of the total number of eligible votes, regardless of class.

1.9 **Open Meetings.** Except in any of those instances enumerated under A.R.S. § 33-1804, all meetings of the Association and the Board of Directors of the Association (singularly or collectively, as applicable, referred to as the “**Board**”, “**Directors**”, or “**Director**”) must be open to all Members to attend and listen. In the case of meetings of the Board, Members who are not part of the Board, however, are not be permitted to participate in any deliberation or discussion of the Board unless expressly authorized by vote of a majority of a quorum of the Board. The Board also may limit participation to eligible Members.

1.10 **Exemption of Private Property.** The private property of each and every officer, Director, and Member of this Association at all times is exempt from all debts and liabilities of the Association.

1.11 **FHA/VA Financing.** If FHA or VA financing is applicable to the Project, any amendment to these Bylaws while Class B membership is in existence must be approved by the Federal Housing Administration or the Veterans Administration in the same manner described in the Declaration.

ARTICLE II

MEETINGS OF MEMBERS

2.1 **Annual Member Meeting.** The first annual meeting of the Members will be held on September 20, 2000, or at any other date designated by the Board of Directors; however, the first annual meeting of the Members must be held no later than one (1) year after the date of the close of escrow on the first Lot sold by the Declarant to an Owner. The Association will hold subsequent annual meetings of the Members on the third Wednesday of September at the hour of 7:00 p.m., unless otherwise specified by written notice to the Members. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour of the next subsequent day that is not a legal holiday.

2.2 **Special Member Meetings.** Special meetings of the Members may be called at any time by the President or by a majority of the Board of Directors or by a written request signed by Members having at least twenty-five percent (25%) of the total number of eligible votes of each class of Members in the Association.

2.3 **Notice of Member Meetings.** Written notice of each meeting of the Members will be given by, or at the direction of, the Secretary or person authorized to call the meeting by hand delivery or by mailing a copy of each notice, postage prepaid, at least ten (10) days and not more than fifty (50) days before the meeting to each Member entitled to vote at that meeting addressed to the Member’s address last appearing on the books of the Association or supplied by the Member to the Association for the purpose of notice. The notice must specify the place, day, and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. By attending a meeting, a Member waives any right he/she may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the laws of the State of Arizona. The 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.

2.4 Member Quorum and Voting. Except as otherwise provided in the Articles, the Declaration, or these Bylaws, the presence (at the beginning of the meeting) in person or by proxy of Members entitled to cast twenty-five percent (25%) or more of the total number of eligible votes in the Association, regardless of class, constitutes a quorum for the purposes of holding a duly called and noticed meeting of the Members. If a quorum is not present at any meeting, the Members eligible to vote at the meeting will have the power to adjourn the meeting and to reschedule the meeting to another date and time without additional notice other than announcement at the meeting. At any subsequent meeting, the presence (at the beginning of the meeting) in person or by proxy of Members entitled to cast at least ten percent (10%) of the total number of eligible votes in the Association, regardless of class, constitutes a quorum for the subsequent meeting. The Members at the meeting may continue to adjourn and reschedule until a quorum is present. Except as otherwise provided in the Articles, the Declaration, or these Bylaws, any action that must have the approval of the Members of the Association before being undertaken will require the vote of greater than fifty percent (50%) of the Members present (in person or proxy) and voting at a duly called and held meeting of the Members at which a quorum is present. Whenever the terms "eligible" votes or "eligible" Members are used in these Bylaws or the other Project Documents, both terms describe those Members that are permitted to vote on the matter (taking into consideration any weighted voting of the Declarant) and whose voting privileges have not been suspended or revoked. Unless the Project Documents specify otherwise, all approvals must be affirmatively given and may not be made in the negative or based on non-responses.

2.5 Proxies. At all meetings of the Members, a vote may be cast in person or by proxy. A proxy may be granted by any Member in favor of only another Member, any officer of the Association, the Declarant, or the Member's Mortgagee, or, in the case of a non-resident Member, the lessee of the Members' Lot or the non-resident Member's attorney or managing agent. To be valid, a proxy must be duly executed in writing, and a proxy will be valid only for the particular meeting designated in the proxy. All proxies must be filed with the Secretary at least twenty-four (24) hours prior to the commencement of the meeting for which the proxy is given. A proxy will be deemed revoked only upon actual receipt by the person presiding over the meeting of a notice of revocation signed by the Member who granted the proxy. Except with respect to proxies in favor of a Mortgagee, no proxy will be valid for a period in excess of one hundred eighty (180) days after the execution of the proxy.

2.6 Eligibility. The membership of the Association will consist of all Owners of Lots. Membership in the Association is mandatory, and no Owner during his ownership of a Lot will have the right to relinquish or terminate his membership in the Association. By accepting a deed to a Lot or otherwise becoming an Owner, each Owner enters into a contract with the Association and the other Owners whereby the Owner becomes a Member of the Association and is bound by the terms of the Declaration, Articles, Bylaws, and the other Project Documents, all as may from time to time be amended.

2.7 Joint Ownership. When more than one person is the Owner of any Lot, all Owners will be considered Members in the Association. The vote for a Lot with multiple Owners will be exercised as they, among themselves, determine; however, no more than one (1) vote may be cast with respect to any Lot. The votes for each Lot must be cast as a whole unit, and fractional votes are not allowed. If joint Owners are unable to agree among themselves as to

how their vote or votes are to be cast, they will lose their right to vote on the matter in question. If any Owner casts a ballot representing a certain Lot, it will thereafter be conclusively presumed for all purposes that the Owner was acting with the authority and consent of all other Owners of the same Lot. If more than one ballot is cast for a particular Lot, none of the votes will be counted, and the votes will be deemed void.

2.8 Corporate Ownership. If any Lot is owned by a corporation, partnership, limited liability company, association, or other legal entity, that legal entity will be the Member and that legal entity must designate, in writing, at the time of acquisition of the Lot, an individual who has the power to vote for the Lot. In the absence of a designation and until a designation is made, the chief executive officer or managing partner or managing member, as applicable, of the corporation, partnership, limited liability company, association, or other legal entity will have the power to cast the vote for the Lot. If there is no chief executive officer or managing partner or managing member, the Board of Directors of the Association will have the power to designate the person authorized to vote.

2.9 Suspension of Voting Rights. If any Owner is in arrears in the payment of any assessments or other amounts due under any of the provisions of the Declaration or the other Project Documents for a period of fifteen (15) days after its due date, the Owner's right to vote as a Member of the Association will be suspended automatically and will remain suspended until all payments, together with accrued interest, late charges, attorney's fees, and other applicable charges, are brought current and kept current. If there exists any non-monetary violation of the Declaration or the other Project Documents with respect to a Lot or an Owner, the Owner's right to vote as a Member of the Association will be suspended automatically within fifteen (15) days after the Owner's receipt of written notice from the Board of the violation, and the right of the Owner to vote will remain suspended until the earlier of: (i) the cure of the violation by the Owner; or (ii) a decision by the Board under Section 3.11 of these Bylaws that no violation exists.

ARTICLE III

BOARD OF DIRECTORS

3.1 Number of Directors. The affairs of this Association will be managed by a Board of Directors. Except for the initial members of the Board of Directors that are designated under the Articles, the Board of Directors will be elected by the Members. Elections for the Board of Directors may be conducted in any one of the following manners: (i) by voice vote, roll call vote, hand vote, or written ballot at an annual meeting of the Members; or (ii) by written ballot indicated by mail. So long as there is a Class B membership in the Association, the Directors need not be members of the Association. After the termination of the Class B membership, all Directors must be members of the Association. The Board originally will be comprised of the three (3) persons designated in the Articles. After the Class B membership terminates, the Board will be comprised of three (3) Directors or any greater, odd number as may be determined by the Board in accordance with the Articles.

3.2 Board Term of Office. So long as the Board of Directors is comprised of three (3) persons, the Directors will hold office in staggered terms for one (1) year, two (2) years, and

three (3) years, respectively, and until their successors are appointed and qualified. The first term of the Director with a one (1) year term will end as of the date of the first annual meeting of the Members, and each subsequent term will end on the date of each subsequent annual meeting of the Members. The first term of the Director with a two (2) year term will end as of the date of the second annual meeting of the Members, and all subsequent terms will end on the date of the fourth, sixth, eighth, tenth, etc. annual meeting of the Members. The first term of the Director with a three (3) year term will end on the date of the third annual meeting of the Members, and all subsequent terms will end on the date of the sixth, ninth, twelfth, fifteenth, etc. annual meeting of the Members. If the number of Directors is expanded beyond three (3) Directors to any larger number permitted by the Articles, the additional Directors will serve one (1) year terms. At any meeting where multiple Directors are elected, the person receiving the most votes will become the Director with the longest term and so on until all vacant spots are elected. Notwithstanding the previous sentence, elections may be held, and persons may be nominated, for specific Director offices (i.e., the 3-year Director or the 1-year Director) if the elections are so designated by the existing Board.

3.3 Removal and Resignation. At any annual or special meeting of the Members duly called, any one or more of the Directors comprising the Board of Directors may be removed from the Board with or without cause by Members having two-thirds (2/3) or more of the total number of eligible votes of the Members present in person or by proxy at the meeting, and, at the meeting where the Director is removed, a successor may be elected to fill the vacancy created for the remaining and unexpired term. Any Director may resign at any time by giving written notice to the Board, the President, or the Secretary, and the resignation will be effective as of the date of its receipt or at any later time specified in this notice.

3.4 Compensation. No Director will receive compensation for any service rendered to the Association; however, any Director may be reimbursed for actual expenses incurred in the performance of his/her duties.

3.5 Notice to Members of Board Meetings. Unless a Member makes a specific written request for individual written notice of Board meetings, written notice of any regular or special meetings of the Board need not be given specifically to each Member, but rather notice of any regular or special meeting of the Board may be given in any manner determined by the Board at least forty-eight (48) hours in advance of the meeting including conspicuous posting on Common Area or other areas of the Project, newsletter, reminder notices with assessment invoices, or calendaring. Written notice of regular or special Board meetings must be provided only to those Members who request so in writing. A Member's request for individual written notice of Board meetings, however, is valid only for one (1) year and must be renewed in writing to entitle the Member to continue to receive individual written notices. Notwithstanding the foregoing, however, the Board is not required to give any notice of regular or special meetings of the Board that are held during the period of Declarant Control or of emergency meetings of the Board (whether during or after the period of Declarant Control). The Directors also will have the right to take any action without holding a formal meeting by obtaining the unanimous written consent of all the Directors. All written consents of the Directors will be filed with the minutes of the proceedings of the Board.

3.6 Vacancies on the Board. Vacancies on the Board caused by any reason other than the removal of a Director in accordance with the provisions of Section 3.3 of these Bylaws will be filled by a majority vote of the remaining Directors at the first regular or special meeting of the Board held after the occurrence of the vacancy, even though the Directors present at the meeting may constitute less than a quorum. Each person so elected will serve the unexpired portion of the prior Director's term.

3.7 Regular Board Meetings. Regular meetings of the Board may be held at the time and place determined from time to time by the Board. Regular meetings will be held at least once during each fiscal year and must comply with Section 1.9 of these Bylaws.

3.8 Special Board Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days notice to each Director, given in writing by hand delivery, mail, or telecopy. This notice must state the time, place, and purpose of the special meeting. Special meetings of the Board may be called by the Secretary in like manner and on like notice upon the written request of at least two (2) Directors.

3.9 Quorum of Directors. A majority of the Directors present at the beginning of the meeting will constitute a quorum for the transaction of business. Unless otherwise specified by these Bylaws, the Articles, or the Declaration, every act or decision done or made by a majority of the Directors present at a duly-held meeting at which a quorum is present will be regarded conclusively as the act of the Board.

3.10 Powers and Duties of the Board. The Board will have all of the powers and duties necessary for the administration of the affairs of the Association and may exercise all rights and powers granted to the Association under the Project Documents and may perform all acts and make all decisions that are not required by the Project Documents to be exercised or performed by the Members. Specifically, but without limitation of the previous sentence, the Board will have the following powers and duties:

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

(b) Make or contract for the making of repairs, additions, improvements, and alterations of the Common Area and Areas of Association Responsibility, in accordance with (and as specified in) the Declaration and Project Documents, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

(c) In the exercise of its sole discretion, enforce by legal means the provisions of the Declaration and the Project Documents including, without limitation, the collection of any assessments;

(d) Designate, hire, and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the Common Area and Areas of Association Responsibility and provide services for the Members, and, where appropriate, provide for the compensation of the personnel (which or who may be affiliates of the Declarant) and

for the purchase of equipment, supplies, and material to be used by the personnel in the performance of their duties;

(e) Provide for the operation, care, upkeep, and maintenance of all of the Common Area and Areas of Association Responsibility and any other areas within the Project that the Association is permitted or required to maintain;

(f) Prepare, amend, and adopt an annual budget for the Association prior to the commencement of each fiscal year;

(g) Adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of the Members and their family members, guests, lessees, and invitees on the Common Area and establish penalties for infraction in accordance with the provisions of A.R.S. § 33-1803;

(h) Suspend the voting rights and the right to the use of the Common Area of a Member during any period in which the Member is in default in the payment of any assessment or other amounts due under the terms of the Project Documents or during any period the Member is in non-monetary default of the Project Documents, subject to the applicable notice and grace periods established in these Bylaws;

(i) Exercise, on behalf of the Association, all powers, duties, and authority vested in or delegated to the Association and not reserved to the Members by Arizona law or the provisions of the Declaration or other Project Documents;

(j) Declare the office of a member of the Board of Directors to be vacant if a member is absent from three (3) consecutive regular meetings of the Board;

(k) Employ, hire, and dismiss all employees of the Association as the Board deems necessary and to prescribe their duties and their compensation;

(l) Hire, employ, or terminate a manager, whether as an independent contractor or as an employee, whether affiliated with Declarant or not, and delegate to that manager the power to perform all services and duties as the Board may direct;

(m) Keep or cause to be kept a complete record of all acts of the Board and all corporate affairs and to establish procedures for inspections of the books and records of the Association by Members with a proper purpose for inspection, including establishing a reasonable fee (payable in advance) for all copies requested by a Member of the books and records;

(n) As more fully provided in the Declaration to: (i) fix the amount of the annual and special assessments against each Lot; (ii) send written notice of each assessment to every Owner subject to an assessment; (iii) assess a late charge for any late payments; (iv) record a notice and claim of lien against any Lot for which assessments are not paid; and (v) enforce, through foreclosure or any other permitted action, the Association's lien or the personal obligation of the Owner to pay assessments;

(o) Issue, or cause an appropriate officer to issue, upon demand, to any appropriate person, any disclosure statement required under A.R.S. § 33-1806 or any payment statement required under A.R.S. § 33-1807.I., subject to the right of the Board to impose a reasonable charge for the issuance of these statements;

(p) Procure and maintain commercial general liability, hazard, and other insurance coverage in the amounts as required or permitted by the Declaration;

(q) Cause the Common Area and Areas of Association Responsibility to be maintained, as more fully set forth in the Declaration, and to pay all taxes levied on the Common Area;

(r) Institute, defend, and intervene in any litigation or administrative proceedings in its own name or on behalf of the Owners;

(s) Borrow money and, with the consent of two-thirds (2/3) of the total number of eligible votes of each class of Members in the Association, to mortgage, pledge, deed in trust, or grant a security interest in any or all of the Common Area;

(t) Enter into and perform contracts of any kind incidental to the performance of the Association's duties under the Project Documents; and

(u) Own, operate, and maintain all other property of the Association.

3.11 Non-Monetary Violations. If the Board believes there is a non-monetary violation of the Declaration or the other Project Documents with respect to a Lot or any Owner, the Board may send written notice to the offending Owner describing the non-monetary violation. ~~The Owner will have a period of fifteen (15) days from receipt of the Board's written notice to either:~~ (i) correct the violation; or (ii) request in writing a hearing by the Board for the Owner to explain why no non-monetary violation exists, why a specific approval of the violating item or conduct should be issued by the Board, why a period of more than fifteen (15) days is required to correct the violation, or why the Owner otherwise protests the Board's notice of violation. A failure of the Owner to correct the violation or make the written requests described above within this fifteen (15) day period will entitle the Board to exercise all rights available to it under the Project Documents or Arizona law with respect to the violating Owner or Lot, including the right of self-help to correct the violation and the right to impose reasonable monetary penalties in amounts determined by the Board based on the severity and frequency of the violation and any other factor deemed relevant by the Board. If a hearing is requested and the Board and the requesting Member cannot otherwise agree on a date and time for the hearing, the Board will propose a minimum of three (3) dates and times for the hearing. The requesting Member must select in writing one (1) of the three (3) dates, and a hearing will be held on the selected date. The hearing will be attended by the requesting Owner and at least one (1) of the Directors. The hearing will be conducted by the attending Director or an attending Director so designated by all attending Directors. The Owner, on its own account or through legal counsel, will make an oral or written presentation, and, after the Owner's presentation (although not necessarily at the meeting), the attending Director or Directors will report to and consult with the entire Board to make a decision on the Owner's request. Any decision by a majority of the

Board will be binding on the Owner. Additional rules for the hearing may be adopted by the attending Director or Directors so long as the Member is given a reasonable opportunity to be heard. A decision by the Board also could include the imposition of reasonable monetary penalties on the Owner. Any suspended voting rights will be reinstated upon the Member's cure of the non-monetary violation or the Board's favorable determination that no violation exists. Hearings conducted under this Section 3.11 that are attended by one (1) or more of the Directors are not meetings of the Board for purposes of the open meeting requirements of Section 1.9 of these Bylaws.

3.12 **Committees of Board.** The Board may appoint committees to study or handle specific matters of the Association so long as at least one (1) member of the Board serves on the committee. Committees designated by the Board are not subject to the open meeting requirements of Section 1.9 of these Bylaws or A.R.S. § 33-1804.

ARTICLE IV

OFFICERS AND THEIR DUTIES

4.1 **Enumeration of Officers.** The principal officers of the Association will be the President, the Vice President, the Secretary, and the Treasurer all of whom will be elected by the Board. The President must be a member of the Board. Any other officers may, but need not, be members of the Board.

4.2 **Election of Officers.** The election of officers will take place at the first meeting of the Board following each annual meeting of the Members. The following persons will serve as the officers of the Association until their successors are qualified and elected:

Joseph C. Thompson	President
Brady Simmerman	Vice President
Rexford Ross	Secretary/Treasurer

4.3 **Officer Term.** The officers of the Association will be elected annually by the Board, and each officer will hold office for one (1) year unless he/she sooner resigns, is removed, or is otherwise disqualified to serve.

4.4 **Special Appointments.** The Board may elect any other officers as the affairs of the Association may require, each of whom will hold office for the period, have the authority, and perform the duties as the Board may determine from time to time.

4.5 **Resignation and Removal of Officers.** Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Any officer resignation will take effect on the date of receipt of the resignation notice or at any later time specified in the notice, and unless otherwise specified in the resignation notice, the acceptance of the resignation will not be necessary to make it effective.

4.6 **Vacancies in Offices.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to the vacancy will serve for the remainder of the term of the officer replaced.

4.7 **Multiple Offices.** The offices of Treasurer and Secretary may be held simultaneously by the same person. One person may not simultaneously hold more than one of any of the other offices, including special offices created pursuant to Section 4.4 of these Bylaws.

4.8 **Powers and Duties of Officers.** In addition to the execution of any affidavit of notice of the type described in A.R.S. § 33-1804.C. and the preparation and delivery of any disclosure statement required under A.R.S. § 33-1806 or A.R.S. §33-1807.I., where and when delegated to the officers by the Board, the powers and duties of the officers are as follows:

(a) **President.** The President will preside at all meetings of the Board or the Members, ensure that orders and resolutions of the Board are carried into effect; and, at the direction of the Board, engage in the general and active management of the business of the Association;

(b) **Vice President.** The Vice President will act in the place and stead of the President in the event of his absence, inability, or refusal to act, and will exercise and discharge other duties as may be required of him by the Board;

(c) **Secretary.** The Secretary will record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal, if any, of the Association; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and perform all other duties as required by the Board; and

(d) **Treasurer.** The Treasurer will receive and deposit in appropriate bank accounts all monies of the Association and will disburse all funds as directed by resolution of the Board; keep proper books of account; and prepare an annual budget and a statement of income and expenditures of the Association; and, in general, perform all the duties incident to the office of Treasurer or as required by the Board.

ARTICLE V

INDEMNIFICATION

5.1 **Indemnification.** The Association has the power and authority to indemnify any past or present Member, officer, Director, incorporator, employee, or agent of the Association to the fullest extent permitted by A.R.S. § 10-2305(C) as may be interpreted by applicable case law. This power of indemnification extends to third-party actions and derivative actions, and includes indemnification for attorney fees, court cost, and other related expenses in addition to indemnification for judgment amounts.

5.2 **Procedure.** The circumstances and procedures for effecting an indemnification by the Association will be governed by A.R.S. § 10-2305(C), as this statute may be amended from time to time or supplemented by Arizona case law.

5.3 **Scope of Article.** The indemnification provided by this Article V is not exclusive of any other rights to which those indemnified may be entitled under any agreement approved by the Members or a majority of the disinterested Directors or otherwise, both as to an action in the person's official capacity and as to an action in another capacity while holding the office.

5.4 **Liability.** So long as he/she has acted or has failed to act in good faith on the basis of information actually possessed, neither the Architectural Committee nor any member of the Architectural Committee nor the Board nor any member of the Board nor any officer of the Association will be liable to the Association, any Owner, or to any other party for any damage, loss, or prejudice suffered or claimed arising out of: (i) the approval or disapproval of any plans, drawings, or specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (iii) the development of any portion of the Property; (iv) the execution and filing of any estoppel certificate, whether or not the facts in the estoppel certificate are correct; (v) any act or failure to act with respect to any matter involving the Project Documents; (vi) the failure to provide a statement or an accurate statement of the matters required under A.R.S. § 33-1806 or § 33-1807; (vii) the failure to approve any plans, drawings, and specifications; and (viii) the performance of any other function of the Board, the Architectural Committee, or any officer of the Association.

ARTICLE VI

ARCHITECTURAL CONTROL

~~6.1 **Committee Composition.** Declarant initially will appoint an Architectural Committee consisting of three (3) persons. These initial members of the Architectural Committee will hold office during the period of Declarant Control. After the period of Declarant Control, the members of the Architectural Committee will be appointed by the Board. If an Architectural Committee has not been appointed by the Declarant or the Board, the Board will serve as the Architectural Committee, but the Board will not be subject to the notice and open meeting rules specified in these Bylaws when the Board acts as the Architectural Committee. No member of the Architectural Committee is required to be an architect or to meet any other particular qualifications. Members of the Architectural Committee need not be, but may be, a member of the Board, an officer of the Association, or a Member. The Board may increase the number of persons on the Architectural Committee, but the number of persons must always be an odd number.~~

6.2 **Terms of Office.** Except for the term of the initial Architectural Committee, which will serve during the period of Declarant Control, and except in those instances where the Board serves as the Architectural Committee, the term of office for members of the Architectural Committee is a period of one (1) year, but all members will remain in office until the appointment of a successor (even if after one (1) year). Any new member appointed to replace a member who has resigned or been removed will serve the member's unexpired term. Any members who have resigned, been removed, or whose terms have expired may be reappointed.

6.3 **Appointment and Removal.** Except during the period of Declarant Control, when the right to appoint and remove all members of the Architectural Committee is vested solely with the Declarant, the right to appoint and remove all members of the Architectural Committee at any time, is vested solely in the Board; however, no member may be removed from the Architectural Committee by the Board except by the vote or written consent of more than fifty percent (50%) of the entire Board.

6.4 **Resignations.** Any member of the Architectural Committee may resign at any time upon written notice to the Board.

6.5 **Vacancies.** Vacancies on the Architectural Committee, however caused, will be filled by the Board, except during the period of Declarant Control when they will be filled by the Declarant. A vacancy or vacancies on the Architectural Committee will be deemed to exist in case of the death, resignation, or removal of any Member.

6.6 **Duties.** The Architectural Committee will consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, and perform other duties delegated to it by the Board.

6.7 **Meetings and Compensation.** The Architectural Committee will meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the Architectural Committee, at a meeting or otherwise, constitutes the act of the Architectural Committee unless the unanimous decision of the Architectural Committee is required by any other provision of the Declaration. The Architectural Committee will keep and maintain a written record of all actions taken by it at the meeting or otherwise. Members of the Architectural Committee are not entitled to compensation for their services. Meetings of the Architectural Committee are not subject to the open meeting requirements of Section 1.9 of these Bylaws or A.R.S. § 33-1804 even if the Board is acting as the Architectural Committee as authorized under Section 6.1 of these Bylaws.

6.8 **Architectural Committee Rules.** By unanimous vote or written consent, the Architectural Committee may adopt, amend, and repeal architectural rules and regulations for the Association. These rules will supplement the Declaration by setting forth the standards and procedures for Architectural Committee review and the guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials, and similar features that are recommended for use within the Property.

6.9 **Waiver.** The approval by the Architectural Committee of the plans, drawings, or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under the Declaration, is not deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing specification, or matter subsequently submitted for approval.

6.10 **Time for Approval.** If the Architectural Committee fails to approve or disapprove any application for approval within thirty (30) days after its receipt of the application, together with complete and legible copies of the supporting plans and specifications, the

application will be deemed approved, and further approval will not be required, and this Article VI will be deemed to have been complied with in full.

ARTICLE VII

ARBITRATION RULES

7.1 **Arbitration Rules.** All Covered Claims will be subject to the following "Arbitration Rules". The arbitration will be conducted in Maricopa County, Arizona in accordance with the procedures set forth in the Project Documents and the Commercial Rules of Arbitration of the American Arbitration Association as then in effect ("AAA Rules"). To the extent the AAA Rules are inconsistent with the Project Documents, the Project Documents will govern and apply.

7.2 **Panel Size.** Covered Claims where the amount in controversy involves monetary relief or damages of less than \$25,000.00 will be handled by an arbitration panel consisting of a single arbitrator serving at the designation of the Claim Parties. All other arbitration proceedings for Covered Claims must be heard by an arbitration panel consisting of three (3) arbitrators selected by the Claim Parties. No potential arbitrator may serve on the panel unless he or she has agreed in writing to abide and be bound by these procedures. If the Claim Parties are unable to agree on an arbitration panel, one will be designated by the American Arbitration Association.

7.3 **Applicability of Arbitration Rules.** Any issue concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, will be governed by A.R.S. § 12-1501 et seq.

7.4 **Consolidation.** Any Claim Party may petition a court of competent jurisdiction to consolidate separate arbitration proceedings, and a court may order consolidation of the separate arbitration proceedings when: (i) separate arbitration agreements or proceedings exist between the same parties or one party is a party to a separate arbitration agreement or proceeding with a third party; (ii) the disputes arise from the same transaction or series of related transactions; and (iii) there is a common issue or issues of law or fact creating the possibility of inconsistent rulings by more than one arbitrator or panel or arbitrators.

7.5 **Joinder.** If a Claim Party is also a party to a pending court action or special proceeding with a third party arising out of the same transaction or a series of related transactions, the applicable Claim Party may petition a court of competent jurisdiction to either: (i) refuse to enforce this arbitration agreement and order intervention or joinder of all the parties in a single action or special proceeding; (ii) order intervention or joinder as to all or only certain issues; (iii) order arbitration among the parties who have agreed to arbitrate and stay the pending court action or special proceeding pending the outcome of the arbitration proceeding; or (iv) stay the arbitration proceeding pending the outcome of the court action or special proceeding.

7.6 **Discovery.** If the dispute involves an amount that exceeds \$25,000.00, the arbitrators will permit limited discovery, including expert witness reports, deposition of key or expert witnesses, and production of material documents that are related to the dispute or that may

be used as evidence during the arbitration action, and the arbitrators also will require the exchange of witness lists, hearing exhibits, and a detailed framing of issues. For disputes involving amounts less than \$25,000.00, no discovery will be permitted in connection with the arbitration unless it is expressly authorized by the arbitration panel upon a showing of substantial need by a party seeking discovery.

7.7 Confidentiality. All aspects of the arbitration will be treated as confidential, and neither the parties nor the arbitrators may disclose the existence, content or results of the arbitration, except to the extent necessary to comply with legal or regulatory requirements, to comply with the disclosure requirements of the Project Documents, or to the extent necessary to enforce an arbitration award.

7.8 Commencement and Timing of Proceeding. The arbitration panel must promptly commence the arbitration proceeding at the earliest convenient date in light of all of the facts and circumstances and must conduct the proceeding without undue delay.

7.9 Pre-hearing Conferences. The arbitration panel may require one or more pre-hearing conferences.

7.10 Motions. The arbitration panel will have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings, and summary judgment motions, in the same manner as a trial court judge.

7.11 Mandatory Resolution Procedures. All Covered Claims must be resolved using the following procedures:

(a) Notice. Any Bound ADR Party having a Covered Claim (each a ~~“Claimant”~~) against any one or more Bound ADR Party (each a ~~“Respondent”~~) must notify each Respondent in writing of the Covered Claim (the **“Covered Claim Notice”**), stating plainly and concisely:

(1) The nature of the claim, including date, time, location, persons involved, and Respondent’s role in the Covered Claim;

(2) The basis of the Covered Claim (i.e., the provisions of the Project Documents or other authority out of which the Covered Claim arises);

(3) The resolution or relief sought by Claimant against Respondent;
and

(4) The agreement of Claimant to meet personally with Respondent at a mutually agreeable time and place to discuss ways to resolve the Covered Claim.

If the Respondent to the Covered Claim includes the Declarant or its officers, directors, incorporators, members, contractors, subcontractors, or employees, Declarant will be given a period of fifteen (15) days after receipt of the Covered Claim Notice to enter the Project and inspect, test, and, perhaps, repair the alleged violation or defect in the sole discretion of

Declarant. This right to inspect and test is irrevocable and may not be waived or otherwise terminated except by a written instrument signed by Declarant.

(b) **Conciliation and Negotiation.**

(1) Each Claimant and Respondent (collectively, the "Claim Parties" and, singularly, a "Claim Party") must make reasonable efforts to meet personally and agree to confer for the purpose of resolving the Covered Claim by good faith and confidential negotiations.

(2) Upon receipt of a written request from any of the Claim Parties, accompanied by a copy of the Covered Claim Notice, the Board may appoint a representative to assist the Claim Parties in resolving the dispute by negotiation if, in its discretion, the Board believes its efforts will be beneficial to the Claim Parties or to the welfare of the Project.

(c) **Mediation.**

(1) If the Claim Parties do not resolve the Covered Claim through negotiation within ten (10) days of the date of the Covered Claim Notice (or within any other period as may be agreed upon by the Claim Parties) ("Termination of Negotiations"), Claimant will have thirty (30) additional days within which to submit the Covered Claim to mediation by an independent mediation service designated by the Association or, in absence of a mediation service designated by the Association or in the case of a reasonable objection by Claimant, any dispute resolution center or other independent agency providing similar services in the Maricopa County, Arizona area upon which the Claim Parties may mutually agree.

(2) If Claimant does not submit on a timely basis the Covered Claim to mediation within thirty (30) days after Termination of Negotiations, Claimant will be deemed to have waived the Covered Claim, and Respondent will be released and discharged from any and all liability to Claimant arising out of the Covered Claim; however, Claimant's failure to submit the Covered Claim for mediation will not release or discharge Respondent from any liability to any person that is not a Claim Party to the foregoing proceedings.

(3) Within ten (10) days of the selection of the mediator, each of the Claim Parties will submit to the mediator and each other a brief memorandum setting forth its position with regard to the issues to be resolved. The mediator will have the right to schedule a pre-mediation conference, and all Claim Parties must attend unless otherwise agreed. The mediation will commence within ten (10) days following submittal of the memoranda to the mediator and will conclude within fifteen (15) days from the commencement of the mediation unless the Claim Parties mutually agree to extend the mediation period. The mediation will be held in Maricopa County or any other place that is mutually acceptable to the Claim Parties.

(4) The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the Covered Claim. The mediator is authorized to conduct joint and separate meetings with the Claim Parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator also may obtain expert advice concerning technical aspects of the dispute, so long as the Claim Parties agree to obtain and assume the expenses of obtaining the expert advice. The mediator does not have the authority to impose a settlement.

(5) The expenses of witnesses will be paid by the Claim Party producing the witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, will be borne equally by the Claim Parties unless agreed to otherwise. Each Claim Party will bear their own attorney fees and costs in connection with the mediation.

(6) If the Claim Parties do not settle the Covered Claim within thirty (30) days after submission of the matter to the mediation process, or within any period of time as determined reasonable or appropriate by the mediator and the Claim Parties, the mediator will issue a notice of termination of the mediation proceedings ("**Termination of Mediation**"). The Termination of Mediation notice must set forth when and where the Claim Parties met, the nature of the Claim Parties' impasse, and the date that the mediation was terminated. At the option of the Claim Parties, the Termination of Mediation notice may establish, as to matters or items that have been agreed to by the Claim Parties, any undisputed factual findings or agreed resolutions.

(7) Within five (5) days of the mediator's issuance of the Termination of Mediation, each of the Claim Parties must make a written offer of settlement in an effort to resolve the Covered Claim, the Claimant will make a final written settlement demand ("**Settlement Demand**") to the Respondent, and the Respondent will make a final written settlement offer ("**Settlement Offer**") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Covered Claim Notice will constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent will be deemed to have made a "zero", "take nothing", or "do nothing" Settlement Offer.

(8) All mediation discussions are privileged and confidential in the same manner as described in A.R.S. § 12-2238. Other than witnesses, persons who are not Claim Parties are not allowed to attend the mediation conference without the consent of all Claim Parties.

(d) **Final and Binding Arbitration.** If the Claim Parties do not agree in writing to accept either the Settlement Demand or the Settlement Offer or otherwise fail to resolve the Covered Claim within fifteen (15) days of the Termination of Mediation, the Claimant will have thirty (30) additional days to submit the Covered Claim to

arbitration in accordance with the Arbitration Rules described in the Bylaws. If the Claimant fails to submit on a timely basis the Covered Claim to arbitration, the Covered Claim will be deemed waived, and Respondent will be released and discharged from any and all liability to Claimant arising out of the Covered Claim; however, Claimant's failure to submit the Covered Claim for arbitration will not release or discharge Respondent from any liability to any person that is not a Claim Party to the foregoing proceedings. Except as provided below, an arbitration award issued by the arbitrator (the "**Arbitration Award**") will be final, binding, and unappealable, and a judgment may be entered upon the Arbitration Award in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Arizona.

(e) **Limited Right of Appeal.** An Arbitration Award may be: (i) vacated by a court (or a court may decline to confirm an award and enter judgment on the award) only in those cases described in A.R.S. § 12-1512.A.1 through A.4; or (ii) modified or corrected by a court only in those cases described in A.R.S. § 12-1513.A.

(f) **Limitation on Arbitration Award.** An arbitrator of a Covered Claim will have no power to grant any relief that cannot be granted by a court, and any monetary award made by the arbitrator will be for actual and compensatory damages only and not exemplary, punitive, or consequential damages.

7.12 Allocation of Costs of Resolving Claims.

(a) **Costs for Negotiation and Mediation.** Each Claim Party will bear its own costs incurred prior to and during the negotiation and mediation proceedings described in subsections 7.11(a), (b), and (c) above, including the fees of its attorney or other representative. Each Claim Party will share equally all costs of the mediator and, if and to the extent required, will pay this respective share of the costs in advance of the mediation as a condition to their continuation of the prosecution or defense of the Covered Claim.

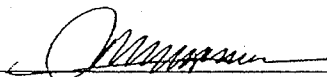
(b) **Costs for Arbitration.** Each Claim Party will bear its own costs (including the fees of its attorney or other representative) incurred after the Termination of Mediation and will share equally in the costs of conducting the arbitration proceeding (collectively, "**Post Mediation Costs**"), except as otherwise provided below. If, and to the extent required, each Claim Party will pay their respective share of the costs in advance of the arbitration as a condition to their continuation of the prosecution or defense of the Covered Claim.

(c) **Association Advance.** If any Owner that is a Claim Party refuses to pay in advance the cost of mediation or arbitration in any Covered Claim involving the Association, the Association may advance the cost and the amount so advanced will be deemed to be an assessment against the applicable Owner and the Owner's Lot.

(d) **Award of Costs.** If the arbitration panel enters any Arbitration Award that is equal to or more favorable to Claimant than Claimant's Settlement Demand, Claimant's Post Mediation Costs will be added to the Arbitration Award, and all Post


Mediation Costs will be borne equally by all Respondents. If the arbitration panel enters any Arbitration Award that is equal to or less favorable to Claimant than Respondent's Settlement Offer to that Claimant, Respondent's Post Mediation Costs will be subtracted from the Arbitration Award, and all Post Mediation Costs will be borne by all the Claimants. The arbitration panel will be the sole judge as to whether or not the Arbitration Award is more or less favorable than the Settlement Demand or Settlement Offer, as applicable.

I certify that the foregoing Bylaws were duly adopted by the Board of Directors of the Association as of June 21, 1999.



Joseph C. Thompson,
President

ATTEST:



Rexford Ross,
Secretary