

BYLAWS OF
SAN TAN HEIGHTS HOMEOWNERS ASSOCIATION

ARTICLE I

General

Section 1.1 Organization and Scope. These Bylaws shall constitute the Bylaws of San Tan Heights Homeowners Association (the "Association"), an Arizona nonprofit corporation formed for the purpose of serving as the property owners' association for San Tan Heights, a master-planned community located in Pinal County, Arizona (the "Property"), pursuant to the Master Declaration of Covenants, Conditions and Restrictions for San Tan Heights recorded as Document No. 2002-004822, in the Official Records of Pinal County, Arizona, as may be amended from time to time (the "Declaration").

Section 1.2 Definitions. Except as otherwise provided herein, capitalized terms used in these Bylaws which are defined in the Declaration shall have the meanings set forth in the Declaration.

Section 1.3 Application of Bylaws. All present and future Owners and any other Persons with any right, title or interest in any Lot, or who may have a right to use the Master Common Areas, are subject to the provisions of these Bylaws. The ownership, rental or occupancy of any Lot shall be deemed an acceptance and ratification of, and agreement to comply with, these Bylaws by the Owner or Resident.

Section 1.4 Association Responsibilities. The Association, acting through its Board of Directors and its Members, shall constitute the property owners' association for the Property. The Board shall be responsible for administering the Declaration and exercising the powers and duties provided for by law and in the Declaration, except for such matters as are reserved to the Members by law or in the Declaration, the Articles of Incorporation of the Association (the "Articles") or these Bylaws.

ARTICLE II

Voting Rights

Section 2.1 Majority Vote. A majority of the votes of Members eligible to vote who are present at any meeting (i.e., more than fifty percent (50%) of the votes of Members eligible to vote who are present and voting, either in person or by proxy) shall decide any question presented to the Members unless these Bylaws, the Articles, the Declaration or applicable law shall require otherwise, in

which latter event the voting percentage required by these Bylaws, the Articles, the Declaration or such applicable law shall control.

Section 2.2 **Vote Indivisible.** Joint ownership or ownership of undivided interests in any property as to which a membership is established pursuant to the Declaration shall not result in more memberships than the number established in the Declaration. A membership shall be shared by any joint owners of Lots, or Owners of undivided interests in, the Lot to which such membership is attributable. The vote for each Member must be cast as a single unit. Fractional votes shall not be allowed.

Section 2.3 **Designation of Voting Member.** If a Lot is owned by more than one Person and such Owners are unable to agree as to how their vote or votes shall be cast, they shall not be entitled to vote on the matter in question. If any Owner casts a vote or votes representing a certain Lot, the Owner will thereupon be conclusively presumed to be acting with the authority and consent of all other Owners of such Lot unless objection thereto is made to the Board, in writing, at or prior to the time the vote or votes are cast. If more than one Person casts or attempts to cast a vote for a particular Lot, all such votes shall be deemed void.

Section 2.4 **Transfer of Class A Membership.** Except as otherwise provided in the Declaration, the rights, duties and obligations of a Class A Member cannot and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of such Class A Member's Lot, and then only to the transferee thereof. Such transfer may be effected by deed, intestate succession, testamentary disposition, foreclosure or other legal process authorized under Arizona law. Any attempt to make a nonapproved form of transfer shall be void. Any transfer of ownership in a Lot shall operate to transfer the membership appurtenant thereto to the new Owner. No change in the ownership of a Lot shall be effective for voting purposes until the Board receives written notice of such change together with satisfactory evidence thereof. The Association may charge a new Member a reasonable transfer fee upon transfer of title to a Lot.

Section 2.5 **List of Members Entitled to Vote.** The Secretary of the Association shall maintain, at the office of the statutory agent of the Association or the known place of business of the Association set forth in the Articles, a record of the names and addresses of Members entitled to vote.

ARTICLE III

Meetings of Members

Section 3.1 **Annual Meetings.** The first annual meeting of the Members shall be held on the first Tuesday in March in the year after termination of the Class B Membership unless otherwise determined by the Board. Thereafter, the annual meetings of the Members shall be held on the first Tuesday in March of each succeeding year, unless otherwise designated by the Board in its sole discretion. At each annual meeting the Members shall elect the Board in accordance with the requirements of the Declaration, the Articles and these Bylaws, and may also transact such other business as may be authorized to be transacted by the Members at annual meetings.

Section 3.2 **Special Meetings.** Except as otherwise provided in the Declaration, special meetings of the Members for any purpose or purposes may be called by the President, by a resolution of the Board, or upon a written petition filed with the Secretary, signed by Members who are entitled to cast one-tenth (1/10) of all of the votes of the Class A Members, which petition must state the specific purpose of the special meeting. For purposes of determining whether the 1/10 requirement has been met, the record date is the close of business on the 30th day before delivery of the petition for a special meeting. A special meeting shall be scheduled by the Board on a date designated by the Board in its sole discretion, provided that the meeting must be held within forty-five (45) days from the date the petition is filed with the Secretary. No business shall be transacted at a special meeting except as stated in the notice thereof.

Section 3.3 **Place.** All meetings of the Members shall be held at such date, place and time as shall be designated by the Board and stated in the notice of the meeting.

Section 3.4 **Notices.** It shall be the duty of the Secretary to mail or deliver to each Member entitled to receive notice as provided in Section 3.5 hereof, a notice of each annual or special meeting, stating the date, time and place thereof. If a special meeting is called, the notice will also state the purpose of the meeting, including the general nature of any proposed amendment to the Declaration or Bylaws, changes in Assessments if such changes require Member approval, and any proposal to remove an officer or a director. Except as otherwise provided by statute, the Declaration, the Articles or these Bylaws, the notice shall be sent at least ten (10) days but not more than fifty (50) days prior to such meeting. Each notice shall be deemed given if mailed to or served at the address of the Member as it appears in the records of the Association.

Section 3.5 **Record Date.** The Board may fix in advance a date as the record date for the purpose of determining Members entitled to notice of, or to vote at, any meeting of the Members, or to make a determination of Members for any other proper purpose (the "Record Date"). The Record Date shall be not more than seventy (70) days prior to the date on which the particular action requiring such determination is to be taken, and, in the case of a meeting of the Association, not fewer than ten (10) days prior to the date of the meeting. Unless a different date is set by the Board, the Record Date shall be forty (40) days prior to the action requiring the determination. An Owner who is delinquent with respect to an Assessment or whose rights as a Member are otherwise under suspension pursuant to the Declaration as of the Record Date shall not be entitled to notice of, or to vote at, any meeting of Members noticed or held during the period of the delinquency or suspension. When a determination of Members entitled to vote at any meeting of the Association has been made as provided in this Section, such determination shall apply to any adjournment thereof. After fixing a record date for a meeting, the Secretary shall prepare an alphabetical list of the names of all of its Members who are entitled to notice of the meeting, the address of each Member and the number of votes each Member is entitled to vote at the meeting. The Secretary shall also prepare on a current basis through the time of the membership meeting another list of Members, if any, who are entitled to vote at the meeting, but not entitled to notice of the meeting, which list shall be prepared on the same basis and made a part of the list of Members.

Section 3.6 **Quorum.** Except as otherwise provided by statute, the Declaration, the Articles or these Bylaws, at any meeting of the Members, one-tenth (1/10) of the votes in each class of

Members entitled to vote at the meeting, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business.

Section 3.7 **Proxies.** A Member entitled to vote may do so by filing a written proxy with the Secretary or other officer or agent authorized to tabulate votes before or at the time of a meeting. The proxy shall be counted for purposes of determining whether a quorum is present, and may be voted by the holder of the proxy with respect to any business that may come before the meeting for which the proxy is filed. A proxy shall be valid for eleven (11) months from the date of its execution, unless a different period is expressly provided in the proxy. A membership held by a duly appointed personal representative or by a court appointed receiver may be voted, in person or by proxy, by such representative or receiver without the transfer of such membership into the name of the personal representative or receiver. Proxies shall be revocable unless otherwise conspicuously stated therein and coupled with adequate legal interests. The death or incapacity of a Member who appoints a proxy does not affect the right of the Association to accept the proxy's authority unless the Secretary or other officer or agent authorized to tabulate votes receives written notice of the death or incapacity before the proxy exercises authority under the appointment. A revocable proxy shall be terminated if the Member subsequently files another proxy or files a written notice of termination of the proxy prior to the meeting, or the Member attends and votes at the meeting in person. A proxy shall be automatically revoked upon termination of the Member's Membership.

Section 3.8 **Nomination of Directors.** Nominations for election to the Board may (at the Board's discretion) be made by a Nominating Committee. Nomination may also be made from the floor at the annual meeting of the Members. The Nominating Committee, if applicable, shall consist of a Chairman, who shall be a member of the Board, and two or more persons who are either Members of the Association, officers of a corporate Member, or partners in a partnership Member. The Nominating Committee, if applicable, shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee, if applicable, shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 3.9 **Election of Directors.** Election to the Board shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected to the vacant positions. Cumulative voting for directors shall not be required or permitted.

ARTICLE IV

Board of Directors

Section 4.1 **Number and Qualification of Directors; Term.** The affairs of the Association shall be governed by the Board and such officers as the Board may elect or appoint in accordance with these Bylaws. The initial Board and each Board thereafter shall consist of at least one (1) Member or other Person with the exact number to be determined by the Board from time to time.

Commencing with the first annual meeting of the Members after the termination of the Class B Membership, the Board shall consist of, and the voting Members shall elect, a minimum of one (1) and a maximum of seven (7) directors, all of whom must be Members (or individuals designated by corporate, partnership or other nonindividual Members). The term of each director shall be for one (1) year until there is no longer a Class B Member. Thereafter, the initial terms of the directors may be for different terms as set by the Members to obtain a staggered Board if desired by the Members. In succeeding years, each director shall be elected for a two (2) year term.

Section 4.2 Organization. At each annual meeting after the termination of the Class B Membership, the number of directors provided for herein shall be elected in accordance with the procedures set forth in these Bylaws. Directors shall take office following the close of the annual meeting at which they are elected and shall hold office until their successors have been duly elected and the first meeting of the new Board has been held. The organizational meeting of a newly elected Board shall be held within thirty (30) days after the annual meeting at which the Board was elected.

Section 4.3 Removal of Directors. Except as otherwise provided by A.R.S. § 10-3810, at any regular or special meeting of the Members duly called, any one or more of the directors may be removed with or without cause by the affirmative vote of Members eligible to vote casting not less than two-thirds (2/3) of the total votes represented at such meeting in person or by proxy, and a successor may then and there be elected by the Members to fill the vacancy. Any director whose removal has been proposed to or by the Members shall be given an opportunity to be heard at the meeting.

Section 4.4 Vacancies on Board of Directors. All vacancies on the Board shall be filled by a vote of the majority of the remaining directors, even though less than a quorum. Each person elected to fill a vacancy shall serve as a director until a successor is elected at the next annual meeting of the Members and the first meeting of the new Board has been held.

Section 4.5 Disqualification and Resignation of Directors. Any director may resign at any time by sending written notice of such resignation to the Board, its presiding officer, the Association, or the Secretary of the Association. Unless otherwise specified therein, such resignation shall take effect upon delivery of such notice. Except in the case of injury, illness or similar excusable circumstances as may be approved by a majority vote of the other directors, a director's fourth consecutive absence from duly called regular meetings of the Board shall automatically constitute a resignation by such absent director, effective as of the commencement of the fourth missed meeting. If a director ceases to be a Member (or, in the case of a director who is an individual designated by a corporate, partnership or other non-individual Member, if such designating Member ceases to be a Member), his directorship shall immediately and automatically terminate. No individual shall continue to serve on the Board if such individual, or the corporate, partnership or other non-individual Member which designated such individual for candidacy as a director, is more than thirty (30) days delinquent in the payment of an Assessment, and such delinquency shall automatically constitute a resignation by such director on the thirty-first (31st) day of the delinquency.

Section 4.6 Regular Meetings. The Board may hold regular meetings at such date, time and place as a majority of the directors shall designate.

Section 4.7 Powers and Duties. The Board shall have all powers necessary and shall be responsible for the administration of the affairs of the Association, and may do all such acts and things as are not by law, by the Declaration, by the Articles or by these Bylaws directed to be exercised solely by the Members. These powers shall include, but not be limited to, the following:

- (a) To set, levy, collect, use and expend Assessments to carry out the purposes and powers of the Association;
- (b) To hire, employ, dismiss and control the personnel necessary for the maintenance and operation of Master Common Areas, including the right and power to employ attorneys, accountants, contractors and other professionals as the need arises;
- (c) To make and amend rules and regulations respecting the operation, use and maintenance of Master Common Areas;
- (d) To contract for the management of the Association and to delegate to the manager all or a portion of the powers and duties of the Association;
- (e) To engage in the management of the business affairs of the Association;
- (f) To use, disburse and expend the proceeds of the Assessments in the exercise of its powers and duties;
- (g) To maintain, repair, replace and operate the Master Common Areas;
- (h) To establish committees of the Board and delegate to such committees the Board's authority to carry out certain duties of the Board, provided that such delegation is revocable at any time by the Board;
- (i) To enforce, by legal means if necessary, the provisions of the Declaration, and any other documents and laws respecting the Association and the Property;
- (j) To pay taxes and assessments which are liens against any part of the Master Common Areas;
- (k) To pay the cost of all power, water, sewer and other utility services supplied to the Master Common Areas and not metered and billed to individual Owners;
- (l) To elect the officers of the Association;
- (m) To prepare the annual and other budgets;
- (n) To establish and collect the Assessments, and to enforce such charges by recording Assessment Liens and initiating foreclosure proceedings in regard thereto;

- (o) To borrow monies for the proper operation of the Association and the performance of its duties when Assessments actually collected from Owners are insufficient for such purposes, and to repay all loans on terms acceptable to the Board;
- (p) To obtain insurance for the Master Common Areas;
- (q) To grant, obtain, hold, or relocate easements for the benefit of the Owners and Residents;
- (r) To open bank accounts on behalf of the Association and to designate the signatories therefor; and
- (s) To invest any excess funds held or controlled by the Association.

Section 4.8 Special Meetings. Special meetings of the Board may be called by the President or Secretary or by twenty percent (20%) of the directors then in office on two days notice to each director, given personally or by telephone or facsimile transmission, which notice shall state the time, place and purpose of the special meeting.

Section 4.9 Waiver of Notice. Before, at or after any meeting of the Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by the director of the time and place thereof. If all of the directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

Section 4.10 Board of Directors Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting to a time not more than 48 hours from the time the original meeting was called, and no new notice shall be required for any such adjourned meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 4.11 Fidelity Bonds. The Board may require that all officers and employees of the Association who handle or are responsible for Association funds, and all other Persons designated in the Declaration, shall furnish adequate fidelity bonds or coverage, as determined by the Board. The premiums due on such bonds or coverage shall be paid by the Association.

Section 4.12 Board Action in Lieu of Meeting. Unless otherwise expressly restricted by statute, the Declaration, the Articles or these Bylaws, any action required or permitted to be taken at a meeting of the Board or any committee thereof may be taken without a meeting if all directors or committee members, as appropriate, consent thereto in writing. Each such consent shall be filed with the minutes of proceedings of the Board or the committee.

Section 4.13 Compensation. No compensation shall be paid to directors or officers of the Association for their services as directors or officers. No remuneration shall be paid to a director or an officer for services performed for the Association in any other capacity unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board before the services are undertaken. Directors and officers of the Association may be reimbursed for any reasonable actual expenses incurred on behalf of the Association in connection with their duties as officers or directors.

ARTICLE V

Officers

Section 5.1 Elected Officers. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. Following termination of the Class B Membership pursuant to the Declaration, each officer shall be an Owner or a representative designated by a group of Owners in accordance with Section 2.3 hereof or an individual designated by a corporate, partnership or other non-individual Owner. A person may hold more than one office, except that the offices of President and Secretary shall not be held by the same person simultaneously.

Section 5.2 Term. The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. If any office becomes vacant for any reason, the vacancy shall be filled by the Board at any regular or special meeting of the Board.

Section 5.3 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members and of the Board. The President shall have executive powers and responsibility for general supervision over the affairs of the Association, including but not limited to the power to appoint committees from among the Members to assist in the conduct of the affairs of the Association.

Section 5.4 Vice President. The Vice President shall take the place of the President and perform all of the duties of the President whenever the President is absent or unable to act. The Vice President shall also perform such other duties as may be imposed on the Vice President from time to time by the Board.

Section 5.5 Secretary. The Secretary shall: (a) issue notices of all meetings of the Members and the Board; (b) attend and keep the minutes of such meetings; (c) have charge of all of the Association's books, records and papers, including the Member list; and (d) perform such other duties as may be imposed on the Secretary from time to time by the Board.

Section 5.6 Treasurer. The Treasurer shall have custody of, and shall keep full and accurate account of, all receipts and disbursements of the Association, in books belonging to the Association, and shall deposit all monies and other valuable effects in the name of and to the credit of the Association in such depositories as may be designated from time to time by the Board. The Treasurer may delegate the collection, deposit and disbursement of monies by establishing a reasonable

method of accounting which shall be reviewed by the Board on a monthly basis. All books of account shall be kept on a consistent basis in accordance with generally accepted accounting practices. The Treasurer shall also perform such other duties as may be imposed on the Treasurer from time to time by the Board.

Section 5.7 **Resignation and Removal of Officers.** Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause. Any officer may resign at any time by giving written notice of such resignation to the Board, the President or the Secretary. Such resignation shall take effect upon delivery of such notice or at any later time specified therein, and unless otherwise provided therein, acceptance of such resignation shall not be necessary to make it effective.

ARTICLE VI

Fiscal Management

Section 6.1 **Depositories.** The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board from time to time, upon resolutions approved by the Board, and shall be withdrawn only upon checks and demands for money signed by such officer or officers of the Association or a management company as may be designated by the Board.

Section 6.2 **Budget.** The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated cash requirements, income and required borrowings, if any, of the Association for the year. The annual budget shall also provide for a reserve for contingencies for the year and for future years and an adequate reserve for maintenance, repairs and replacements of those Master Common Areas that must be replaced on a periodic basis, as determined by the Board. To the extent that the Assessments and other cash income collected from the Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall be taken into account in determining the annual budget. The estimated annual budget for each fiscal year shall be approved by the Board, and a copy thereof shall be furnished by the Board upon the request of any Member.

Section 6.3 **Fiscal Year.** The fiscal year of the Association shall be January 1 to December 31, except that the first fiscal year of the Association shall begin on the date of incorporation of the Association. The commencement date of the fiscal year herein established may be modified by the Board, subject to any necessary approvals by the Arizona Corporation Commission and the Internal Revenue Service.

Section 6.4 **Contracts.** Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the President or the Vice President and countersigned by the Secretary. The Board may authorize in writing any officer or agent of the Association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves or ratifies such a contract or transaction.

Section 6.5 Loans. No loan shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in the Association's name unless authorized by a resolution of the Board.

Section 6.6 Other Provisions. Other provisions regarding fiscal management, including such matters as Assessments, records and statements of payment and discharge of Assessment Liens, are set forth in the Declaration, the relevant portions of which are incorporated herein by reference.

ARTICLE VII

Obligations of Members

Section 7.1 Obligations of Members. Every Owner and Resident shall have such obligations to the Association and the other Owners and Residents as provided in the Declaration, which is incorporated herein by reference.

Section 7.2 Use of Master Common Areas. The Master Common Areas shall be used for only such purposes as may be permitted by the Declaration. All Owners and Residents shall abide by such rules as the Board may from time to time adopt relating to the time, manner and nature of the use of the Master Common Areas.

ARTICLE VIII

Amendments

These Bylaws may be amended by a majority vote of the Members then eligible to vote who are present at any duly called regular or special meeting of the Members and the written consent of Declarant until the termination of the Class B Membership; provided, that the notice of the meeting shall contain a statement of the proposed amendment; provided further, that FHA and VA approval may be required by the Articles; provided further, that the HUD/FHA and the VA have the right to veto amendments at any time that there exists a Class B Membership. Notwithstanding the foregoing, these Bylaws shall not be amended to contain any provision which would be contrary to or inconsistent with the Declaration or the Articles as in effect from time to time; and any provision of, or purported amendment to, these Bylaws which is contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of such inconsistency. Anything in this Article VIII to the contrary notwithstanding, Declarant reserves the right to amend these Bylaws as may be requested or required by the FHA or VA (or any other Agency with whom Declarant elects to do business) as a condition precedent to such Agency's approval of these Bylaws. Any such amendment shall be effected by Declarant executing a certificate specifying the Agency requesting the amendment and setting forth the requested amendment. Execution of such a certificate shall be deemed conclusive proof of the Agency's or institution's request or requirement and such certificate, when executed and delivered to the Association, shall be binding upon all of the Project and all Persons having an interest therein.

ARTICLE IX

Liability Survives Termination of Membership

The termination of membership in the Association shall not (i) relieve or release a former Member from any liability or obligation under the Declaration or in any way connected with the Association, which is incurred by the former Member during the period of membership, or (ii) impair any rights or remedies the Association may have against the former Member with respect to such liability or obligation.

ARTICLE X

Limitation of Liability

Notwithstanding any duty the Association may have to maintain and repair the Master Common Areas, the Association shall not be liable for injury or damage caused by a latent condition therein or by any Owner or Resident or other Person.

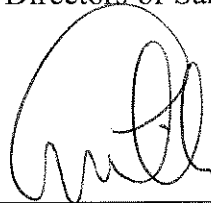
ARTICLE XI

Construction

Section 11.1 Priorities. Unless otherwise provided, any inconsistencies or conflicts among the provisions of the Arizona Revised Statutes or other applicable law, the Declaration, the Articles, the San Tan Heights Property Rules and these Bylaws shall be resolved by giving priority first to the Arizona Revised Statutes or other applicable law, second to the Declaration, third to the Articles, fourth to the Bylaws, and fifth to the San Tan Heights Property Rules.

Section 11.2 Disputes. If any dispute or disagreement arises between or among any Owners relating to the interpretation or application of the provisions of the Declaration, or any questions of interpretation thereof or any inconsistencies therein, the determination thereof by the Board shall be final and binding.

ADOPTED BY the Board of Directors of San Tan Heights Homeowners Association,
this 30 day of October, 2002.



Larry L. Miller

CERTIFICATION

The undersigned does hereby certify:

THAT I am the Secretary of San Tan Heights Homeowners Association, an Arizona nonprofit corporation; and

THAT the foregoing Bylaws constitute the Bylaws of such corporation, as duly approved and adopted by the Board of the Association by unanimous consent dated the 30 day of October, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name as of this 30 day of October, 2002.

