

BY-LAWS
OF
THE COURTS AT GAINNEY RANCH HOMEOWNERS ASSOCIATION

Article I

1. The corporation has been formed for the purpose of serving as the Council of Co-Owners/Association for THE COURTS AT GAINNEY RANCH CONDOMINIUMS (hereinafter referred to as the "Condominium"), a horizontal property regime/Condominium existing by virtue of the Declaration of Horizontal Property Regime/Condominium and Declaration of Covenants, Conditions & Restrictions for the Courts at Gainey Ranch Condominiums, recorded with the Recorder of Maricopa County, Arizona, as Document No. 85548750 (such document, as hereafter amended and in effect from time to time, being hereinafter called the "Declaration").

2. Definitions. Terms used herein which are defined in the Declaration shall have the same meanings as in the Declaration. Except as otherwise defined in the Declaration, terms used herein which are defined in A.R.S. §33-551 or A.R.S. §33-1201 shall have the definitions set forth in said statutes, whichever is applicable.

3. Application of By-Laws. All present and future owners, tenants, future tenants, or other employees or any other person that might use the facilities of the Condominium in any

manner are subject to the provisions of these By-Laws. The ownership or rental of the Units in the Condominium or the mere action of occupancy of any of said Units will signify that these By-Laws are accepted, ratified and will be complied with by the Occupant or Owner.

4. Priority of Declaration. The provisions of the Declaration shall have priority over these By-Laws, and any provision hereof which is contrary to or inconsistent with the Declaration (as amended from time to time) shall be void to the extent of such inconsistency.

Article II

1. Voting. Notwithstanding the number of Co-Owners who may jointly or otherwise own a Unit, voting on all matters shall be limited to ONE (1) of the Co-Owners. Where TWO (2) or more Persons own an interest in a Unit, they shall designate to the Board of Directors, in writing, one of ^{their} ~~there~~ number who shall have the power to vote. In the absence of such designation and until such designation is made, the Board shall make such designation.

2. Relative Voting Rights. The relative voting rights of the Class A and of the Class B members shall be as provided in the Declaration and the Articles of Incorporation.

3. Majority of Co-Owners. As used in these By-Laws, the term "Majority of Co-Owners" shall mean those Owners holding more than FIFTY PERCENT (50%) of the votes of all the Owners.

4. Quorum. Except as otherwise provided in the Declaration, the Articles of Incorporation or these By-Laws, or as may be required by law, the presence in person or by proxy of TWENTY FIVE PERCENT (25%) or more of members shall constitute a quorum for an Annual or duly noticed Special Meeting and a majority of those present either in person or by proxy shall be necessary to act upon any matter before such meeting. **

5. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting. Proxies shall be revocable unless otherwise stated therein and coupled with an adequate legal interest and, unless irrevocable, shall be terminated by a later proxy or if the Owner files a written notice of such termination prior to the meeting. An irrevocable proxy shall remain in full force and effect until terminated in accordance with its terms or as required by law or in this section, and the earliest given irrevocable proxy shall be recognized unless it has so terminated. Any proxy, whether revocable or irrevocable, shall automatically be revoked upon conveyance of a Unit by a new Owner.

** Amended at a Special Meeting of the members on December 16, 1991. Previous quorum requirements was more than 50%.

6. Election of Directors. Election of directors shall be by secret written ballot. At such election, the Members or their proxies may cast as many votes in the aggregate as each is entitled to vote under the Declaration and the Articles of Incorporation, multiplied by the number of directors to be elected. Each such person may cast the whole number of votes to which he is entitled for one candidate or distribute such votes in any manner he chooses among two or more candidates. The candidates receiving the largest number of votes shall be elected.

Article III

1. Council Responsibilities. The corporation will constitute the Council of Co-Owners (hereinafter referred to as the "Association") of the Condominium acting through its Board of Directors and its Members. The Board of Directors shall have the responsibility of administering the Condominium and exercising all powers and duties provided for by law or in the Declaration, the Articles of Incorporation or these By-Laws, except such matters as are reserved to the Members by law or by such Declaration, Articles of Incorporation, or By-Laws.

2. Place of Meeting. Meetings of the Members shall be at the Condominiums development or at such other convenient place as may be designated by the Board of Directors.

3. Annual Meetings. Annual meetings of the Members shall be held on the FIRST DAY OF FEBRUARY of each year, commencing on Wednesday, February 1st, 1989. At such meetings there shall be elected by ballot of Board of Directors in accordance with the requirement of the Declaration and the Articles of Incorporation, and of these By-Laws. The Members may also transact such other business as may properly come before them at such annual meetings.

4. Special Meetings. Special meetings of the Members may be called by the President, by resolution of the Board of Directors or by a petition signed by a Majority of Co-Owners and presented to the Secretary or in such other manner as is required by law. The notice of any special meeting shall state the day, the hour and the place of such meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice thereof.

5. Notice of Meeting. It shall be the duty of the Secretary, at the direction of the person or persons calling a meeting, to mail or deliver a notice of each annual or special meeting, stating the purpose or purposes thereof, the day, the hour and the place where it is to be held, to each Member of record, at least TEN (10) but not more than FIFTY (50) days prior to such meeting. If the Secretary fails or refuses to act promptly, the person or persons calling the meeting may do so.

The mailing of a notice in the manner provided in this section shall be considered notice served.

6. Adjourned Meetings. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting from time to time to a time not more than THIRTY (30) days from and after the time the original meeting was called, and no new notice shall be required for such adjourned session.

7. Order of Business. The order of business at all meetings of the Members shall be as follows:

- 7.1 - Roll call and verification of proxies
- 7.2 - Proof of notice of meeting
- 7.3 - Reading of minutes of preceding meeting
- 7.4 - Reports of officers
- 7.5 - Report of Board of Directors
- 7.6 - Reports of committees
- 7.7 - Appointment of inspectors of election when required
- 7.8 - Election of members of the Board of Directors when required
- 7.9 - Unfinished business
- 7.10 - New business

Article IV

1. Number and Qualification of Board of Directors.

The affairs of the corporation shall be governed by a Board of Directors composed of THREE (3) persons, all of whom must be owners of Units in the Condominium or the spouse of an Owner (or

if an Owner is a corporation, partnership, or trust, a Director may be an officer, partner or beneficiary of such Owner), except the original Board of Directors or any directors elected or appointed by the Declarant under the Declaration.

2. Powers and Duties. The Board of Directors shall have all powers necessary or convenient and shall be responsible for the administration of the affairs of the corporation and may do all such acts and things as are not by law, by the Declaration, or by the Articles of Incorporation, or these By-Laws directed to be exercised solely by the Owners or Members.

3. Other Duties. Without limiting the generality of Section 2 of this Article, the Board of Directors shall be responsible for the following:

- 3.1 Care, upkeep, and surveillance of the Condominium and the Common Elements and facilities;
- 3.2 Preparation of an annual budget and allocation of the budget to the various Units in accordance with the various percentage interests in the Common Elements appurtenant thereto;
- 3.3 Collection of monthly assessments from the Owners and the filing of liens and foreclosure thereof where necessary;
- 3.4 Employment and dismissal of the personnel necessary for the maintenance and the operation of the Condominium and the Common Elements and facilities;
- 3.5 Employment of a management agent at a compensation established by the Board of

Directors to perform such duties and services as the Board shall authorize. The duties conferred upon the management agent by the Board of Directors may at any time be revoked, modified or amplified by a majority of the Board of Directors at a duly constituted meeting;

- 3.6 To make repairs within the Units where such repairs are required for the welfare or safety of the Condominium or its residents;
- 3.7 To obtain and keep in full force and effect fire and hazard insurance on the building and all common elements in the Condominium, and public liability and other insurance as required by the Declaration or as permitted and deemed necessary and advisable by the Board;
- 3.8 To grant or relocate easements required for the benefit of the Condominium;
- 3.9 To adopt and amend rules and regulation and enforce the same covering the operation and use of all of the property and recreational areas in the Condominium;
- 3.10 To suspend, prohibit, and restrain any Owner who is delinquent in the payment of any assessments or who violates any of the rules, regulation, By-Laws, or Declaration, from using all or any part of the recreational facilities included within the Common Elements for the Condominium;
- 3.11 To open bank accounts on behalf of the Condominium and to designate the signatories required therefor;
- 3.12 To invest any excess funds held or controlled by the corporation;

The foregoing enumeration of specific responsibilities shall not be deemed to limit any other power or duty of the Board of Directors arising by laws or under the Declaration, Articles of Incorporation, or these By-Laws.

4. Election & Term of Office. The term of two directors shall be for two years each and shall expire on the date of the Annual Meeting which is two years succeeding the date of such election or re-election. The term of the third director shall expire at the next Annual Meeting following the date of such election or re-election. Thereafter, the term of each director elected or re-elected in succession of this director shall be for TWO (2) years each and shall expire on the date of the Annual Meeting which is TWO (2) years next succeeding the date of such election or re-election. **

5. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum or by a sole remaining director, and any director so chosen shall serve as a director until the next election of directors when and qualified.

6. Resignation and Removal of Directors. A director may resign at any time upon delivery of written notice to the President or Secretary of the corporation. Such resignation shall be in effect upon receipt or at any later time specified therein, and unless otherwise provided therein acceptance of such resignation shall not be necessary to make it effective. At any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by the vote of a sufficient number of Members that the votes cast against such

** Amended at a Special Meeting of the members on December 16, 1991. Previous Board members were elected for one year terms.

removal would not be sufficient to elect the director or directors so removed if cumulatively voted at an election of the entire Board of Directors; provided, however, that the entire Board of Directors may be so removed by affirmative vote of a Majority of Co-Owners. Successors may then and there be elected by the Members to fill the vacancy or vacancies thus created.

7. Compensation. No compensation shall be paid to directors or officers for their services as directors or officers.

No remuneration shall be paid to a director for services performed by him for the corporation in any capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. Neither a director nor any officer may be an employee of the corporation. Directors and officers, however, may be reimbursed for any actual expenses incurred in connection with their duties as such officers or directors.

8. Organization Meeting. The first meeting of a newly elected Board of Directors shall be called and held within TEN (10) days after the election thereof at such place as a majority of such directors shall be approved either before, at, or after such meeting.

9. Regular Meeting. Regular meeting of the Board of

Directors may be held at such time and place as shall be determined, from time to time, by a Majority of the Directors, but at least TWO (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone, or telegraph, at least THREE (3) days prior to the date set for such meeting.

10. Special Meetings. Special meetings of the Board of Directors may be called by the President, Secretary, or by a Majority of the Directors on THREE (3) DAYS notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided) and purposes of the meeting.

11. Waiver of Notice. Before, at, or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting unless the director attends for the sole and express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

12. Board of Directors Quorum. At all meetings of the Board of Directors, a majority of the number of directors fixed

in these By-Laws shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, any business which might have been transacted at a meeting as originally called may be transacted without further notice.

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

Article V

1. Designation. The principal officers of the corporation shall be a President, Secretary, and Treasurer, all of whom shall be elected by the Board of Directors, and, in the discretion of the Board, one or more Vice President(s) and such other officers as the Board may from time to time designate. A person may hold more than one office, except that the offices of President and Vice President, and President and Secretary shall not be held by the same person simultaneously.

2. Election of Officers. The officers of the

corporation shall be elected annually by the Board of Directors at the first meeting of each new Board and shall hold office at the pleasure of the Board. If the Board of Directors shall fail to act at any such meeting, each current officer shall continue to hold office until his successor is elected and shall qualify or until his earlier death, resignation or removal.

3. Resignation and Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause. Any officer may resign at any time by delivering written notice of such resignation to the Board, the President or the Secretary. Such resignation shall take effect upon receipt or at any later time specified therein, and unless otherwise provided therein acceptance of such resignation shall not be necessary to make it effective. A vacancy in any office may be filled at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.

4. President. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power to appoint committees from among the Members from time to time as he may in his

discretion decide is appropriate to assist in the conduct of the affairs of the corporation.

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

6. Secretary. The Secretary shall have the responsibility for keeping the minutes of all meetings of the Board of Directors and the Members, such correspondence as shall be necessary, the official minute book of the corporation, and such other duties as shall from time to time be imposed by the Board of Directors.

7. Treasurer. The Treasurer shall have the responsibility for funds and securities of the corporation and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the corporation and such depositories as may from time to time be designated by the Board of Directors.

Article VI

1. Assessments. All Owners shall be obligated to pay monthly assessments for Common Element expenses under and in accordance with the Declaration. Without limiting the foregoing, the assessments shall include the cost of maintenance and repair of the Common Elements, and all other items necessary for the maintenance and operation of the Common Elements. Any assessments levied or collected which are in excess of the amount required for proper purposes shall be refunded to the Owner(s) who paid such assessments.

2. The Board of Directors shall from time to time, and at least annually, prepare a budget for the Condominium, determine the amount of the common charges payable by the Owners to meet the Common Expenses of the Condominium and allocate and assess such charges among the Owners according to the interests in the Common Elements appurtenant to their respective Units. The Board of Directors shall advise all Owners promptly in writing of the amount of such charges payable by each of them respectively and shall furnish copies of the budget on which such common charges are based to all Owners, and to their mortgagees, if requested in writing. The Board of Directors may levy a late penalty charge on any Owner who fails to pay all or any part of his assessment on or before the due date as set by the Board of Directors.

3. Maintenance and Repair.

3.1 Each Owner shall perform promptly all maintenance, repair, and upkeep work within his own Unit, which, if omitted, would affect the Condominium in its entirety or in a part belonging to other Owners. In the event any Owner fails to maintain, upkeep, or repair his own Unit, and in the event the Board of Directors shall determine that it is necessary to perform such repairs, the Board of Directors may enter such Owner's Unit and make such repairs as are necessary, provided, however, that such Owner shall first have been given THIRTY (30) DAYS notice of the intention of the Board of Directors to make such repairs. In the event that the Owner fails to make such repairs within said THIRTY (30) day period, the Board of Directors through its agent may make such repairs and levy an assessment for the costs thereof against the Owner and shall have a lien for all costs incurred against the Owner's Unit as provided in the Declaration.

3.2 All the repairs of internal installations within any Unit, such as water, light, gas, power, sewage, telephone, air conditioning, doors, windows, lamps and all other accessories belonging to and located within the Unit shall be at the Owner's expense. Any such repairs required which are outside of the Unit to be served thereby shall be at the expense of the Condominium as Common Elements maintenance costs.

3.3 An Owner shall reimburse the Condominium for any expenditures incurred in repairing or replacing any Common Element damaged through his own fault.

3.4 An Owner shall not make structural modifications or alterations in his Unit without previously securing written approval therefor from the Board of Directors.

4. Use of General Common Elements and Facilities. An Owner shall not place or cause to be placed in any Common Element

any furniture, packages or objects of any kind, except as incidental to use of a Limited Common Element appurtenant to such Owner's Unit. Such areas shall be used for no purpose other than for normal transit and, in the case of recreational facilities, for the normal use of such recreational facilities.

5. Right of Entry. The management agent or any other person authorized by the Board of Directors shall have the right to entry into any Unit for purposes of inspection and making necessary repairs, alterations, installations and maintenance to the Common Elements, including mechanical or electrical services, provided that request for such entry is made in advance and such entry is at a time reasonably convenient to the Owner. In case of an emergency, the right of entry shall be immediate.

Article VII

The corporation may appoint committees of its Members and/or directors as deemed appropriate in carrying out its purposes.

Article VIII

The Board of Directors may adopt a seal for the corporation. The use of a seal shall not, however, be necessary to the validity of any corporate act or signature.

Article IX

These By-Laws may be amended by vote of a Majority of Co-Owners at any regular or special meeting where notice of the proposed amendment is included in the call or notice of meeting, provided, however, that these By-Laws shall not be amended to contain any terms or provisions which would be contrary to the Declaration or the Articles of Incorporation as amended from time to time; and further provided that so long as there is a Class B Member no such amendment shall be effective without the prior written consent of the United States Veterans Administration.

Article X

Any Owner who mortgages his Unit shall notify the corporation through the Secretary of the Board of Directors of the name and address of his Mortgagee, and the Board shall maintain a record of such information in a book entitled "Book of Mortgages". The Owner shall also inform the Secretary of any assignments of Mortgagee's interest or release of such Mortgage.

Article XI

The Board of Directors may promulgate and adopt rules and regulations for the management, operation, and use of the Condominium, and said rules and regulations shall apply to and

govern the occupation of the various Units and of the Common Elements by the Owners and lessees, tenants and guests and all other persons.

Article XII

1. Maintenance of Books of Account and Other Records.

The Board of Directors shall cause to be maintained complete books of account concerning all funds, assets and liabilities of the corporation. The corporation shall also keep complete minutes of the meetings of its Members, Board of Directors and any committees thereof and a list of the names and addresses of all Members entitled to vote and all irrevocable proxies of which the corporation has received proper notice. All such relevant books of account and other records shall be open to inspection upon the written demand, delivered to the President or Secretary, stating the purpose of such examination, by any Owner or Mortgagee recorded in the Book of Mortgages for any proper purpose reasonably related to his interest as such Owner or Mortgagee. Such books and records shall be kept at the Condominium in a location or locations known to its Members. Such inspection may be made in person or by agent or attorney, and the right of inspection includes the right to make copies of or extracts from, or to perform audits of such books and records.

2. Annual Report to Owners. Annually, at least TEN

(10) DAYS prior to the annual meeting, the Board of Directors shall cause to be prepared and sent to every Owner an annual report of the affairs of the corporation. Said report shall contain a complete accounting of receipts and disbursements of all funds of the corporation during the preceding calendar year and a balance sheet setting forth all assets and liabilities of the corporation as of the end of the preceding calendar year. Upon written demand of Owners holding FORTY PERCENT (40%) or more of the total vote, given at least SIXTY (60) DAYS prior to the date of the annual meeting, an independent audit of the books and records of the corporation shall be performed in accordance with generally accepted auditing standards by a duly licensed certified public accountant at the corporation's expense. A copy of the report of such audit shall then be rendered to each Owner in lieu of the annual report hereinabove required.

Article XIII

The fiscal year of the corporation shall begin on the FIRST (1st) DAY OF JANUARY and end on the THIRTY-FIRST (31st) DAY OF DECEMBER of every year, except that the first fiscal year shall begin on the date of incorporation.