

BYLAWS
OF
THE GOLF COTTAGES AT GAINNEY RANCH CONDOMINIUM
ASSOCIATION, INC.

I. ARTICLES OF INCORPORATION

1.01 Articles. Any reference herein made to this Association's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto at any given time on file with the Arizona Corporation Commission, together with any and all certificates theretofore filed by the corporation with the Arizona Corporation Commission.

1.02 Seniority. The Articles will in all respects be considered senior and superior to these Bylaws with any inconsistency to be resolved in favor of the Articles, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

II. DECLARATION

2.01 Declaration. Reference is made to that certain Declaration of Horizontal Property Regime and Declaration of Covenants, Conditions, and Restrictions for The Golf Cottages at Gainney Ranch recorded as Instrument No. 85-226862 in the Office of the County Recorder, Maricopa County, Arizona (the "Declaration"). All capitalized terms as used in

these Bylaws shall have the same meaning as set forth in the Declaration. The Declaration, as it may be amended or supplemented from time to time, is incorporated herein by reference.

III. MEMBERSHIP

3.01 Annual Meetings. Each annual meeting of the Owners shall be held in the Phoenix, Arizona metropolitan area on the third Wednesday of March of each year at the principal office of the Association, or at such other place as may be fixed by the Board of Directors and set out in the notice of the meeting; provided, however, that whenever such date falls on a legal holiday, the meeting shall be held on the next succeeding business day. If the only agenda item for the annual meeting is the election of the Board of Directors, then the Board of Directors may be elected by mail ballot in lieu of the annual meeting.

3.02 Special Meetings. Special meetings of the Owners may be held at such places and at such times as may be fixed by the Board of Directors whenever called in writing by the President, a majority of the Board of Directors or by the Owners holding twenty per cent (20%) or more of the total votes entitled to be cast by all Owners.

3.03 Notices. Each member of the corporation shall be notified by the Secretary by written notice not less than ten (10) days nor more than sixty (60) days before the date of the annual meeting, stating the place, day and hour

of the meeting. Special meetings may be called in like manner after ten (10) days' notice, but any such notice also shall designate the purpose of the meeting and the items on the agenda (including the general nature of any proposed amendment to the Declaration, Articles, or Bylaws, any budget changes, and any proposal to remove a director or officer). Notices may be hand-delivered or sent prepaid by United States Mail. In all such cases the date of hand-delivery or the date of mailing of the notices shall be considered the date such notices were given. Notices need only be given to Owners appearing as such on the books of the Association at the time of the delivery or mailing of the notices.

3.04 Waiver. No call or notice of any meeting of the Owners shall be necessary if waiver of call and notice is signed by all the Owners.

3.05 Quorum. At any regular or special meeting of the Owners, the Owners holding more than twenty-five per cent (25%) of the total votes entitled to be cast by all members shall constitute a quorum for the transaction of business. A quorum shall be necessary to elect directors and transact any other business. In the absence of a quorum, a majority of the Owners present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At any such adjourned meeting at which a quorum

shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

3.06 Qualification. Membership shall be limited to every Owner. The foregoing does not include persons or entities who hold an interest merely as security for the performance of an obligation.

3.07 Voting. The Association shall have two (2) classes of voting membership.

Class A. Class A members shall be all Owners other than Declarant. Class A members shall be entitled to one (1) vote for each Condominium Unit owned. When more than one Person owns an interest in a Condominium Unit, each such Person shall be a member of the Association but the vote for such Condominium Unit shall be exercised as the co-Owners themselves determine, and in no event shall more than one (1) vote be cast with respect to any Condominium Unit. The Association shall not be required to recognize the vote or written assent of any such co-Owner except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant. The Declarant shall be entitled to three (3) votes for each Condominium Unit which it owns; provided, however, the Class B Membership shall cease and be converted into Class A Membership not later than 120 days after the happening of whichever of the following is first in time:

(a) when the total votes outstanding in the Class A Membership equal or exceed the total votes outstanding in the Class B Membership; or

(b) on the third anniversary of the first conveyance of a Condominium Unit by the Declarant to an Owner.

3.08 Proxies. Any Owner entitled to vote thereat may vote by proxy at any meeting of the Owners (and at any adjournment thereof) which is specified in such proxy, provided that his or her proxy is executed in writing by such Owner or his or her duly authorized attorney in fact. No proxy shall be valid after twelve months from the date of its execution, unless such proxy specifically provides that it is coupled with an interest and is irrevocable. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the Owners will rest with the person seeking to exercise the same. A telegram or cablegram appearing to have been transmitted by an Owner or by his duly authorized attorney in fact may be accepted as a sufficiently written and executed proxy.

3.09 Election Inspectors. The Board, in advance of any meeting of the Owners, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an

inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the Owners entitled to vote, the authenticity, validity and effect of proxies and the number of Owners represented at the meeting in person and by proxy; they will receive and count votes, ballots and consents and announce the results thereof; they will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, they will perform such acts as may be proper to conduct elections and voting with complete fairness to all Owners.

3.10 Organization and Conduct of Meetings. Each meeting of the Owners will be called to order and thereafter chaired by the chairman of the Board if there is one; or, if not, or if the chairman of the Board is absent or so requests, then by the President; or if both the chairman of the Board and the President are unavailable, then by such other officer of the Association or such Owner as may be appointed by the board of directors. The Association's secretary will act as secretary of each meeting of the Owners; in his or her absence the chairman of the meeting may appoint any person (whether an Owner or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all Owners intending to vote in person and the filing of all proxies with the election

inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies will be accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of election polls. Absent a showing of bad faith on his part, the chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of Owners and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal or question and answer portions thereof).

3.11 Irregularities. All informalities and/or irregularities in calls, notices of meetings and in the manner of voting, credentials, and methods of ascertaining those present shall be deemed waived if no objection is made at the meeting.

IV. DIRECTORS

4.01 Management. The control and management of the Property, affairs and business of the Association shall be vested in a Board of Directors of not less than three (3) nor more than five (5) members. Except for Board members

designated by Declarant, each Director shall be an Owner or spouse of an Owner (or if an Owner is a corporation, partnership, or trust, a Director may be an officer, partner, trustee or beneficiary of such Owner). The initial Board of Directors shall consist of three members and shall serve until the first annual meeting of the members. The Board of Directors will have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies which may occur in its membership, whether resulting from an increase in the size of the Board or otherwise, and shall hold office until the next annual meeting of the Owners.

4.02 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law, the Declaration, the Articles of Incorporation, or these Bylaws directed to be exercised and done by the Owners. The powers of the Board of Directors shall include but not be limited to the following:

(a) To provide the necessary management and accounting and other services required in connection with operation and maintenance of the Common Elements;

(b) To enforce liens against Condominium Units in the event of default by an Owner in payment of money under the Declaration, and to enforce any other provisions thereof;

(c) To authorize in their discretion refunds of excess Assessments; and

(d) To enforce such Association Rules pertaining to use and occupancy of the Condominium Units and Common Elements as may be adopted by the Association and which are consistent with these Bylaws, the Articles of Incorporation and the Declaration.

** 4.03 Election and Term of Office. The term of three directors shall be for two years each beginning with the 1995 Annual Meeting date and shall expire on the date of the 1997 Annual Meeting which is two years succeeding the date of such election or re-election. The term of the remaining two directors shall expire at the next Annual Meeting following the date of the 1995 Annual Meeting. 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.

4.04 Cumulative Voting. In any election of the members of the Board, every member shall have the right, in accordance with Article 14, Section 10 of the Constitution of the State of Arizona, to accumulate his votes and give one candidate, or divide among any number of the candidates, the number of votes equal to the total number of votes allocated to said member pursuant to Section 4.03 of the Declaration, multiplied by the number of Directors to be elected. The candidates receiving the highest number of votes (up to the number of Board members to be elected) shall be deemed elected.

4.05 Quorum. A quorum for the transaction of business at any meeting of the Directors shall consist of a majority of the Board of Directors then in office.

4.06 Annual and Regular Meetings. An annual meeting of the Directors shall be held immediately after the adjournment of, and at the place of, the annual meeting of the members. Additional regular meetings of the Directors may be

** Election and Term of Office was amended from one year elected terms to two year staggered elected terms by the Board of Directors on January 10, 1995.

held without notice at regular intervals at such places and at such times as the Board of Directors may from time to time by resolution provide.

4.07 Special Meetings. Special meetings of the Board of Directors shall be held at such times and places as may be designated by the Board of Directors whenever such meetings are called orally or in writing by the President or a majority of the Board. Notices of special meetings shall be given by the Secretary to each Director, orally or in writing, at least three (3) days before the time fixed for the meeting. Such notices shall advise each Director of the time, place and general purpose of the meeting, and shall be delivered personally, or shall be given by telephone or telegram, or, if sent by mail, such three (3) days' notice shall be deemed to have been given if the notice is post-marked at least five (5) days before the date of the meeting. By unanimous consent of the Directors, special meetings of the Board may be held at any time without call or notice, or waiver of call and notice.

4.02 Unanimous Consent. Any action which could be taken by the Directors at a duly convened annual or special meeting of the Board may be taken without a meeting if all of the Directors consent thereto in writing. Such consent shall have the same effect as a unanimous vote of the Directors.

4.09 Vacancies. In the event of the death, resignation, or discharge of a Director for any reason, such

vacancy shall be filled by vote of the majority of the Directors present at a properly called meeting of the Board of Directors, and the Director elected to fill such a vacancy shall complete the term of office of the Director so replaced.

4.10 Expenses. No Director shall receive compensation for any service he may render to the Association as a Director. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

V. OFFICERS

5.01 Designation of Officers. The Directors shall elect the officers of the Association at an annual meeting of the Directors; provided, however, that elections of additional officers may be held at any other meeting of the Board of Directors specifically called for such purpose. The officers of the corporation shall consist of a President, Vice President, Secretary and Treasurer, any two of which offices, other than President and Secretary, may be held by one person. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers, which officers shall have authority to perform such duties as may be prescribed by the Board of Directors or the President. The elected or appointed officers of the Association must be Owners.

5.02 President. The President shall be the chief executive of the Association. He shall preside at all meetings of the Board of Directors; shall be ex officio a member

of all standing or special committees; shall have general charge of the activities of the Association; shall sign on behalf of the Association all contracts and other written instruments to be executed by the Association; and shall see that all resolutions of the Board are carried into effect. He shall do and perform such other acts and duties as may be required of him by the Board of Directors, but his authority shall be subject to the control and direction of the Board of Directors at all times.

5.03 Vice President. The Vice President, in the absence or disability of the President, shall perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

5.04 Secretary. The Secretary shall keep a permanent and complete record of all proceedings of each meeting of the Owners and each meeting of the Board of Directors; shall give or cause to be given, when required, notice of all meetings of the Owners and/or the Board of Directors; shall keep an accurate list of all members of the Association and their addresses, and shall perform such other duties as may be prescribed by the Board of Directors or the President. An Assistant Secretary, or Executive Secretary, if appointed, shall in the event of the Secretary's absence or inability to act, perform the duties and functions of the Secretary.

5.05 Treasurer. The Treasurer shall have custody of the Association's funds and shall keep full and accurate accounts of receipts and disbursements, and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Association as may be ordered by the Board, demanding proper vouchers for such disbursements. He shall prepare and submit a written financial report at each annual meeting of the Owners, and shall render to the President an account of all his transactions as Treasurer and such additional reports of the financial condition of the Association as the Board may require. The Treasurer may be required to furnish a surety bond in an amount determined by the Board, the premium of which shall be paid by the Association. An Assistant Treasurer, if appointed, shall, in the event of the Treasurer's absence or inability to act, perform the duties and functions of Treasurer.

5.06 Other Employees. The Board of Directors may engage the services of such other employees, including but not limited to an Executive Secretary and/or Manager, as may from time to time be deemed necessary or advisable for the objects and purposes of the Association.

5.07 Removal of Officers; Vacancies. All officers, agents and employees shall be subject to removal at any time by the affirmative vote of the majority of the members

of the Board of Directors then in office. Any vacancy caused by removal, resignation, death or for any other reason whatsoever may be filled by the Board of Directors as the Board may deem appropriate.

5.08 Committees. The Board of Directors shall from time to time appoint committees as deemed appropriate in carrying out its purpose.

5.09 Compensation. The President, Vice President, Secretary and Treasurer shall not receive any compensation for their services rendered to the Association as such officers. However, such officers may be reimbursed for their actual expenses incurred in the performance of their duties. The Board of Directors may fix and pay such compensation for other officers or employees of the Association as the Board deems proper.

5.10 Certification of Amendments. In accordance with the Declaration, any amendment to the Declaration which requires affirmative written assent or vote of the Owners may be executed, certified, and recorded on behalf of the Association by the President and Secretary of the Association.

VI. ASSESSMENTS

6.01 Regular Assessments. Regular Assessments against each Condominium Unit for which construction has been completed shall commence on the first day of the month following the conveyance of a Condominium Unit by Declarant to an Owner (the "Initiation Date"). There will be no

Assessments on uncompleted Condominium Units. From and after the Initiation Date until January 1 of the calendar year immediately following the Initiation Date, there shall be assessed against each Owner of a Condominium Unit for which construction has been completed a regular Assessment which shall be at a uniform rate among all Condominium Units in accordance with the provisions of the Declaration. Not less than thirty (30) days prior to the beginning of each calendar year following the Initiation Date the Board shall estimate the total amount of funds necessary to defray the Common Expenses of the Association, including provision for replacement reserves, for the next calendar year and shall assess, subject to the Declaration, the record Owner of each Condominium Unit in December of each year for the following year. All Owners shall be notified of the amount of the regular Assessment (and the amount of monthly installments to be paid) for the upcoming year before December 10 of the prior year.

6.02 Special Assessments. In addition to regular Assessments, the Board may levy special Assessments and capital improvement Assessments as provided in the Declaration.

6.03 No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason including, without limitation, a claim that the Association is not

properly exercising its duties and powers as provided in the Declaration.

6.04 Non-Payment of Assessments. Any Assessment which is not paid when due is delinquent. Whenever an Assessment is delinquent, the Association may, at its option, invoke any or all of the sanctions provided for herein, or any other reasonable sanction, in order to compel its prompt payment:

(a) Late Charge. If any Assessment is not paid within fifteen (15) days after it becomes due and payable, the Owner shall be obligated to pay a late charge equal to ten percent (10%) of the delinquent Assessment.

(b) Interest. If any Assessment is not paid within thirty (30) days after it becomes due and payable, the Assessment shall bear interest from the date of delinquency at the rate of 18% per annum or such other rate as may be established by the Board of Directors pursuant to a duly adopted resolution or Association Rule.

(c) Enforcement of Lien. The Association may proceed as authorized in the Declaration to enforce the lien securing the Assessment.

VII. AMENDMENTS

7.01 Amendments. The Board, at any regular or special meeting, shall have the power to make, amend, and repeal the Bylaws of the Association by vote of a majority of the Board, provided that written notice of intention to make, amend or repeal the Bylaws in whole or in part shall have been given in the notice of the meeting, and provided further

that no material amendment shall be effective without the prior written approval of each Lender.

VIII. FISCAL MANAGEMENT

8.01 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31. The commencement date of the fiscal year herein established shall be subject to change by the Board should corporate practice subsequently dictate.

8.02 Books of Account. Books of account of the Association shall be kept under the direction of the Treasurer on a consistent basis in accordance with good accounting practices.

8.03 Contracts. Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the President or Vice President and may be countersigned by either the Secretary or the Assistant Secretary.

IX. CONSTRUCTION

9.01 Discrepancies. Any discrepancies or conflicts between the provisions of the Arizona Revised Statutes, the Declaration, the Articles and Bylaws, and the Association Rules shall, unless otherwise provided, be resolved by giving priority first to the statutes, second to the Declaration, third to the Articles, fourth to the Bylaws, and fifth to the Association Rules.

APPROVAL BY MASTER ASSOCIATION

The Gainey Ranch Community Association hereby approves the terms and provisions of the Bylaws of The Golf Cottages at Gainey Ranch Condominium Association, Inc. and confirms that the aforesaid Bylaws comply with all required terms of the Master Declaration.

JULY 16, 1986

THE GAINNEY RANCH COMMUNITY
ASSOCIATION, an Arizona
non-profit corporation

By Fred D. Thiele
Its EXECUTIVE DIRECTOR

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