

BYLAWS

OF

VAQUERO DRIVE AT GAINNEY RANCH HOMEOWNERS ASSOCIATION

ARTICLE 1

General

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

1.03 Declaration. Reference is made to that certain Declaration of Covenants, Conditions, Restrictions and Easements for Vaquero Drive at Gainney Ranch, dated July 16 _____, 1987, recorded July 28 _____, 1987, as Instrument No. 87 475355 in the records of 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.

1.04 Personal Application. All present or future Owners or lessees of any Lot or their employees, invitees, licensees, or any other persons who might use the Property in any manner, are subject to the regulations of these Bylaws.

1.05 Nonprofit Corporation. The Association is an Arizona nonprofit corporation, and is organized and existing under and by virtue of the laws of the State of Arizona. The office of the Association shall be located at 7720 East Gainney Ranch Road, Scottsdale, Arizona 85258.

ARTICLE 2

Membership and Voting Rights

2.01 Membership. Every Owner, including Declarant, shall be a Member of the Association. An Owner shall remain

a member of the Association until such time as he ceases to be an Owner, at which time his membership in the Association shall automatically cease. Ownership of a Lot shall be the sole qualification and criterion for membership. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Transfer of Lot ownership, either voluntarily or by operation of law, shall terminate the membership of the transferors thereof in the Association. A membership in the Association shall not be transferred, pledged or alienated in any way except on the sale of such Lot and then only to such purchasers, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer is void and will not be reflected on the books and records of the Association. In the event an Owner fails or refuses to transfer the membership registered in his name to the purchaser of such Lot, the Association shall have the right to record the transfer upon the books of the Association and thereupon the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered.

2.02 Number of Votes. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners of Lots, with the exception of the Declarant until the termination of the Class B membership. Each Class A Member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to ten (10) votes for each Lot owned. The Class B membership shall cease and be converted to Class A memberships on the date when seventy-five percent (75%) of the Lots have been sold to third parties (the "Turnover Date").

Fractional votes shall not be allowed. However, if an Owner holds more than one vote, the votes need not be cast as a unit.

2.03 Majority. A majority of the votes of Members present at any meeting at which a quorum is present shall decide any question unless these Bylaws, the Declaration or applicable law shall provide otherwise, and in such event, the voting percentage required in these Bylaws, the Declaration or such applicable law shall control.

2.04 Multiple Ownership. If a Lot is owned by two or more persons in joint tenancy, tenancy in common, or as community property or other form of joint ownership, the membership as to such Lot shall nevertheless be a single membership entitled to one (1) vote, although the membership for such Lot shall be issued in the names of all of the joint Owners. In the event joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, such joint Owners shall lose their right to vote with respect to all matters in question. If any Owner casts a ballot representing a certain Lot, it will be conclusively presumed for all purposes that such Owner was acting with the authority and consent of all other Owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

2.05 Certificates. No certificates of membership shall be issued and membership shall be evidenced by an official list of members kept by the secretary of the Association.

2.06 Suspension of Voting Rights. In the event any Owner shall be in arrears in the payment of any Assessment or other amount due under any of the provisions of these Bylaws, the Declaration or the Master Declaration or shall be in default in the performance of the terms of these Bylaws or the Declaration for a period of thirty (30) calendar days, said Owner's right to vote as a Member of the Association shall be automatically suspended and shall remain suspended until all payments are brought current and all defaults cured.

ARTICLE 3

Meetings of the Members

3.01 Place. All meetings of the Members shall be held at the Association office or at such other place as shall be designated by the Board of Directors of the Association and stated in the notice of meeting.

3.02 Notices. It shall be the duty of the secretary of the Association to mail a notice of each annual or special meeting, stating the time and place thereof to each Owner of record at least fifteen (15) days, but not more than forty-five (45) days prior to such meeting. Notices of any special meeting shall state the purpose thereof. All notices shall be mailed to or served at the address of the Owner as it appears on the books of the Association.

3.03 Annual Meeting. An annual meeting of Members shall be held each year on such date and at such time and place as shall be determined by the Board of Directors, for the purpose of transacting such business authorized to be transacted by the Members. The first annual meeting shall be held within one (1) year of the date of incorporation of the Association. However, the Board of Directors may by resolution fix the date of the annual meeting at such other date as the Board may deem appropriate. 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 ballots in lieu of the annual meeting.

3.04 Special Meetings. Special meetings of the Members, for any purpose or purposes, may be called by the president or by the vice president whenever deemed expedient or necessary. The president or vice president shall call a special meeting of the Members when so requested by the Members who are entitled to vote one-fourth (1/4) of all of the votes in the Association, or when so instructed by a majority of the Board of Directors.

3.05 Quorum. At any meeting of the Members, thirty-three percent (33%) of the Members entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business except as otherwise provided by statute, the Declaration or the Articles. In the absence of a quorum, a majority of the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than sixty (60) 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 conducted at the meeting originally noticed.

3.06 Voting. A Member may vote in person or by proxy executed in writing by such Member. Such proxy shall be filed with the secretary before or at the time of the meeting. No proxy shall be valid after one (1) month from the date of its execution, unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically become invalid upon conveyance by the Member of his Lot. Memberships held by a legal 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 trustee.

3.07 Cumulative Voting. In all elections of directors of the Association, Members shall have the right to cumulate their votes.

3.08 Informal Action. Any action required to be taken at a meeting of the Members, or any other action which may be taken at such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

3.09 Irregularities. All information and/or irregularities in calls, notices of meetings and in the manner of voting, form of proxies, credentials, and method of ascertaining those present shall be deemed waived if no objection is made at the meeting or if waived in writing.

3.10 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members, or in order to make a determination of Members for any other purpose, the Board of Directors, at its election, may provide that the membership books shall be closed for a stated period, but not to exceed in any case fifteen (15) days prior to the event concerned.

ARTICLE 4

Board of Directors

4.01 Membership. The control and management of the Property and the 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. Board members shall serve a term of one (1) year or until their successors are elected and qualified. Board Members may be appointed or elected to successive terms. Prior to the Turnover Date, all members of the Board shall be appointed and removed by Declarant and such appointees need not be Owners. After the Turnover Date, Board members shall be elected by the Members at the annual meeting or at such other time as shall be determined by the Board of Directors, using cumulative voting, and each Board member shall be an Owner (or the spouse of an Owner, or if an Owner is a corporation, partnership or trust, an officer, director, agent, beneficiary, trustee or partner, as applicable).

4.02 Removal of Directors. Prior to the Turnover Date, Declarant may remove any one or more of the directors with or without cause. Following the Turnover Date, any director may be removed with or without cause by the affirmative vote of the majority of Members. However, if less than the entire Board is to be removed, no one of the directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board.

4.03 Vacancies on Board of Directors. If, following the Turnover Date, the office of any director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, disability or otherwise, a majority of the remaining directors, though less than a quorum, shall choose a successor, who shall hold office for the balance of the unexpired term. Prior to the Turnover Date, if the office of any director becomes vacant for any reason, the Declarant shall choose a successor, who shall hold office for the balance of the unexpired term.

4.04 Disqualification and Resignation of Directors. Any director may resign at any time by sending written notice of such resignation to the secretary of the Association at the office of the Association. Unless otherwise specified therein, such resignation shall take effect upon its receipt by the secretary. No Member shall continue to serve on the Board should he be delinquent in the payment of an Assessment and said delinquency shall automatically constitute a resignation effective when such resignation is accepted by the Board of Directors.

4.05 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association. These powers shall include, but not be limited to, the following:

(a) To make Assessments as authorized by the Declaration, collect Assessments, and use and expend the Assessments to carry out the purposes and powers of the Association;

(b) To employ, dismiss and control the personnel necessary for the maintenance of the Common Areas and operation of the Association, 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 which shall restrict and govern the use of the Common Areas (the "Association Rules");

(d) To contract for the management of the Association and to designate to such 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 including,

without limitation the maintenance, repair, replacement and operation of the Common Areas;

(f) To enforce by legal means, if necessary, the provisions of the Declaration, the Articles, these Bylaws and the Association's Rules, and other documents and laws respecting the Association and the Property, including, without limitation, foreclosure of any liens against Lots for non-payment of Assessments;

(g) To pay taxes and assessments which are liens against any part of the Common Area;

(h) To pay the cost of all power, water, sewer and other utility services rendered to the Common Areas; and

(i) To select the officers of the Association.

4.06 Regular Meetings. The Board may establish a schedule of regular meetings to be held at such time and place as the Board may designate. Notice of such regular meetings shall nevertheless be given to each director personally, by mail or telephone, prior to the day named for such meeting.

4.07 Special Meetings. Special meetings of the Board may be called by the president on three (3) days notice to each director, given personally, by mail or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the president or secretary in like manner and on like notice on the written request of at least two-thirds (2/3) of the directors.

4.08 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 the directors consent thereto in writing.

4.09 Waiver of Notice. Before or at 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 him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

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 should be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

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

ARTICLE 5

Officers

5.01 Elected Officers. The principal officers of the Association shall be a president, vice president and secretary/treasurer, any two of which offices except president and secretary/treasurer may be held by one person. The Board may create such other offices as it may deem appropriate. The president of the Association shall be a member of the Board of Directors. The other officers may be, but need not be, members of the Board.

5.02 Term. The directors shall appoint the officers of the Association and the officers shall hold office until their successors are chosen and qualify in their stead.

5.03 President. The president shall be the chief executive officer of the Association and shall preside at all meetings of the Members. He shall have executive powers and general supervisory authority over the affairs of the Association. He shall do and perform such other duties as may be required of him from time to time by the Board.

5.04 Vice President. The vice president shall perform all of the duties of the president in his absence or disability and such other duties as may be required of him from time to time by the Board.

5.05 Secretary/Treasurer. The secretary/treasurer shall keep an accurate list of all Members and their addresses, shall issue notices of all meetings of the Members, shall attend and keep the minutes of the same and shall have

charge of all of the Association's books, records and papers. He shall have custody of and shall keep full and accurate account of receipts and disbursements 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. He shall disburse the funds of the Association as instructed by the Board and shall render such financial accounts as the Board may require. The Board may appoint separate individuals to fulfill the duties of secretary and treasurer if it deems appropriate and/or may appoint an assistant secretary/treasurer if the secretary/treasurer is absent or unable to fulfill his duties and functions.

5.06 Contracts. Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the president or vice president.

5.07 Other Employees. The Board of Directors may engage the services of such other employees, including but not limited to a manager, as may from time to time be deemed necessary or advisable for the objects and purposes of the Association.

5.08 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.

5.09 Committees. The Board of Directors shall from time to time appoint committees as deemed appropriate in carrying out its purpose, including without limitation an Architectural Committee as provided in the Declaration.

5.10 Compensation. The president, vice president and secretary/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.

ARTICLE 6

Fiscal Year

6.01 The Fiscal Year of the Association shall be the calendar year and shall begin on the first day of January of every year, except that the first fiscal year of the Association shall begin on the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board should corporate practice subsequently dictate.

ARTICLE 7

Amendments to the Bylaws

7.01 Amendment. Prior to the Turnover Date, these Bylaws may be altered, amended or added to by the affirmative vote of a majority of the Board at any duly called meeting of the Board. After the Turnover Date, these Bylaws may be altered, amended or added to by the affirmative vote of a majority of the Members present at a duly called meeting.

7.02 Inconsistencies. Notwithstanding the foregoing, these Bylaws shall not be amended to contain any provision which would be contrary to or inconsistent with the Declaration, Tract Declaration or Articles as in effect from time to time, and any provisions of or purported amendment to these Bylaws which is contrary to or inconsistent with the Declaration, Tract Declaration or Articles shall be void to the extent of such inconsistency.

ARTICLE 8

Construction

8.01 Priorities. Any discrepancies or conflicts between the provisions of the Arizona Revised Statutes or applicable law, the Declaration, the Tract Declaration, the Articles and Bylaws, and the Association Rules shall, unless otherwise provided, be resolved by giving priority first to the Arizona Revised Statutes or applicable law, second to the Declaration, third to the Tract Declaration, fourth to the Articles, fifth to the Bylaws, and sixth to the Association Rules.

8.02 Disputes. In the event of any dispute or disagreement between any Owners relating to the Property, or any questions of interpretation or application of the provisions of the Articles, Declaration, Tract Declaration or these Bylaws, the determination thereof by the Board shall be final and binding on each and all Owners.

CERTIFICATION OF ADOPTION

This is to certify that the foregoing Bylaws were duly adopted by the Board of Directors of Vaquero Drive at Gainey Ranch Homeowners Association pursuant to an action by unanimous written consent of the Board of Directors in Lieu of First Meeting dated _____, 1987.

VAQUERO DRIVE AT GAINNEY RANCH
HOMEOWNERS ASSOCIATION, an
Arizona corporation

By *Richard McQuinn*
Its President

Attest:

Stephen J. Brown
Its Secretary

APPROVAL BY MASTER ASSOCIATION

The Gainey Ranch Community Association hereby approves the terms and provisions of the Bylaws of Vaquero Drive at Gainey Ranch Homeowners Association and confirms that the aforesaid Bylaws comply with all required terms of the Master Declaration.

OCTOBER 1, 1987

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

By *Fred B. Hedlin*
Its EXECUTIVE DIRECTOR

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