

**BYLAWS
OF
8989 GAINNEY CENTER DRIVE CONDOMINIUM ASSOCIATION**

1. ARTICLES OF INCORPORATION

1.1. 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.

1.2. 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.

2. DECLARATION

2.1. Declaration. Reference is made to that certain Declaration of Condominium and Declaration of Covenants, Conditions, and Restrictions Establishing and Governing 8989 Gainey Center Drive Condominium dated December 2, 1993, recorded January 19, 1994, as Instrument No. 04-045854, in the official records of the County Recorder of Maricopa County, Arizona (the "Declaration"). All capitalized terms as used in these Bylaws shall have the same meanings as set forth in the Declaration. The Declaration, as it may be amended or supplemented from time to time, is incorporated herein by reference.

3. MEMBERSHIP

3.1. Annual Meetings. Each annual meeting of the Owners shall be held in the Scottsdale, Arizona, metropolitan area on the first Wednesday of March of each year at the principal office of the Association, or on such other day during the first calendar quarter of each year and/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. Notwithstanding the requirement for an annual meeting of the Owners, the Board of Directors may be elected by mail ballot.

3.2. 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.

3.3. 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, 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.

3.4. 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.

3.5. 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.

3.6. 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.

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

Class A. Class A Members shall be all Owners (including the Declarant). Class A Members shall be entitled to one (1) vote for each Unit owned. When more than one Person owns an interest in a Unit, each such Person shall be a member of the Association but the vote for such Unit shall be exercised as provided in the Act, but in no event shall more than one (1) vote be cast with respect to any 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 the Declarant. The Declarant shall be entitled to control the Association to the extent of having the exclusive right (either directly

or through a person designated by the Declarant) to elect, appoint and remove the members of the Board and the officers of the Association until the Turnover Date (as hereinafter defined). The special control rights of the Declarant, as the Class B Member, shall cease and terminate upon the earlier of the following (the "Turnover Date"):

(a) the date ninety (90) days after the conveyance by Declarant of seventy-five percent (75%) of the Units which may be created at any time or from time to time by the Declaration (including any Units which may be added under Article 15 of the Declaration) to Owners (other than Declarant or an affiliate of Declarant);

(b) the date four (4) years after Declarant (or any successor) has ceased to offer Units for sale in the ordinary course of business;

(c) the date which is the seventh (7th) anniversary of the first conveyance of a Unit by Declarant to an Owner other than Declarant; or

(d) the date required by the Master Declaration.

Upon the Turnover Date, Declarant shall retain the voting rights of the Class A Member even though the special voting and control rights of the Class B Member have ceased and terminated.

3.8. Proxies. Any Owner entitled to vote may vote by proxy at any meeting of the members (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.

3.9. 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.

4. DIRECTORS

4.1. Management. The control and management of the Condominium, 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, director, partnership, or trust, a Director may be an officer, partner, trustee or beneficiary of such Owner). Until the Turnover Date, the Board of Directors shall consist of three (3) members, all of whom the Declarant shall appoint, remove, and replace at such times as the Declarant deems fit to do so. Within a reasonable time following the Turnover Date, the Board shall call a special meeting at which the voting members shall elect not less than three (3) nor more than five (5) Directors, or the Board shall conduct the election by mail ballot. The majority of the Directors first elected following the Turnover Date shall be elected to serve a term of two (2) years, and a minimum of one (1) of the Directors shall be elected to serve a term of one (1) year. Upon the expiration of the initial term of office of each such Director elected subsequent to the Turnover Date, a successor shall be elected to serve a term of two (2) years. Thereafter, all Directors shall be elected to serve two (2) year terms. 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 such appointed Board members shall hold office until the next annual meeting of the Owners.

4.2. Management Support from Master Association. Although the Association will be governed by the Board of Directors and the officers, in accordance with Article 5, Section 5.7 of the Declaration, and Article XIII, Section 4 of the Master Declaration, the Master Association shall provide administrative and management services to the Association, act as accountant for the Association, handle the collection of Assessments levied by the Association and enforce such collection, assist in the preparation of budgets, administer use of the Common Elements, negotiate contracts for services and enforce the Declaration. As provided in Article 5, Section 5.7 of the Declaration and Article XIII, Section 1 of the Master Declaration, the Master Association shall have the right to take temporary control of the Association in the event (i) the Association is failing to levy and collect Assessments in an amount sufficient to pay its obligations to the Master Association, (ii) the Association is failing, in the opinion of the board of directors of the Master Association, to perform its functions and duties in a manner consistent with the standards established by other Satellite Associations (as such term is defined in the Master Declaration) in Gainey Ranch or necessary for the maintenance of the high quality of residential development envisioned for the residential areas of Gainey Ranch, or (iii) there are not sufficient members of the Board to make a quorum necessary to conduct the affairs of the Association.

4.3. 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 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 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 Units and Common Elements as may be adopted by the Association and which are consistent with these Bylaws, the Articles and the Declaration.

4.4. Election and Term of Office. Except as provided in Section 4.1, the Directors shall be elected annually at the annual meeting of members to serve two (2) year terms and shall hold office until their successors have been elected and hold their first meeting.

4.5. 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 3.7 of these Bylaws, 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.

4.6. 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.

4.7. Annual and Regular Meetings. An annual meeting of the Directors shall be held within ten (10) days after the adjournment of, and at the place of, the annual meeting of the members. Additional regular meetings of the Directors may be 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.

4.8. 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 postmarked 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.

4.9. 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.

4.10. 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.

4.11. 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.

5. OFFICERS

5.1. 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.

5.2. 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 or shall delegate authority to sign such contracts and written instruments to the Master Association as agent for the Association; shall execute, certify and record amendments to the Declaration on behalf of the Association; shall be the Association's appointee to the Council of Presidents as created by the Master Declaration; 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.

5.3. Vice President. The Vice President, in the absence or disability of the President, shall perform the duties and exercise the powers of the President (except the execution, certification and recordation of amendments to the Declaration which shall be performed personally by the President) and shall perform such other duties as the Board of Directors shall prescribe.

5.4. 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; shall execute, certify and record amendments to the Declaration on behalf of the Association; shall furnish copies of the minutes of the meetings of the Board of Directors of the Association and of the Association to the board of directors of the Master Association after each such meeting; 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 (except the execution, certification and recordation of amendments to the Declaration which shall be performed personally by the Secretary).

5.5. Treasurer. The Treasurer shall have custody of the Association's funds and shall keep or cause to be kept full and accurate accounts of receipts and disbursements,

and shall deposit or cause to be deposited 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 or cause to be prepared and submitted 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.

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

5.7. 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.

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

5.9. 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 shall be executed, certified, and recorded on behalf of the Association by the President and Secretary of the Association.

6. ASSESSMENTS

6.1. Regular Assessments. Regular Assessments against each Unit for which construction has been substantially completed shall commence on the first day of the month following the conveyance of the first Unit by Declarant to an Owner. Thereafter, regular and other Assessments shall commence as to newly completed Units on the first day of the month following the substantial completion of construction for each respective building. Until the

Association makes an Assessment, the Declarant shall pay all Common Expenses of the Association. No Assessments shall be payable on Units for which construction has not been substantially completed; provided, however, that Declarant shall be obligated to pay to the Association any deficiencies in monies available to pay Common Expenses due to the Declarant not having paid an Assessment on uncompleted Units and which are necessary for the Association to be able to pay all Common Expenses in a timely manner. Not later than thirty (30) days prior to the beginning of each fiscal year, the Board shall adopt a pro forma operating statement or budget for the upcoming fiscal year which shall, among other things, estimate the total Common Expenses to be incurred for such fiscal year. The budget shall not be effective until it has been approved by the board of directors of the Master Association. The Board may, but is not required to, send a written summary of the budget to all Owners within thirty (30) days after the adoption of the proposed budget. At least twenty (20) days prior to commencement of each fiscal year, the Board shall notify each Owner of the amount of the regular Assessment to be paid by each Owner during the forthcoming fiscal year (and of the amount of monthly installments to be paid).

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

6.3. 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.

6.4. Non-Payment of Assessments. Any Assessment which is not paid within thirty (30) days after it becomes due shall be delinquent. Whenever an Assessment is delinquent, the Association may, at its option, invoke any or all of the sanctions provided for herein in order to compel its prompt payment:

(a) Collection Charge. If any Assessment is delinquent, the Owner shall be obligated to pay a collection charge equal to ten percent (10%) of the delinquent Assessment.

(b) Interest. If any Assessment is delinquent, 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.

(d) Suspension of Rights. The Association may suspend the Owner's right (i) to vote on any matter at regular or special meetings of the Association, and (ii) to use all or any portion of the Common Elements (exclusive of the Limited Common

Elements appurtenant to the Owner's Unit) for the entire period during which an Assessment or other amount due to the Association remains delinquent.

7. AMENDMENTS TO BYLAWS

7.1. Amendments. Prior to the Turnover Date, the Board, at any regular or special meeting, shall have the power to make, amend, and repeal the Bylaws 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 amendment shall be effective without the prior written approval of the board of directors of the Master Association. From and after the Turnover Date, at a regular or special meeting, the Members shall have the power to make, amend, and repeal the Bylaws by vote of a majority of the Members, 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 amendment shall be effective without the prior written approval of the board of directors of the Master Association. These Bylaws may not be amended in a manner which is inconsistent with or conflicts with the terms of the Tract Declaration, Declaration, or Articles of Incorporation of the Association, and in the event of any such amendment which is inconsistent or conflicts, the amendment shall be considered void.

8. FISCAL MANAGEMENT

8.1. 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.

8.2. 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; however, such control by the Treasurer may not supersede the Master Association's requirements to act as accountant for the Association and to perform other fiscal responsibilities for the Association as provided in Article 4, Section 4.2 hereof.

8.3. Contracts. Unless otherwise provided herein or 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.

9. CONSTRUCTION

9.1. 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 8989 Gainey Center Drive Condominium Association and confirms that the aforesaid Bylaws comply with all required terms of the Master Declaration.

DATE: Dec. 2, 1993

THE GAINEY RANCH COMMUNITY
ASSOCIATION, an Arizona
nonprofit corporation

By *Fred W. Thiele*
Its President