

BYLAWS OF

LINDSAY COURT

HOMEOWNERS' ASSOCIATION

INDEX

| | | |
|-----------------------|---------------------------------------------------------|---|
| ARTICLE ONE: | General | 5 |
| Section | 1.1 Organization and Scope | 5 |
| | 1.2 Conflict with Declaration | 5 |
| | 1.3 Application of Bylaws .. | 5 |
| | 1.4 Association Responsibilities | 5 |
| | 1.5 Membership | 5 |
| | | |
| ARTICLE TWO | Definitions | 5 |
| Section | 2.1 Association | 5 |
| | 2.2 Board | 6 |
| | 2.3 Common Elements | 6 |
| | 2.4 Common Expenses | 6 |
| | 2.5 Declarant | 6 |
| | 2.6 Declaration | 6 |
| | 2.7 Eligible Mortgage Holder | 6 |
| | 2.8 Eligible Insurer or Guarantor | 6 |
| | 2.9 Majority, Majority of Members | 6 |
| | 2.10 Member .. | 6 |
| | 2.11 Mortgage | 6 |
| | 2.12 Occupant | 7 |
| | 2.13 Owner | 7 |
| | 2.14 Person | 7 |
| | 2.15 Other .. | 7 |
| | | |
| ARTICLE THREE: | Voting Rights | 7 |
| Section | 3.1 Majority Vote | 7 |
| | 3.2 Vote Indivisible | 7 |
| | 3.3 Designation of Voting Member | 7 |
| | 3.4 List of Members Entitled to Vote | 8 |
| | | |
| ARTICLE FOUR: | Members .. | 8 |
| Section | 4.1 Eligibility | 8 |
| | 4.2 Succession | 8 |
| | | |
| ARTICLE FIVE: | Meetings of the Members of the Association | 8 |
| Section | 5.1 Annual Meeting | 8 |
| | 5.2 Special Meetings | 8 |
| | 5.3 Place | 8 |
| | 5.4 Notices | 8 |
| | 5.5 Quorum | 9 |

| | | | |
|-----------------------|------|-----------------------------------------------|-----------|
| | 5.6 | Voting | 9 |
| | 5.7 | Proxies | 9 |
| | 5.8 | Business Transacted at Special Meeting | 9 |
| | 5.9 | Adjournment of Meetings | 9 |
| | 5.10 | Informal Action | 9 |
| | 5.11 | Irregularities | 9 |
| | 5.12 | Record Date | 10 |
| ARTICLE SIX: | | Board of Directors | 10 |
| Section | 6.1 | Number | 10 |
| | 6.2 | Term of Office | 10 |
| | 6.3 | Nomination | 10 |
| | 6.4 | Election | 10 |
| | 6.5 | Qualifications | 10 |
| | 6.6 | Powers and Duties | 10 |
| | 6.7 | Disqualification and Resignation of Directors | 11 |
| | 6.8 | Vacancies on Board of Directors | 12 |
| | 6.9 | Regular Meetings | 12 |
| | 6.10 | Special Meetings | 12 |
| | 6.11 | Organizational Meeting | 12 |
| | 6.12 | Fidelity Bonds | 12 |
| | 6.13 | Board of Directors' Quorum | 12 |
| | 6.14 | Informal Action | 12 |
| | 6.15 | Removal of Directors | 12 |
| | 6.16 | Adjournments | 13 |
| | 6.17 | Committees | 13 |
| | 6.18 | Compensation | 13 |
| ARTICLE SEVEN: | | Officers and Their Duties | 13 |
| Section | 7.1 | Enumeration of Officers | 13 |
| | 7.2 | Special Appointments | 13 |
| | 7.3 | Multiple Offices | 13 |
| | 7.4 | Duties | 13 |
| ARTICLE EIGHT: | | Notices | 14 |
| Section | 8.1 | Waiver | 14 |
| ARTICLE NINE: | | Fiscal Management | 15 |
| Section | 9.1 | Depositories | 15 |
| | 9.2 | Assessments | 15 |
| | 9.3 | Records and Statements of Payment | 16 |
| | 9.4 | Discharge of Liens | 17 |
| | 9.5 | Fiscal Year | 17 |

| | | |
|-------------------------------------------------|-----------------------------------------------------|----|
| 9.6 | Contracts | 17 |
| 9.7 | Loans | 17 |
| 9.8 | Loans to Directors and Officers Prohibited | 18 |
| ARTICLE TEN: | | 18 |
| Section 10.1 | Foreclosure | 18 |
| ARTICLE ELEVEN: | | 18 |
| Section 11.1 | Liability Survives Termination of Membership | 18 |
| ARTICLE TWELVE | | 18 |
| Section 12.1 | Limitation of Liability | 18 |
| ARTICLE THIRTEEN: Obligations of Members | | 18 |
| Section 13.1 | Maintenance and Repair | 18 |
| 13.2 | Costs and Attorneys' Fees | 19 |
| 13.3 | Use of Common Areas | 19 |
| ARTICLE FOURTEEN: Construction | | 19 |
| Section 14.1 | Conflicts | 19 |
| 14.2 | Disputes | 19 |
| 14.3 | FHLMC, FNMA, FHA/VA | 19 |
| ARTICLE FIFTEEN: | | 20 |
| Section 15.1 | Managers | 20 |
| ARTICLE SIXTEEN: | | 20 |
| Section 16.1 | Indemnification of Directors and Officers | 20 |
| ARTICLE SEVENTEEN: | | 21 |
| Section 17.1 | Corporate Seal | 21 |
| ARTICLE EIGHTEEN: | | 21 |
| Section 18.1 | Books and Records | 21 |
| ARTICLE NINETEEN: Common Expenses | | 21 |
| Section 19.1 | Annual Budget | 21 |
| 19.2 | Partial Years and Monthly for the First Fiscal Year | 21 |
| ARTICLE TWENTY: Amendments | | 22 |
| Section 20.1 | Amendments | 22 |
| CERTIFICATION | | 22 |

**BYLAWS OF
LINDSAY COURT HOMEOWNERS' ASSOCIATION**

ARTICLE 1

General

Section 1.1 - Organization and Scope. These Bylaws shall constitute the Bylaws of Lindsay Court Homeowners' Association (the "Association"), formed for the purpose of serving as the property owners' association for Lindsay Court, a community, pursuant to the Declaration of Covenants, Conditions, Restrictions and Easements (the "Declaration") for Lindsay Court recorded in the Official Records of Maricopa County, Arizona, as the same may be amended from time to time.

Section 1.2 - Conflict the "Declaration". Should any provision of these Bylaws be inconsistent or conflict with any provision of the Declaration, such provision of the Declaration shall supersede and take precedence over any such provision of these Bylaws.

Section 1.3 - Application of Bylaws. All present and future Owners, Occupants and their respective licensees, invitees and employees shall be subject to and be bound by all of the provisions of these Bylaws. The act of ownership or the mere occupancy of a Lot or Parcel shall establish a conclusive presumption that these Bylaws are accepted, ratified and will be complied with by such Owner or Occupant.

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

Section 1.5 - Membership. Membership in the Association shall be limited as set forth in the Articles of Incorporation (the "Articles") of the Association and the Declaration referred to in the Articles (which Declaration is hereby incorporated herein by this reference).

No transfer of membership in the Association shall be made, except as provided in the Articles and the Declaration, and no such transfer shall be made upon the books of the Association within fifteen (15) days next preceding the annual meeting of the Members.

ARTICLE II

Definitions

Section 2.1. "Association" shall mean Lindsay Court Homeowners' Association, an Arizona nonprofit corporation, its successors and assigns.

Section 2.2. "Board" shall mean the Board of Directors of the Association.

Section 2.3. "Common Area" shall have the same meaning as in the Declaration.

Section 2.4. "Common Expenses" shall mean the expenses for the operation, maintenance, repair and restoration of the Common Elements, as set forth in the Declaration, including but not limited to, salaries, wages, payroll taxes, attorneys' and accountants' fees, supplies, materials, parts, services, maintenance, repairs and replacements, landscaping, insurance, fuel, power and adequate reserves for the restoration and replacement of the Common Elements and appurtenances thereto.

Section 2.5. "Declarant" shall mean Homes By Judi, Inc., an Washington corporation, its successors in interest and assigns.

Section 2.6. "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions and Easements recorded on February 29, 1996 at Recorder's number 96-0138830 of the records of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time.

Section 2.7. "Eligible Mortgage Holder" means the holder of a First Mortgage on a Lot or Parcel who has in writing informed the Association of such Holder's address and requested notification of and the right to participate in (if applicable) any action to be taken by the Association pursuant to the Declaration.

Section 2.8. "Eligible Insurer or Guarantor" means an insurer or governmental guarantor of a First Mortgage on a Lot or Parcel which has in writing informed the Association of such Insurer or Guarantor's address and requested notification of and the right to participate in (if applicable) any action to be taken by the Association pursuant to the Declaration.

Section 2.9 "Majority" or "Majority of Members" shall mean more than fifty percent (50%) of the Owners of Lots or Parcels of Lindsay Court.

Section 2.10. "Member" shall mean an Owner of a Lot or Parcel. If a Member is a corporation or partnership, the Member shall be represented by an officer, partner, agent or employee of such Member.

Section 2.11. "Mortgage" means any recorded, filed or otherwise perfected instrument given in good faith and for valuable consideration which is not a fraudulent conveyance under Arizona law as security for the performance of an obligation, including without limitation a deed of trust, but does not mean any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code. "Mortgagee" means a person secured by a Mortgage, including a trustee and beneficiary under a deed of trust; and "Mortgagor" means the party executing a Mortgage. "First Mortgage" means a Mortgage which is the first and most senior of all Mortgages upon the same property

Section 2.12. "Occupant" shall mean any Person, other than an Owner, occupying a Parcel or Lot, or any portion thereof or building or structure thereon, as a Resident, Tenant, licensee or otherwise, other than on a merely transient basis.

Section 2.13. "Owner" shall mean the Record holder of legal title to the fee simple interest in any Lot or Parcel or, in the case of a Recorded "contract" (as that term is defined in A.R.S. Section 33-741(2)), the holder, of Record, of the purchaser's or vendee's interest under said contract, but excluding otherwise who hold such title merely as security. If fee simple title to a Lot or Parcel is vested of Record in a trustee pursuant to A.R.S. Section 33-801 et seq. for purposes of this Declaration, legal title shall be deemed to be held by the trustor (or the trustor's successor of Record), and not by the trustee. An Owner shall include any Person who holds Record title to a Lot or Parcel in joint ownership or as an undivided fee interest.

Section 2.14. "Person" shall mean a corporation, partnership, joint venture, individual, trust or any other legal entity..

Section 2.15. Other words and terms used in these Bylaws shall have the same meaning as set forth in the Declaration except where the content requires a different meaning.

ARTICLE III

Voting Rights

Section 3.1 - Majority Vote. A majority of the votes of Members eligible to vote and present at any meeting (i.e., more than fifty percent of the votes of Members eligible to vote who are present and voting, either in person or by proxy) shall decide any question presented to the Members unless applicable law, the Declaration, the Articles or these Bylaws shall require otherwise, in which latter event the voting percentage required by such applicable law, the Declaration, the Articles, or these Bylaws shall control.

Section 3.2 - Vote Indivisible. Joint ownership or ownership of undivided interests in any property as to which a Membership is established pursuant to the Declaration shall not cause there to be more Memberships than the number established in the Declaration. A Membership shall be shared by any joint Owners of, or Owners of undivided interests in, the property interest to which such Membership is attributable. The vote for each Member must be cast as a single Lot or Parcel. Fractional votes shall not be allowed.

Section 3.3 - Designation of Voting Member In the event that a Lot or Parcel is owned by more than one Person and such Owners are unable to agree as to how their vote or votes shall be cast, they shall not be entitled to vote on the matter in question. If any Owner casts a vote or votes representing a certain Lot or Parcel, the Owner will thereafter be conclusively presumed to be acting with the authority and consent of all other Owners of such Lot or Parcel unless objection thereto is made to the Board, in writing, at or prior to the

time the vote or votes are cast. In the event more than one Person casts or attempts to cast a vote for a particular Lot or Parcel, all such votes shall be deemed void.

Section 3.4 - List of Members Entitled to Vote. Pursuant to Section 10-2325(A), Arizona Revised Statutes, the Secretary of the Association shall maintain, at the office of the statutory agent of the Association or the known place of business of the Association set forth in the Articles, a record of the names and addresses of Members entitled to vote.

ARTICLE IV

Members

Section 4.1 - Eligibility. The membership of the Association shall consist of all Owners of Lots or Parcels in Lindsay Court. Membership in the Association shall be mandatory and no Owner during his ownership of a Lot or Parcel shall have the right to relinquish or terminate his membership in the Association

Section 4.2 - Succession. The membership of each Lot or Parcel Owner shall terminate when he ceases to be an Owner of a Lot or Parcel, and his membership in the Association shall automatically be transferred to the new Owner succeeding to such ownership interest.

ARTICLE V

Meetings of the Members of the Association

Section 5.1 - Annual Meeting. An annual meeting of Members shall be held at the Project, or such other place as determined by the Board during the month of January of each year, for the purpose of electing directors and transacting other business authorized to be transacted by the Members.

Section 5.2 - Special Meetings. Except as otherwise provided in the Declaration, special meetings of the Members for any purpose or purposes may be called by the President, by a resolution of the Board, or upon a written petition, presented to the Secretary, signed by Members who are entitled to cast one-tenth (1/10) of all of the votes of the Class A Membership. A special meeting shall be held within 45 days from the date the petition is presented to the Secretary. No business shall be transacted at a special meeting except as stated in the notice thereof.

Section 5.3 - Place. All meetings of the Members shall be held at such place and time as shall be designated by the Board and stated in the notice of the meeting.

Section 5.4 - Notices. It shall be the duty of the Secretary to mail or deliver to each Member, at least ten but not more than 30 days prior to meeting, a notice of each annual or

special meeting, stating the time and place thereof. All notices shall be mailed to or served at the address of the Member as it appears in the records of the Association

Section 5.5 - Quorum. Except as otherwise provided by statute, the Declaration, the Articles or these Bylaws, at any meeting of the Members, a majority of the votes of Members entitled to vote at the meeting, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business. ~~33 members~~ (51%)

Section 5.6 - Voting. At all meetings of the Members, each Voting Member may vote in person or by proxy. The proxy shall be counted for purposes of determining whether a quorum is present, and may be voted by the holder of the proxy with respect to any business that may come before the meeting for which the proxy is filed. A Membership held by a duly appointed personal representative or by a court appointed receiver may be voted, in person or by proxy, by such representative or receiver without the transfer of such Membership into the name of the personal representative or receiver.

Section 5.7 - Proxies. At all meetings of the Members, each Voting Member may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary before or at the time of the meeting. Every proxy shall be revocable and shall automatically terminate upon conveyance by the Member of his Lot or eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Memberships held by a legal personal representative or by a court appointed receiver may be voted, in person or by proxy, by such representative or receiver without the transfer of such Membership into the name of the trustee, except pursuant to a valid voting trust agreement

Section 5.8 - Business Transacted at Special Meeting. Business transacted at any special meeting of members shall be limited to the purposes stated in the notice.

Section 5.9 - Adjournment of Meetings If the number of Members necessary to constitute a quorum shall fail to attend in person or by proxy at the time and place of the meeting, the Chairman of the meeting, or a majority of the members present in person or by proxy may adjourn the meeting from time to time without notice other than an announcement at the meeting, until a quorum shall be present or represented. At any adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally noticed. If an adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each Member entitled to vote at the meeting.

Section 5.10 - 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 a majority of the Voting Members entitled to vote with respect to the subject matter thereof.

Section 5.11 - 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.

Section 5.12 - 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 VI

Board of Directors

Section 6.1 - Number. The affairs of the Association shall be managed by a Board of not less than three (3) Directors, consistent with the Articles and Declaration.

Section 6.2 - Term of Office. At the first annual meeting of the Members, the first Director shall be elected for a term of one (1) year; the second Director shall be elected for a term of two (2) years; and the third Director shall be elected for a term of three (3) years, and at each annual meeting thereafter, the Members shall elect one Director for a term of three (3) years so as to stagger the terms of office of the Directors.

Section 6.3 - Nomination. Nominations for election to the Board shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting by any Member not in default. The nominating committee shall consist of a chairman and two or more Members of the Association, none of which may be a member of the Board of Directors. The nominating committee shall be appointed by the Board of Directors at least sixty (60) days prior to each annual meeting and shall serve until such annual meeting has been concluded. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 6.4 - Election. Election to the Board shall be by secret written ballot or oral vote. Those candidates for election to the board receiving the greatest percentage of votes cast either in person or by proxy at the meeting shall be elected.

Section 6.5 - Qualifications. Each Director shall be a Member or a spouse of a Member (or if a Member is a corporation, partnership or trust, a Director may be an officer, partner or trustee of such Member). If a Director shall cease to meet such qualifications during his term, he will thereupon cease to be a Director, and his place on the Board shall be deemed vacant.

Section 6.6 - Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation. These powers shall include the following:

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

(b) To employ, dismiss and control a manager, an independent contractor, or such other personnel, including attorneys, accountants, contractors and other professionals as they deem necessary, prescribe their duties, and delegate such powers as they deem advisable to the manager (and any such employees or other personnel who may be the employees of a managing agent);

(c) To adopt Rules and Regulations governing the use of the Common Areas and facilities, and the personal conduct of the members and their guests thereon and to establish penalties for the infraction thereof;

(d) To exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(e) To maintain, repair and make necessary improvements to the Common Areas;

(f) To enforce by legal means, if necessary, the provisions of the Declaration, the Articles of Incorporation, the Bylaws and Rules and Regulations of the Association, and other documents and laws respecting the Association and the Project;

(g) To pay taxes and assessments which are liens against any part of the Project, other than individual Apartments, and to assess the same against the Lots subject to such liens;

(h) To pay the cost of all power, water, sewer and other utility services rendered to the Project and not metered and billed to individual Lots;

(i) To select the officers of the Association; and

(j) To suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days for infraction of Rules and Regulations.

Section 6.7 - 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. Unless otherwise specified therein, such resignation shall take effect upon receipt by the Secretary. Except in the case of injury, illness or similar excusable circumstances, a director's fourth consecutive absence from duly called regular meetings of the Board shall automatically constitute a resignation by such absent director, effective as of the commencement of the fourth missed meeting. In the event a director ceases to be a Member (or, in the case of a director who is an individual designated by a corporate, partnership or other non-individual Member, if such designating Member ceases to be a

member), his directorship shall immediately and automatically terminate. No individual shall continue to serve on the Board if such individual, or the corporate, partnership or other non-individual Member which designated such individual for candidacy as a director, is more than 30 days delinquent in the payment of an Assessment or Special Use Fee, and such delinquency shall automatically constitute a resignation by such director on the thirty-first day of delinquency.

Section 6.8 - Vacancies on Board of Directors. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, disability or otherwise, a majority of the remaining Directors shall choose a successor or successors, who shall hold office for the balance of the unexpired term.

Section 6.9 - Regular Meetings. Regular meetings 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 such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director at least seven (7) days prior to the date set for the meeting.

Section 6.10 - Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association, or by any two Directors, after not less than three (3) days notice to each Director, given personally or by mail, telephone, telegraph, which notice shall state the time, place (as hereinafter provided) and purpose of the meeting.

Section 6.11 - Organizational Meeting. The organizational meeting of the Board of Directors and annual meetings thereafter shall be held at such place and at such time as shall be determined by the Directors.

Section 6.12 - Fidelity Bonds. The Board may require that all officers and employees of the Association handling or responsible for Association funds, and all other persons designated in the Declaration, shall furnish adequate fidelity bonds or coverage. The premiums on such bonds or coverage shall be paid by the Association.

Section 6.13 - Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of all the Directors shall constitute a quorum for the transaction of business and every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 6.14 - Informal Action. Any action required to be taken at a meeting of the Directors 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 the Directors.

Section 6.15 - Removal of Directors. At any regular or special meeting of the Members, except as may otherwise be provided by applicable law, any one or more of the Directors may be removed with or without cause by the affirmative vote of a majority of the Members. A successor may immediately thereafter be elected by the Members or Directors

to fill the vacancy thus created, and a Director so chosen shall hold office until the next annual election and until his successor is duly elected and shall qualify, unless sooner displaced.

Section 6.16 - Adjournments. The Board of Directors may adjourn any meeting from day to day or for such other time provided that no meeting may be adjourned for a period longer than thirty (30) days. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 6.17 - Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Members of the Association

Section 6.18 - Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties as a Director.

ARTICLE VII

Officers and Their Duties

Section 7.1 - Enumeration of Officers. The officers of the Association shall be a President and Vice President, who shall at all times be members of the Board and hold the same office on the Board, a Secretary, and a Treasurer and such other officers as the Board may from time to time provide for by resolution.

Section 7.2 - Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time prescribe.

Section 7.3 - Multiple Offices. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 7.4 - Duties The duties of the officers shall be as follows:

(a) President - The President shall be the chief executive officer of the Association and shall supervise and control all of the business and affairs of the Association. He shall, when present, preside at all meetings of the Members and all meetings of the Board. He may sign, with another officer of the Association as authorized by the Board, deeds, mortgages, bonds, contracts or other instruments which the Board has authorized to be executed, except where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the corporation or shall be required by law to be otherwise signed or executed.

In general, he shall perform all duties incidental to the office of the President and such other duties as may be prescribed by the Board.

(b) Vice President - In the absence of the President, or in the event of his death, inability or refusal to act, the Vice President, or if there is more than one Vice President, the Senior Vice President, shall perform the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. Otherwise, such Senior and other Vice Presidents shall perform only such duties as may be assigned by the President or by the Board.

(c) Secretary - The Secretary shall keep the minutes of the meetings of the Members and the Board in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws, or as required by law; be custodian of the records and seal of the Association, and see that the seal of the Association is affixed to all documents, when such is duly authorized; keep or cause to be kept under his general supervision by a registrar or transfer agent appointed by the Board, a register of the name and post office address of each Member as furnished by such Member; have general charge of the transfer books of the corporation; and in general perform all duties incidental to the office of Secretary and such other duties as may be assigned to him by the President or by the Board.

(d) Treasurer - The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Association; receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all monies in the name of the Association in such banks, trust companies or other depositories as shall be directed by the Board; shall sign all checks and promissory notes of the Association except in those instances where the Board has delegated the authority to sign checks to a managing agent employed by the Association to be made by a public accountant at the completion of each fiscal year, and shall prepare an annual budget and a statement of income and expenditures to be presented to the Members at the regular annual meeting of the Members, and shall deliver a copy of such to the Members.

ARTICLE VIII

Notices

Section 8.1 - Waiver. Whenever any notice is required to be given under the provisions of the Articles, of the Declaration, of these Bylaws, or of applicable law, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. The presence of the person or persons entitled to notice at any meeting requiring such notice shall also be deemed a

waiver of such notice, unless such attendance shall be solely for the express purpose of objecting to transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VIII **Fiscal Management**

Section 9.1 - Depositories. The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board from time to time, upon resolutions approved by the Board, and shall be withdrawn only upon checks and demands for money signed by such officer or officers of the Association or a management company as may be designated by the Board.

Section 9.2 - Assessments. Each Owner shall pay the Owner's share of the Annual Assessments, Special Assessments, Maintenance Assessments and other charges required by the Declaration.

9.2.1 Statement of Annual Assessment(s). The Annual Assessments shall be payable in equal installments due on or before the first day of each month. The Association shall have the authority to modify the frequency of payment of such Assessment. Upon determining the amount of any Assessment or Special Use Fee, the Board shall cause the Treasurer to send to each Owner a statement showing the amount due from such Owner. The failure to send or to receive such a statement shall not relieve any Owner of his obligation to pay such an Annual Assessment on or before the due date. All Assessments and Special Use Fees shall be payable to the Association. In the event the Board does not approve an estimated annual budget or fails to determine the Annual Assessments for any year, or shall be delayed in doing so, each Owner shall continue to pay the amount of the Owner's Assessment for the preceding year, on or before the due dates for the current year.

9.2.2 Additional Assessments. The Board may levy additional monthly assessments in addition to the Annual Assessments to meet the Association's expenses if the Board determines that such assessments become necessary or desirable during the fiscal year. The Board may also levy Special Assessments, Maintenance Assessments and Special Use Fees as authorized by, and in accordance with, the Declaration. Such Assessments and Special Use Fees shall be payable upon such notice as the Board may determine, or as set forth in a resolution of the Members.

9.2.3 Obligation. No Owner shall be relieved of the obligation to pay Assessments or Special Use Fees by abandoning or failing to use the Owner's Lot or Parcel or the Common Areas. Any Person who becomes an Owner after the commencement of a fiscal year shall pay the Annual Assessment applicable to his Lot or Parcel as such becomes due, and shall pay any Special Assessment or Maintenance Assessment levied on or after the date the Person becomes an Owner. The previous Owner of such Lot or Parcel shall remain liable for all unpaid and delinquent Assessments and Special Use Fees levied against such previous Owner of the Lot or Parcel prior to such transfer of Ownership.

9.2.4 Nonpayment of Assessments; Sanctions Upon Delinquency. The Board may invoke any or all of the sanctions provided for herein or in the Declaration; or any other reasonable sanction, to compel payment of any Delinquent Amount. Such sanctions include, but are not limited to, the following:

a. **Interest.** Any Delinquent Amount shall have added thereto a late charge of 15% if the Delinquent Amount is not paid within 15 days after its due date. In addition, the Delinquent Amount shall bear interest from its due date until such time as it is paid in full at a rate of 12% per annum,

b. **Collection of Delinquent Amount.** The Board may suspend for the entire period during which an Assessment or Special Use Fee remains delinquent the obligated Owner's voting rights and rights to use and enjoyment of the Common Area;

c. **Collection of Delinquent Amount.** The Board may institute an action at law for a money judgment or any other proceeding to recover the Delinquent Amount;

d. **Recording of Notice.** The Board may Record a notice of lien covering the Delinquent Amount plus interest and accrued collection costs as provided in the Declaration. The Board may establish a fixed fee to reimburse the Association for the Association's cost of recording the notice, processing the delinquency and recording a notice of satisfaction of the lien; and

e. **Foreclosure of Lien.** The Board may foreclose the Recorded Assessment Lien against the Lot or Parcel in accordance with then prevailing Arizona law relating to the foreclosure of realty mortgages.

9.2.5 Assessment Lien. It shall be the duty of every Owner to pay all Assessments and Special Use Fees with respect to the Owner's Lot or Parcel in the manner provided herein and in the Declaration. Such Assessments and Special Use Fees, together with interest and costs of collection as provided for in the Declaration, shall, until paid, be a charge and continuing servitude and Lien upon the Lot or Parcel against which such Assessments or Special Use Fees are made, provided, however, that the Assessment Lien shall be subordinate to only those matters identified in the Declaration. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies provided for in the Declaration or these Bylaws, or otherwise available at law or in equity for the collection of all unpaid Assessments and Special Use Fees, interest thereon, costs of collection thereof and reasonable collection agency and attorneys' fees.

9.2.6 Suit. The Association shall be entitled to maintain suit to recover a money judgment for unpaid Assessments or Special Use Fees without foreclosure of the Assessment Lien, and the same shall not constitute a waiver of the Assessment Lien.

Section 9.3 - Records and Statements of Payment. The Treasurer shall cause to be kept detailed and accurate records, in chronological order, of the receipts and expenditures

affecting the Common Areas and any other property owned or controlled by the Association, specifying and itemizing the expenses incurred and expenditures made. All records authorizing such expenditures shall be available for examination by Owners at convenient hours designated by the Board. Upon receipt of a written request from any Owner or Occupant, the Board, within a reasonable period of time thereafter, shall issue to the requesting party a written statement stating that as of the date of the statement: (i) all Assessments and Special Use Fees (including collection fees, interest, costs and attorneys' fees, if any) have been paid with respect to a specified Lot or Parcel; or (ii) if such Assessments and Special Use Fees have not been paid, the amount(s) then due and payable. The Association may make a reasonable charge for the issuance of such a statement.

Section 9.4 - Discharge of Liens. The Board may cause the Association or any Owner or Occupant to discharge any mechanics' or materialmen's liens or other encumbrances which in the opinion of the Board may constitute a lien against the Common Areas. When less than all of the Owners are responsible for any such lien or encumbrance, such Owners as are responsible shall be jointly and severally liable for the amount necessary to discharge the same, and for all costs and expenses, including but not limited to attorneys' fees incurred in connection with such lien or encumbrance.

Section 9.5 - Fiscal Year. The fiscal year of the Association shall be January 1 to December 31, except that the first fiscal year of the Association shall begin on the date of incorporation of the Association. The commencement date of the fiscal year herein established may be modified by the Board, subject to any necessary approvals by the Arizona Corporation Commission and the Internal Revenue Service.

Section 9.6 - Contracts. Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the President or the Vice President and countersigned by the Secretary. The Board may authorize any officer or agent of the Association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. No contract or other transaction between the Association and one or more of the directors, or between the Association and any corporation, firm or association in which one or more of the directors is financially interested, is void or voidable because such director is present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction, or because his or her vote is counted, if the contract or transaction is just and reasonable as to the Association at the time it is authorized or approved. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves or ratifies such a contract or transaction

Section 9.7 - Loans. No loan shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in the Association's name unless authorized by a resolution of the Board. No loan approved by the Board in an amount in excess of \$1,000.00 shall be contracted until approved by a two-thirds vote of the Members then entitled to vote at a meeting of the Association.

Section 9.8 - Loans to Directors and Officers Prohibited. The Association shall not lend money to or use its credit to assist its directors, whether or not employees, or officers. Any director or officer who assents to or participates in the making of any such loan shall be liable to the Association for the amount of such loan until the repayment of the loan.

ARTICLE X

Section 10.1 Foreclosure. The Association shall have the power to bid in at any foreclosure or trustee's sale and to purchase, acquire, hold, lease, mortgage and convey any and all lots purchased at such sale.

ARTICLE XI

Section 11.1 Liability Survives Termination of Membership.

The termination of ownership of a Lot and/or Membership in the Association shall not relieve or release any former Owner or Member from any liability or obligations incurred under or in any way connected with the Project and/or Association, during the period of such ownership and Membership, or impair any rights or remedies which the Association may have against such former Owner and Member arising out of or in any way connected with such ownership and Membership, and the duties and obligations incidental thereto.

ARTICLE XII

Section 12.1 Limitation of Liability. Notwithstanding the duty of the Association to maintain and repair the Common Areas of the Project, the Association shall not be liable for injury or damage caused by a latent condition in the Project, or by Owners of other persons.

ARTICLE XIII

Obligations of Members

Section 13.1 - Maintenance and Repair.

13.1.1 Maintenance. Every Owner and Occupant shall perform promptly all maintenance and repair work required by the Declaration, these Bylaws, the Guidelines and the Association Rules. Should an Owner or Occupant fail to perform or perform without due care and diligence any maintenance or repair required by the foregoing documents, the Owner or Occupant shall be liable for all damages caused thereby.

13.1.4 Reimbursement. In accordance with the Declaration, an Owner shall reimburse the Association for any expenditures incurred by the Association in repairing or replacing any Common Areas damages through the willful or negligent act or omission of such Owner or an Occupant of the Owner's Lot or Parcel.

Section 13.2 - Costs and Attorneys' Fees. In any proceeding arising because of an alleged default by an Owner of his obligation under the documents referred to in Section 13.1.1, the prevailing party therein; as determined by the court, shall be entitled to recover costs of the proceeding and such reasonable attorneys' fees as may be determined by the court.

Section 13.3 - Use of Common Areas. The Common Areas shall be used for only such purposes as may be permitted by the Declaration, these Bylaws, the Guidelines and the Association Rules. All Owners and Occupants shall abide by such rules as the Board of Directors may from time to time adopt relating the time, manner and nature of the use of the Common Areas.

ARTICLE XIV

Construction

Section 14.1 - Conflicts In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. If any provision of these Bylaws is less restrictive than the Declaration or the Articles of Incorporation when dealing with the same subject, the more restrictive provisions of the Declaration and Articles of Incorporation shall be applicable in the same manner as if included in the provisions of these Bylaws.

Section 14.2 - Disputes. In the event of any dispute or disagreement between any Owners relating to the Project, or any questions, or interpretation or application of the provisions of the Articles of Incorporation, Declaration, or these Bylaws, the determination thereof by the Board shall be final and binding on all Owners. If a decision cannot be reached by the Board, such matter shall be decided as set forth in the Declaration.

Section 14.3 - FHLMC, FNMA FHA/VA. Notwithstanding anything to the contrary herein, to the extent that these Bylaws shall be contrary to or inconsistent with provisions of the Declaration, Federal National Mortgage Association, Federal Housing Administration and Veterans Administration, if any may be applicable to the Association, these Bylaws shall be considered superseded by such provisions, rules and/or regulations

ARTICLE XV

Section 15.1 Managers. The Board of Directors shall have the express authorization, right, and power to enter into one or more management agreements in order to facilitate efficient operation of the facilities and property subject to control and administration by the Association, which management agreements (if any) may provide for the administration, management, repair and maintenance of said facilities and property. The terms of the management agreements shall be as determined by the Board of Directors to be in the best interests of the Association, and shall be subject to the Articles, these Bylaws and the Declaration.

Consistent with the foregoing, the Board of Directors may enter into management agreements delegating any of its duties, powers or functions for such period of time and pursuant to such terms and conditions as it deems advisable, to any person, firm or entity (whether or not affiliated with a Member, officer or director) designated to act as manager of the project. Any such delegation which extends beyond the term of office of the delegator shall be binding upon successor Board of Directors. The Board of Directors shall not be liable for any omission or improper exercise by the manager of any of such duties, powers or functions so delegated.

ARTICLE XVI

Section 16.1 Indemnification of Directors and Officers. Subject to the further provisions hereof, the Association shall indemnify any and all of its directors, officers, former directors and former officers, agents, contractors and employees to the full extent permitted under applicable law against all expense incurred by them and each of them, including but not limited to legal fees, costs, judgments, fines and amounts paid in settlement which have or may be incurred, rendered or levied in any legal action, whether civil, criminal, administrative, investigative or otherwise, brought or threatened against any of them for or on account of any action or omission alleged to have been committed while acting within the scope of his duties as a director or officer of the Association. Whenever any present or former director or officer shall report to the President of the Association that he has incurred or may incur such expenses and it is thereafter determined (within a reasonable time and in accordance with applicable law) that such person acted, failed to act, or refused to act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association in regard to the matter involved in the action or contemplated action and, with respect to any criminal action or proceeding, that he had no reasonable cause to believe his conduct was unlawful, indemnification shall be mandatory and shall be automatically extended as specified herein. The Association shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the Association, at its own expense and through counsel of its own choosing, to defend him in the action. Nothing contained herein is intended to nor shall it limit any right of indemnification provided by Arizona Revised Statutes Section 10-851, or other applicable law.

ARTICLE XVII

Section 17.1 Corporate Seal. The Board of Directors may provide a suitable corporate seal containing the name of the Association, which seal shall be in the custody and control of the Secretary. The corporate seal may be in circular form, shall have inscribed thereon the name of the Association, the year it was organized and the words, "Corporate Seal, Arizona." If and when so directed by the Board of Directors, a duplicate seal may be kept and used by such officers or other person as the Board of Directors shall name.

ARTICLE XVIII

Section 18.1 Books and Records. The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, and copies thereof may be purchased at reasonable cost from the Association.

ARTICLE XIX

Common Expenses

Section 19.1 - Annual Budget. The Board shall cause an estimated annual budget of the Common Expenses to be prepared for each fiscal year of the Association and shall, as provided in the Declaration, have the authority to adopt and amend such budgets without ratification by the Members. Such estimated annual budget shall take into account the estimated expenses and cash requirements that will be required for the operation, maintenance, repair and restoration of the Common Elements for the year, including but not limited to, salaries, wages, payroll taxes, attorneys' and accountants' fees, supplies, materials, parts, services, maintenance, repairs, replacements, landscaping, insurance, fuel, power and adequate reserves for the restoration and replacement of the Common Area and the appurtenances thereto and within thirty (30) days after adoption of such budget, the Board shall provide a summary of the budget to all the Members. To the extent that assessments for Common Expenses received from Members during the immediately preceding year shall be more or less than the Common Expenses incurred by the Association for the preceding year, the surplus or deficiency, as the case may be, shall also be taken into account. The annual budget shall also provide for a reserve for contingencies for the year and a reserve for restoration and replacements, in reasonable amounts as determined by the Board.

Section 19.2 - Partial Years and Months for the First Fiscal Year The annual budget for the Common Expenses for the first fiscal year shall be as approved by the first Board. If the first fiscal year, or any succeeding fiscal year, shall be less than a full calendar year, the annual assessment for the Common Expenses shall be prorated in accordance with

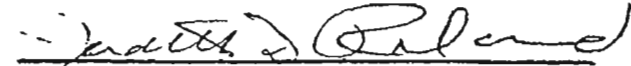
the number of months and days in such period covered by such budget for the purposes of determining the amount of the monthly installments.

ARTICLE XX

Amendments

Section 20.1. These Bylaws may be changed, modified or amended, at a regular or special meeting of the Members, by a majority of the votes entitled to be cast of the Members present or represented by proxy, at a regular or special meeting called for that purpose.

IN WITNESS WHEREOF, the President of Lindsay Court Homeowners' Association has hereunto set his hand this 1st day of July 1996.



President

CERTIFICATION

The undersigned does hereby certify:

THAT he is the duly elected and acting Secretary of Lindsay Court Homeowners an Arizona nonprofit corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of Lindsay Court Homeowner's Assn., as duly adopted at a meeting of the Directors thereof, held on the 1st day of July, 1996.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and affixed the seal of the corporation as of this 1st day of July, 1996.



Secretary