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BYLAWS
OF
RED MOUNTAIN VILLAS CONDOMINIUM ASSOCIATION

ARTICLE I

Offices

Section 1. Principal Offices. The principal offices of the Association shall be in the City of Mesa, County of Maricopa, State of Arizona.

Section 2. Other Offices. The Association may establish such office or offices at such other places as the Board of Directors may from time to time designate.

ARTICLE II

Definitions

Section 1. "Association" shall mean and refer to RED MOUNTAIN VILLAS CONDOMINIUM ASSOCIATION, a nonprofit corporation, its successors and assigns.

Section 2. "Common Elements" mean the General Common Elements, as that term is defined in Section 33-551, Arizona Revised Statutes, and includes the parcel and all other portions of the property, except the Apartments.

Section 3. "Declarant" shall mean and refer to LORENZO CONTRERAS, his successors and assigns, if such successors or assigns should acquire more than one undeveloped Unit from the Declarant for the purpose of development.

Section 4. "Developer" and "Builder" shall be synonymous with and shall mean and refer to KEN OSBORN DEVELOPMENT, INC., an Arizona corporation, and its successors and assigns, and to any other contractor who builds for resale a significant number of Units on the subject property.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of equitable title in fee simple (or legal title if equitable title has merged) of any Unit which is a part of the Property. Owner shall not include a person or entity having an ownership interest merely as security for the performance of an obligation. In the case of Units, the fee simple title which is vested of record in a Trustee pursuant to Arizona Revised Statutes, Section 33-801, et seq., legal title shall be deemed to be in the Trustor.

Section 6. "Property" or "Condominium Property" shall have the same meaning as set forth in Section 33-551, Arizona Revised Statutes, as related to the development which is the subject matter of these Bylaws, together with all fixtures and equipment intended for the mutual use, benefit and enjoyment of the Unit Owners.

Section 7. "Unit" means an Apartment Unit together with an undivided percentage interest in and to the General Common Elements.

ARTICLE III

Eligibility for Membership

Membership in the Association, except for membership of the incorporators, the Declarant, and the first Board of Directors, shall be limited to record owners of equitable title (or of legal title if equitable title has merged) of Units within RED MOUNTAIN VILLAS CONDOMINIUM. One membership in the Association shall be issued to the record owner of equitable title (or legal title if equitable title has merged) of each Unit. The record owners collectively shall be called the members of the Association. In the event any such Unit is owned by two or more persons, whether as community property, by joint tenancy, tenancy in common or otherwise, the membership as to such Unit shall be issued in the names of all the owners, and they shall designate to the Association in writing, at the time of issuance, one person who shall hold the membership and have the power to vote said membership. No membership shall be issued to any other person or persons except as they may be issued in substitution for outstanding membership assigned to new record owners of equitable title (or legal title if equitable title has merged).

ARTICLE IV

Members of the Association

Section 1. Annual Meetings. The first annual meeting of the members of the Association is to be held within one year of the date of incorporation of the Association, or within one (1) year of close of escrow on the sale of the first Unit, whichever occurs later. The exact date, time and place of the first annual meeting shall be as established by the Board of Directors. Thereafter, the annual meetings of the members of the Association shall be held on the same day of the same month of each year at the hour of 7:30 P.M., or at such other time as the members of the Association may by majority vote approve. At such meeting, there shall be elected a Board of Directors in accordance with the requirements of Article V of these Bylaws. The members of the Association may also transact such other business of the Association as may properly come before them.

Section 2. Notice of Annual Meetings. The President or Secretary shall give or cause to be given notice of the time, place and date of each annual meeting by mailing or hand delivering such notice at least fifteen (15) days prior to such meeting to each member of the Association at the respective addresses of said members as they appear on the records of the Association.

Section 3. Special Meetings. Special Meetings of the members of the Association for any purpose or purposes other than those regulated by statute may be called for by the President as directed by resolution of the Board of Directors, or upon a petition signed by the members who are entitled to vote one-fourth ($1/4$) of all the votes of the Class A membership, and such petition shall state the purpose or purposes of such proposed meeting. No business shall be transacted at a special meeting, except as stated in the notice unless by consent of three-fourths ($3/4$) of the members present, either in person or by proxy.

Section 4. Notice of Special Meetings. The President or Secretary shall give or cause to be given notice of the time, place and purpose of holding each special meeting by mailing or hand delivering such notice at least fifteen (15) days prior to such meeting to each member of the Association at the respective addresses of said members as they appear on the records of the Association.

Section 5. Quorum. The presence at a meeting, either in person or by proxy, of members entitled to cast at least thirty-three and one-third percent ($33\frac{1}{3}\%$) of the votes of each class of the membership shall constitute a quorum for all purposes unless the representation of a larger group shall be required by law, by the Articles of Incorporation, or by these Bylaws, and in that event, representation of the number so required shall constitute a quorum. If the required quorum is not present at the first such meeting called, another meeting may be called and the required quorum at the subsequent meeting shall be one-half ($1/2$) of the required quorum at the preceding meeting. If the required quorum is not present at this meeting, another meeting may be called and the required quorum at the subsequent meeting shall be one-half ($1/2$) of the required quorum at the preceding meeting. This procedure may be followed for additional meetings until a quorum is obtained.

Section 6. Voting Rights. The Association shall have two classes of voting membership as follows:

Class A. Class A members shall be all owners with the exception of Declarant and shall be entitled to one vote for each Apartment Unit owned.

Class B. The Class B member shall be the Declarant Lorenzo Contreras and shall be entitled to three (3) votes for each Apartment Unit owned and annexed to the Declaration of Horizontal Property Regime and of

Covenants, Conditions and Restrictions and to the Association pursuant to Paragraph 4 of the Declaration. Initially, therefore, Declarant shall be entitled to cast its votes based upon 27 Apartment Units. The Class B membership shall cease and be converted to Class A membership upon the earlier of the expiration of one hundred twenty (120) days after the date when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or July 1, 1989, or when no new unit construction has been initiated for a period of six (6) months and there is no evidence of continuing construction.

Section 7. 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 meeting, the chairman of the meeting, or a majority in interest 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 the necessary number of members shall be in attendance. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting.

Section 8. Proxies. A member may appoint only his or her spouse, or any joint owner of his Unit, or any other member of the Association as a proxy. Any proxy must be filed with the Secretary before the appointed time of each meeting or upon the calling of the meeting to order. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Unit.

ARTICLE V

Directors

Section 1. Number and Qualification. The business, property and affairs of the Association shall be managed, controlled and conducted by a Board of Directors consisting of three (3) members. The number of directors may be changed from time to time by the members of the Association, but shall always consist of an odd number of directors of not less than three (3) nor more than nine (9).

Section 2. Power 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 or by these Bylaws directed to be exercised and done by the members. The powers of the Board of Directors shall include, but not be limited to, all of the rights and duties of the Board of Directors as set forth elsewhere in these Bylaws and the Articles of Incorporation, and in the Covenants, Conditions and Restrictions applicable to the property described in Article

III above, and shall also include the power to promulgate such rules and regulations pertaining to such rights and duties as may be deemed proper and which are consistent with the foregoing, and shall further include the right 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 of 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 published rules and regulations. The Board of Directors may delegate such duties as appear in the best interest of the Association and to the extent permitted by law.

Section 3. Term of Office. At the first annual meeting the members shall elect one or more Directors for a term of one (1) year, and one or more Directors for a term of two (2) years and one or more Directors for a term of three (3) years; and at each annual meeting thereafter the members may elect one or more Directors for a term of three (3) years. The number of Directors shall be no less than three (3) nor more than nine (9), and shall always equal an odd number. The number of Directors may be altered from time to time by the action of a majority of the members of the Association present and voting in person or by proxy at any regular or special meeting called for such purpose. In the event of any increase in the number of directors in advance of the annual meeting, each additional director shall be elected by a majority of the members of the Association present and voting in person or by proxy and shall hold office until his or her successor is elected and shall qualify.

Section 4. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations shall be made from among members.

Section 5. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the recorded Declaration of Covenants, Conditions and Restrictions affecting the Properties. The persons receiving the largest number of votes shall be elected. Cumulative voting shall be mandatory.

Section 6. Vacancies. Vacancies on the Board of Directors caused by any reason shall be filled by vote of the majority of the remaining directors even though they may consist of less than a quorum and each person so elected shall be a director until his successor is elected by the members of the Association at the next annual meeting.

Section 7. Removal of Directors. At any regular or special meeting of the members of the Association, any one or more of the directors may be removed with or without cause at any time by the affirmative vote of a majority of the entire membership of record and a successor may then be elected to fill the vacancy thus created. Any director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting.

Section 8. Compensation. No compensation shall be paid to the directors for their services as directors. However, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 9. Organization Meeting. The first meeting of the newly elected Board of Directors shall be held within ten (10) days of the election at such time and place as shall be fixed at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 10. Regular Meetings. Regular meetings of the Board of Directors shall be held on a regular basis, at least quarterly, and may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for the meeting.

Section 11. Special Meeting. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least fifty percent (50%) of the directors.

Section 12. Waiver of Notice. Before or at any meeting of the Board of Directors, any director may, in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance 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.

Section 13. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

Section 14. Adjournments. The Board of Directors may adjourn any meeting from day to day or for such other time as may be prudent or necessary in the interests of the Association, provided that no meeting may be adjourned for a period longer than thirty (30) days.

Section 15. Action Taken Without A Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved will have the same effect as though taken at a meeting of the directors.

Section 16. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate Fidelity Bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE VI

Officers

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors. The Directors may appoint an Assistant Secretary and an Assistant Treasurer and such other officers as in their judgment may be necessary. Only the offices of Secretary and Treasurer may be held by the same person, except in the case of special offices.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the Organizational meeting of each new Board.

Section 3. Removal or Resignation of Officers. Upon an affirmative vote of two-thirds (2/3) of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the members and of the Board of Directors. The President shall have all of the general powers and duties which are normally vested in the office of the President of an association or corporation, including, but not limited to, the power to ap-

point committees from among the members of the Association from time to time as he or she may, in his or her discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

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

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; he or she shall have the custody of the seal of the Association; he or she shall have charge of the membership books and such other books and papers as the Board of Directors may direct; and he or she shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He or she shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

Section 8. Compensation. No compensation shall be paid to officers for their services as officers. No remuneration shall be paid to an officer for services performed by him for the Association in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken.

ARTICLE VII

Powers, Rights and Duties of the Association and Members Thereof

The Association and its members shall have all the powers, rights, duties and obligations set forth in the Articles of Incorporation for the Association, these Bylaws, rules and regulations pursuant thereto, and recorded restrictions of the property, and as any of the same may be duly adopted or amended. No transfers of membership in the Association shall be made except as provided herein and no such transfer shall be made upon the books of the Association within ten (10) days next preceding the annual meeting of the members.

The members and Board of Directors, or each of them, shall have the express authorization, right and power to enter into one or more management agreements with third parties in order to facilitate efficient operation of all buildings, improvements and Common Elements, including the real property described in Article III above. It shall be the primary purpose of such management agreements to provide for the administration, management, repair and maintenance of said real property, all improvements thereon designated as Common Elements to the extent required by recorded Declaration of Covenants, Conditions and Restrictions, as from time to time amended; and to assess, collect and apply the management and common expenses; and to enforce the Declaration of Covenants, Conditions and Restrictions. The terms of said management agreement 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 of Incorporation, these Bylaws and the Declaration of Covenants, Conditions and Restrictions affecting said property.

Notwithstanding the above, any and all such management agreements shall be in writing and for a term not to exceed one year, subject to renewal by agreement of the parties for successive one year periods, and shall further provide that said management agreement may be cancelled and terminated by the Board of Directors for any reason whatsoever upon giving thirty (30) days written notice of such cancellation and termination to the managing entity.' The Board of Directors shall make all necessary arrangements for continuity of management and maintenance prior to the expiration of the term of any prior management agreement or the termination of the same. Any and all management agreements shall be entered into with a responsible party or parties having considerable experience with the management of a project of this type.

Each owner shall be bound by the terms and conditions of all management agreements entered into by the Association. A copy of all management agreements shall be available to each owner upon request.

ARTICLE VIII

Corporate Seal

The Board of Directors shall 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 shall be in circular form, shall have inscribed thereon the name of the Association, the year it was organized and the word "Arizona." If and when so directed by the Board of Directors, a duplicate seal may be kept and used by such officer or other person as the Board of Directors shall name.

ARTICLE IX

Miscellaneous

Section 1. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer and in accordance with the reasonable standards of accounting procedure and prudence.

Section 2. Auditing. At the close of each fiscal year, an annual financial statement shall be prepared. If authorized by the Board or required by any governmental agency making or insuring loans, such as VA, FHA, FNMA, GNMA and/or FHLMC, such annual financial statement will be an audited financial statement. The Association shall make available for inspection by its members such statement of the income and disbursements of the Association for each fiscal year.

Section 3. Inspection of Books. Financial reports, such as are required to be furnished, and the membership records of the Association shall be available at the principal offices of the Association for inspection at reasonable times by any members, or interested parties such as any first mortgagee.

Section 4. Execution of Corporation Documents. With the prior authorization of the Board of Directors, all notes, checks and contracts or other obligations shall be executed on behalf of the Association by any two officers of the Association.

Section 5. Compliance with Federal National Mortgage Association (FNMA), Veterans Administration (VA), Federal Housing Administration (FHA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA) Requirements. For as long a period of time as may be required to fully amortize any mortgage upon any of the residence units owned or insured by VA, FHA, FNMA, FHLMC or GNMA, the books and accounts of the Association shall be kept in accordance with the Uniform Standards of Accounts prescribed by the VA, FHA, FNMA, FHLMC and GNMA and the financial statements referred to in Section 2 hereof shall be prepared and certified in accordance with the requirements of VA, FHA, FNMA, FHLMC and GNMA and shall be so furnished to the VA, FHA, FNMA, FHLMC and GNMA.

Section 6. Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors and shall be subject to change by the Board of Directors should the Association's practice subsequently necessitate such change.

Section 7. Rights of the Federal National Mortgage Association (FNMA), Veterans Administration (VA), Federal Housing Administration (FHA), Federal Home Loan Mortgage Corporation (FHLMC) Government National Mortgage Association (GNMA) and Holders of First Mortgages or Other Equivalent Liens. VA, FNMA, FHA,

FHLMC and/or GNMA and the holder of first mortgages or other equivalent liens on residence units shall be entitled to:

- (a) Receive notice of the annual assessment;
- (b) Receive notice of any special assessments;
- (c) Receive a copy of the annual financial statement of the Association;
- (d) Inspect the books and records of the Association during normal business hours;
- (e) Receive notice of all annual and special meetings of the Owners Association;
- (f) Receive notice of any meeting of the Board of Directors at which the Declaration of Covenants, Conditions, and Restrictions or the Articles of Incorporation or the Bylaws of the Owners Association are to be amended;
- (g) Have the right and power to designate a representative to attend all such meetings referred to in paragraphs 7 (e) and 7 (f) above;
- (h) Receive prompt notice of damage to a residence unit upon which said entity has an interest, provided, said damage exceeds \$10,000;
- (i) Receive prompt notice of damage to Common Elements or related facilities provided said damage exceeds \$10,000;
- (j) Receive prompt notice of any proceeding or proposed acquisition of any residence unit or portion thereof or of the Common Elements and facilities or any portion thereof by condemnation or eminent domain;
- (k) Receive notice of any meeting of the Board of Directors at which a decision to terminate professional management and assume self management of the project is to be considered.

Section 8. Enforcement Proceedings. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, the failure of any unit owner to comply with the provisions of the Articles of Incorporation and the Bylaws.

Section 9. Conflicting Provisions. In case of conflict between the Declaration and the Articles of Incorporation or the Bylaws, the Declaration shall control. In case of conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control.

Section 10. Gender. In these Bylaws, words used in the masculine gender include the feminine and neuter, words used in the feminine gender include the masculine and neuter, the singular number the plural and the plural the singular.

Section 11. These Bylaws and any amendments thereto shall not be recorded, but the Board shall reduce these Bylaws and any

amendments to writing, shall make them available to every Owner and resident, shall notify every owner and resident of where a copy may be obtained and shall furnish a copy to each Owner and resident upon request.

ARTICLE X

Amendment of the Bylaws

Section 1. Amendment by the Members. These Bylaws may be amended by the affirmative vote of a majority of the members present or represented by proxy at any regular or special meeting, provided, that a quorum as prescribed in Section 5, Article IV herein, is present at any such meeting. Amendments may be proposed by the Board of Directors or petition signed by at least fifty-one percent (51%) of the members. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted upon. These Bylaws may not be amended insofar as such amendment would be inconsistent with the recorded restrictions of the property.

Section 2. Compliance with Federal National Mortgage Association (FNMA), Veterans Administration (VA), Federal Housing Administration (FHA), Federal Home Loan Mortgage Corporation (FHLMC), and Government National Mortgage Association (GNMA) Requirements. For as long a period of time as may be required to fully amortize any mortgage upon any of the residence units owned or insured by VA, FNMA, FHA, FHLMC and/or GNMA, no amendment shall be made which would be deemed to be in conflict with, or contrary to, the terms of any promissory note, mortgage, regulatory agreements or document executed by the Association or any of the owners of residence units for the purpose of obtaining insurance or financing involving VA, FNMA, FHA, FHLMC or GNMA without obtaining written approval and consent of VA, FNMA, FHA, FHLMC or GNMA. As long as there is a Class B membership, VA shall have the right to veto any amendment.

I, the undersigned, being the Secretary of RED MOUNTAIN VILLAS CONDOMINIUM ASSOCIATION, do hereby certify the foregoing to be the Bylaws of said Association, as adopted at a meeting of the Board of Directors held on the 12th day of December, 1984.

Freida D. Martin
Secretary