

North Scottsdale Villas

Homeowners Association

Bylaws



North Scottsdale Villas Homeowners Association

*P.O. Box 5720
Mesa, AZ 85211*

PREFERRED COMMUNITIES
"LOVING WHERE YOU LIVE."



BYLAWS

OF

NORTH SCOTTSDALE VILLAS II COMMUNITY ASSOCIATION, INC.,
an Arizona non-profit corporation

ARTICLE I

GENERAL PROVISIONS

1.1 Name. The name of this non-profit corporation is "North Scottsdale Villas II Community Association, Inc."

1.2 Principal Office. The principal office of this corporation shall be located at 2005 West 14th Street, Suite 110, Tempe, Arizona 85281; however, meetings of MEMBERS and Directors may be held at any other place within the State of Arizona as may be designated by the Directors.

1.3 Defined Terms. Terms in all capital letters used in these Bylaws without specific definition in these Bylaws shall have the meanings specified for such terms in the Declaration of Homeowner Benefits and Covenants, Conditions, and Restrictions for North Scottsdale Villas II recorded in Document No. _____, Official Records of Maricopa County, Arizona ("Declaration").

1.4 Conflicting Provisions. In the case of any conflict between the Articles of Incorporation for the ASSOCIATION ("Articles") and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

1.5 Corporate Seal. The ASSOCIATION may have a corporate seal in a form approved by the Board.

1.6 Designation of Fiscal Year. The fiscal year of the ASSOCIATION shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

1.7 Books and Records. The books, records, and papers of the ASSOCIATION shall be available for inspection by any MEMBER during reasonable business hours for a proper purpose. The PROJECT DOCUMENTS shall be available for inspection by any MEMBER during reasonable business hours for a proper purpose at the principal office of the ASSOCIATION, where copies may be purchased at reasonable cost.

1.8 Amendment. These Bylaws may be amended at a regular or special meeting of the MEMBERS by a vote of the MEMBERS having fifty-one percent (51%) of the total number of votes entitled to be cast by the MEMBERS present in person or by proxy.

1.9 Exemption of Private Property. The private property of each and every officer, Director, and MEMBER of this ASSOCIATION at all times shall be exempt from all debts and liabilities of the ASSOCIATION.

1.10 FHA/VA Financing. If FHA or VA financing is applicable to the Project, any amendment to these Bylaws while Class B membership is in existence must be approved by the Federal Housing Administration or the Veterans Administration in the same manner described in the Declaration.

ARTICLE II

MEETINGS OF MEMBERS

2.1 Annual Meeting. The first annual meeting of the MEMBERS shall be held on the date specified in the Articles, and each subsequent annual meeting of the MEMBERS shall be held on the same day of the same month of each year thereafter at the hour of 7:00 p.m., unless otherwise specified by written notice to the MEMBERS. If the day for the annual meeting of the MEMBERS is a Saturday, Sunday, or legal holiday, the meeting will be held at the same hour of the next subsequent day which is not a Saturday, Sunday, or legal holiday.

2.2 Special Meetings. Special meetings of the MEMBERS may be called at any time by the President, Board of Directors, or upon a written request signed by MEMBERS having at least one-fourth (1/4) of the total authorized votes of each class of membership.

2.3 Notice of Meetings. Written notice of each meeting of the MEMBERS shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by mailing a copy of each notice, postage prepaid, at least ten (10) days before the meeting to each MEMBER entitled to vote at that meeting addressed to the MEMBER's address last appearing on the books of the ASSOCIATION or supplied by such MEMBER to the ASSOCIATION for the purpose of notice. The notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. By attending a meeting, a MEMBER waives any right he/she may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the laws of the State of Arizona.

2.4 Quorum and Voting. Except as otherwise provided in the Articles, the Declaration, or these Bylaws, the presence (at the beginning of such meeting) in person or by proxy of MEMBERS entitled to cast one-half (1/2) of the total votes entitled to be cast in the ASSOCIATION shall constitute a quorum at all duly called and noticed meetings of the MEMBERS. If a quorum shall not be present at any meeting, the MEMBERS entitled to vote at the meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Except as otherwise provided in the Articles, the Declaration, or these Bylaws, any action which must have the approval of the MEMBERS of the ASSOCIATION before being undertaken shall require the vote of fifty-one percent (51%) of the MEMBERS present (in person or proxy) and voting at a duly called and held meeting of the MEMBERS at which a quorum is present.

2.5 Proxies. At all meetings of the MEMBERS, a vote may be cast in person or by proxy. A proxy may be granted by any MEMBER in favor of only another MEMBER, the Secretary of the ASSOCIATION, the DECLARANT, or the MEMBER's MORTGAGEE, or, in the case of a non-resident MEMBER, the lessee of such MEMBERS' Lot or the non-resident MEMBER's attorney or managing agent. A proxy shall be duly executed in writing and shall be valid only for the particular meeting designated in the proxy. All proxies must be filed with the Secretary at least twenty-four (24) hours prior to the commencement of the meeting for which the proxy is given. The proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of a notice of revocation signed by the MEMBER who granted the proxy. Except with respect to proxies in favor of a MORTGAGEE, no proxy shall in any event be valid for a period in excess of one hundred eighty (180) days after the execution of the proxy.

2.6 Eligibility. The membership of the ASSOCIATION shall consist of all OWNERS of LOTS. Membership in the ASSOCIATION shall be mandatory, and no OWNER during his ownership of a LOT shall have the right to relinquish or terminate his membership in the ASSOCIATION. By accepting a deed to a LOT or otherwise becoming an OWNER, each OWNER enters into a contract with the ASSOCIATION and the other OWNERS whereby the OWNER becomes a MEMBER of the ASSOCIATION and is bound by the terms of the Declaration, Articles of Incorporation, Bylaws, and the other PROJECT DOCUMENTS, all as may from time to time be amended.

2.7 Joint Ownership. When more than one person is the OWNER of any LOT, all such persons shall be MEMBERS. The vote for such LOT shall be exercised as they, among themselves, determine; however, in no event shall more than one (1) vote be cast with respect to any LOT. The votes for each LOT must be cast as a whole unit, and fractional votes shall not be allowed. In the

event that joint OWNERS are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any OWNER casts a ballot representing a certain LOT, it will thereafter be conclusively presumed for all purposes that he/she was acting with the authority and consent of all other OWNERS of the same LOT. In the event more than one ballot is cast for a particular LOT, none of the votes shall be counted and said votes shall be deemed void.

2.8 Corporate Ownership. In the event any LOT is owned by a corporation, partnership, or other association, the corporation, partnership, or association shall be a MEMBER and shall designate, in writing, at the time of acquisition of the LOT, an individual who shall have the power to vote. In the absence of a designation and until a designation is made, the chief executive officer or managing partner, as applicable, of the corporation, partnership, or association shall have the power to vote the membership. If there is no chief executive officer or managing partner, the Board of Directors of the Association shall designate whom shall have the power to vote.

2.9 Suspension of Voting Rights. In the event any OWNER shall be in arrears in the payment of any assessments or other amounts due under any of the provisions of the Declaration and/or the other PROJECT DOCUMENTS for a period of fifteen (15) days, the OWNER's right to vote as a MEMBER of the Association shall be suspended and shall remain suspended until all payments, together with accrued interest, late charges, and all attorney's fees incurred, are brought current and kept current. In the event any OWNER commits or permits to exist any non-monetary infraction of the Declaration and/or the other PROJECT DOCUMENTS and does not immediately (or within such reasonable time as may be necessary) correct or take reasonable steps to correct the infraction, the OWNER's right to vote as a MEMBER of the Association shall be suspended and shall remain suspended for any period during which such infraction remains uncured.

ARTICLE III

BOARD OF DIRECTORS

3.1 Number. The affairs of this ASSOCIATION shall be managed by a Board of Directors (singularly or collectively, as applicable, referred to as the "Board", "Directors", "Director", or "Board of Directors"). The Board of Directors shall be elected by the MEMBERS. So long as there is a Class B membership in the ASSOCIATION, the Directors need not be members of the ASSOCIATION. After the termination of the Class B membership, all directors must be members of the ASSOCIATION. The Board shall originally have three (3) directors. After the Class B membership terminates, the Board shall have three Directors, or

such greater, odd number as may be determined by the Board in accordance with the Articles.

3.2 Term of Office. So long as the Board of Directors is comprised of three (3) persons, The Directors shall hold office in staggered terms for one (1) year, two (2) years, and three (3) years, respectively, and until their successors are appointed and qualified. The first term of the director with a one (1) year term shall end as of the date of the first annual meeting of the MEMBERS, and each subsequent term shall end on the date of each subsequent annual meeting of the MEMBERS. The first term of the director with a two (2) year term shall end as of the date of the second annual meeting of the MEMBERS, and all subsequent terms shall end on the date of the fourth, sixth, eighth, tenth, etc. annual meeting of the MEMBERS. The first term of the director with a three (3) year term shall end on the date of the third annual meeting of the MEMBERS, and all subsequent terms shall end on the date of the sixth, ninth, twelfth, fifteenth, etc. annual meeting of the MEMBERS. If the number of directors is expanded beyond three (3) directors to any larger number permitted by the Articles, the additional directors shall serve three (3) year terms.

3.3 Removal and Resignation. At any annual or special meeting of the MEMBERS duly called, any one or more of the Directors comprising the Board of Directors may be removed from the Board with or without cause by MEMBERS having two-thirds (2/3) or more of the votes entitled to be cast by the MEMBERS present in person or by proxy at the meeting, and a successor then may be elected to fill the vacancy created and the remaining and unexpired term. Any Director may resign at any time by giving written notice to the Board, the President, or the Secretary, and the resignation shall be effective as of the date of receipt or at any later time specified in this notice.

3.4 Compensation. No Director shall receive compensation for any service rendered to the ASSOCIATION; however, any Director may be reimbursed for actual expenses incurred in the performance of his/her duties.

3.5 Action Taken Without A Meeting. The Directors shall have the right to take any action without holding formal meeting by obtaining the unanimous written consent of all the Directors. Any such written consent shall be filed with the minutes of the proceedings of the Board.

3.6 Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director in accordance with the provisions of Section 3.3 of these Bylaws shall be filled by a majority vote of the remaining Directors at the first regular or special meeting of the Board held after the occurrence of such vacancy, even though the Directors present at such meeting may

constitute less than a quorum. Each person so elected shall serve the unexpired portion of the prior Director's term.

3.7 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by the Board. Such meetings shall be held at least once during each fiscal year.

3.8 Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days notice to each Director, given in writing, by hand delivery, mail, or telegraph, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors.

3.9 Quorum of Directors. A majority of the Directors present at the beginning of the meeting shall constitute a quorum for the transaction of business. Unless otherwise specified by these Bylaws, the Articles, or the Declaration, 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.

3.10 Powers and Duties. The Board shall have all of 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 required by the Declaration, Articles of Incorporation, or the other PROJECT DOCUMENTS to be exercised or performed by the MEMBERS, and the Board shall have the following powers and duties, without limitation:

(1) Open bank accounts on behalf of ASSOCIATION and designate the signatories of the ASSOCIATION;

(2) Make or contract for the making of repairs, additions, improvements, and alterations of the COMMON AREAS, in accordance with (and as specified in) the Declaration and PROJECT DOCUMENTS, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

(3) In the exercise of its sole discretion, enforce by legal means the provisions of the Declaration and the PROJECT DOCUMENTS including, without limitation, the collection of any assessments;

(4) Designate, hire, and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the COMMON AREAS and provide services for the MEMBERS, and, where appropriate, provide for the compensation of such personnel (which or who may be affiliates of the DECLARANT) and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;

(5) Provide for the operation, care, upkeep, and maintenance of all of the COMMON AREAS and borrow money on behalf of the ASSOCIATION in accordance with the Articles;

(6) Prepare, amend, and adopt an annual budget for the ASSOCIATION prior to the commencement of each fiscal year;

(7) Adopt and publish rules and regulations governing the use of the COMMON AREAS and facilities and the personal conduct of the MEMBERS and their family members, guests, lessees, and invitees on the COMMON AREAS and establish penalties for infraction;

(8) Suspend the voting rights and the right to the use of the COMMON AREAS of a MEMBER during any period in which such MEMBER shall be in default in the payment of any assessment or other amounts due under the terms of the Declaration and/or the other PROJECT DOCUMENTS for a period of fifteen (15) days, and in the case of any non-monetary default, for any period during which such infraction of the Declaration and/or the other PROJECT DOCUMENTS remains uncured;

(9) Exercise, on behalf of the ASSOCIATION, all powers, duties, and authority vested in or delegated to the ASSOCIATION and not reserved to the MEMBERS by other provisions of the Declaration and/or other PROJECT DOCUMENTS;

(10) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(11) Employ, hire, and dismiss such employees as they deem necessary and to prescribe their duties and their compensation;

(12) Hire or employ a manager, whether as an independent contractor or as an employee, whether affiliated with DECLARANT or not, to perform such services and duties as the Board may direct including, but without limitation, any of the duties granted to the Officers of the ASSOCIATION in these Bylaws or any duties of the Board of Directors set forth in this Section 3.10, or dismiss or terminate such manager;

(13) Keep or cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the MEMBERS at the annual meeting of the MEMBERS or at any special meeting when such statement is requested in writing sufficiently in advance of such meeting by any MEMBER entitled to vote;

(14) Supervise, in a good faith manner, all officers, agents, and employees of the ASSOCIATION and determine whether their duties are properly performed;

(15) As more fully provided in the Declaration to: (i) fix the amount of the annual assessment against each Lot, (ii) send written notice of each assessment to every OWNER subject to an assessment, (iii) assess a late charge for any late payments, (iv) record, within a reasonable time, a notice and claim of lien against any LOT for which assessments are not paid, and foreclose the same within a reasonable time or, in the discretion of the Board of Directors, bring an action at law or equity against the OWNER personally obligated to pay the same;

(16) Issue, or cause an appropriate officer to issue, upon demand, to any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(17) Procure and maintain property liability and other insurance coverage in such amounts as required by the Declaration;

(18) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(19) Cause the COMMON AREAS to be maintained, as more fully set forth in the Declaration;

(20) Institute, defend, and intervene in any litigation or administrative proceedings in its own name or on behalf of the OWNERS;

(21) Borrow money and, with the consent of two-thirds (2/3) of each class of MEMBERS in the ASSOCIATION, to mortgage, pledge, deed in trust, or grant a security interest in any or all of the COMMON AREA; and

(22) Enter into and perform contracts of any kind incidental to the performance of the ASSOCIATION's duties under the PROJECT DOCUMENTS.

ARTICLE IV

OFFICERS AND THEIR DUTIES

4.1 Enumeration of Officers. The principal officers of the ASSOCIATION shall be the President, the Vice President, the Secretary, and the Treasurer all of whom shall be elected by the Board. The President must be a member of the Board. Any other officers may, but need not, be members of the Board.

4.2 Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the MEMBERS. The following persons shall serve as the officers of the ASSOCIATION until their successors are qualified and elected:

Joseph C. Thompson	President
Ken Krouse	Vice President
James Arneson	Secretary/Treasurer

4.3 Term. The officers of the ASSOCIATION shall be elected annually by the Board, and each officer shall hold office for one (1) year unless he shall sooner resign, be removed, or be otherwise disqualified to serve.

4.4 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, determine.

4.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified in the notice, and unless otherwise specified in the resignation notice, the acceptance of such resignation shall not be necessary to make it effective.

4.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

4.7 Multiple Offices. The offices of Treasurer and Secretary may be held simultaneously by the same person. One person may not simultaneously hold more than one of any of the other offices, including special offices created pursuant to Section 4.4 of these Bylaws.

4.8 Powers and Duties. To the extent such powers and duties are not assigned or delegated to a manager pursuant to Section 3.10(1) of these Bylaws, the powers and duties of the officers shall be as follows:

(1) President. The President shall be the chief executive officer of the ASSOCIATION; shall preside at all meetings of the Board or the MEMBERS; shall see that orders and resolutions of the Board are carried into effect; and shall have general and active management of the business of the ASSOCIATION;

(2) Vice President. The Vice President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board;

(3) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the MEMBERS; keep the corporate seal, if any, of the ASSOCIATION; serve notice of meetings of the Board and of the MEMBERS; keep appropriate current records showing the MEMBERS of the ASSOCIATION together with their addresses, and shall perform such other duties as required by the Board; and

(4) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the ASSOCIATION and shall disburse such funds as directed by resolution of the Board; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the MEMBERS; and, in general, perform all the duties incident to the office of Treasurer or as required by the Board.

ARTICLE V

INDEMNIFICATION

5.1 Indemnification. The ASSOCIATION shall have the power and authority to indemnify any past, present, or future MEMBER, officer, director, incorporator, employee, or agent of the ASSOCIATION to the fullest extent permitted by Arizona law or A.R.S. § 10-1005(C). This power of indemnification shall extend to third-party actions and derivative actions.

5.2 Procedure. The circumstances and procedures for effecting an indemnification by the ASSOCIATION shall be governed by A.R.S. § 10-1005(C), as this statute may be amended from time to time.

5.3 Scope of Article. The indemnification provided by this Article V is not exclusive of any other rights to which those indemnified may be entitled under any agreement or any vote of majority MEMBERS or disinterested Directors or otherwise, both as to an action in the person's official capacity and as to an action in another capacity while holding such office.

ARTICLE VI

ARCHITECTURAL CONTROL

6.1 Committee Composition. The ARCHITECTURAL COMMITTEE shall consist of three (3) persons. None shall be required to be an architect or to meet any other particular qualifications. Such persons need not be, but may be, a member of the Board or an officer of the ASSOCIATION. The Board may increase the number of persons on the ARCHITECTURAL COMMITTEE, but the number of persons must always be an odd number.

6.2 Terms of Office. The term of office for members of the ARCHITECTURAL COMMITTEE shall be a period of one (1) year, or until the appointment of a successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Any members who have resigned, been removed, or whose terms have expired may be reappointed.

6.3 Appointment and Removal. Except as may be otherwise provided in the Declaration, the right to appoint and remove all members of the ARCHITECTURAL COMMITTEE at any time, shall be and is hereby vested solely in the Board; provided, however, that no member may be removed from the ARCHITECTURAL COMMITTEE by the Board except by the vote or written consent of more than fifty percent (50%) of the entire Board.

6.4 Resignations. Any member of the ARCHITECTURAL COMMITTEE may resign at any time upon written notice to the Board.

6.5 Vacancies. Vacancies on the ARCHITECTURAL COMMITTEE, however caused, shall be filled by the Board. A vacancy or vacancies on the ARCHITECTURAL COMMITTEE shall be deemed to exist in case of the death, resignation, or removal of any Member.

6.6 Duties. It shall be the duty of the ARCHITECTURAL COMMITTEE to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, to adopt ARCHITECTURAL COMMITTEE rules, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by the Declaration.

6.7 Meetings and Compensation. The ARCHITECTURAL COMMITTEE shall meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the ARCHITECTURAL COMMITTEE, at a meeting or otherwise, shall constitute the act of the ARCHITECTURAL COMMITTEE unless the unanimous decision of the ARCHITECTURAL COMMITTEE is required by any other provision of the Declaration. The ARCHITECTURAL COMMITTEE shall keep and maintain a written record of all actions taken by it at such meeting or otherwise. Members of the ARCHITECTURAL COMMITTEE shall not be entitled to compensation for their services.

6.8 Architectural Committee Rules. The ARCHITECTURAL COMMITTEE may adopt, amend, and repeal, by unanimous vote or written consent, rules and regulations. These rules shall interpret and implement the Declaration by setting forth the standards and procedures for ARCHITECTURAL COMMITTEE review and the guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials, and similar features which are recommended for use within the PROPERTY.

6.9 Waiver. The approval by the ARCHITECTURAL COMMITTEE of the plans, drawings, or specifications for any work done or proposed, or for any other matter requiring the approval of the ARCHITECTURAL COMMITTEE under the Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing specification, or matter subsequently submitted for approval.

6.10 Liability. So long as he/she has acted in good faith on the basis of information actually possessed, neither the ARCHITECTURAL COMMITTEE nor any member of the ARCHITECTURAL COMMITTEE shall be liable to the ASSOCIATION, any OWNER, or to any other party, for any damage, loss, or prejudice suffered or claimed on account of: (i) the approval or disapproval of any plans, drawings, or specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (iii) the development of any portion of the PROPERTY; or (iv) the execution and filing of any estoppel certificate, whether or not the facts in the estoppel certificate are correct.

6.11 Time for Approval. In the event the ARCHITECTURAL COMMITTEE fails to approve or disapprove any application for approval within thirty (30) days after its receipt of the application, together with complete and legible copies of the supporting plans and specifications, the application shall be deemed approved, and further approval will not be required, and this Article VI will be deemed to have been complied with.

I certify that the foregoing Bylaws were duly adopted by the Board of Directors of the ASSOCIATION as of _____, 1993.

Joseph C. Thompson, President

ATTEST:

James Arneson, Secretary