

ASSOCIATION

BY-LAWS

BY-LAWS OF
SCOTTSDALE SHADOWS REGIME II

ARTICLE I - NAME, LOCATION, AND OBJECT.

Section 1 - Name and Location. The name of the corporation is Scottsdale Shadows Regime II (hereinafter referred to as the "Association"). The principal offices of the corporation shall be located within the County of Maricopa, State of Arizona, but meetings of members and directors may be held at such places within the State of Arizona as may be designated by the Board of Directors.

Section 2 - Purpose. The purpose for which the Association is formed is to govern the property situate in the County of Maricopa, State of Arizona, which property is described by a Declaration entitled "Declaration Submitting Property to a Horizontal Property Regime and Declaration of Covenants, Restrictions and Conditions" of record, as provided for in sections 33-551 to 33-561 of the Arizona Revised Statutes establishing a plan for ownership of the common elements and of apartment units in the Horizontal Property Regime.

Section 3 - Assent. All present or future owners, tenants, future tenants, or any other person using the facilities of the Horizontal Property Regime in any manner shall be subject to the regulations set forth in these By-laws. The mere acquisition or rental of any of the apartment units in the Regime or the mere act of occupancy of any of the units shall constitute ratification of these By-laws.

ARTICLE II - DEFINITIONS.

Section 1. "Association" shall mean and refer to Scottsdale Shadows Regime II, its successors and assigns.

Section 2. "Properties" or "property" shall mean and refer to that certain real property described as follows:

SCOTTSDALE SHADOWS REGIME II, a horizontal property regime in a portion of the SE 1/4, of the NE 1/4 of Section 23, Township 2 North, Range 4 East, G.&S.R.B.&M., Maricopa County, Arizona.

Section 3. "Common area" shall mean elements and facilities owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Unit" shall mean and refer to any apartment unit of the Properties with the exception of the Common Area.

Section 5. "Owner" and "Member" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. The terms "Owners" and "Members" as used by the By-laws shall be synonymous.

Section 6. "Declaration" shall mean and refer to the Declaration of Covenants, Restrictions and Conditions applicable to the Properties recorded in the Office of the Recorder of the County of Maricopa, Arizona and any amendments thereto.

ARTICLE III - MEMBERS.

Section 1 - Classes of Members. There shall be one class of members.

Section 2 - Voting Rights. In all matters requiring a vote of the owners or members voting shall be on a percentage basis and the percentage of the vote to which each owner or member is entitled to is the same percentage assigned to each of the apartment units in the Declaration submitting the property to a horizontal property regime.

Section 3 - Termination of Membership. The Board of Directors by affirmative vote of majority of all of the members of the Board, may suspend or expel a member for cause after an appropriate hearing, and, by a majority vote of those present of the Board at any meeting, may terminate the membership of any member who becomes ineligible for membership or suspend or expel any member who shall be in default in the payment of dues. Termination, suspension or expulsion of any member shall not relieve a member from the obligation to pay any dues, assessments, or other charges accrued and unpaid.

Section 4 - Reinstatement. On written request signed by a former member and filed with the Secretary, the Board of Directors, by a majority vote of the members of the Board then present, may reinstate such former member to membership on such terms as the Board of Directors may deem appropriate.

Section 5 - Transfer of Membership. Membership in this Association is not transferable or assignable.

ARTICLE IV - MEETING OF MEMBERS.

Section 1 - Annual Meetings. Annual meetings of the members shall be held at the hour of 7:30 o'clock p.m. on the third Tuesday in January of each year, commencing with 1984, or if that day shall be a legal holiday, then on the next succeeding business day, or at such other date and time as shall be designated from time to time by the Board and stated in the notice of the meeting.

Section 2 - Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of the members having at least one tenth (1/10th) of the votes entitled to be cast at such meeting. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof and shall be transmitted to each member of the Association. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of eighty percent (80%) of the Owners present, either in person or by proxy.

Section 3 - Notice of Meetings. Notice of each meeting of the members shall be given by posting a notice of the meeting at a conspicuous place, at the Regime, at least fifteen (15) days before such meeting. From time to time at the discretion of the Board additional notice of any meeting may be given in person, by telephone or by mail to each member.

Section 4 - Quorum. The presence in person or by proxy of members entitled to cast, majority of the votes of the membership shall be a quorum except as otherwise provided in the declaration, or these By-Laws. If a quorum is not present, the meeting may be adjourned from time to time and notice need not be given of the adjourned meeting unless the adjournment is for more than thirty (30) days.

Section 5 - Waiver of Notice of Meetings. The transactions at any meetings of members, however called and noticed, shall be valid as though had at a meeting duly held after regular notice and call, if a quorum is present, either by person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote but not present signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the minutes, which are filed with the Secretary.

Section 6 - Action Without Meeting. Any action, which under the provisions of Arizona Revised Statutes §§10-1001, (and following), may be taken at a meeting of the members, may be taken without a meeting if authorized in writing, signed by a majority of the members who would be

entitled to vote at a meeting for such purpose, and filed with the Secretary.

Section 7 - Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his unit. No proxy may be valid after twenty-five months from the date of its execution.

ARTICLE V - BOARD OF DIRECTORS.

Section 1 - Number and Qualification. The affairs of the Association shall be managed by a Board of Directors composed of five persons, all of whom must be members of the Association. Directors need not be residents of the State of Arizona.

Section 2 - Election and Term. Except for the initial directors, the directors shall be elected by the members at the annual meeting of the members. At the first annual meeting of the members, two directors shall be elected for three (3) years, two directors shall be elected for two (2) years, and one director shall be elected for one (1) year. Thereafter each respective director and his successor shall be elected to serve a term of three (3) years. The directors shall hold office until their successors have been elected and have qualified.

Section 3 - Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of the director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4 - Compensation. No director shall receive compensation from 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.

Section 5 - Action Taken Without a Meeting. The members 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 shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI - MEETINGS OF DIRECTORS.

Section 1 - Annual Meetings. Annual meetings of the Board shall be held immediately following the annual

meetings of the members, or at such other date and time as shall be designated from time to time by the Board and stated in the notice of the meeting. At the annual meeting of directors, the newly-elected directors shall meet for the purpose of organization, election of officers, and the transaction of other business and, if a quorum of the directors be then present, no prior notice of such meeting shall be required to be given. The place and time of such first meeting may, however, be changed by written consent of all the directors.

Section 2 - Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or on the written request of any two (2) directors and the meeting shall be held at the principal office of the Association or at such other place as the directors may determine.

Section 3 - Notice of Special Meetings. Notice of any special meeting of the Board of Directors shall be given at least three (3) days previous to the meeting by written or oral notice given or delivered personally or sent by mail or telegram to each director at his address as shown by the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope, with postage prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law, the declaration or by these By-Laws.

Section 4 - Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting in which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time, and any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 5 - Board Decisions. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, by the declaration or by these By-Laws.

ARTICLE VII - POWERS AND DUTIES OF THE BOARD OF DIRECTORS.

Section 1 - Powers and Duties. The Board of Directors shall have the powers and duties necessary for the management and administration of all of the affairs of the Association and may do all such acts and things as are by law or by these By-Laws directed to be exercised and done by the members or the owners. The Board of Directors shall have the power to carry out, but not limited to, the following:

- A. Enforce the provisions of the Declaration, these By-Laws or other agreement or instrument pertaining to the property;
- B. Adopt rules and regulations governing the use of the common area and facilities, and the personal conduct of the members and their guest thereon, and to establish penalties for the infraction thereof;
- C. Suspend the voting rights and right to use the recreational facilities of the members 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 of hearing, for a period not to exceed sixty (60) days for infraction of rules and regulations;
- D. Contract for and pay for maintenance, gardening, utilities, materials, supplies, and services relating to the Common Area and facilities.
- E. Contract with Recreational Center, Inc., an Arizona non-profit corporation, managers, independent contractors, or other persons to perform or assist the Board in its duties and obligations, all upon such terms and conditions as the Board may from time to time determine.
- F. Determine and fix the amount of annual assessments to be levied against the members, in accordance with each member's percentage share of the sum of expenses pursuant to Paragraph 2.8 of the Declaration. However, the Board shall have the power to adjust that percentage upward if a unit has been modified or changed by an owner or previous owner so

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as to increase the area that is heated or cooled, in part or in whole by common heating or air-conditioning.

- G. Pay taxes and special assessments which are or would become a lien on the entire project or common area;
- H. Pay for reconstruction of any portion or portions of the common area or facilities damages or destroyed which are to be rebuilt;
- I. Use the insurance proceeds paid as a result of loss or damage to the property to repair and replace any damage or destruction of property as provided for in the declaration and make determinations as to the extent of the total replacement value of the entire buildings, units and improvements in the regime.

Section 2 - Duties. It shall be the duty of the Board of Directors to:

- A. 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.
- B. Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;
- C. As more fully provided in the Declaration, to:
 - 1. Fix the amount of the annual assessment against each unit at least thirty (30) days in advance of each annual assessment period;
 - 2. Send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each annual assessment period; and
 - 3. Foreclose the lien against any property if such assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.

- D. Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be prima facie evidence of such payment;
- E. Procure and maintain adequate liability and hazard insurance on the property.
- F. Cause all officers or employees of the Association, having fiscal responsibilities to be bonded, as it may deem appropriate;
- G. Cause the common area and facilities to be maintained; and
- H. To enforce the provisions of the Declaration of Covenants, Conditions and Restrictions and any amendments thereto, in its own name.

Section 3 - Other Duties. In addition to the duties imposed by these By-Laws or by resolution of the members of the Association, the Board of Directors shall be responsible for the following:

- A. Care, upkeep and security of the property, the Common Area and facilities;
- B. Collection of regular and special assessments from the owners; and
- C. Designation and dismissal of personnel necessary for the maintenance and operation of the property, its Common Area and facilities.

ARTICLE VIII - OFFICERS.

Section 1 - Designation. The principal officers of the Association shall be a President, Vice President, Secretary and Treasurer, all of whom shall be elected by and from the Board of Directors.

Section 2 - Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3 - Removal of Officers. Upon an affirmative vote of a majority 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. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of a President of an Association or corporation including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his 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 duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President shall be able to act, the Board of Directors shall appoint some other member of the Board to so do 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 have the responsibility for keeping the minutes of all meetings of the Board of Directors, Association and owners and such correspondence as shall be necessary and such other duties as shall from time to time be imposed on him by the Board of Directors.

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 and such depositaries as may from time to time be designated by the Board of Directors.

Section 8 - More Than One Office. The office of Secretary and Treasurer may be held by the same person. All other offices shall be held by different persons.

ARTICLE IX - OBLIGATIONS OF OWNERS.

Section 1 - Assessments. All owners shall be obligated to pay monthly assessments for common element expenses imposed by the Board of Directors. These expenses shall include a public liability insurance policy and an insurance policy covering damage to the structures and improvements which are part of the Regime property as a

result of fire, storm, earthquake or other hazard which shall be in an amount of the cost of replacement of such improvements. The insurance policies shall cover the entire Regime and not be limited to the general common elements. The assessment shall also include the cost of maintenance and repair of the general common elements, utilities, taxes and assessments, if any, on common elements, and all other items necessary for the maintenance and operation of the common elements. There shall also be included in the assessments reserves for replacements and impounds as required and the cost to the Regime by reasons of its obligations to pay assessments to Recreational Center, Inc. for the purchase, construction, development, operation and management of recreational facilities available to the owners. The assessments shall be made pro-rata according to the percentage of interest of each unit in the common elements of the Regime as set forth in the Declaration submitting said property to a horizontal property regime. Assessments shall commence and be payable by each owner as of the date of his acquisition of title to his unit and said assessment shall be payable monthly in advance or at such other time or times as the Board of Directors shall determine.

Section 2 - Payment of Assessments on Purchase.

Each owner shall pay to the Association of Owners at the time each owner purchases an apartment a sum equal to six times the then established and existing common element expenses for his apartment unit for common area maintenance costs. Said sum may be used by the Association of Owners as working capital and shall be refunded to the owner upon the sale or transfer of his apartment less any amounts then due by said owner to the Association of Owners.

Section 3 - Assessments After Sale.

No owner shall be liable for the payment of any part of the common charges assessed against his unit subsequent to a sale, transfer or other conveyance by him made in accordance with the provisions of the Declaration of Restrictions and these By-Laws of such unit. A purchaser of an apartment unit shall be liable for the payment of common charges assessed and unpaid against such unit prior to the acquisition by him of such unit, except that a mortgagee or other purchaser of a unit at a foreclosure sale of such unit shall not be liable for, and such unit shall not be subject to, a lien for the payment of common charges assessed prior to the foreclosure sale.

Section 4 - Notification of Intended Sale.

No owner or member may sell his apartment unit in the regime or any interest therein except by complying with the provisions of the declaration of restrictions.

Section 5 - Owners Insurance.

Each owner or member shall carry insurance if they desire for their own benefit insuring their improvements, carpeting, wall covering, fix-

tures, furniture and other personal property provided that such policies shall contain waivers of subrogation and further provide that the liability of the carriers issuing insurance obtained by the Board of Directors shall not be affected or diminished by reason of any such additional insurance carried by any owner or member.

Section 6 - Maintenance and Repair.

(a) Each owner shall perform promptly all maintenance, and repair and upkeep work within their own units, which, if omitted, might affect or damage the Regime or any other unit. In the event an owner fails to maintain, keep or repair their unit and the Board of Directors or its agents determines repairs are necessary, then the Board of Directors or its agents is authorized to make or cause the repairs to be made and to charge the owner for all of the costs of the repairs. If the costs are not paid promptly the Board is authorized to make and levy an assessment for the costs, including all expenses against the owners unit and to foreclose the assessment lien, as provided in the Declaration for assessment liens and their foreclosure. In addition the Board of Directors shall have the right to bring an action at law against any owner who fails to pay any amounts levied against his unit, for a money judgment in the amount of the assessment levied plus costs.

In making the repairs the Board of Directors or its agents shall give such notice to an owner shall be reasonable, prior to the making of the repairs.

(b) All the repairs of internal installations of the units, such as water, light, gas, power, sewage, telephone, air-conditioning, doors, windows, lamps and all other accessories belonging to and located within the individual unit shall be at the owner's expense. Any such repairs required which are outside of the owner's apartment shall be at the expense of the Association of Owners as common area maintenance costs.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area damaged through his own fault.

(d) An owner shall not make structural modifications or alterations in his unit located in the Regime without previously securing written approval therefore from the Board of Directors.

Section 7 - Use of General Common Elements and Facilities. An owner shall not place or cause to be placed in any general common element any furniture, packages or objects of any kind. Such areas shall be used for no other purpose than for normal transit through them, and in the case of recreational areas, for the normal use provided by such recreational facilities.

Section 8 - Right of Entry. The management agent or any other person authorized by the Board of Directors of the Association shall have the right of entry to any unit for purposes of inspection and making necessary repairs, alterations, installations and maintenance to the common elements, including mechanical or electrical services, provided that such requests for entry are made in advance and such entry is at a time convenient to the owner. In case of an emergency, the right of entry shall be immediate.

ARTICLE X - AMENDMENTS.

These By-Laws may be amended by a majority vote of the Association of Owners at any regular or special meeting where notice of the proposed amendment is included in the call or notice of meeting, provided no By-Laws may be amended or added which would be in conflict with the Declaration of Horizontal Property Regime or the Declaration of Restrictions heretofore filed.

ARTICLE XI - CONFLICT WITH DECLARATION.

These By-Laws are intended to comply with and supplement the requirements of the Arizona Revised Statutes, on the submission of the property to a horizontal property regime and if any of these By-Laws conflict with the provisions of the Arizona Revised Statutes or the Declaration of Covenants, Restrictions and Conditions on record with the office of the County Recorder, Maricopa County, Arizona, the provisions of the statutes and declaration shall apply.

ARTICLE XII - INDEMNIFICATION OF MEMBERS, DIRECTORS,
OFFICERS AND AGENTS.

The Association by its Board of Directors shall have the right and power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, (other than an action by or for the Association) by reason of the fact that such person is or was a member, director, officer, employee or agent of the Association, against expenses including attorneys' fees and against judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided any action or failure to act was in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association and with respect to any criminal action or proceeding had no reasonable cause to believe the conduct was unlawful, and as otherwise as provided under the provisions of A.R.S. §§10-1005 (B) and as may be amended from time to time.

ARTICLE XIII - CALENDAR YEAR.

The calendar year of the Association shall begin on January 1 and end on December 31, of each year.

The foregoing By-Laws were adopted by the Board of Directors of the Association as provided under A.R.S. §§10-1012.

Mary Elizabeth Rempke
Secretary