

**BYLAWS**  
**OF**  
**THE PRESERVE OWNERS' ASSOCIATION**



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**ARTICLE I  
General**

**Section 1.1 Organization and Scope.** These Bylaws shall constitute the Bylaws of The Preserve Owners' Association (the "Association"), an Arizona nonprofit corporation formed for the purpose of serving as the property owners' association for The Preserve, a planned community in Scottsdale, Arizona (the "Project"), pursuant to that Declaration of Covenants, Conditions, Restrictions and Easements for The Preserve recorded as Document No. 97-0846951 in the Official Records of Maricopa County, Arizona (the "Declaration").

**Section 1.2 Definitions.** Except as otherwise provided herein, capitalized terms used in these Bylaws which are defined in the Declaration or the Articles of Incorporation of the Association (the "Articles") shall have the meanings set forth in the Declaration or the Articles, as applicable.

**Section 1.3 Application of Bylaws.** All present and future Owners and Occupants or any other Persons with any right, title or interest in any Lot, or who may have a right to use the Common Areas, are subject to the provisions of these Bylaws. The ownership, rental or occupancy of any Lot shall be deemed an acceptance and ratification of, and agreement to comply with, these Bylaws by the 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 the Project. 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 or in the Declaration, the Articles or these Bylaws.

**ARTICLE II  
Voting Rights**

**Section 2.1 Majority Vote.** A majority of the votes of Members eligible to vote who are present at any meeting (i.e., more than fifty percent (50%) 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 these Bylaws, the Articles, the Declaration or applicable law shall require a greater voting percentage, in which

latter event the voting percentage required by these Bylaws, the Articles, the Declaration or such applicable law shall control.

**Section 2.2 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 result in 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 Lot to which such Membership is attributable. The vote for each Member must be cast as a single unit. Fractional votes shall not be allowed.

**Section 2.3 Designation of Voting Member.** If a Lot 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, the Owner will thereupon be conclusively presumed to be acting with the authority and consent of all other Owners of such Lot unless objection thereto is made to the Board, in writing, at or prior to the time the vote or votes are cast. If more than one Person casts or attempts to cast a vote for a particular Lot, all such votes shall be deemed void.

**Section 2.4 Transfer of Class A Membership.** Except as otherwise provided in the Declaration, the rights, duties and obligations of a Class A Member cannot and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of such Class A Member's Lot (and the payment of the transfer fee provided for in the Declaration), and then only to the transferee thereof. Such transfer may be effected by deed, intestate succession, testamentary disposition, foreclosure or other legal process authorized under Arizona law. Any attempt to make a nonapproved form of transfer shall be void. Any transfer of ownership in a Lot shall operate to transfer the Membership appurtenant thereto to the new Owner. No change in the ownership of a Lot shall be effective for voting purposes until the Board receives written notice of such change together with satisfactory evidence thereof. Upon each transfer of title to a Lot following the initial transfer of title to an initial Purchaser, the Association shall charge each new Member a transfer fee in accordance with the Declaration.

**Section 2.5 List of Members Entitled to Vote.** Pursuant to § 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 III**  
**Meetings of Members**

**Section 3.1 Annual Meetings.** The first annual meeting of the Members shall be held within one (1) year from the close of escrow for the sale of the first (1 st) Lot by Declarant to a Purchaser. The next annual meeting of the Members shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent annual meetings of the Members shall be held within sixty (60) days of the same day of the same month of each year thereafter at an hour set by the Board. Subject to the foregoing, the annual meeting of the Members shall be held at a date and time as set forth by the Board. Subject to Declarant's right to appoint all directors prior to the termination of the Class B Membership, at each annual meeting, the Members shall elect the Board in accordance with the requirements of the Declaration, the Articles and these Bylaws, and may also transact such other business as may be authorized to be transacted by the Members at annual meetings.

**Section 3.2 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 filed with the Secretary, signed by Members who are entitled to cast at least twenty percent (20%) of all of the votes of Class A Membership, which petition must state the specific purpose of the special meeting. A special meeting shall be scheduled by the Board on a date designated by the Board in its sole discretion, provided that the meeting must be held within forty-five (45) days from the date the petition is filed with the Secretary. No business shall be transacted at a special meeting except as stated in the notice thereof. Notwithstanding the foregoing, as long as the Class B Membership is in existence, no special meeting shall be held unless called by Declarant.

**Section 3.3 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 3.4 Notices.** It shall be the duty of the Secretary to mail or deliver to each Member entitled to receive notice as provided in Section 3.5 a notice of each annual or special meeting, stating the time and place thereof. Except as otherwise provided by statute, the Declaration, the Articles or these Bylaws, the notice shall be sent at least five (5) days but not more than thirty (30) days prior to such meeting. Each notice shall be deemed given if mailed to or served at the address of the Member as it appears in the records of the Association.

**Section 3.5 Record Date.** The Board may fix in advance a date as the record date for the purpose of determining Members entitled to notice of or to vote at any

meeting of the Members, or to make a determination of Members for any other proper purpose (the "Record Date"). The Record Date shall be not more than seventy (70) days prior to the date on which the particular action requiring such determination is to be taken, and, in the case of a meeting of the Association, not fewer than ten (10) days prior to the date of the meeting. Unless a different date is set by the Board, the Record Date shall be forty (40) days prior to the action requiring the determination. An Owner who is delinquent with respect to an Assessment or whose rights as a Member are otherwise under suspension pursuant to the Declaration as of the Record Date shall not be entitled to notice of, or to vote at, any meeting of Members noticed or held during the period of the delinquency or suspension. When a determination of Members entitled to vote at any meeting of the Association has been made as provided in this Section, such determination shall apply to any adjournment thereof.

**Section 3.6 Quorum.** Except as otherwise provided by statute, the Declaration, the Articles or these Bylaws, at any meeting of the Members, twenty percent (20%) of the votes in each class 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.

**Section 3.7 Proxies.** A Member entitled to vote may do so by filing a written proxy with the Secretary before or at the time of a meeting. 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. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. 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. Proxies shall be revocable unless otherwise stated therein and coupled with adequate legal interests. A revocable proxy shall be terminated if the Member subsequently files another proxy or files a written notice of termination of the proxy prior to the meeting or votes at the meeting. A proxy shall be automatically revoked upon termination of the Member's Membership.

**Section 3.8 Nomination of Directors.** When Declarant's right to appoint all directors terminates as provided in the Declaration, nominations for election to the Board of Directors shall be made by a Nominating Committee. Nomination may also be made from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more persons who are either Members of the Association, officers of a corporate Member, or partners in a partnership Member. 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 the close of the

next annual meeting, and such appointment shall be announced at each 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.

**Section 3.9 Election of Directors.** 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 Declaration. The persons receiving the largest number of votes shall be elected to the vacant positions. Cumulative voting for directors shall not be required or permitted.

## **ARTICLE IV** **Board of Directors**

**Section 4.1 Number and Qualification of Directors.** The affairs of the Association shall be managed and administered by the Board and such officers as the Board may elect or appoint in accordance with these Bylaws. The Board shall be composed of seven (7) Members in good standing who have staggered terms of office. To establish staggered terms, at the annual meeting held at which this amendment is approved four (4) Members shall be elected to two (2) year terms and three (3) Members shall be elected to one (1) year terms. Thereafter, all Members shall be elected to two (2) year terms unless otherwise determined by the Board to recreate staggered terms. The Board may cause some Directors to be elected for a one-year term in the future to re-create staggered terms. The procedure for determining which elected Directors shall serve one-year terms or two-year terms shall be established by the Board. The number of Board members may be changed between five (5) and nine (9) members, at the discretion of the Board, so long as the Board does not eliminate the position of a present Board member. (Revised by the membership 3-11-03)

**Section 4.2 Term and Organization.** Subject to Declarant's right to appoint all directors prior to termination of the Class B Membership, at each annual meeting the number of directors provided for in the Articles shall be elected in accordance with the procedures set forth in these Bylaws. Directors shall take office following the close of the annual meeting at which they are elected and shall hold office until their successors have been duly elected and the first meeting of the new Board has been held. The organizational meeting of the newly elected Board shall be held within thirty (30) days after the annual meeting at which the Board was elected.

**Section 4.3 Removal of Directors.** At any regular or special meeting of the Members duly called, any one or more of the directors may be removed with or without cause by the affirmative vote of Members eligible to vote casting not less than two-thirds (2/3) of the total votes represented at such meeting in person or by proxy, and a successor may then and there be elected by the Members to fill the vacancy. Any director whose removal has been proposed to or by the Members shall be given an opportunity to be heard at the meeting.

**Section 4.4 Vacancies on Board of Directors.** Subject to Declarant's right to appoint all directors until the Class B Membership has terminated, all

vacancies on the Board shall be filled by a vote of the majority of the remaining directors, even though less than a quorum. Each person elected to fill a vacancy shall serve as a director until a successor is elected at the next annual meeting of the Members and the first meeting of the new Board has been held.

**Section 4.5 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 (4th) 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 (4th) missed meeting. If 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 thirty (30) days delinquent in the payment of any Assessment, and such delinquency shall automatically constitute a resignation by such director on the thirty-first (31st) day of the delinquency.

**Section 4.6 Regular Meetings.** The Board may hold regular meetings at such time and place as a majority of the directors shall designate. Notice of regular meetings shall be given to each director personally or by mail, telephone or facsimile transmission at least five (5) days prior to the date designated for such meeting.

**Section 4.7 Powers and Duties.** The Board shall have all powers necessary and shall be responsible for the administration of the affairs of the Association, and may do all such acts and things as are not by law, by the Declaration, by the Articles or by these Bylaws directed to be exercised solely by the Members. The powers of the Board shall include, but not be limited to, the following:

- (a) To set, levy, collect, use and expend Assessments to carry out the purposes and powers of the Association;
- (b) To hire, employ, dismiss and control the personnel necessary for the maintenance and operation of Lots and Common Areas, including the right and power to employ attorneys, accountants, contractors and other professionals as the need arises;
- (c) To make and amend rules and regulations respecting the operation, use and maintenance of Lots and Common Areas;

- (d) To contract for the management of the Association and to delegate to the manager all or a portion of the powers and duties of the Association;
- (e) To engage in the management of the business affairs of the Association;
- (f) To use, disburse and expend the proceeds of the Assessments in the exercise of its powers and duties;
- (g) To maintain, repair, replace and operate the Common Areas and to fulfill its obligations with respect to other Areas of Association Responsibility;
- (h) To reconstruct improvements after casualty loss and to make further improvements to the Project;
- (i) To establish committees of the Board and delegate to such committees the Board's authority to carry out certain duties of the Board;
- (j) To enforce, by legal means if necessary, the provisions of the Declaration, the Articles, the Bylaws, the Rules and Regulations, the Architectural and Landscaping Guidelines and any other documents and law respecting the Association and the Project;
- (k) To pay taxes and assessments which are liens against any part of the Common Areas;
- (l) To pay the cost of all power, water, sewer and other utility services supplied to the Common Areas and not metered and billed to individual Lots;
- (m) To elect the officers of the Association;
- (n) To prepare the annual and other budgets;
- (o) To establish and collect the Assessments and to enforce such charges by recording Assessment liens and initiating foreclosure proceedings in regard thereto;
- (p) To borrow monies for the proper operation of the Association and the performance of its duties when Assessments actually collected from

Owners are insufficient for such purposes, and to repay all loans on terms acceptable to the Board;

- (q) To obtain necessary insurance for the Common Areas;
- (r) To grant, obtain, hold or relocate easements for the benefit of the Owners and Occupants;
- (s) To open bank accounts on behalf of the Association and to designate the signatories therefor; and
- (t) To invest any excess funds held or controlled by the Association.

**Section 4.8 Special Meetings.** Special meetings of the Board may be called by the President or Secretary or by two-thirds (2/3) of the directors on three (3) days notice to each director, given personally or by telephone or facsimile transmission, which notice shall state the time, place and purpose of the special meeting.

**Section 4.9 Waiver of Notice.** Before, at or after any meeting of the Board, 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 the director of the time and place thereof. If all of 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 4.10 Board of Directors Quorum.** At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called, and no new notice shall be required for any such adjourned meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

**Section 4.11 Fidelity Bonds.** The Board may require that all officers and employees of the Association who handle or are responsible for Association funds, and all other Persons designated in the Declaration, shall furnish adequate fidelity bonds or coverage, as determined by the Board. The premiums due on such bonds or coverage shall be paid by the Association.

**Section 4.12 Board Action in Lieu of Meeting.** Unless otherwise expressly restricted by statute, the Declaration, the Articles or these Bylaws, any

action required or permitted to be taken at a meeting of the Board or any committee thereof may be taken without a meeting if all directors or committee members, as appropriate, consent thereto in writing. Each such consent shall be filed with the minutes of proceedings of the Board or the committee.

**Section 4.13 Compensation.** No compensation shall be paid to directors or officers of the Association for their services as directors or officers. No remuneration shall be paid to a director or an officer for services performed for the Association in any other capacity unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board before the services are undertaken. Directors and officers of the Association may be reimbursed for any reasonable actual expenses incurred on behalf of the Association in connection with their duties as officers or directors.

## **ARTICLE V** **Officers**

**Section 5.1 Elected Officers.** The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. Following termination of the Class B Membership pursuant to the Declaration, each officer shall be an Owner or a representative designated by a group of Owners in accordance with Section 2.3 hereof or an individual designated by a corporate, partnership or other non-individual Owner. A person may hold more than one office, except that the offices of President and Secretary shall not be held by the same person simultaneously.

**Section 5.2 Term.** The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. If any office becomes vacant for any reason, the vacancy shall be filled by the Board at any regular or special meeting of the Board.

**Section 5.3 President.** The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members and of the Board. The President shall have the executive powers and responsibility for general supervision over the affairs of the Association, including but not limited to the power to appoint committees from among the Members to assist in the conduct of the affairs of the Association.

**Section 5.4 Vice President.** The Vice President shall take the place of the President and perform all of the duties of the President whenever the President is absent or unable to act. The Vice President shall also perform such other duties as may be imposed on the Vice President from time to time by the Board.

**Section 5.5 Secretary.** The Secretary shall (a) issue notices of all meetings of the Members and the Board; (b) attend and keep the minutes of such meetings; (c) have charge of all of the Association's books, records and papers, including the Member list; and (d) perform such other duties as may be imposed on the Secretary from time to time by the Board.

**Section 5.6 Treasurer.** The Treasurer shall have custody of and shall keep full and accurate account of all receipts and disbursements of the Association in books belonging to the Association and shall deposit all monies and other valuable effects in the name of and to the credit of the Association in such depositories as may be designated from time to time by the Board. The Treasurer may delegate the collection, deposit and disbursement of monies by establishing a reasonable method of accounting, which shall be reviewed by the Board on a monthly basis. All books of account shall be kept on a consistent basis in accordance with generally accepted accounting practices. The Treasurer shall also perform such other duties as may be imposed on the Treasurer from time to time by the Board.

## **ARTICLE VI** **Fiscal Management**

**Section 6.1 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 6.2 Budget.** The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated cash requirements, income and required borrowings, if any, of the Association for the year. The annual budget shall also provide for a reserve for contingencies for the year and for future years and an adequate reserve for maintenance, repairs and replacements of those Common Areas that must be replaced on a periodic basis, as determined by the Board. To the extent that the Assessments and other cash income collected from the Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall be taken into account in determining the annual budget. The estimated annual budget for each fiscal year shall be approved by the Board, and a copy thereof shall be furnished by the Board to each Owner at the annual meeting of the Members or at any other time upon the request of any Member.

**Section 6.3 Assessments.** Each Owner shall pay the Owner's share of the Assessments and other charges as required by the Declaration, subject, however, to the exemptions provided for in the Declaration regarding Declarant and Optionor.

**6.3.1 Statement of Annual Assessments.** The Assessments shall be payable annually or in installments as set by the Board. Upon determining the amount of any Assessment, 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 Assessment on or before the due date. All Assessments shall be payable to the Association. If 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 Assessments for the preceding year, on or before the due dates for the current year.

**6.3.2 Additional Assessments.** Subject to certain limitations in the Declaration, the Board may increase the Annual Assessments to meet the Association's expenses which exceed the amounts previously budgeted, if the Board determines that such assessments become necessary or desirable during the fiscal year. The Board may also levy Special Assessments as authorized by, and in accordance with, the Declaration. All Assessments shall be payable upon such notice as the Board may determine.

**6.3.3 Obligation.** No Owner shall be relieved of the obligation to pay Assessments by abandoning or failing to use the Owner's Lot or the Common Areas. Any Person who becomes an Owner after 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 shall remain liable for all unpaid and delinquent Assessments levied against the Owner of the Lot prior to such transfer of ownership.

**6.3.4 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 Assessment or installment thereof, not paid when due (a "Delinquent Amount"). Such sanctions include, but are not limited to, the following:

(a) **Late Charges.** Any Delinquent Amount not paid within ten (10) days after the due date shall have added thereto a late charge from the due date until paid at the greater rate of (i) fifteen percent (15%) per annum or (ii) two percent (2%) per annum over the prime rate of Bank One, Arizona, NA, or its successor, together with all costs and reasonable attorneys' fees incurred by the Association in seeking to collect such Delinquent Amount;

(b) **Suspension of Rights.** The Board may suspend for the entire period during which a Delinquent Amount remains unpaid the obligated Owner's voting rights and rights to use and enjoy the Common Areas;

(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 or its representative for the 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 lien against the Lot in accordance with then prevailing Arizona law relating to the foreclosure of realty mortgages (including the right to recover any deficiency).

**6.3.5 Assessment Lien.** It shall be the duty of every Owner to pay all Assessments with respect to the Owner's Lot in the manner provided herein and in the Declaration. Such Assessments, together with late charges and costs of collection as provided for herein and in the Declaration, shall, until paid, be a charge and continuing servitude and lien upon the Lot against which such Assessments are made; provided, however, that the lien for such Assessments 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, interest thereon, costs of collection thereof and reasonable agency fees and attorneys' fees.

**6.3.6 Suit.** The Association shall be entitled to maintain suit to recover a money judgment for unpaid Assessments without a foreclosure of the lien for such Assessments, and the same shall not constitute a waiver of the lien for such Assessments.

**Section 6.4 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, 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 (a) all Assessments (including collection fees, interest, costs and attorneys' fees, if any) have been paid with respect to the Lot of such Owner or (b) if any such amounts have not been paid, the amount(s) then due and payable. The Association may impose a reasonable charge for the issuance of such a statement which must be paid at the time the request for such certificate is made.

**Section 6.5 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, those Owners that 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 6.6 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 6.7 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 in writing 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. 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 6.8 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.

**ARTICLE VII**  
**Obligations of Members**

**Section 7.1 Maintenance and Repair.**

**7.1.1 Maintenance.** Every Owner and Occupant shall perform promptly all maintenance and repair work required by the Declaration, the Rules and Regulations, the Architectural and Landscaping Guidelines and these Bylaws. 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.

**7.1.2 Reimbursements.** 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 damaged through the willful or negligent act or omission of such Owner or an Occupant of Owner's Lot.

**Section 7.2 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 7.1.1, 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 7.3 Use of Common Areas.** The Common Areas shall be used for only such purposes as may be permitted by the Declaration, the Articles, the Rules and Regulations or these Bylaws. All Owners and Occupants shall abide by such rules as the Board may from time to time adopt relating to the time, manner and nature of the use of the Common Areas.

**ARTICLE VIII**  
**Amendments**

These Bylaws may be amended by a majority vote of the Members then eligible to vote who are present at any duly called regular or special meeting of the Members; provided, however, that the notice of the meeting shall contain a statement of the proposed amendment. Notwithstanding the foregoing, these Bylaws shall not be amended to contain any provision which would be contrary to or inconsistent with the Declaration or the Articles as in effect from time to time; and any provision of, or purported amendment to, these Bylaws which is contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of such inconsistency.

**ARTICLE IX**  
**Liability Survives Termination of Membership**

The termination of Membership in the Association shall not (a) relieve or release a former Member from any liability or obligation under the Declaration or in any way connected with the Association, which is incurred by the former Member during the period of Membership, or (b) impair any rights or remedies the Association may have against the former Member with respect to such liability or obligation.

**ARTICLE X**  
**Limitation of Liability**

Notwithstanding any duty the Association may have to maintain and repair the Areas of Association Responsibility, the Association shall not be liable for injury or damage caused by a latent condition therein or by any Owner or Occupant or other Person.

**ARTICLE XI**  
**Construction**

**Section 11.1 Priorities.** Unless otherwise provided, any inconsistencies or conflicts among the provisions of the Arizona Revised Statutes or other applicable law, the Declaration, the Articles, the Rules and Regulations and these Bylaws shall be resolved by giving priority first to the Arizona Revised Statutes or other applicable law, second to the Declaration, third to the Articles, fourth to the Rules and Regulations and fifth to the Bylaws.

**Section 11.2 Disputes.** If any dispute or disagreement arises between or among any Owners relating to the interpretation or application of the provisions of the Declaration, the Articles, the Rules and Regulations or these Bylaws, or any questions of interpretation thereof or any inconsistencies therein, the determination thereof by the Board shall be final and binding.

ADOPTED by the Board of Directors of The Preserve Owners' Association at Scottsdale, Arizona, this 8th day of December, 1997.

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Chris Graham

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Roger Zetah

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Irene Carroll

## CERTIFICATION

The undersigned does hereby certify:

THAT I am the duly elected and acting Secretary of The Preserve Owners' Association, an Arizona nonprofit corporation; and

THAT the foregoing Bylaws constitute the Bylaws of such corporation, as duly approved and adopted at a meeting of the Board of Directors of the Association held on the 8th day of December, 1997.

IN WITNESS WHEREOF, I have hereunto subscribed my name as of the 8th day of December, 1997.

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Chris Graham, Secretary