

BYLAWS OF  
SANTUARIO HOMEOWNERS ASSOCIATION

ARTICLE I  
PLAN OF LOT OWNERSHIP

1. Name and Location.

These Bylaws shall constitute the Bylaws of Santuario Homeowners Association (the "Association"), a corporation formed pursuant to a Declaration of Covenants, Conditions, Restrictions and Easements now or hereafter recorded in the records of the County Recorder of Maricopa County, Arizona, as and if amended (the "Declaration"), for that subdivision known as Santuario (the "Project").

2. Personal Application.

All present or future Owners, tenants, future tenants, or their employees, or any other Persons who might use the facilities of the Project in any manner, are subject to the regulations of these Bylaws as set forth herein.

3. Nonprofit Corporation.

The Association is an Arizona nonprofit corporation, and is organized and existing under and by virtue of the laws of the State of Arizona as same pertains to the application of corporate activities and the Project. The office of the Association shall be located at 7001 North Scottsdale Road, Suite 2050, Scottsdale, Arizona 85253, but meetings of the members and directors may be held at such places within the State of Arizona, County of Maricopa, as may be designated by the Board.

4. Terms.

The terms utilized in these Bylaws shall, except as otherwise provided herein, have the meanings set forth in the Declaration.

ARTICLE II  
MEETINGS OF THE MEMBERSHIP

1. Place.

All meetings of the Members shall be held at the Project, or at such other place as shall be designated by the Board and stated in the Notice of Meeting.

2. Annual Meeting.

An annual meeting of Members shall be held at the Project, Scottsdale, Maricopa County, Arizona during the month of March of each year, for the purpose of electing directors and transacting other business authorized to be transacted by the Members.

3. Special Meetings.

Special meetings of the Members, for any purpose or purposes, may be called by the President or the Board, or upon written request of the Members who are entitled to vote one-fourth (1/4) or all of the votes of the Class "A" Members.

4. Notices and Quorums.

Written notice of any annual or special meeting shall be sent to all Members not less than fifteen (15) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast thirty percent (30%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. Written notice of each such meeting shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, to each Member entitled to vote at such 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. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Quorum is  
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5. Proxies.

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

6. Membership and Rights.

The Members of the Association and their voting rights shall be as provided in the Declaration.

7. Informal Action.

Any action required to be taken at a meeting of the Members, or any other action which may be taken at such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

8. Irregularities.

All information and/or irregularities in calls, notices of meetings and in the manner of voting, form of proxies, credentials, and method of ascertaining those present, shall be deemed waived if no objection is made at the meeting or if waived in writing.

9. Record Date.

For the purpose of determining Members entitled to notice of or to vote at any meeting of Members, or in order to make a determination of Members for any other purpose, the Board, at its election, may provide that the membership books shall be closed for a stated period, but not to exceed in any case fifteen (15) days prior to the event concerned.

ARTICLE III  
BOARD OF DIRECTORS

1. Number and Term of Office.

The Board shall consist of not less than three (3) nor more than seven (7) Members. Except for the initial Board and for so long as there is a Class B Membership, each member of the Board shall be an Owner of a Lot or, if an Owner is a corporation, partnership, trust or other legal entity, the member of the Board (a "Director") may be a representative thereof. Declarant shall appoint the Directors at each annual meeting until the Transition Date. On or before the Transition Date, Declarant may elect, at Declarant's sole discretion, to have one or more of the Directors elected by Class A Members. At the first election of Directors after the Transition Date, the Directors shall be divided into three (3) classes, which shall contain as nearly as possible an equal number of members. The Members shall elect Class I Directors for a three (3) year term, Class II Directors for a two (2) year term and Class III Directors for a one (1) year term; and at each annual meeting thereafter, the Members shall elect the number of directors as is appropriate to replace those Directors whose terms have expired and to maintain staggered terms for the Directors for a term of three (3) years each.

2. Organizational Meeting.

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

3. Removal of Directors.

On or before the Transition Date, no Board Member may be removed without the approval of the Declarant. At any time after the first annual meeting of the Members, and after the Transition Date, any one or more of the Directors may be removed from the Board with or without cause by the affirmative vote of the voting Members casting not less than two-thirds of the total vote present at such meeting, and a successor may then and there be elected to fill the vacancy.

4. Vacancies on Board of Directors.

If the office of any Director or Directors becomes vacant by reason or death, resignation, retirement, disqualification, removal from office, disability or otherwise, a majority of the remaining Directors, though less than a quorum, shall choose a successor or successors within thirty (30) days of vacancy occurring, who shall hold office for the balance of the unexpired term.

5. Disqualification and Resignation of Directors.

Any Director may resign at any time by sending written notice of such resignation to the office of the Corporation delivered to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt by the Secretary. Except in the case of injury, illness or similar circumstances, more than three (3) consecutive absences from regular meetings of the Board by any Director shall empower the other Directors to immediately remove the absent Director, effective as of the conclusion of the last missed meeting. In the event a Director ceases to be an Owner of a Lot or have an interest therein, the directorship shall immediately and automatically terminate. No Director shall continue to serve on the Board should he be more than thirty (30) days delinquent in the payment of an Assessment or in violation of the Declaration or Architectural Guidelines and said delinquency or violation shall automatically constitute a resignation effective when such resignation is accepted by the Board.

6. Regular Meetings.

The Board shall establish a schedule of regular meetings to be held at such time and place as the Board may designate. Notice of such regular meetings shall nevertheless be given to each Director personally, or by mail, telephone or telegraph, at least five (5) days prior to the day named for such meeting.

7. Special Meetings.

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

8. Notices.

Until termination of the Class B membership, regular meetings of the Board may be held with or without notice at such time and place as is determined from time to time by the Board. For meetings of the Board that are held after the Transition Date, notice to Owners of meetings of the Board shall be by newsletter, conspicuous posting or any other reasonable means as determined by the Board. Notice to Owners of meetings of the Board is not required if emergency circumstances require action by the Board before notice can be given. Any notice of a Board meeting shall state the time and place of the meeting.

9. Waiver of Notice.

Before or at 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 him or the time and place thereof, except when a Director attends for the express purpose of objecting to lack of notice. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

10. Board of Directors' Quorum.

At all meetings of the Board, a majority of all the Directors shall constitute a quorum for the transaction of business, and every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. If at any meeting of the Board, there should be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

11. Fidelity Bonds.

The Board shall require that all officers, employees, accounting or managing agents of the Association handling or responsible for Association funds, and all other persons designated by the Declaration, furnish adequate fidelity bonds or coverage. The premiums on such bonds or coverage shall be paid by the Association.

12. Powers and Duties.

The Board shall have the powers and duties necessary for the administration of the affairs of the Corporation. These powers shall include the following:

- (a) To make Assessments as authorized by the Declaration and to collect, use and expend the Assessments to carry out the purposes and powers of the Association;
- (b) To employ, dismiss and control a manager, an independent contractor, or such other personnel, including attorneys, accountants, contractors and other

professionals as they deem necessary, prescribe their duties, and delegate such powers as they deem advisable to the manager or other authorized agent (and any such employees or other personnel who may be the employees of a managing agent);

- (c) To adopt Rules and Regulations governing the use of the Common Areas and facilities, and the personal conduct of the Members and their guests thereon and to establish penalties for the infraction thereof;
- (d) To exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;
- (e) To maintain, repair and make necessary improvements to the Common Areas;
- (f) To enforce by legal means, if necessary, the provisions of the Declaration, the Articles of Incorporation, the Bylaws and the Rules, and other documents and laws respecting the Association and the Project;
- (g) To pay taxes and Assessments which are liens against any part of the Project, other than individual Lot(s);
- (h) To pay the cost of all power, water, sewer and other utility services for the Common Area of the Association;
- (i) To select the officers of the Association;
- (j) To authorize the compliance with all reporting, information furnishing and similar requirements imposed on the Association by law; and
- (k) To suspend the voting rights and right to use Common Areas and recreational facilities of a Member during any period in which such Member shall be in default in the payment of any Assessment levied by the Association or for violation of the Project documents for more than thirty (30) days, including but not limited to the Rules adopted by the Board. Such rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days for infraction of the Rules. However, such suspension shall continue as long as the violation exists.

13. Standard of Care

In all actions by a Director in connection with the authority and powers granted to the Board by the Declaration, including but not limited to, management, personnel, maintenance and operations, interpretation and enforcement of the Declaration, the development of rules and restrictions, insurance, contracts and finance, and design review, such Director shall act in good faith, in a manner the Director reasonably believes to be in the best interest of the Association and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

When discharging his or her duties, a Director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by any of the following, so long as the Director acts without knowledge that would cause such reliance to be unwarranted:

- (a) One or more officers or employees of the Association whom the Director reasonably believes are reliable and competent in the matters presented;
- (b) Legal counsel, public accountants or other persons as to matters the Director reasonably believes are within the person's professional or expert competence;
- (c) A committee of or appointed by the Board, of which the Director is not a member, which committee if the Director reasonably believes the committee merits confidence.

This section is intended to be a restatement of the business judgment rule established in applicable law as it applies to the Association. All amendments, modifications, restatements and interpretations of the business judgment rule applicable to the Association shall be interpreted to amend, modify, restate or interpret this section.

14. Informal Action

Any action required to be taken at a meeting of the Directors, or any other action which may be taken at such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the Directors.

ARTICLE IV  
OFFICERS

1. Enumeration and Election of Officers.

The principal officers of the Association shall be a president, a vice president, a secretary and a treasurer. Each officer may be an Owner of a Lot or, if an Owner is a corporation, partnership, trust or other legal entity, the officer may be a representative thereof. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

2. Term.

The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

3. 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. 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 therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5. Multiple Offices.

The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 3 of this Article.

6. The President.

The president shall be the chief executive officer of the Association; shall preside at all meetings of the Member and of the Board; shall have executive powers and general supervision over the affairs of the Association; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and may cosign all checks and promissory notes.

7. The Vice President.

The vice president shall perform all of the duties of the president in his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him from time to time by the Board.

8. The Secretary.

The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; 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.

9. The 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; may sign all checks and promissory notes of the Association; keep proper books of account;



cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy to each of the Members. The treasurer shall be allowed to 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.

10. Initial Officers.

The initial officers of the Association shall be:

Jessica Ganly	President
Steve Curtis	Vice President
Todd Denen	Secretary/Treasurer

who shall serve until their successors are appointed and qualified.

ARTICLE V  
FISCAL MANAGEMENT

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 professional accounting or management company as may be designated by the Board.

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 common expenses for the Project ("Common Expenses") and cash requirements for the year. The estimated annual budget shall not include those utility expenses which are the obligation of the individual Owners. The annual budget shall also take into account the estimated net available cash income for the year from the operation or use of any of the Common Areas. The annual budget shall also provide for a reserve for contingencies for the year 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 copies thereof shall be furnished by the Board to each Owner not later than thirty (30) days before the beginning of such year.

3. Records and Statements of Account.

The Board, under the direction of the treasurer, shall cause to be kept detailed and accurate records in chronological order of the receipts and itemized expenditures affecting the Common Areas and the Project, in accordance with generally accepted accounting practice. All records shall be available for examination by the Owners at convenient hours designated by the Board. The Board shall, upon receipt of ten (10) days notice to it or the Association, furnish to each Owner a statement of his account setting forth the amount of any unpaid Assessments or other charges due and owing from such Owner. A reasonable fee may be charged to the requesting owner to cover administrative costs for such statement.

4. Fiscal Year.

The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board.

5. Contracts.

Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the president or vice president and countersigned by the secretary or Managing Agent after said contract was approved by the Board.

ARTICLE VI  
FORECLOSURE

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

ARTICLE VII  
AMENDMENTS OF THE BYLAWS

These Bylaws may be amended by the affirmative vote of a majority of the Board. These Bylaws shall not be amended to contain any provisions that would be contrary to or inconsistent with the Declaration or the Articles, and any provisions or purported amendment or modification to these Bylaws which is contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of the inconsistency.

ARTICLE VIII  
CONSTRUCTION

1. Conflicts.

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

2. Disputes.

In the event of any dispute or disagreement between any Owners relating to the Project, or any questions, or interpretation or application of the provisions of the Articles of Incorporation, Declaration, or these Bylaws, the resolution thereof shall be determined in accordance with the terms of the Declaration.

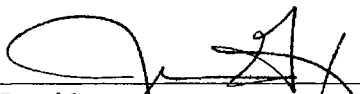
ARTICLE IX  
LIABILITY SURVIVES TERMINATION OF MEMBERSHIP


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


ARTICLE X  
LIMITATION OF LIABILITY

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

ADOPTED By the Board of Directors of Santuario Homeowners Association  
HOMEOWNERS' ASSOCIATION, at Scottsdale, Arizona, this 27 day of February,  
2004.

  
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President

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Secretary/Treasurer