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HACIENDA REAL

BY-LAWS OF
HACIENDA REAL

DEC 03 1979

REAL ESTATE DEPT.

I. Application of By-Laws

All present and future Owners, Mortgagees, lessees and occupants of lots and their agents, servants and guests, and any other persons who may use the Common Areas of the Property in any manner are subject to the Declaration, these By-Laws and Rules and Regulations made pursuant hereto and any amendment to these By-Laws upon the same being passed and duly recorded.

The acceptance of a deed of conveyance or the entering into of a lease or the act of occupancy of a lot shall constitute an agreement that these By-Laws and any Rules and Regulations made pursuant hereto and the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

II. Board of Directors

The affairs of Hacienda Real Homeowner's Association shall be conducted by a board of not less than two (2) nor more than seven (7).

A. Election

At each annual meeting, the Owners shall elect directors for the forthcoming year; provided, however, the first Board of Directors elected hereunder may be elected at a special meeting duly called, said Board of Directors to serve until the first annual meeting held thereafter. At least thirty (30) days prior to the first annual meeting, and all subsequent annual meetings, the Board of Directors shall select from the Owners a Nominating Committee of not less than two (2) members nor more than five (5), and such Nominating Committee shall recommend to the annual meeting one (1) nominee for each position on the Board of Directors to be filled at that particular annual meeting. No Owner serving on the Board of Directors shall be eligible to serve on the said Nominating Committee. Nominations for the Board of Directors may also be made by petition filed with the Secretary at least seven (7) days prior to the annual meeting, which petition shall be signed by ten or more Owners, including a letter signed by the nominee(s) named therein indicating his (their) willingness to serve as a member of the Board of Directors if elected. Members of the Board of Directors shall not be required to be Owners and at least one member of the Board shall be a resident of Maricopa County.

B. Term

Members of the Board of Directors shall serve for a term of one (1) year or until their successors are elected, or until their death, resignation or removal. Members of the Board of Directors may be reelected for another term of one (1) year for a total period not to exceed three (3) years.

C. Resignation and Removal

Any member of the Board of Directors may resign at any time by giving written notice to the President of the Association. Board Members may be removed from membership on the Board of Directors by an affirmative vote of Owners having

60% of the total voting power as determined under the Articles of Incorporation. Whenever there shall occur a vacancy on the Board of Directors due to death, resignation, removal or any other cause, the remaining Director or Directors shall elect a successor Director to serve until the next annual meeting of the Owners at which time said vacancy shall be filled for the unexpired term in the manner provided in Paragraph A above.

D. Compensation

The Board of Directors shall receive no compensation for their services unless expressly provided for by the Board with the approval of the Owners having 2/3 of the total voting power as determined under the Articles of Incorporation.

E. Powers and Authority of the Board of Directors

The Board of Directors, for the benefit of Hacienda Real Homeowner's Association and the Owners, shall: (1) enforce the provisions of the Declaration, By-Laws and Rules and Regulations governing the Property; (2) adopt and publish rules and regulations governing the use of the Common Areas and facilities and the personal conduct of the Owners and their guests, and establish penalties for the infraction thereof; (3) suspend the voting rights and right to use of the Common Areas and facilities of an Owner during any period in which such Owner shall be in default in the payment of any assessment levied by the Association; (4) exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Owners by other provisions of these By-Laws, the articles of Incorporation or the Declaration of Covenants, Conditions and Restrictions; and (5) subject to the provisions of article III hereof, shall acquire or arrange for and pay for out of the Common Area Expense Fund the following:

(a) If necessary, the services of a Manager to manage its affairs as provided in Article VIII hereof, to the extent deemed advisable by the Board of Directors, as well as such other personnel as the Board of Directors shall determine shall be necessary or proper for the operation of the Common Areas, whether such personnel are employed directly by the Board of Directors or are furnished by the Manager.

(b) Water, sewer, garbage collection, electrical, telephone and gas and other necessary utility service for the Common Areas (and to the extent not separately metered or charged, for the lots and Common Areas);

(c) Legal and accounting services necessary or proper in the operation of the Common Areas or the enforcement of the Declaration;

(d) A policy or policies of fire insurance, with extended coverage endorsements, for the full insurable replacement value of the lots and Common Areas, or such other fire and casualty insurance as the Board of Directors shall determine gives substantially equal or greater protection to the Owners and their Mortgagees. The limits and coverage of such policies shall be reviewed at least annually by the Board of Directors and increased in its discretion. Insurance proceeds shall be payable and applicable as provided in the Declaration.

(e) A policy or policies of public liability insurance insuring the Board of Directors, the Owners and the Manager against any liability to any person or persons, incident to the ownership and/or use of the Property. Such policy or policies shall be consistent with the provisions of Section 19

of the Declaration. Limits of liability under such insurance shall not be less than \$1,000,000.00 for any one or more persons injured in any one accident, and shall not be less than \$1,000,000.00 for the property damage for each occurrence (such limits and coverage to be reviewed at least annually by the Board of Directors and increased at its discretion). Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsement wherein the rights of any named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured;

(f) A fidelity bond naming the Manager and such other persons as may be designated by the Board of Directors as principals and the Owners as obligees in an amount to be determined by the Board of Directors;

(g) Workmen's compensation insurance to the extent necessary to comply with applicable laws;

(h) Painting, maintenance, repair and all landscaping of the Common Areas, and such furnishings and equipment for the Common Areas as the Board of Directors shall determine are necessary and proper, and the Board of Directors shall have the exclusive right and duty to acquire the same for the Common Areas; provided, however, that the interior surfaces of each lot shall be painted, maintained and repaired by the Owner thereof, all such maintenance to be at the sole cost and expenses of that particular Owner;

(i) Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board of Directors is required to secure or pay for pursuant to the terms of the Declaration or By-Laws or which in its opinion shall be necessary or proper for the operation of the Common Areas or for the enforcement of the Declaration, provided, that if any such materials, supplies, labor services, maintenance, repairs, structural alterations, insurance, taxes or assessments are provided for particular lots, the cost thereof shall be specifically assessed to the Owners of such lots.

(j) Maintenance and repair of any lot, if such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the Common Areas or preserve the appearance and/or value of the Property, and the Owner of said lot has failed or refused to perform said maintenance or repair within a reasonable time after written notice of the necessity therefor delivered by the Board of Directors to said Owner, provided that the Board of Directors shall levy a special assessment against the lot of such Owner for the cost of said maintenance or repair;

(k) The Board of Directors shall have the exclusive right to contract for all goods, services and insurance, payment for which is to be made from the Common Area Expense Funds. This provision shall not be construed to prohibit the Board of Directors from delegating such authority to the Manager as it deems proper.

F. Additional Powers of the Board of Directors

The Board of Directors shall have the right to acquire, operate, lease, manage and otherwise trade and deal with the property, real and personal, including lots as may be necessary or convenient in the operation and management of the Property, and in accomplishing the purposes set forth in the Declaration.

G. Regular Meetings of the Board of Directors and Notice

Any two (2) members of the Board of Directors shall always constitute a quorum, if such Board of Directors is five (5) or less in number, and any three (3) members of the Board of Directors shall always constitute a quorum if such Board of Directors is six (6) or seven (7) in number, and if a quorum is present, the decision of a majority of those present shall be the act of the Board of Directors. Regular meetings may be held without notice.

H. Special Meetings of the Board of Directors and Notice

Special meetings of the Board of Directors may be called by or with the request of the President or by any two Board members. Such meetings may be held either within or without the State of Arizona. The person or persons calling for a special meeting of Directors shall at least ten (10) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called; if an agenda is prepared for such a meeting, the meeting need not be restricted to discussions of those items listed on the agenda.

I. Action Taken Without a Meeting

The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the Directors. Any action so approved shall have the same effect as though taken at a regular or special meeting of the Directors.

J. Waiver of Notice

Any member of the Board of Directors may, at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all the members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

K. Notice of Election

After the first election of the Board of Directors, the President thereof shall execute, acknowledge and record an affidavit stating the names of all of the members of the Board of Directors. Thereafter, any two persons who are designated of record as being members of the most recent Board of Directors (regardless of whether or not they shall still be members) may execute, acknowledge, and record an affidavit stating the names of all of the members of the then current Board of Directors; provided that, in the event of the disability or other incapacity of two such persons, the President shall be empowered to execute the aforesaid affidavit. The most recently recorded of such affidavits shall be prima facie evidence that the persons named therein are all of the incumbent members of the Board of Directors and shall be conclusive evidence thereof in favor of all persons who rely thereon in good faith.

L. Fiscal Year

The fiscal year shall be as determined by the Board of Directors.

III. Creation of Officers of Association of Owners

The officers of the Association shall be a President, Vice President, Secretary and Treasurer. The offices of Secretary and Treasurer may, by direction of the Board of Directors, be combined as one office. No officer shall be required to be an Owner. The President must be a member of the Board of Directors. No officer shall receive compensation for serving as such. Officers shall be annually elected by, and may be removed and replaced by the Board of Directors. The Board of Directors may in its discretion require that officers be subject to fidelity bond coverage.

A. President

The President shall preside at all meetings of the Association and of the Board of Directors and may exercise the powers of a presiding officer of an association including the appointment of committees.

B. Vice President

The Vice President shall perform the functions of the President in the absence or inability of the President.

C. Secretary

The Secretary shall keep minutes of all proceedings of the Board of Directors and of the meetings of the Association and shall keep such books and records as may be necessary and appropriate for the records of the Association and its Board of Directors.

D. Treasurer

The Treasurer shall be responsible for the fiscal affairs of the Association, but may delegate the daily handling of income and expense payments to the authorized manager employed by the Association.

IV. Meetings of the Association

The presence in person or by proxy at any meeting of the Association holding 10% of the total voting power (as determined under the Articles of Incorporation), shall constitute a quorum. In the event that the total number of Owners present do not hold at least 10% of the total voting power, the meeting shall be adjourned for 24 hours, at which time it shall reconvene and any number of Owners present at such subsequent meeting shall constitute a quorum. Unless otherwise expressly provided in the Declaration, any action may be taken at any meeting of the Association upon the affirmative vote of a majority of the voting power of the Owners present and voting provided that a quorum is present as provided for above.

A. Annual Meeting

There shall be a meeting of the Association on the ninth (9th) day of November of each year commencing with the year 1980, at 6:00 p.m. at Hacienda del Rey or at such other reasonable place or time (not more than 30 days before or after such date) as may be designated by written notice of the Board of Directors delivered to the Owners not less than 15 days prior to the date fixed for said meeting. At or prior to such meeting, the Board of Directors shall furnish to the Owners a budget for the current fiscal year that shall itemize the estimated Common Area Expenses for the fiscal year with the estimated

allocation thereof to each Owner, and a statement of the Common Area Expenses, itemizing receipts and disbursements, for the preceding fiscal year, together with the allocation thereof to each Owner.

B. Special Meetings

Special meetings of the Association may be called at any time for the purpose of considering matters which by the terms of the Declaration, require the approval of all or some of the Owners, or for any other reasonable purpose. Said meetings shall be called by written notice, signed by a majority of the Board of Directors, or by the Owners holding 2/3 of the total voting power (as determined under the Articles of Incorporation) and delivered not less than 15 days prior to the date fixed for said meeting. Said notices shall specify the date, time and place of the meeting, and the matters to be considered thereat.

C. Parliamentary Rules

Robert's Rules of Order (latest edition) shall govern the conduct of all meetings when not in conflict with the Declaration of these By-Laws.

V. Maintenance, Repair and Replacement of Common Areas

It shall be the responsibility of the Board of Directors to determine questions relating to the maintenance, repair and replacement of all Common Areas. Except for the maintenance, repair and replacement of the Common Areas contemplated by the preceding sentence and Section 6 of the Declaration relating to casualty damages, there shall be no structural alterations of, capital additions to, or capital improvements of the Common Areas requiring expenditures aggregating in excess of \$10,000.00 in any fiscal year without first submitting the matter for consideration and approval at any annual or special meeting of the Association. Notwithstanding the foregoing, the Board of Directors shall have the power to make any structural alterations of, capital additions to, or capital improvements of the Common Areas without submitting the matter for approval of the Owners if, in the Board of Directors reasonable judgment, such action must be taken without delay in order to prevent or minimize loss from further damage or deterioration of the Common Areas.

VI. Common Expenses

A. Assessments

1. Within 30 days prior to the annual meeting, the Board of Directors shall estimate the net charges to be paid during the current fiscal year (including a reasonable provision for contingencies and replacements and less any expected income and any surplus from the prior fiscal year's operation). Said "Estimated Cash Requirement" shall be approved at the annual meeting and assessed monthly to the Owners pursuant to the Declaration and Articles thereof. Each owner (and in this regard Hacienda Real is to be considered an owner of any lot unit to which it has legal title) will be liable for the amount of these General Assessments against his lot unit on the 1st day of the 1st month following the close of owner's escrow with Declarant, provided, however, that Declarant shall become liable for said assessments on the 1st day of the 1st month following completion of construction of any unit. If said estimated sums proved inadequate for any reason, including nonpayment of any Owner's General

Assessments, the Board of Directors may at any time levy a further and additional General Assessment, which shall be assessed to the Owners in like proportion unless otherwise provided herein. Each Owner shall be obligated to pay all General Assessments made pursuant to this paragraph to the Board of Directors on or before the first day of each month, or in such other reasonable manner as the Board of Directors shall designate.

2. The monthly payments made by Owners shall be kept in a separate account known as the Common Area Expense Fund, which may also include such amounts as the Board of Directors may deem proper for general working capital, for the general operating reserve, for a reserve fund for replacements and major maintenance and to make up for any deficit in the Common Area Expenses for any prior fiscal year.

3. All funds collected hereunder shall be expended for the purposes designated in the Declaration or By-Laws.

4. The omission by the Board of Directors before the expiration of any fiscal year to fix the Estimated Cash Requirement hereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of the Declaration or a release of the Owner from the obligation to pay the General Assessments or any installment thereof for that or any subsequent year, but the Estimated Cash Requirement fixed for the preceding year shall continue until a new requirement is fixed. Amendments to this Article VI shall be effective only upon unanimous written consent of the Owners and their Mortgages. No Owner may exempt himself from liability from his contribution towards the Common Area Expenses by waiver of the use or enjoyment of any of the Common Areas or by abandonment of his lot.

5. The Board of Directors or the Manager through the Board of Directors shall keep detailed, accurate records of the receipts and expenditures affecting the Common Areas specifying and itemizing the maintenance and repair expenses of the Common Areas and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by any Owner at convenient hours of week days.

B. Default in Payment of Assessments

Each General Assessment and each Special Assessment shall be separate, distinct and personal debts and obligations of the Owner against whom the same are assessed at the time the assessments are made and shall be collectible as such. The Board of Directors shall have the right to impose a reasonable late charge for nonpayment of Common Area Expense payments within 15 days of the date such payments became due. Suit to recover a money judgment for unpaid Common Area Expenses shall be maintainable without foreclosing or waiving the lien securing the same. The amount of any assessment, whether general or special, assessed to the Owner of any lot unit, plus interest at the highest legal rate permitted by Arizona law and costs, including reasonable attorneys' fees, shall become a lien upon such lot upon recordation of a notice of assessment by the Board of Directors. The said lien for nonpayment of Common Area Expenses shall have priority over all other liens and encumbrances, recorded or unrecorded, except only:

1. Tax and special assessment liens on the lot in favor of any taxing authority, and

2. All sums unpaid on a first Mortgage of record on the lot.

A certificate executed and acknowledged by a majority of the Board of Directors stating the indebtedness secured by the lien provided for under this Section B under any lot shall be conclusive upon the Board of Directors and the Owners as to the amount of such indebtedness on the date of the certificate, in favor of all persons who rely thereon in good faith, and such certificate shall be furnished to any Owner or any encumbrancer or prospective encumbrancer of a lot upon request at a reasonable fee, not to exceed \$10.00. Unless the request for a certificate of indebtedness shall be complied with within ten days, all unpaid Common Area Expenses which became due prior to the date of the making of such request shall be subordinate to the lien held by the person making the request. Any encumbrancer holding a lien on a lot may pay any unpaid Common Area Expenses payable with respect to such lot and upon such payment such encumbrancer shall have a lien on such lot for the amounts paid of the same rank as the lien of his encumbrance.

Upon payment or other satisfaction of a delinquent assessment concerning which such a certificate has been so recorded, the Board of Directors shall cause to be recorded in the same manner as the certificate of indebtedness a further certificate stating the satisfaction and the release of the lien thereof. Such lien for nonpayment of assessments may be enforced by sale by the Board of Directors or by a bank or trust company or title insurance company authorized by the Board of Directors, such sale to be conducted in accordance with the provisions of law applicable to the exercise of powers of sale or foreclosure in deeds of trust or mortgages or in any manner permitted by law. In any foreclosure or sale, the Owner shall be required to pay the costs and expenses for such proceeding and reasonable attorneys' fees.

In case of foreclosure, the Owner shall be required to pay a reasonable rental for the lot and the plaintiff in the foreclosure action shall be entitled to the appointment of a receiver to collect the rental without regard to the value of the mortgage security. The Board of Directors or the Manager acting on its behalf shall have the power to buy the lot at foreclosure or other sale and to hold, lease, mortgage and convey the lot.

VII. Abatement and enjoinder of Violations by Condominium Unit Owners

The violation of any Rules or Regulations adopted by the Board of Directors or the breach of any By-Law contained herein, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth in these By-Laws.

A. To enter the lot in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner or trespass; or

B. To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

VIII. Manager

The Board of Directors may delegate any of its duties, powers or functions (including but not limited to the authority to give the certificate provided for in Article VI B hereof and the authority to give the subordination agreements provided for in Section 11 of the Declaration) for such period of time and pursuant to such terms and conditions as either deems advisable to any person or firm designated to act as manager of the project. Any such delegation which extends beyond the term of office of the delegator shall be binding upon successor Board of Directors. The Board of Directors shall not be liable for any omission or improper exercise by the Manager of any of such duties, powers or functions so delegated by written instrument executed by a majority of the Board of Directors.

IX. Special Committees

The Board of Directors by resolution may designate one or more special committees, each committee to consist of two or more Owners which to the extent provided in said resolution, shall have and may exercise the powers set forth in said resolution. Such Special Committee shall keep regular minutes of their proceedings and report the same to the Board of Directors when required. The members of such Special Committee or Committees designated shall be appointed by the Board of Directors. The Board of Directors may appoint Owners to fill vacancies on any of said Special Committees occasioned by death, resignation, removal or inability to act for any extended period of time.

X. Rules and Regulations

The Board of Directors shall have the right to adopt and amend such Rules and Regulations as may be authorized by the Declaration for the purpose of governing the details of the operation and use of the Common Areas and setting forth restrictions on, and requirements respecting the use and maintenance of lots and Common Areas. Copies of the Rules and Regulations shall be furnished to each Owner prior to the time the same shall become effective.

XI. Audit

Any Owner may at any reasonable time at his own expense cause an audit or inspection to be made of the books of account of the Board of Directors pertaining to the Property. The Board of Directors as a Common Area Expense, shall obtain an annual certified audit of the books of account pertaining to the Property and furnish copies thereof to the Owners.

XII. Interested Directors or Officers

No contract or transaction between the Association and one or more of its Directors or officers, or between the Association and any other corporation, partnership, association or other organization in which one or more of its directors or officers, or have a financial interest, shall be void or voidable solely for such reason, or solely because the Director or Officer is present at or participates in the meeting of the Board which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if:

(a) the material facts as to his interest and as to the contract or transaction are disclosed or are known to the Board of Directors, and the Board in good faith authorizes the

contract or transaction by a vote sufficient for such purpose without counting the vote of the interested director or directors; or

(b) the material facts as to his interest and as to the contract or transaction are disclosed or are known to the member entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Members; or

(c) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors or the Members.

Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes a contract or transaction specified herein.

XIII. Terms

The terms used herein shall have the same meanings as provided in the Declaration.

XIV. Amendment of By-Laws

These By-Laws may be amended by an instrument in writing signed and acknowledged by the record Owners holding 75% of the total voting power (as determined under the Articles of Incorporation) which amendment shall be effective upon recordation with the Recorder of Maricopa County, Arizona.

XV. Interpretation

The provisions of these By-Laws shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the property. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision or any other provision hereof.

XVI. Severability

The provisions hereof shall be deemed independent and severable, and the invalidity of partial invalidity or unenforceability of any other provision hereof.

XVII. Captions

The captions herein are inserted only as a matter of convenience and for reference and in no way to define or limit or describe the scope of these By-Laws nor the intent of any provision hereof.

XVIII. Effective Date

These By-Laws shall take effect upon recording of the Declaration of which they are a part.