

BYLAWS
OF
PASEO VILLAS IMPROVEMENT ASSOCIATION

ARTICLE I

Name and Location

The name of the corporation is PASEO VILLAS IMPROVEMENT ASSOCIATION, hereinafter referred to as the "Association". The principal office of the corporation shall be located at Scottsdale, Arizona. Meetings of members and directors may be held at such places within the state of Arizona, County of Maricopa, as may be designated by the Board of Directors.

ARTICLE II

Definitions

Section 1. "Association" shall mean and refer to PASEO VILLAS IMPROVEMENT ASSOCIATION, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the members of the Association.

Section 4. "Lot" shall mean and refer to any numbered lots as shown upon any recorded subdivision map of the Properties.

Section 5. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including a purchaser under a Contract of Sale or Agreement of Purchase, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Declarant" shall mean and refer to Ellis Suggs Construction Co., Inc., its successors if such successors and assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 8. "Board" shall mean the Board of Directors of the Association.

Section 9. "Articles" and "Bylaws" shall mean Articles of Incorporation and Bylaws of the Association, as the same may be amended from time to time.

Section 10. "Trustee" shall mean Transamerica Title Company of Arizona in its capacity as Trustee under the Declaration, or its successors.

ARTICLE III

Membership

Section 1. Declarant and every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including a purchaser under an Agreement for Sale or Contract of Purchase but excluding Trustee, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association, except in the case of lots, fee title to which are vested in Trustee or Declarant. Ownership of such lot shall be the sole qualification for membership.

Section 2. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the Association, the voting rights and right to use of the recreational facilities of such member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a member

may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area and facilities.

ARTICLE IV

Property Rights; Rights of Enjoyment

Section 1. Each member shall be entitled to the use and enjoyment of the Common Area and facilities as provided in the Declaration. Any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers, who reside on the property. Such member shall notify the Secretary in writing of the name of any such delegee. The rights and privileges of such delegee are subject to suspension to the same extent as those of the member.

Section 2. Irrespective of the fact that Section 1 (b) of Article IV of the Declaration gives the Association the right to charge reasonable admission and other fees for the use of any recreational facilities situated upon the Common Area, this right shall not be exercised as to members for a period of five years from the date of the recordation of the Declaration, and, after this period, only upon written approval of two-thirds of the entire Class A membership.

ARTICLE V

Board of Directors; Selection; Term of Office

Section 1. Number: The affairs of this Association shall be managed by a Board of five (5) directors, who shall be members of the Association.

Section 2. Election: At the first annual meeting, the members shall elect one director for a term of one year, two directors for a term of two years, and two directors for a term of three years. Thereafter, one director shall be elected to replace each director whose term has lapsed.

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

Section 4. Compensation: No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action taken Without a Meeting: The 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 the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

Meetings of Directors

Section 1. Regular Meetings: Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings: Special meetings of the Board of Directors shall be held when called by the president of the Association, or any three directors, after no less than three (3) days' notice to each director.

Section 3. Quorum: A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done 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.

ARTICLE VII

Nomination and Election of Directors

Section 1. Nomination: Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each 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. Such nominations may be made from among members.

Section 2. Election: 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 longer term.

ARTICLE VIII

Powers and Duties of the Board of Directors

Section 1. Powers: The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership

by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

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

(d) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

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

(a) cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting, when such statement is requested in writing by one-fourth of the members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided herein, and in the Declaration, to:

(i) fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period, as hereinafter provided in Article XII;

(ii) and send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each annual assessment period;

(iii) and send written notice to every owner that said assessment is payable in twelve (12) equal monthly installments;

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

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

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

(g) cause the Common Area to be maintained.

ARTICLE IX

Committees

Section 1. The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint such other committees from time to time as deemed appropriate in carrying out its purposes, such as:

(a) Budget and Finance Committee, which shall supervise the annual REVIEW of the Association's books and recommend to the Board an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting, as provided in Article XI, Section 8(d). The Treasurer shall be an ex officio member of the committee.

(b) Community Relations Committee, which shall provide guidance to the Board in internal relations, plus external relations with the McCormick Ranch, City of Scottsdale, Scottsdale Schools and other units of government or public agencies.

(c) Hospitality and Activities Committee, which shall greet new residents and plan activities for the community.

(d) Landscape and Grounds Committee, which shall advise the Board on the planting and maintenance of trees, shrubs, flowers, and lawns in the Common Area.

(e) Lighting and Security, which shall advise the Board concerning the lighting of streets and Common Areas, traffic regulations and the general safety and security of Paseo Villas.

(f) Structural Maintenance, which shall advise the Board on the condition, maintenance, repair and improvement of structures, sidewalks, and streets, including the swimming pool, clubhouse, roofs, exterior building surfaces, and compound.

(g) Swimming Pool and Clubhouse, which shall recommend to the Board rules and regulations governing the operation of these common facilities in the best interest and enjoyment of all homeowners.

Section 2. It shall be the duty of each committee to receive written suggestions from members on any matter involving Association functions, duties and activities within its defined area of responsibility. It shall recommend such action as it deems appropriate or refer to such other committee, director or officer of the Association as is further concerned with the matter presented.

ARTICLE X

Meeting of Members

Section 1. Annual Meetings: The first annual meeting of the members shall be held on the second Sunday in March of each year, commencing in 1977, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 4:00 p.m.

Section 2. Special Meetings: Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth of all of the votes of the entire membership.

Section 3. Notice of Meetings: Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each member entitled to vote thereat, 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.

Section 4. Quorum: The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-fourth of the votes of the entire membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

Section 5. Proxies: At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

ARTICLE XI

Officers and their Duties

Section 1. Enumeration of Offices: The officers of this Association shall be a president and vice president, who shall at all times be members of the Board of Directors, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers: The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term: The officers of this Association shall be elected annually by the Board and each shall hold office for one year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments: The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal: Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies: A vacancy in any office may be filled by an appointment by the Board. The officer appointed to such vacancy shall serve until the next annual meeting.

Section 7. Multiple Offices: The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties: The duties of the officers are as follows:

(a) President - The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall cosign all checks and promissory notes.

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

(c) Secretary - The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers

requiring said seal; give 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.

(d) 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 of Directors; shall 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, with the Budget and Finance Committee, prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE XII

Assessments

Section 1. Creation of the Lien and Personal Obligation of Assessments: By the Declaration, each member, excluding Declarant, is deemed to covenant and agree to pay to the Association: (i) annual assessments or charges, which said annual assessments or charges shall be payable on a monthly basis, and (ii) special assessments for capital improvements. The annual and special assessments, together with such interest thereon and costs of collection thereof as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the property at the time when the assessment fell due and shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments: The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the Properties and in particular for the improvement and maintenance of the Common Area, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area.

Section 3. Basis and Maximum of Annual Assessments: Until January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual assessment shall be \$480.00 per lot, which said annual assessment shall be payable in equal monthly installments of \$40.00.

(a) From and after January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual assessment may be increased effective January 1 of each year without a vote of the membership in conformance with the rise, if any, of the Consumer Price Index - All items (published by the Department of Labor, Washington, D.C.) for the month of January of the immediately preceding year.

(b) From and after January 1 of the year immediately following the conveyance of the first lot to an owner, the maximum annual assessment may be increased above that established by the Consumer Price Index formula by a vote of the members, provided that any such change shall have the assent of two-thirds of the members who are entitled to vote, at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting, setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(c) After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 4. Method of Computation When Using the Consumer Price Index - All Items: The Consumer Price Index-All Items established the United States City Average numerical rating for the month of _____, 19___, as _____. This will be the base rating. To determine the percentage to be applied to the maximum annual assessment for each subsequent year, divide this base rating into the numerical rating established by the Consumer Price Index-All Items for the month of _____ preceding the proposed assessment year. This adjustment percentage, if in excess of 100 per centum, is multiplied by the original maximum annual assessment to obtain the maximum assessment for the subsequent year.

Section 5. Special Assessments for Capital Improvements: In addition to the annual assessments authorized above, the Association may levy in any assessment year a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds of the members who are entitled to vote at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting.

Section 6. Uniform Rate: Both annual and special assessments must be fixed at a uniform rate for all lots and may be collected on a monthly basis.

Section 7. Quorum for any Action Authorized Under Sections 3 and 5: At the first meeting called, as provided in Sections 3 and 5 hereof, the

presence at the meet') of members or of proxies ent led to cast 60% of all the votes shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Sections 3 and 5, and the required quorum at any such subsequent meeting shall be one-half ($\frac{1}{2}$) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 8. Date of Commencement of Annual Assessments; Due Dates:

The annual assessment provided for herein shall commence as to each lot on the first day of the month following the conveyance thereof to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year and shall be payable in equal monthly installments. The Board of Directors shall fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be established by the Board of Directors. The Association shall, upon demand at any time, furnish a certificate in writing, signed by an officer of the Association, setting forth whether the assessments on a specified lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

Section 9. Effect of Nonpayment of Assessments; Remedies of the Association: Any monthly assessment which is not paid when due shall be delinquent. If the assessment is not paid within five (5) days after the due date, the assessment shall bear interest from the date of delinquency at the highest legal rate per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such

assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his lot.

Section 10. Subordination of the Lien to Mortgages: The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage or mortgages. Sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any lot which is subject to any mortgage, pursuant to a decree of foreclosure thereof, shall extinguish the lien of such assessments as to payments thereof which became due prior to such sale or transfer. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property: The following property subject to the Declaration shall be exempt from the assessments created herein: (a) all properties dedicated to and accepted by a local public authority, (b) the Common Area, (c) all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of Arizona, and (d) all lots, fee simple title to which is vested in Trustee or Declarant, which exemption as to each particular lot shall expire on the first day of the first month following conveyance of such lot to an Owner.

ARTICLE XIII

Contracts, Loans, Checks, and Deposits

Section 1. Contracts: The Board of Directors may authorize any officer or officers, agent or agents, of the Association to enter into any contract or execute and deliver any instrument in the name of the Association and on behalf of the Association and such authority may be general or confined to specific instances.

Section 2. Loans: No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name

unless authorized by signed resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, drafts, etc: All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be cosigned by such officers, agent or agents, of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits: All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories that the Board of Directors may select.

ARTICLE XIV

Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association where copies may be purchased at reasonable cost.

ARTICLE XV

Corporate Seal

The Association shall have a seal in circular form having within its circumference the words: PASEO VILLAS IMPROVEMENT ASSOCIATION.

ARTICLE XVI

Amendments

Section 1. These Bylaws may be amended at a regular or special meeting of the members by a vote of a majority of a quorum of members present in person or by proxy.

Section 2. 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.

ARTICLE XVII

Miscellaneous

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we, being all of the directors of PASEO VILLAS IMPROVEMENT ASSOCIATION, have hereunto set our hands

this 17th day of August, 1976.

Frank A. Long
Lorne Hamilton
Charles A. Bruce
Henry L. ...
William R. ...

CERTIFICATE

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of PASEO VILLAS
IMPROVEMENT ASSOCIATION and

That the foregoing Bylaws constitute the original Bylaws of
said Association, as duly adopted at a meeting of the Board of Directors
thereof, held on the 12th day of August, 1976.

IN WITNESS WHEREOF, I have hereunto subscribed my name and
affixed the seal of said Association this 12th day of August, 1976.

Melvin R. Bridges
Secretary

**CERTIFICATE OF AMENDMENT
TO THE BYLAWS OF
PASEO VILLAS IMPROVEMENT ASSOCIATION**

Paseo Villas Improvement Association ("Association" amends the Bylaws of Paseo Villas Improvement Association as follows:

Article XI, Section 8(d) of the Bylaws is hereby amended in its entirety to state as follows (with changes noted as additions or deletions):

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 of Directors; shall sign all checks and promissory notes of the Association, keep proper books of account; cause and annual audit review of the Association books to be made by a public accountant at the completion of each fiscal year; and shall, with the Budget and Finance Committee, prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

The President and Secretary of Association hereby certify that this Amendment was adopted in accordance with the Bylaws at the annual meeting of the Association held on March 13, 2005, and that the Association has been operating consistent with the amendment since that time.

DATED this 17th day of November 2009

Paseo Villas Improvement Association, an Arizona
non-profit corporation

By:
Its: President

By:
Its: Secretary