

INITIAL BYLAWS
OF
CARIBBEAN GARDENS ASSOCIATION

ARTICLE I

Members

Section 1. Eligibility

The members of Caribbean Gardens Association, an Arizona nonprofit corporation (called "Association") shall consist of the respective Owners of Apartments situated on the Property known as Caribbean Gardens and located at 1901 East Missouri, Phoenix, Arizona 85014 (called "Property"), in accordance with the respective percentages of ownership interest in the Common Elements of the Property, owned by the respective Owners (these and other terms are being used in these bylaws as they are defined in the Declaration of Covenants, Conditions and Restrictions for Caribbean Gardens, a horizontal property regime, (called "Declaration") which Declaration is recorded in the office of the County Recorder of Maricopa County, Arizona. The words "Member" or "Members" as used in these bylaws means and shall refer to "Owner" or "Owners", as the case may be, as defined in the Declaration.

Section 2. Succession

The membership of each Member shall terminate when he ceases to be an Owner, and upon the sale, transfer or other disposition of his ownership interests in the Property, his membership in the Association shall automatically be transferred to the new Owner succeeding to such ownership interest provided that, where applicable, the requirements and conditions of the Declaration shall have been met and fulfilled.

Section 3. Meetings

Meetings of Members shall be held at such place in Maricopa County, Arizona as may be specified in the notice of the meeting. The first annual meeting of the Members shall be held within 30 days after the last to occur of either the conveyance by The Scottsdale Apartment Company, an Arizona limited partnership (called "Developer) to Owners of all of the total number of the Apartments or at such earlier time as the initial Board of Directors shall designate. Thereafter, annual meetings of the Members shall be held on the last Monday of January in each year

beginning at 7:30 p.m. Special meetings of the Members may be called by the President or by a majority of the directors or by Members having at least one-half of the votes entitled to be cast at such meeting. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting, except as stated in the notice, unless by consent of two-thirds of the Members present, either in person or by proxy.

Section 4. Notices

It shall be the duty of the Secretary to deliver or mail a notice of each annual or special meeting of the Members, stating the purpose thereof as well as the time and place where it is to be held, to each Member at his address as it appears on the records of this corporation, or if no such address appears, at his last known place of address, at least ten days prior to such meeting.

Section 5. Voting

The aggregate number of votes for all Members shall be 100 which shall be divided among the respective Members in accordance with their respective percentages of ownership interest in the Common Elements. If any Owner consists of more than one person, the voting rights of such Owner shall not be divided but shall be exercised as if the Owner consisted of only one person in accordance with the proxy or other designation made by the persons constituting such Owner. Developer may exercise the voting rights with respect to Apartments while owned by it. Voting may be in person or by written and duly notarized proxy and proxies may be given for more than one meeting.

Section 6. Quorum

A quorum of Members for any meeting shall be constituted by Members represented in person or by proxy and holding a majority of the votes entitled to be cast at such meeting.

Section 7. Adjournments

If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 8. Evidence of Membership

No certificates of membership shall be issued but membership shall be evidenced by an official list to be maintained by the Secretary. At such time as a person no longer qualifies as a Member, his membership shall be cancelled on the records of this corporation. Memberships shall not be hypothecated or encumbered in any way.

ARTICLE II

Board of Directors

Section 1. Number

The Board of Directors of the Association (called the "Board") shall consist of no less than three (3) nor more than seven (7) persons. The first Board named in the Articles of Incorporation of the Association shall hold office until his successor shall be elected and qualified. The word "Director" as sometimes used herein shall mean a person elected to and serving on the Board.

Section 2. Qualification

Each Director shall be an Owner or the spouse of an Owner (or if an Owner is a corporation, partnership or trust, a Director may be an officer, partner or beneficiary of such Owner), except for Directors nominated or designated by Developer. If a Director shall cease to meet such qualifications during his term, he shall thereupon cease to be a Director and his place on the Board shall be deemed vacant.

Section 3. Vacancies

Any vacancy occurring in the Board may be filled by a majority vote of the remaining members of the Board.

Section 4. Annual Meetings

The first meeting of a newly elected Board shall be held as soon after the annual meeting of Members, as practicable, at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the whole Board shall be present.

Section 5. Regular Meetings

Regular meetings of the Board may be held at such place and times as shall be determined from time to time by a majority of the Directors but at least one meeting shall be held during each fiscal quarter. Notice of regular meetings of the Board shall be given to each Director personally or by mail, telephone or telegraph, at least three days prior to the day named for such meeting.

Section 6. Special Meetings

Special meetings of the Board may be called by the President on three days' notice to each Director given personally or by mail, telephone or telegraph, which notice shall state

the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of any two Directors.

Section 7. Waiver of Notice

Before or at any meeting of the Board of 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 of the time and place thereof. If all Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 8. 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, 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.

Section 9. Removal

Any Director may be removed from office by the vote of two-thirds of the total ownership of the Common Elements.

Section 10. Compensation

Directors shall receive no compensation for their services unless expressly provided for in resolutions duly adopted by the Members.

Section 11. Powers and Duties

The Board shall have the following powers and duties: (a) to elect and remove the officers of the Association as hereinafter provided; (b) to administer the affairs of the Association and the Property to the extent permitted by applicable law; (c) to engage the services of a manager or managing agent who shall manage and operate the Property and the Common Elements for all of the Owners upon such terms and for such compensation and with such authority as the Board may approve; (d) to formulate policies for the administration, management and operation of the Property and the Common Elements thereof; (e) to provide for the operation, maintenance, repair and replacement of the Common Elements and payments therefore, and to approve payment vouchers.

or to delegate such approval to the officers or the manager or managing agent; (f) to provide for the designation, hiring and removal of employees and other personnel, including accountants and attorneys and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Property and the Common Elements, and to delegate any such powers to the manager or managing agent (and any such employees or other personnel may be the employees of a managing agent); (g) to appoint committees of the Board and to delegate to such committees the Board's authority to carry out certain duties of the Board; (h) to estimate the amount of the annual budget, and to provide the manner of assessing and collecting from the Owners their respective shares of such estimated expenses as hereinafter provided; (i) to exercise all of the rights, powers and duties granted to it by the Declaration.

ARTICLE III

Section 1. Designation

At each annual meeting, the Board shall elect the following officers of the Association: (a) a President who shall be a Director and who shall preside over the meetings of the Board and of the Members and who shall be the chief executive officer of the Association; (b) a Vice President who shall in the absence or disability of the President perform the duties and exercise the powers of the President; (c) a Secretary who shall keep the minutes of all meetings of the Board and of the Members and who shall in general perform all the incident to the office of Secretary and who may be a representative of the managing agent; (d) a Treasurer who shall be responsible for financial records and books of account and the manner in which such records and books are kept and reported; and (e) such additional officers as the Board shall see fit to elect.

Section 2. Powers

The respective officers shall have the general powers usually vested in such officers; provided that the Board may delegate any specific powers to any other officer or impose such limitations or restrictions upon the powers of any officer as the Board may see fit.

Section 3. Term

Except as provided in Section 4, each officer shall hold office for the term of one year and until his successor shall have been elected and qualified.

Section 4. Vacancies

Vacancies in any office shall be filled by the Board at regular or special meetings thereof. Any officer may be removed at any time by the Board at a regular or special meeting thereof.

Section 5. Compensation

The officers shall receive no compensation for their services, unless expressly provided for in a resolution duly adopted by the Members.

Section 6. Bonding

The Board may require that any officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE IV

Assessments

Section 1. Annual 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 and cash requirements for the year, including salaries; wages; payroll taxes; legal and accounting fees; supplies; materials; parts; services; maintenance; repairs; replacements; landscaping; insurance; water, gas and electricity for both Common Elements and all individual Apartments and all other common expenses. The annual budget shall provide for a reserve for contingencies for the year and a reserve for replacements in reasonable amounts 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 also be taken into account.

Section 2. Assessments

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 90 days after the beginning of such year. On or before the first day of the first month and of each succeeding month of the year covered by the annual budget each Owner shall pay as his respective monthly assessment for the common expenses one-twelfth of his proportionate share of the common expenses for such year as shown by the annual budget. Such proportionate share for each Owner shall be in accordance with his respective ownership interest in the Common Elements as set forth in Exhibit C to the Declaration. The Board may cause to be sent to each Owner on or before the first day of each month a statement of the monthly assessment of such Owner for such month, but the failure to send or to receive such monthly statement shall not relieve any Owner of his obligation to pay his monthly assessment on or before the first day of each month. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new

monthly assessments for any year or shall be delayed in doing so, each Owner shall continue to pay each month the amount of his respective monthly assessment on or before the first day of each month to the manager or managing agent or as may otherwise be directed by the Board. No Owner shall be relieved of his obligation to pay his assessments for common expense by abandoning or not using his Apartment or the Common Elements.

Section 3. Partial Year or Month

For all fiscal years prior to the first annual meeting of Members, the annual budget shall be approved by the first Board. If such first year or any succeeding year shall be less than a full year, then the monthly assessments for each Owner shall be proportionate to the number of months and days in such period covered by such budget. Commencing with the date he receives a deed to his Apartment, each Owner shall pay his assessment for the following month or fraction of a month, which assessment shall be in proportion to his respective ownership interest in the Common Elements and the number of months and days remaining in the period covered by the current annual budget, and which assessment shall be as computed by the Board.

Section 4. Annual Report

Within 90 days after the end of each year covered by an annual budget or as soon thereafter as shall be practicable, the Board shall cause to be furnished to each Owner a statement for such year so ended showing the receipts and expenditures and such other information as the Board may deem desirable.

Section 5. Supplemental Budget

In the event that during the course of any year it shall appear to the Board that the monthly assessments determined in accordance with the estimated annual budget for such year are insufficient or inadequate to cover the estimated common expenses for the remainder of such year, copies of which supplemental budget shall be furnished to each Owner, and thereupon a supplemental assessment shall be made to each Owner for his proportionate share of such supplemental budget.

Section 6. Capital Expenditures

Except for the first Board, the Board shall not approve any capital expenditures in excess of \$10,000 unless required for emergency, repair, protection or operation of the Common Elements, nor enter into any contracts for more than two years without the prior approval of two-thirds of the total ownership of the Common Elements.

Section 7. Lien

It shall be the duty of every Owner to pay his proportionate share of the common expenses in the same ratio as his percentage of ownership in the Common Elements as set forth in the Declaration as assessed in the manner herein provided. If any Owner shall fail or refuse to make any such payment of the common expenses when due, the amount thereof shall constitute a lien on such Owner's Apartment. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Declaration or these bylaws or are otherwise available at law or in equity for the collection of all unpaid assessments.

Section 8. Records and Statement of Account

The Board shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures affecting the Common Elements specifying and itemizing the common expenses incurred. Payment vouchers may be approved in such manner as the Board may determine. All records and vouchers authorizing payments shall be available for examination by the Owners at convenient hours of week days. The Board shall, upon receipt of 10 days notice to it or the Association and upon payment of a reasonable fee, furnish any Owner a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner.

Section 9. Assessment of Developer; Maximum Assessment Until Control of Association is Transferred To Owners.

(a) Until such time as Developer has transferred control of the Association to the individual Apartment Owners, as set forth in subparagraph 3.3 of the Declaration, the maximum monthly assessment for each class of Apartment shall be as follows:

\$80	Three bedroom and den
\$60	Three bedroom
\$50	Two bedroom

Provided, however, that Developer shall not be assessed any sum for the period prior to the transfer of control date, but the expense of maintaining and insuring the Common Elements, as more specifically described in subparagraph (b) below, shall be borne by Developer during said period to the extent such expense may not be defrayed by the aforesaid maximum monthly assessments.

(b) For each Apartment Owner, said maximum monthly sum includes all utilities, whether or not attributable to individual Apartments or the Common Elements, and all other common expenses as such are described in paragraph 4.3 of the Declaration with the exception of property taxes attributable to an Owner's Apartment and its respective interest in the Common Elements and any

rate increase for utilities. The maximum sum also includes fire and certain other casualty insurance for each individual Apartment (exclusive of contents), as more fully set forth in that certain policy with the Eagle Star Insurance Company, a copy of which is located in Developer's office and available for review and inspection.

ARTICLE VI

Corporate Seal

The Board shall provide a suitable corporate seal containing the name of this corporation, which seal shall be in the charge of the Secretary. If so directed by the Board, a duplicate of the seal may be kept and used by the Treasurer or any Assistant Secretary or Assistant Treasurer. The seal shall not be required for any purpose in connection with the corporate documents or acts, unless required by law.

ARTICLE VII

Fiscal Management

Section 1. Fiscal Year

The fiscal year of this corporation shall be the calendar year and begin on the first day of January of every year, except that the first fiscal year of this corporation shall begin at the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board should corporate practice subsequently dictate.

Section 2. Books of Account

Books of account of this corporation shall be kept under the direction of the Treasurer on a consistent basis in accordance with good accounting practices.

Section 3. Contracts

Unless otherwise provided by the Board, all contracts shall be executed on behalf of the corporation by either the President or Vice President and countersigned by any of the Secretary, Treasurer, Assistant Secretary or Assistant Treasurer.

ARTICLE VIII

Contractual Powers

No contract or other transaction between this corporation and one or more of its Directors or between this corporation and any corporation, firm or association in which one or more of the Directors of this corporation are directors, or are financially interested, is void or voidable because such Director or Directors are present at the meeting of the Board or a committee thereof which authorizes or approves the contract or transaction or because his or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

(a) The fact of the common directorship or financial interest is disclosed or known to the Board or committee and noted in the minutes and the Board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Director or Directors; or

(b) the contract or transaction is just and reasonable as to the corporation at the time it is authorized or approved.

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 a contract or transaction.

ARTICLE IX

Amendments

These bylaws may be amended or modified from time to time by the affirmative vote of two-thirds of the total ownership of the Common Elements. Amendments may be proposed by the Board or by petition signed by at least one quarter of the total ownership of the Common Elements.