BY-LAWS

OF

THE SCOTTSDALE SPRINGS CONDOMINIUM ASSOCIATION

ARTICLE I

Plan of Condominium Ownership

SECTION 1. Name. The name of the Corporation is THE SCOTTSDALE SPRINGS CONDOMINIUM ASSOCIATION, (hereinafter referred to as the "Association"). The principal office of the Association shall be located at Scottsdale, Arizona.

SECTION 2. Establishment of the Condominium. The Association has been formed to carry out the intent and purposes of that certain Declaration of Establishment of Condominium and Declaration of Covenants, Conditions, and Restrictions for SCOTTSDALE SPRINGS CONDOMINIUM recorded at Official Record No. 95-440299, July 27, 1995, in the Office of the Maricopa County Recorder, Arizona (which is hereinafter referred to as the "Declaration"). All capitalized terms as used in these By-Laws shall have the same meaning as set forth in the Declaration. The Declaration, as it may be amended or supplemented from time to time, is incorporated herein by reference.

SECTION 3. By-Laws Applicability. The provisions of these By-Laws are applicable to the Project. (The term "Project" as used herein shall include the land and all structures and improvements thereon).

SECTION 4. Personal Application. All present or future Owners, residents, tenants, or their employees, or any other person who might use the facilities of the Project in any manner, are subject to the regulations set forth in these By-Laws, the Articles of Incorporation, and the Declaration applicable to the Property or any portion thereof, as the same may be amended from time to time as herein or therein provided. The mere acquisition or rental of any of the Units of the Project or Property or the mere act of occupancy of any of the Units will signify that these By-Laws, the provisions of the Articles of Incorporation, and the Declaration are accepted, ratified, and will be complied with.

SECTION 5. Articles. Any reference herein to the Articles of this Association will be deemed to refer to its Articles of Incorporation and any and all amendments thereto on file with the Arizona Corporation Commission, together with any and all certificates theretofore filed by the Association with the Arizona Corporation Commission.

SECTION 6. Seniority. The Articles will in all respects be considered senior and superior to the By-Laws with any inconsistency to be resolved in favor of the Articles, and with these By-Laws to be deemed automatically amended from time to time to eliminate such inconsistency which may then exist.

ARTICLE II

Membership

SECTION 1. Annual Meetings. The first meeting of the Association shall be held not later than ONE HUNDRED AND TWENTY (120) days after the first conveyance of a Condominium Unit from Declarant to an Owner is recorded. Thereafter, each annual meeting of the Owners shall be held in Scottsdale, Arizona, on the anniversary date of the first annual meeting at the principal office of the Association, or at such other place as may be fixed by the Board of Directors and set out in the notice of the meeting; provided, however, that whenever such date falls on a legal holiday, the meeting shall be held on the next succeeding business day.

SECTION 2. Special Meetings. Special meetings of the Owners may be held at such places and at such times as may be fixed by the Board of Directors whenever called in writing by the President, a majority of the Board of Directors, or by the Owners holding more than TWENTY-FIVE PERCENT (25%) of the total votes entitled to be cast by all Owners.

SECTION 3. Notices. Each member of the Association shall be notified by the Secretary by written notice not less than TEN (10) days nor more than SIXTY (60) days before the date of the annual or any special meeting in the manner provided in Section 15.11 of the Declaration. Special meetings may be called in like manner after such notice, but any such notice also shall designate the purpose of the meeting. Notices need only be given to Owners appearing as such on the books of the Association at the time of mailing or delivery, as appropriate, of the notices.

SECTION 4. Waiver. No call or notice of any meeting of the Owners shall be necessary if waiver of call and notice is signed by all the Owners.

SECTION 5. Quorum. At any regular or special meeting of the Owners, the Owners holding more that TWENTY-FIVE PERCENT (25%) of the total votes entitled to be cast by all members shall constitute a quorum for the transaction of business. A quorum shall be necessary to elect directors and transact any other business. In the absence of a quorum, a majority of the Owners present, either in person or by proxy, may adjourn the meeting to a time not less than FIVE (5) nor more than THIRTY (30) days from the time the original meeting was called. At any such adjourned meeting at which the quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 6. Qualification. Membership shall be limited to every Owner. The foregoing does not include persons or entities who hold an interest merely as security for the performance of an obligation.

SECTION 7. Voting. The Association shall have TWO (2) classes of voting membership.

CLASS A. Class A members shall be all Owners other than Declarant. Class A members shall be entitled to one (1) vote for each Condominium Unit owned. When more than one (1) person owns an interest in a Condominium Unit, each such person shall be a member of the Association but the vote for such Condominium Unit shall be exercised as the co-Owners themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium Unit. The Association shall not be required to recognize the vote or written assent of any such co-Owner except the vote or written assent of the co-Owner designated in writing executed by all of such co-Owners and delivered to the Association.

CLASS B. The Class B member shall be the Declarant. The Declarant shall be entitled to three (3) votes for each Condominium Unit which it owns, provided, however, the Class B membership shall cease and be converted into Class A membership on the happening of whichever of the following is first in time:

(a) On the date which is NINETY (90) days subsequent to the date when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; or

(b) On the fourth (4th) anniversary following the date of cessation by any Declarant, as defined in the Declaration, to offer Condominium Units for sale in the ordinary course of business.

SECTION 8. Proxies. Any Owner entitled to vote thereat may vote by proxy at any meeting of the Owners (and at any adjournment thereof) which is specified in such proxy, provided that his or her proxy is executed in writing by such Owner or his or her duly authorized attorney-in-fact. No proxy shall be valid after Twelve (12) months from the date of its execution, unless otherwise specifically provided therein. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the Owners will rest with the person seeking to exercise the same. A telegram, or cablegram, or facsimile transmission, appearing to have been transmitted by an Owner or his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

SECTION 9. Irregularities. All information and/or irregularities in calls, notices or meetings, and in the manner of voting, credentials, and methods of ascertaining those present shall be deemed waived if no objection is made at the meeting.

ARTICLE III

Directors

SECTION 1. Management. The control and management of the Property, affairs, and business of the Association shall be vested in a Board of Directors of not less than three (3) nor more than seven (7) members. Except for Board members designated by Declarant, each Director shall be an Owner or spouse of an Owner (or if an Owner is a corporation, partnership, joint venture, or trust, a Director may be an officer, partner, joint venturer, trustee, or beneficiary of such Owner). The initial Board of Directors will have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies which may occur in its membership, whether resulting from an increase in the size of the Board or otherwise, and shall hold office until the next annual meeting of the Owners.

SECTION 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law, the Declaration, the Articles of Incorporation, or these By-Laws directed to be exercised and done by the Owners. The powers of the Board of Directors shall include but not limited to the following:

(a) To enforce the provisions of the Declaration, Articles of Incorporation, By-Laws, or other Agreements;

(b) To contract for and pay fire, casualty, liability, and other insurance covering the Condominium Project;

(c) To provide the necessary management and accounting and other services required in connection with the operation and maintenance of the Common Elements, and in connection therewith, to contract for and pay for maintenance, gardening, utilities, materials, and supplies, and services relating to the Common Elements, and to employ personnel necessary for the effective operation of the Project, including legal, accounting, and any and all other professional services.

(d) To pay taxes and special assessments which are or would become a lien upon the Project or Property or the Common Elements.

(e) To pay for the reconstruction of any portion or portions of the Property damaged or destroyed which are to be reconstructed pursuant to the applicable provisions of the Declaration;

(f) To enforce liens against Condominium Units in the event of a default by an Owner in the payment of money under the Declaration, and to authorize at their discretion refunds of excess Assessments;

(g) To enter into any Unit when determined necessary in connection with the maintenance of the Property for which the Association is responsible pursuant to the applicable provisions set forth in the Declaration.

(h) To enforce such Association Rules pertaining to the use and occupancy of the Condominium Units and Common Elements as may be adopted by the Association and which are consistent with these By-Laws, the Articles of Incorporation, and the Declaration; and

(i) To delegate its powers hereunder to other persons or entities subject to, in any event, the provisions of the Declaration, the Articles of Incorporation, these By-Laws and Rules and Regulations promulgated by the Association, and such other Agreements, Rules, Regulations, and procedures that may be applicable to the Property for the benefit of first mortgagees upon Condominium Units therein.

SECTION 3. Election and Term of Office. The Directors shall be elected annually at the annual meeting of members and shall hold office until their successors have been elected and hold their first meeting thereafter.

than President and Secretary, may be held by one (1) person. The Board of Directors may also appoint one (1) or more Assistant Secretaries and Assistant Treasurers, which officers shall have authority to perform such duties as may be prescribed by the Board of Directors or the President. Each elected or appointed officer of the Association must be an Owner

SECTION 4. Cumulative Voting. In any election of the members of the Board, every member shall have the right to accumulate his or her votes and give one (1) candidate, or divide among any number of the candidates, the number of votes equal to the total number of votes allocated to said member (as provided in the Articles) multiplied by the number of Directors to be elected. The candidates receiving the highest number of votes up to the number of Board members to be elected, shall be deemed elected.

SECTION 5. Quorum. A quorum for the transaction of business at any meeting of the Directors shall consist of a majority of the Board of Directors then in office.

SECTION 6. Annual and Regular Meetings. An annual meeting of the Directors shall be held immediately after the adjournment of, and at the place of, the annual meeting of the members. Additional regular meetings of the Directors may be held without notice at regular intervals at such places and at such times as the Board of Directors may form time to time by resolution provide.

SECTION 7. Special Meetings. Special meetings of the Board of Directors shall be held at such times and places as may be designated by the Board of Directors whenever such meetings are called orally or in writing by the President or a majority of the Board. Notices of special meetings shall be given by the Secretary to each Director, orally or in writing, at least THREE (3) days before the time fixed for the meeting. Such notices shall advise each Director of the time, place, and general purpose of the meeting, and shall be delivered personally, or shall be given by telephone or telegram, or, if sent by mail, such THREE (3) days' notice shall be deemed to have been given if the notice is postmarked at least FIVE (5) days before the date of the meeting. By unanimous consent of the Directors, special meetings of the Board may be held at any time without call or notice, or waiver of call and notice.

SECTION 8. Unanimous Consent. Any action which could be taken by the Directors at a duly convened annual or special meeting of the Board may be taken without a meeting if all of the Directors consent thereto in writing. Such consent shall have the same effect as an unanimous vote of the Directors.

SECTION 9. Vacancies. In the event of the death, resignation, or discharge of a Director for any reason, such vacancy shall be filled by vote of the majority of the Directors present at a properly called meeting of the Board of Directors, and the Director elected to fill such a vacancy shall complete the term of office of the Director so replaced.

SECTION 10. Removal of Directors. At a meeting of Owners called for that purpose, the entire Board of Directors or any individual Director (other than a Director appointed by the Declarant) may be removed with or without cause by the affirmative vote of two-thirds of all Members present and entitled to vote thereat, at which a quorum is present in person or proxy,

SECTION 11. Expenses. No Director shall receive compensation for any services he or she may render to the Association as a Director. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

ARTICLE IV

Officers

SECTION 1. Designation of Officers. The Directors shall elect the officers of the Association at any annual meeting of the Directors; provided, however, that elections of additional officers may be held at any other meeting of the Board of Directors specifically called for such purpose. The officers of the Association shall consist of a President, Vice-President, Secretary, and Treasurer, any two (2) of which offices, other than President and Secretary, may be held by one (1) person. The Board of Directors may also appoint one (1) or more Assistant Secretaries and Assistant Treasurers, which officers shall have authority to perform such duties as may be prescribed by the Board of Directors or the President. Each elected or appointed officer of the Association must be an Owner (except for elected or appointed officers serving as such as the representative of the Declarant by virtue of its ownership of Condominium Units).

SECTION 2. Duties of Certain Officers.

(a) **PRESIDENT.** The President shall be the chief executive of the Association. He or she shall preside at all meetings of the Board of Directors; shall be ex officio a member of all standing or special committees; shall have general charge of the activities of the Association; shall sign on behalf of the Association all contracts and other written instruments to be executed by the Association; and shall see that all resolutions of the Board are carried into effect. He or she shall do and perform such other acts and duties as may be required by him or her by the Board of Directors, but his or her authority shall be subjected to the control and direction of the Board of Directors at all times.

(b) **VICE PRESIDENT.** The Vice-President, in the absence or disability of the President, shall perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

(c) **SECRETARY.** The Secretary shall keep a permanent and complete record of all proceedings of each meeting of the Owners and each meeting of the Board of Directors; shall give or cause to be given, when required, notice of all meetings of the Owners and/or the Board of Directors; shall keep an accurate list of all members of the Association and their addresses, and shall perform such other duties as may be prescribed by the Board of Directors or the President. An Assistant Secretary, or Executive Secretary, if appointed, shall in the event of the Secretary's absence or inability to act, perform the duties and functions of the Secretary.

(d) **TREASURER.** The Treasurer shall have custody of the Association's funds and shall keep full and accurate accounts of receipts and disbursements, and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Association as may be ordered by the

Board, demanding proper vouchers for such disbursements. He or she shall prepare and submit a written financial report at each annual meeting of the Owners, and shall render to the President an account of all his or her transactions as Treasurer and such additional reports of the financial condition of the Association as the Board may require. The Treasurer will be required to furnish a surety or fidelity bond in an amount determined by the Board, the premium of which shall be paid by the Association. An Assistant Treasurer, if appointed, shall, in the event of the Treasurer's absence or inability to act, perform the duties and functions of the Treasurer.

SECTION 3. Other Employees. The Board of Directors may engage the services of such other employees, including, but not limited to, an Executive Director and/or manager, as may from time to time be deemed necessary or advisable for the objects and purposes of the Association.

SECTION 4. Removal of Officers; Vacancies. All officers, agents, and employees shall be subject to removal at any time by the affirmative vote of the majority of the members of the Board of Directors then in office. Any vacancy caused by removal, resignation, death, or for any other reason whatsoever may be filled by the Board of Directors as the Board may deem appropriate.

SECTION 5. Committees. The Board of Directors shall from time to time appoint other committees as deemed appropriate in carrying out its purpose.

SECTION 6. Compensation. The President, Vice-President, Secretary, and Treasurer shall not receive any compensation for their services rendered to the Association as such officers. However, such officers may be reimbursed for their actual expenses incurred in the performance of their duties. The Board of Directors may fix and pay such compensation for other officers or employees of the Association as the Board deems proper.

SECTION 7. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate Fidelity Bonds as determined by the Board of Directors. The premiums on any such bonds shall be paid by the Association.

ARTICLE V

Assessments

SECTION 1. Regular Assessments. Regular Assessments against each Condominium Unit shall commence as of the first (1st) day of the month following the first conveyance of a Condominium Unit by Declarant to an Owner (the "Initiation Date"). From and after the Initiation Date until January of the calendar year immediately following the Initiation Date, there shall be assessed against each Owner a Regular Assessment which shall be a uniform rate among all Condominium Units in accordance with the provisions of the Declaration. Not less than THIRTY (30) days prior to the beginning of each calendar year following the Initiation Date, the Board shall estimate the total amount of funds necessary to defray the Common Expenses of the Association, including provision for replacement reserves, for the next calendar year and shall establish the assessment, subject to the Declaration, for the record Owner of each Condominium Unit for the following year. All Owners shall be notified of the amount of the Regular Assessment (and the amount of monthly installments to be paid) for the upcoming year before December 10 of the prior year.

SECTION 2. Special Assessments. In addition to Regular Assessments, the Board may levy Special Assessments and capital improvement assessments as provided in the Declaration.

SECTION 3. No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason including, without limitation; (i) a claim that the Association is not properly exercising its duties and powers as provided in the Declaration; or (ii) an Owner has made or elects to make no use of the recreational facilities or Common Elements.

SECTION 4. Non-Payment of Assessments. Any Assessments which is not paid when due is delinquent. Whenever an Assessment is delinquent, the Association may, at its option, invoke any and all of the sanctions provided for herein, or any other reasonable sanction, in order to compel its prompt payment.

(a) **Late Charge.** If any Assessment is not paid within FIFTEEN (15) days after it becomes due and payable, the Owner shall be obligated to pay a late charge equal to TEN PERCENT (10%) of the delinquent Assessment.

(b) **Interest.** If any Assessment is not paid within THIRTY (30) days after it becomes due and payable, interest at the rate of TEN PERCENT (10%) per annum, may be assessed on the amount owing from the due date until such time as it is paid.

(c) **Enforcement of Lien.** The Association may proceed as authorized in the Declaration to enforce the lien securing this Assessment.

ARTICLE VI

Fiscal Management

SECTION 1. Fiscal Year. The fiscal year of the Association shall be January through December. 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 the Association 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 Association by either the President or Vice-President and countersigned by either the Secretary or the Treasurer.

SECTION 4. Independent Audit. Within SIXTY (60) days of the close of each fiscal year, the Board shall cause an independent audit of the accounts of the Association by a certified public accountant, and upon completion of said audit, shall cause to be prepared and delivered to each Unit Owner within THIRTY (30) days after its completion, a true and exact copy thereof.

ARTICLE VII

Amendments

SECTION 1. Amendments. The Owners, at any regular or special meeting, shall have the power to make, amend, and repeal the By-Laws of the Association by a vote of a majority of a quorum of the members voting in person or by proxy, provided that written notice of intention to make, amend, or repeal the By-Laws in whole or in part shall have been given in the notice of the meeting; and except that the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the United States Department of Housing and Urban Development/Federal Housing Administration, or the Veterans Administration shall have the right to veto amendments while there is Class B Membership outstanding (if any of said entities has guaranteed, insured, or approved one (1) or more mortgages on the Condominium Units within the Project).

SECTION 2. Special Provisions. Notwithstanding the foregoing, any provisions of these By-Laws, the Declaration, Articles, or Association Rules which expressly requires the approval of a specified percentage of the voting power of the Association of first mortgagees for action to be taken under said provisions can be amended only with the affirmative vote of not less than the same percentage or percentages of the voting power of the Association and/or first mortgagees if the effect of the amendment to these By-Laws would constitute one (1) of the following:

(a) By act or omission, to seek to abandon or terminate the Declaration or the Condominium Project established thereby, except as set forth in the Declaration.

(b) To change the prorata interest or obligation of any individual Unit for the purpose of levying Assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or determining the prorata share of ownership of each Unit in the Common Elements.

(c) To partition or subdivide any Condominium Unit or Units.

(d) By act or omission, to cause the abandonment, partition, subdivision, encumbrance, sale, or transfer of the Common Elements, except the grant of an easement for public utilities or for other public purposes consistent with the intended use of the Common Elements and the Condominium Project.

(e) To use hazard insurance proceeds payable or paid due to losses to any Condominium Property or portion thereof (whether to Condominium Units or to Common Elements) for other than the repair, replacement, or reconstruction of such Condominium Property, except as provided in the Declaration or by applicable statute. First mortgagees shall have the right to participate in the adjustment and settlement of any claim under any insurance maintained by the Association.

ARTICLE VIII

Construction

SECTION 1. Interpretation. These By-Laws shall be interpreted in accordance with all the Rules, Regulations, and requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Veterans Administration or the United States Department of Housing and Urban Development/Federal Housing Administration, respectively applicable to guaranteed, approved or insured mortgages, in the event any of said entities, as the case may be, approves the Condominium Project encompassed under the Declaration and has guaranteed, approved or insured one (1) or more mortgages on the Condominium Units therein. Interpretation of these By-Laws in accordance with the above Rules, Regulations and requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Veterans Administration or the United States Department of Housing and Urban Development/Federal Housing Administration, as the case may be, shall be made as of the date upon which these By-Laws are deemed to be inconsistent therewith, and these By-Laws shall be deemed modified to conform to said Rules, Regulations, and requirements. If there is any conflict between or among these By-Laws, the Declaration, the Articles or the Rules and Regulations of the Association, the provisions of the Declaration shall prevail; thereafter, priority shall first be given to the Articles, then to these By-Laws, and then to the Rules and Regulations of the Association.

SECTION 2. Amendments. Notwithstanding anything to the contrary contained herein, no amendment to these By-Laws shall be made or become effective which amendment diminishes or otherwise impairs any of the rights, privileges, or powers granted in the Declaration, Articles of Incorporation, or these By-Laws to any first mortgagee, without the prior written consent of the holders of all first mortgages.

SECTION 3. Discrepancies. Any discrepancies or conflicts between the provisions of the Arizona Revised Statutes, the Declaration, the Articles, these By-Laws, and the Association Rules shall, unless otherwise provided, be resolved by giving priority first to the Statutes, second to the Declaration, third to the Articles, fourth to these By-Laws and fifth to the Association Rules.

SECTION 4. Mortgagee Protection. In addition to all rights and privileges inferred herein upon the holders of all First Mortgages, the effectuation of any decision by the Association to terminate professional management and assume self-management of the Property or Condominium Property, as defined in the Declaration, shall require the prior written approval of each institutional holder of a First Mortgage, Deed of Trust, or equivalent security interest lien upon Units comprising and encompassed within the Property. Further, institutional holders of first mortgage or first deed of trust liens upon Condominium Units, upon written request to the Association, shall have the right to (1) inspect the books and records of the Association at reasonable times during normal business hours; (2) receive an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association; and (3) receive written notice of all meetings of the Association, and to designate a representative in its or their behalf to attend all such meetings.