

BYLAWS
OF
CRYSTAL TERRACE HOMEOWNERS' ASSOCIATION

ARTICLE I - GENERAL

Section 1. Purpose. CRYSTAL TERRACE HOMEOWNERS' ASSOCIATION is an Arizona nonprofit corporation organized to provide for the maintenance, preservation, and architectural control of lots, homes, and other improvements within the subdivision known as DAVE BROWN 7TH AVENUE, located in Maricopa County, Arizona, development of which is subject to the Declaration of Covenants, Conditions and Restrictions, Maricopa County, Arizona, Document No. 96-0398921

Section 2. Definitions. The terms used herein which are defined in the Declaration will have the same meanings as in the Declaration. If not otherwise defined in the Declaration, the following will apply:

a. "Annual Assessments" will mean Assessments made by the Association in conformance with the annual budget prepared by the Board of Directors of the Association.

b. "Articles of Incorporation" will mean the Articles of Incorporation of the Association as filed with and approved by the Arizona Corporation Commission, as those Articles may be amended from time to time in accordance with Arizona law.

c. "Assessments" will mean Annual Assessments, Special Assessments, and Supplemental Assessments made by the Board as permitted by the Declaration and these Bylaws.

d. "Association" will mean CRYSTAL TERRACE HOMEOWNERS' ASSOCIATION, an Arizona nonprofit corporation, together with its successors and assigns.

e. "Board" will mean the Board of Directors of the Association.

f. "Common Expenses" will mean the expenses for the operation of the Association and expenses for the maintenance, repair, and restoration of areas required to be maintained by the Association, other than areas required to be maintained by the Association as the result of an Owner's failure to maintain such areas, including without limitation salaries, wages, payroll taxes, attorneys' and accountants' fees, supplies, materials, parts, services, and landscaping and replacement of any property required to be maintained by the Association. "Common Expenses" also will include those expenses identified as "Common Expenses" in the Declaration.

g. "Development" will mean the subdivision known as "Dave Brown Higley Road," located in Maricopa County, Arizona, development of which is subject to the Declaration.

h. "Declarant" will mean First American Title Insurance Company, an Arizona corporation, as Trustee of Trust Number 6478, together with its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from Declarant for the purpose of development.

i. "Declaration" will mean the Declaration of Covenants, Conditions, and Restrictions, recorded on 6/6/96, at Document Number 96-0398921, of the records of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time.

j. "Lot" or "Dwelling Unit" will mean and refer to any plot or parcel of land and the improvements thereto, if any, including a condominium or apartment dwelling unit, as defined in the Declaration.

k. "Majority" or "Majority of Members" will mean the Owners of more than 50 percent of the Lots situated within the Properties. "Member" will mean an Owner of a Dwelling Unit. If the Member is a corporation, trust, or partnership, the Member will be represented by an officer, partner, agent, trustee, or employee of such Member.

l. "Mortgage" means any recorded, filed, or otherwise perfected instrument given in good faith and for valuable consideration, and which is not a fraudulent conveyance under Arizona law, as security for the performance of any obligation, including without limitation a Deed of Trust, but will not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code on personal property. "Mortgagee" means a person secured by a mortgage, including a trustee and beneficiary under a Deed of Trust. "Mortgagor" means the party executing a mortgage, including a trustor of a Deed of Trust. "First Mortgage" means a mortgage of Deed of Trust which is the first and most senior of all mortgages or Deeds of Trust on the same property.

m. "Occupant" will mean a person or persons, other than a Member or Owner, in rightful possession of a Lot or Dwelling Unit by means of a lease, assignment, or otherwise.

n. "Owner" will mean and refer to the record Owner, whether one or more persons or entities, of equitable or beneficial title (or legal title if the same has been merged) of any Lot or Dwelling Unit. "Owner" will include a purchaser of a Lot under an agreement for sale, but will not include persons or entities who hold an interest in a Lot or Dwelling Unit merely as security for the performance of an obligation.

o. "Properties" will mean and refer to the certain real property described and covered in the Declaration and such additions thereto as may be hereafter brought within the jurisdiction of the Association.

p. "Special Assessments" will mean Assessments against Lots or Dwelling Units and Members to defray costs incurred by the Association to maintain the assessed Lot or Dwelling Unit in conformance with the Declaration.

q. "Supplemental Assessments" will mean Assessments made by the Board pursuant to a supplemental budget.

Section 3. Application of Bylaws. All present and future Owners, Occupants, and tenants, together with their respective licensees, invitees, and employees, are subject to the provisions of these Bylaws. The act of ownership or mere occupation of a Lot or Dwelling Unit will establish a conclusive presumption that the Bylaws are accepted and ratified and will be complied with by such Owner, occupant, or tenant, together with his, her, or its licensees, invitees, and employees.

Section 4. Principal Offices. The principal offices of the Association will be located at 2164 E. Broadway, Suite 300, Tempe, Arizona 85282, or such other place as the Board of Directors may from time to time designate.

Section 5. Priority of Declaration. The provisions of the Declaration will have priority over these Bylaws (and the Articles of Incorporation), and any provision hereof which is contrary to or inconsistent with the Declaration (as amended from time to time) will be void to the extent of such inconsistency.

Section 6. Priority of Articles of Incorporation. The provisions of the Articles of Incorporation will have priority over these Bylaws, and any provision hereof which is contrary to or inconsistent with the Articles of Incorporation (as amended from time to time) will be void to the extent of such inconsistency.

ARTICLE II - MEMBERS

Section 1. Eligibility. The membership of the Association will consist of all Owners of Lots or Dwelling Units in the Development. Membership in the Association will be mandatory and no Owner during his, her, or its ownership of a Lot or Dwelling Unit will have the right to relinquish or terminate his, her, or its membership in the Association.

Section 2. Succession. The membership of each Owner will terminate when he, she, or it ceases to be an Owner and his, her, or its membership in the Association will automatically be transferred to the new Owner succeeding to such ownership interest.

Section 3. Annual Meetings. The first annual meeting of the Members will be held as provided in the Articles of Incorporation. Thereafter the annual meeting of the Members will be held on the third Monday of January each succeeding year. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held on the first day following that is not a legal holiday. At such meetings there will be elected by ballot the Board of Directors in accordance with the requirements of the Declaration, the Articles of Incorporation, and these Bylaws. The Members may also transact such other business as may properly come before them at such annual meetings, in accordance with Arizona law.

Section 4. Action Without Meeting. Any action that, under the provisions of the Arizona Nonprofit Corporation Act may be taken at a meeting of the Members, may be taken without a meeting, if authorized by a writing signed by all of the Members who would be entitled to vote upon such action at a meeting and properly filed with the Secretary of the Association.

Section 5. Special Meetings. Special meetings of the Members may be called at any time by the President, by a majority of the Board, or upon the written request of one-quarter of all of the votes of the Class A membership, in accordance with the notice requirements provided in the Declaration.

Section 6. Notice of Meetings. Written notice of each meeting of the Members will be given by the Secretary by mailing a copy of such notice, postage prepaid, at least 10 days and not more than 50 days prior to the date of such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association. Such notice will specify the date, place, and hour of the meeting, and, in the case of a special meeting, the purpose of such meeting.

Section 7. Voting. The Association will have two classes of voting membership, namely Class A and Class B, as provided below:

Class A. Class A Memberships will be all Memberships except the Class B Membership held by Declarant, and each Owner will be entitled to one vote for each Class A Membership held by such Owner, subject to the authority of the Board to suspend voting rights of the Owner for violations of these Bylaws or the Declaration in accordance with the provisions hereof and thereof.

Class B. There will be one Class B Membership which will be held by Declarant. Declarant will be entitled to three votes per Lot. The Class B Membership will cease and be converted to a Class A Membership upon the happening of any of the following events, whichever occurs earlier:

- (1) When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership;
- (2) January 1, 2006; or
- (3) Five years after Declarant stops all sales, recordation, construction, and planning activities with respect to the Properties.

Section 8. Quorum. The presence at a meeting of Members representing 25 percent of each Class of membership entitled to vote on such matters to be taken up by the Members at such meeting will constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If however, such quorum will not be present or represented at any meeting, the Members entitled to vote thereat will have the power to adjourn

the meeting from time to time, without notice, other than an announcement at the meeting, until a quorum will be present or represented.

Section 9. Proxies. At all meetings of the Members, each Member may vote in person or by proxy. All proxies will be in writing and will be filed with the Secretary prior to or during the meeting for which such proxy is to apply. Any proxy given by a Member automatically will cease upon conveyance by the Member of his, her, or its Lot or Dwelling Unit.

ARTICLE III - BOARD OF DIRECTORS

Section 1. Number and Qualification of Board of Directors. The affairs of the Association will be governed by a Board of Directors elected by the Members and composed of not less than three nor more than 25 Directors, or such other number as the Members may from time to time elect. The Board of Directors initially will be comprised of three members and initially will be divided into three classes of terms of service, which classes will consist of one year, two years, and three years. Consequently, the initial director whose term of service is one year will be subject to re-election at the first annual meeting of the Members; the initial director whose term of service is two years will be subject to re-election at the second annual meeting of the Members; and the initial director whose term of service is three years will be subject to re-election at the third annual meeting of the Members. Any Directors elected at an annual meeting of the Members will be elected to terms of three years each. If the number of Directors is increased or decreased from the number of the initial Board of Directors, the respective terms of such Directors will be so staggered as to permit election of as similar a number of Directors as possible at each annual meeting. A person need not be a Member to be elected as a Director.

Section 2. Resignation and Removal of Directors. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. A Director may resign at any time upon 30 days' written notice to the other Directors. In the event of death, resignation, or removal of a Director, his or her successor will be elected by the remaining members of the Board and will serve for the unexpired term of his or her predecessor.

Section 3. Compensation. No compensation will be paid to Directors or officers for their services as Directors or officers of the Association. No remuneration will be paid to a Director for services performed by him or her for the Association in any capacity, unless a resolution authorizing such remuneration is unanimously adopted by the Board of Directors before the services are undertaken. Directors and officers, however, will be reimbursed for any actual expenses incurred in connection with their duties as such officers or Directors.

Section 4. Action Taken Without Meeting. The Directors will have the right to take any action in the absence of a meeting which they could have taken at a meeting, by obtaining the written approval of all of the Directors, in accordance with the Arizona Nonprofit Corporation Act. Any action so approved will have the same effect as though taken at a duly called meeting of the Board of Directors.

Section 5. Election. Election of Directors will be by written ballot or oral vote. Those candidates for election to the Board receiving the greatest percentage of votes cast either in person or by proxy at the meeting at which Directors properly are to be elected will be elected.

Section 6. Powers and Duties. Without limiting the generality of the powers and duties of the Board, the Board of Directors will be responsible for the following:

(a) Adopting and publishing rules and regulations governing the maintenance and use of the property within the jurisdiction of the Association and the personal conduct of the Members and their guests thereon, and establishing penalties for any infractions thereof;

(b) Suspending the voting rights of a Member during any period which such Member will be in default in the payment of any assessment levied by the Association or in violation of any covenant in the Declaration; such rights also may be suspended after notice and hearing, for a period not to exceed 60 days for an infraction of any published rules and regulations of the Association;

(c) Exercising for the Association all powers, duties, and authority vested in or delegated to the Association not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(d) Declaring the office of a member of the Board of Directors to be vacant in the event such member is absent from three consecutive regular meetings of the Board of Directors;

(e) Employing such persons as may be necessary to the functions and purposes of the Association, and prescribing their duties;

(f) Causing to be kept a complete record of all acts and affairs of the Association and presenting 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-quarter of the Class A Members then entitled to vote at a meeting of the Association;

(g) Appointing and supervising all officers, agents, and employees of the Association, including the Architectural Control Committee and other committees, and seeing that their duties are properly performed;

(h) As more fully provided for in the Declaration,

(1) Fixing the amount of the annual assessment against each Lot or Dwelling Unit at least 30 days in advance of each annual assessment;

(2) Sending written notice of each assessment to every Owner subject thereto at least 30 days in advance of each annual assessment and;

(3) Foreclosing the lien against any Lot or Dwelling Unit for which assessments are not paid within 30 days of the due date, or bringing legal action against the Owner personally obligated to pay the same;

(i) Issuing, or causing an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid, for which certificate a reasonable charge may be made by the Board; if a certificate states that an annual assessment has been paid, such certificate will be conclusive evidence of such payment;

(j) Procuring and maintaining adequate liability and hazard insurance, as defined in the Declaration, on property owned by the Association;

(k) Causing all officers or employees having fiscal responsibility to be bonded, if such is deemed necessary and appropriate;

(l) Causing the Lots and exteriors of Dwelling Units and Common Areas (if any) to be maintained; and

(m) Performing any and all necessary and reasonable functions which are normally performed by a Board of Directors in the discharge of its duties to a nonprofit corporation in general and to this Association in particular.

The foregoing enumeration of specific responsibilities and duties will not be deemed to limit any power or duty of the Board of Directors arising by law or under the Declaration, Articles of Incorporation, or these Bylaws.

ARTICLE IV - MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board will be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board.

Section 2. Special Meeting. Special meetings of the Board will be held and called by the President of the Association or by any Director, upon not less than three days' notice to each Director, or within a reasonable time after the presentation to the President of the Association of a petition signed by 50 percent of the Class A Members, which petition requires action to be taken by the Board.

Section 3. Quorum. A quorum will consist of a majority of the Directors then in office and presently serving. The acts of a majority of the Directors present at a meeting at which a quorum is present will be the acts of the Board of Directors. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting to another time and place.

Section 4. Waiver of Notice. Before, at, or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting, and such waiver will be deemed equivalent to the giving of notice of such meeting to the waiving Director. Attendance of a Director at any meeting will constitute a waiver of notice of such meeting unless the Director attends for the sole and express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Organizational Meeting. The first meeting of the initial Board of Directors will be called and held within 120 days after the Articles of Incorporation have been approved by the Arizona Corporation Commission.

ARTICLE V - COMMITTEES

The Board will appoint an Architectural Control Committee as provided in the Declaration. In addition, the Board may appoint such other committees as it deems appropriate to the carrying out of the Association's affairs.

ARTICLE VI - OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of the Association will include a president, one or more vice presidents, 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 will take place at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of the Association will be elected annually by the Board, and each will hold office for one year unless earlier removed by action of the Board, by the officer's resignation, or by the officer's disqualification to serve as an officer of the Association. Any officer may be appointed to succeed himself or herself.

Section 4. Resignations and Removals. 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 will 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 will not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy will serve for the remainder of the term of the officer he or she replaces.

Section 6. Multiple Offices. Any number of offices may be held by the same person, except that the offices of President and Secretary must be held by different persons and no person holding the office of President may also hold the office of Vice President.

Section 7. Duties. The duties of the officers will be as determined from time to time by the Board.

ARTICLE VII - COMMON EXPENSES AND ASSESSMENTS

Section 1. Annual Budget. The Board will cause an estimated annual budget of the Common Expenses to be prepared for each fiscal year of the Association. Such annual budget will be presented to the Members and will be used as a basis for assessments.

Section 2. Assessments for Common Expenses. As more fully described and provided in the Declaration, each Member is obligated to pay to the Association Annual and Special Assessments which are secured by a continuing lien upon the property (the Lot or Dwelling Unit) against which the Assessment is made. Any Assessments that are not paid when due will be delinquent. If an Assessment is not paid within 30 days of its due date, the Assessment will bear interest from the date of delinquency at the rate of 12 percent per annum, or as otherwise determined by the Board or specified in the Declaration. The Association may bring an action at law or in equity against the Member personally obligated to pay a delinquent Assessment or foreclose the lien of an Assessment against the Lot or Dwelling Unit, and in either case interest and reasonable attorneys' fees of such action will be added to the amount of the delinquent Assessment. No Member may waive or otherwise escape liability for an Assessment by nonuse or abandonment of any Common Area or his, her, or its Lot or Dwelling Unit.

Section 3. Supplemental Budget. In the event that during the course of any fiscal year, the Board determines that the Assessments levied in accordance with the estimated annual budget for the Common Expenses for such fiscal year are insufficient or are greater than required to cover the estimated expenses of operating the Association for the remainder of such fiscal year, the Board will prepare and approve a supplemental budget covering the estimated deficiency or excess for the remainder of the fiscal year. A copy of such supplemental budget will be furnished to each Member, and upon furnishing such copy, if a deficiency is shown by the supplemental budget, the Board will levy a Supplemental Assessment for the estimated deficiency against each Lot or Dwelling Unit and each Member or increase the amount of the remaining Annual Assessment installments attributable to each Lot or Dwelling Unit and each Member for the proportionate share of such estimated deficiency. If an excess is shown by the supplemental budget, the Board will reduce the amount of the remaining Annual Assessments installments attributable to each Lot or Dwelling Unit and each Member for the proportionate share of such estimated surplus. In the event that the remaining installments of the existing Annual Assessment are increased due to a deficiency in the supplemental budget, such increase will be payable in the same manner and on the same date as the then remaining balance of the original Assessment for such fiscal year; in the event of an excess, the reduced Assessment will be effective and applied in the same manner and on the same date as the then remaining balance of the original Assessment for such fiscal year.

Section 4. Lien for Unpaid Assessments. The amount of each Assessment, whether payable in installments or in a lump sum, together with a late charge established by the Board in an

amount not to exceed 18 percent per annum of the amount of any delinquent Assessment or installment thereof, costs, and reasonable attorneys' fees, will constitute the personal obligation of the person who is a Member at the time such Assessment or installment thereof became due as an obligation running with the Lot or Dwelling Unit. The personal obligation for delinquent Assessments or installments thereof will not pass to a Member's successor as Owner of a Lot or Dwelling Unit unless expressly assumed by such successor; provided, however, that the personal obligations of a Member will survive any voluntary or involuntary transfer of a Lot or Dwelling Unit with respect to any Member who was the Owner of such Lot or Dwelling Unit at the time such payment became due. Any person acquiring an interest in any Lot or Dwelling Unit, upon written notice to the Board, will be entitled to a statement from the Association setting forth the amount of the unpaid Assessments or installments thereof, if any. A person receiving such a statement will not be liable nor will any lien attach to such Lot or Dwelling Unit for an amount with respect to unpaid Assessments or installments thereof in excess of the amount set forth in such statement, except for Assessments and other charges which become due after the date thereof. The lien provided for in this Section may be foreclosed upon by the Association in any manner provided or permitted for the foreclosure of real property mortgages, deeds of trust, or liens against real property in the State of Arizona.

ARTICLE VIII - BOOKS AND RECORDS

The books, records, and papers of the Association will be kept and maintained by the Board, or such officer(s) as the Board designates, and will at all times during reasonable business hours be subject to inspection by any Member. The Declaration, Articles of Incorporation, and Bylaws of the Association will be available for inspection by any Member at the principal offices of the Association, and copies thereof may be purchased at reasonable cost from the Association.

ARTICLE IX - INDEMNIFICATION

The Association will indemnify and hold harmless each of its Directors and officers, each Member of any committee appointed by the Board, and the Declarant against any and all liability arising out of any acts of the Board, officers, committee members, or Declarant (including any and all officers and directors of Declarant) or arising out of their status as Directors, officers, committee members, or Declarant, unless any such act is a result of gross negligence or criminal intent. It is intended that the foregoing indemnification will include indemnification against all costs and expenses, including but not limited to attorneys' fees and costs reasonably incurred in connection with the defense of any claim, action, or proceeding, whether civil, criminal, administrative, or other, in which any such Director, officer, committee member, Declarant or officer or director of Declarant may be involved by virtue of such person having the status of Director, officer, committee member, Declarant, or Declarant's director or officer.

ARTICLE X - CORPORATE SEAL

The Association will have a seal in the form approved by the Board of Directors; provided, however, that such seal will not be required for the transaction of any business by the Association or the Board, except as provided by Arizona law.


ARTICLE XI - AMENDMENTS

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, except that the U.S. Department of Housing and Urban Development and the Veterans Administration will have the right to veto any such amendment while there is a Class B membership.

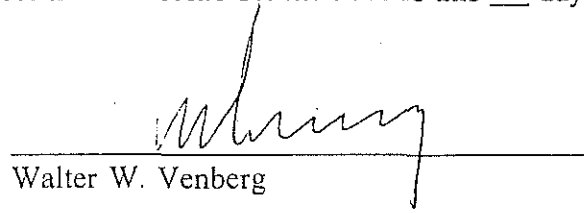
ARTICLE XII - FISCAL YEAR

The fiscal year of the Association will begin on the first day of January and end on the 31st day of December each year, except that the first fiscal year will begin on the date the Association is incorporated.

IN WITNESS WHEREOF, the undersigned Directors have hereunto set their hands this 12 day of ^{June} ~~May~~, 1995. ^{1996.}



David M. Brown



Walter W. Venberg




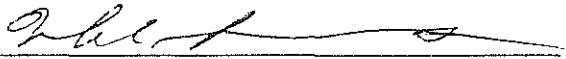
David J. Piccoli

CERTIFICATION

I, the undersigned, do hereby certify:

1. that I am the duly elected and acting Secretary of Crystal Terrace Homeowners' Association, an Arizona nonprofit corporation; and
2. that the foregoing Bylaws constitute the original Bylaws of that Association, as duly adopted by that Association's Board of Directors on ^{JUNE} ~~May~~ 12, 1995. ^{1996.}

IN WITNESS WHEREOF, I have hereunto subscribed my name this 12 day of ~~May, 1995.~~ ^{June 1996} 


Secretary