

**BY-LAWS
OF
PINNACLE PEAK ESTATES UNIT THREE
HOMEOWNERS' ASSOCIATION**

ARTICLE I - ARTICLES OF INCORPORATION

Section 1. Articles. Any reference herein made to this Association's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission, together with any and all certificates theretofore filed by the corporation with the Arizona Corporation Commission.

Section 2. Seniority. The Articles will in all respects be considered senior and superior to these Bylaws with any inconsistency to be resolved in favor of the Articles, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II - DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS

Reference is made to that certain Declaration of Covenants, Conditions and Restrictions for Pinnacle Peak Estates Unit Three, dated October 25, 1979, recorded January 7, 1980 in Docket 14140, pages 278 to 288, in the Office of the County Recorder of Maricopa County, Arizona as amended by Amendment to Declaration of Covenants, Conditions and Restrictions, Pinnacle Peak Estates Unit Three, dated March 26, 1980, recorded March 26, 1980 in Docket 14311 pages 532 to 533, records of Maricopa County, Arizona (the "Declaration"). The Declaration, as it may be amended or supplemented from time to time, is incorporated herein by reference.

ARTICLE III - MEMBERSHIP

Section 1. Annual Meetings. Each annual meeting of the members shall be held in Scottsdale, Arizona in December of each year, or at such 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, and provided further that the Board of Directors may by resolution fix the day of the annual meeting at such other date as the Board may deem appropriate.

Section 2. Special Meetings. Special meetings of the members 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 members holding a majority of the total votes entitled to be cast by all members.

Section 3. Notices. Each member of the Association shall be notified by the Secretary by written notice mailed to such member's address within the Subdivision, as that term is defined in the Declaration (unless the Secretary has received a written notice from such member designating a different address) at least ten (10) days before the date of the annual meeting, stating the time and place of the meeting. Special meetings may be called in like manner after five (5) days notice, but any such notice also shall designate the purpose of the meeting. In all such cases the date of mailing of the notices shall be considered the date such notices were given. Notices need only be given to members appearing as such on the books of the Association at the time of mailing of the notices.

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

Section 5. Quorum. At any regular or special meeting of the members (or their representatives designated pursuant to Section 6 of this Article III) the members holding ten percent (10%) or

more 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 members 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 a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

Section 6. Membership Certificates. Membership Certificates in such form as shall be approved by the Board of Directors shall be issued to the members. The certificate shall be executed by the President or Vice-President and countersigned by the Secretary or an Assistant Secretary of the Association. If any lot is owned by two (2) or more people or entities, the membership as to such lot shall be deemed a single membership, 'only one (1) membership certificate shall be issued in the names of all owners of record, and such persons or entities who comprise the owners shall designate in writing to this Association the name of the person or entity (from among themselves) who shall cast the vote for and on behalf of the owners. If the owner of a lot is a corporation or other entity, an officer or other duly authorized representative of the corporation or other entity may cast a vote for or on behalf of the owner.

Section 7. Manner of Voting. Each certificate of membership in the Association will be entitled to one (1) vote; provided, however, in the election of directors, members shall be entitled to cumulate their votes in accordance with Section 10, Article XIV of the Constitution of the State of Arizona.

Section 8. Disqualification. In the event any owner shall be in arrears in the payment of any amounts due under any of the provisions of the Declaration, the Articles or these Bylaws for a period of fifteen (15) days, or shall be in default in the performance of any of the terms thereof for a period of fifteen (15) days, such owner's right to vote as a member of this Association shall be suspended and shall remain suspended until all payments are brought current and all defaults remedied.

Section 9. Proxies. Any member entitled to vote thereat may vote by proxy at any meeting of the members (and at any adjournment thereof) which is specified in such proxy, provided that his or her proxy is executed in writing by such member or his or her duly authorized attorney in-fact. No proxy shall be valid after eleven (11) 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 members will rest with the person seeking to exercise the same. A telegram or cablegram appearing to have been transmitted by a member or by his duly authorized attorney in-fact may be accepted as a sufficiently written and executed proxy.

Section 10. Irregularities. All informalities and irregularities in calls, notices of 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 IV - 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 nine (9) members. The initial Board of Directors shall consist of three (3) members and shall serve until the first annual meeting of the members. The 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 members.

Section 2. Election and Term of Office. The Board of 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.

Section 3. 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 4. 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 from time to time by resolution provide.

Section 5. 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 WW time without call or notice, or waiver or call and notice.

Section 6. 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 a unanimous vote of the Directors.

Section 7. 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 8. Removal of Directors. At a meeting of members called for that purpose, the entire Board or any individual Director may be removed for reasonable cause by the affirmative vote of a majority of the members present in person or by proxy. Notwithstanding this provision, unless the entire Board of Directors is removed, an individual Director shall not be removed in the event votes of a sufficient number are cast against the resolution of his removal, which if cumulatively voted at an election of the entire Board of Directors, would be sufficient to elect at least one (1) Director. A successor may be elected to fill any vacancy created by the removal of a Director. Any Director, whose removal has been proposed by the members, shall be given an opportunity to be heard at the meeting.

Section 9. Expenses. No Director shall receive compensation for any service he may render to the Association as a Director. However, any Director may be reimbursed for his actual and reasonable expenses incurred in the performance of his duties.

ARTICLE V - OFFICERS

Section 1. Designation of Officers. The Directors shall elect the officers of the Association at an annual meeting of the Board of Directors; provided, however, that elections of additional officers may be held at any other meeting of the Board 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 or the President. The elected or appointed officers of the Association must be members.

Section 2. Duties of Certain Officers.

(a) President. The President shall be the chief executive of the Association. He shall preside at all meeting 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 shall do and perform such other acts and duties as may be required of him by the Board of Directors, but his authority shall be subject 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 members and each meeting of the Board of Directors; shall give or cause to be given, when required, notice of all meetings of the members and notice of all meetings of the Board; 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 Associations 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 shall disburse the funds of the Association as may be ordered by the Board, demanding proper vouchers for such disbursements. He shall prepare and submit a written financial report at each annual meeting of the members, and shall render to the President an account of all his transactions as Treasurer and such additional reports of the financial condition of the Association as the Board may require. The Treasurer may be required to furnish a surety 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 Treasurer.

Section 3. Other Employees. The Board of Directors may engage the services of such other employees, including but not limited to an Executive Secretary as well as a 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 of for any other reason whatsoever may be filled by the Board of Directors as the Board may deem appropriate.

Section 5. Committees. The Association shall have as a standing committee an Architectural Committees as provided in the Declaration. In addition, the Board 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 receive no compensation for their services rendered to the Association as such officers. However, such officers may be their duties. The Board of Directors may fix and pay such reasonable compensation for other officers or employees of the Association, as the Board deems proper.

ARTICLE VI - ASSESSMENTS

Section 1. Annual Budget. The Board shall cause to be prepared an estimated annual budget for each fiscal year for the Association. Such budget shall take into account the estimated expenses and cash requirements for the year and for each month thereof. The annual budget may provide for a reserve for contingencies in such reasonable amounts as may be determined by the Board. To the extent that assessments and other cash collections from the members 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 to each member not later than thirty (30) days before the beginning of such year. Upon approval of the estimated annual budget by the Board, the Board shall assess each lot as the annual assessment for the year covered by the annual budget. Each owner of record shall be personally liable for the annual assessment attributed to his lot. If a lot is owned by more than one (1) person or entity, each owner shall be liable for his proportionate share of his lot's annual assessment, computed by multiplying his lot's annual assessment by the ratio that one (1) bears to the total number of owners of his lot.

Each annual assessment shall be due and payable on or before January 10 of the year covered by the annual assessment. The Board of Directors shall have the power to authorize other payment schedules at its discretion.

In addition to the foregoing regular annual assessment, the Board may levy such additional special assessments (sometimes hereinafter referred to as "special assessments" as may be necessary or desirable to meet expenses of the Association during the fiscal year. The annual assessment and the special assessments shall collectively sometimes hereinafter be referred to as the "Assessment." Such special assessments shall be payable when, and upon such notice, as the Board may determine. All amounts, whether regular or special, shall be due and payable to the corporation.

Section 3. Maximum Assessment. No Lot's pro rata share of the Assessment shall exceed \$200-per year, unless such maximum Assessment is increased by the Association with the prior written consent of two-thirds (2/3) of the lot owners of record of said Subdivision.

Section 4. Partial Months. Upon becoming a member of this Association, an owner of a lot in the Subdivision shall thereupon become obligated to pay the assessments and charges provided for herein. If membership commences after January 10 of any calendar year, the member's assessments for that calendar year shall be prorated to the date membership commenced. All members shall remain liable for all assessments and other charges payable hereunder so long as they are members of this Association. In the event that membership terminates, assessments shall be prorated to the date of termination; provided, however, that anything herein to the contrary notwithstanding, any delinquent assessments shall remain the continuing responsibility and obligation of the delinquent owner even after membership in this Association terminates.

Section 5. Delinquency. Assessments as provided for herein shall be due and payable on or before January 10 or at such other time as may be directed by the Board. Failure to pay assessments when due shall render the assessments delinquent and such

delinquent assessments shall bear interest at the highest lawful rate per annum from the date of delinquency until paid.

Section 6. Liens. Any and all delinquent amounts, with interest, shall be a lien and a charge upon all the property of the member located within the Subdivision, such lien to be junior only to the lien or charge of any bona fide first mortgage or first deed of trust upon the same property or any part thereof at any time given or made. Suit to recover a money judgment for unpaid expenses or assessments shall be maintainable without foreclosure or waiving the lien securing the same. In any legal action against a member to enforce payment of any unpaid assessments or otherwise to secure compliance with the provisions of these Bylaws, the Articles, or Declaration, the Association, upon prevailing, shall be entitled to reimbursement from the member for all costs and expenses incurred, including, but not limited to, reasonable attorneys' fees.

ARTICLE VII - AMENDMENTS

Section 1. Amendments. These Bylaws may be amended by the affirmative vote of a majority of the Board of Directors. These Bylaws may not be amended insofar as such amendment would be inconsistent with the Declaration or the Articles.

ARTICLE VIII - FISCAL MANAGEMENT

Section 1. Fiscal Year. The fiscal year of the Association shall be January 1 through December 31. The commencement date of the fiscal year herein established shall be subject to change by the Board.

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 generally accepted 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 Assistant Secretary. The majority of the Board shall approve all contracts at a regular or special meeting.

ARTICLE IX - CONSTRUCTION

Section 1. Discrepancies. Any discrepancies or conflicts between the provisions of the Arizona Revised Statutes, the Declaration, the Articles, the Bylaws, and the Rules shall, unless otherwise provided, be resolved by giving priority first to the Arizona Revised Statutes, second to the Declaration, third to the Articles, fourth to the Bylaws, and fifth to the Rules.

CERTIFICATION OF ADOPTION

This is to certify that the foregoing Bylaws were duly adopted by the Board of Directors of Pinnacle Peak Estates Unit Three Homeowners' Association pursuant to an Action by Unanimous Written Consent of the Board of Directors.

DATED this 23rd. day of November 1987.

Approved by:

PINNACLE PEAK ESTATES UNIT THREE
HOMEOWNERS' ASSOCIATION,
an Arizona nonprofit corporation

Jim Walton

Steve Gillian

Don Stunoff

Claudia Chambers

Alyce Coburn

Cary Dix

Beverly Noettl

by Claudia Chambers
It's Secretary