

BYLAWS
OF
VELVET SHADOWS IMPROVEMENT ASSOCIATION,
a Nonprofit Arizona corporation

ARTICLE I

Section 1.

The name of this Association shall be the **VELVET SHADOWS IMPROVEMENT ASSOCIATION**. The Association may do business under the Trade Name "**CAREFREE SHADOWS HOMEOWNERS ASSOCIATION**" under circumstances as deemed appropriate and authorized by the Board of Directors.

Section 2.

This Association is organized pursuant to the general Nonprofit Corporation Laws of the State of Arizona and shall be governed by the General Corporation Law of the State of Arizona.

ARTICLE II

OBJECTIVES:

Section 1.

This Association is a nonprofit organization. The general nature of the business to be transacted and the objectives and purposes of the Association shall be as follows: Homeowner's Association

Section 2.

This Association is authorized to conduct the transaction of any or all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time.

Section 3.

This Association is organized and shall be operated exclusively for purposes beneficial to the

contributions to organizations that qualify as exempt under Section 501(c)(3) or Section 501(c)(4) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

Section 4.

The primary and initial purposes of the Association are:

A. To implement and make effective the provisions contemplated in the Declarations filed of record in the office of the Maricopa County Recorder on May 31, 1979 in Docket No. 13667 at pages 229-244.

B. To own, operate and/or maintain certain property and improvements to be used in common by and for the benefit of the Owners of Lots in Carefree's Velvet Shadows subdivision as of record with the Maricopa County Recorder as follows:

Lots 1-140 inclusive in Velvet Shadows, according to the plat of record in the Office of the County Recorder of Maricopa County, Arizona (hereinafter sometimes collectively referred to as ("Premises")). Velvet Shadows I, Lots 1-48 inclusive, in Book 104 of Maps, page 25; Velvet Shadows II, Lots 49-75 inclusive, in Book 107 of Maps, page 9; and Velvet Shadows III, Lots 76-140 inclusive, in Book 121 of Maps, page 42. Lots 9G, 9H, 9J, 9K, 9L, 9M, 9N, and 9P inclusive, Metes and Bounds, according to Docket 6909, pages 704-707 and Docket 6980, pages 879-882 thereof. As shown on Velvet Shadows a plat of recorded in Book 104 at page 25.

C. To enable the financing of construction, operation and maintenance of such common elements.

D. To accept such property and improvements as may be conveyed to the Association and to maintain and otherwise manage landscaping, parking areas, walk areas, common elements, recreational areas and facilities upon such property.

E. To pay all taxes and assessments, if any, which may properly be levied against such property or other property acquired by or owned by the Association.

F. To repair, maintain, rehabilitate and restore the real property and any improvements located thereon.

G. To assess annual dues and special assessments payable by the Owners of each Lot to provide funds to pay the capital and operating costs of the Association; to impress liens against individual Lots and improvements thereon, if any, to secure the payment of obligations due from the Owners or former Owners thereof to the Association and to collect, foreclose or otherwise

enforce, compromise, release, satisfy and discharge said demands, and to do all other acts necessary to the filing, maintenance and discharge of said liens.

H. To take any action necessary or appropriate to enforce the covenants, restrictions, reservations, and conditions which at present or in the future affect said Lots either by recording restrictions, Bylaws of the Association, rules and regulations of the Association, or in any other way created.

I. In addition thereto, to do any and all lawful things and acts which the Association, at any time, and from time to time, shall, in its discretion, deem to be to the best interests of the Members of the Association, and to pay all costs and expenses in connection therewith and in connection with any and all of the purposes of the Association, and further, to do any and all lawful things which may be advisable, proper, authorized or permitted to be done by the Association under and by virtue of any condition, covenant, restriction, reservation, charge or assessment affecting said Lots, or any portion thereof, and to do and perform any and all acts which may be either necessary for or incidental to the exercise of any of the foregoing powers, or for the peace, health, comfort, safety or general welfare of the Members of the Association, and further, to do any and all things and exercise all rights and power permitted to non-profit corporations under the laws of the State of Arizona, including the power to mortgage or encumber any property owned by it and to do and perform any and all acts and things and to transact any business, not inconsistent with law, which may be necessary, incidental to or convenient in carrying out any of the business or purposes of the Association.

Consistent with the foregoing purposes and subject to all other limitations, restrictions and prohibitions set forth in these Bylaws, this Association shall have all the powers specified in Section 10-1005A. of the Arizona Revised Statutes, as amended from time to time, and to do all and every thing necessary, suitable and proper for the accomplishment of the purposes or attainment of the objects hereinabove set forth either alone or in association with other individuals, corporations or partnerships, including federal, state, county and municipal bodies and authorities; and, in general, to do and perform such acts and transact such business in connection with the foregoing objects not inconsistent with law; provided, however, that the Association shall not perform any act or transact any business that will jeopardize the tax exempt status of the Association under I.R.C. § 501(c)(4) and its regulation as such section and regulations now exist or may hereafter be amended or under corresponding laws and regulations hereafter adopted.

ARTICLE III

OFFICES AND ASSOCIATION ARTICLES:

Section 1.

Principal Office. In addition to its known place of business, which initially shall be 7518 Elbow Bend, Carefree, Arizona 85377, the Association may maintain a principal office in

Maricopa County.

Section 2.

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

Section 3.

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

ARTICLE IV

DEFINITIONS:

Section 1.

"Properties" or "Premises" shall mean and refer to that certain real property hereinbefore described.

Section 2.

"Lot" shall mean and refer to a separately designated and legally described freehold estate consisting of any plot of land and the improvements thereon shown upon any recorded subdivision map of the properties with the exception of the common area.

Section 3.

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

Section 4.

"Owner" shall mean and refer to the record owner, whether one or more persons or entities, of equitable title or legal title of equitable title has merged, of any Lot which is part of the Premises.

ARTICLE V

MEMBERSHIP:

Section 1.

Limitation on Membership. Membership in the Association shall be limited to Owners of Lots within the above described Premises. The Owner(s) of a Lot shall automatically, upon becoming the Owner of a Lot, become a Member of the Association, and shall remain a Member of the Association until such time as such ownership ceases for any reason, at which time such membership in said Association shall automatically cease. Ownership of a Lot shall be the sole qualification and criteria for membership.

Section 2.

Transfer of Memberships. A membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of such Lot and then only to such purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event the Owner or former Owner of any Lot should fail or refuse to transfer the membership registered in his name to the purchaser of such Lot, the Association shall have the right to record the transfer upon the books of the Association and issue a new membership for the purchaser and thereupon the old membership outstanding in the name of the seller be null and void as though the same had been surrendered.

A fee charged of \$50 shall be assessed on any lot transfer involving a change of ownership of such lot resulting in a change of membership. Section 3.

Number of Memberships. The Owner(s) of each Lot shall be entitled to one membership in the Association, and there shall be no more than one membership for each Lot, which membership shall be subject to all of the provisions of the Association's Articles of Incorporation, By-Laws, Management Agreement, and Restrictions, provided, however, that if the Owner(s) of a Lot shall acquire ownership and use of all or a fraction of an adjoining Lot in combination with such Lot, the same shall then be deemed and considered to be one Lot for all purposes.

Section 4.

Voting Rights. The Association shall have one class of voting membership designated "Class A." Each Class A Member shall be all the Owners of a Lot as defined in this Article. A Class A Member shall be entitled to one vote for each Lot owned by said Member, as provided above and upon payment of all membership dues and special assessments, if any, outstanding.

Section 5.

Annual Dues or Special Assessments. Each Member shall be assessed Annual Dues, and may be assessed Special Assessments, as determined by the Board of Directors. The initial Annual Dues shall be the sum of \$50.00 per ~~improved Lot and/or \$20.00 per unimproved Lot~~ or as further or otherwise established by the Board of Directors. Any Annual Dues or Special Assessments assessed upon a Lot remaining unpaid as of the due date as established by the Board

changed 10/30/95

The Board of Directors may, at its discretion, impose interest at a rate not in excess of the legal rate of interest as established by the State of Arizona from time to time, upon dues of Directors, which shall be not less than thirty (30) days after adoption and notice to the membership, shall be and become a lien upon such Lot. Such lien may be enforced by Board of Directors as it deems appropriate.

or assessments which have become delinquent for a period of not less than 90 days of the amount or notice of such delinquency has been made to a member. added 2/14/95

ARTICLE VI

MEMBERSHIP MEETINGS:

Section 1.

Membership Meetings. The Board of Directors, or, in the absence of direction by the Board of Directors the President or Secretary of the Association, may designate any place, either within or without the State of Arizona, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be the registered office of the Association in the State of Arizona; but if all of the Members shall meet at any time and place either within or without the State of Arizona, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken. All meetings of Members shall be held at such a place as may be fixed from time to time by the Board of Directors.

Section 2.

10:00 a.m.

Annual Meeting. Annual meetings of Members shall be held on the first Monday of March at 4:00 p.m., if not a legal holiday, and if a legal holiday, then on the next secular day following, or at such other date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. At the Annual Meeting, Members shall elect Board of Directors and transact such other business as may properly be brought before the meeting. If the election of Directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Members as soon thereafter as conveniently may be.

Just Saturday

changed 3/17/95

Section 3.

Notice of Annual Meeting. Written notice stating the place, day and hour of any meeting of Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of the meeting, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting. If mailed, the notice of a special meeting shall be deemed to be delivered when deposited in the United States and addressed to the Member at his or her address as it appears on the records of the Association, with postage thereon pre-paid.

added 3/3/95

Section 4.

List of Members. The officer who has charge of the membership ledger of the Association shall prepare and make for the Annual Meeting of Members, a complete list of the Members entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each

Member. The list shall be produced and kept at the time and place of the Annual Meeting during the whole time thereof, and may be inspected by any Member present.

Section 5.

Special Meetings of Members. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute or the Articles of incorporation, may be called by the President and shall be called by the President or Secretary at the request of a majority of the Board of Directors, or not less than one-tenth (1/10) of the Members having voting rights. Such request shall state the purpose or purposes of the proposed meeting.

Section 6.

Notice of Special Meetings. Written notice stating the place, day and hour of any meeting of Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of the meeting, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting. The purpose or purposes for which the meeting is called shall be stated in the notice. Business transacted by any special meeting of Members shall be limited to the purposes stated in the notice. If mailed, the notice of a special meeting shall be deemed to be delivered when deposited in the United States and addressed to the Member at his or her address as it appears on the records of the Association, with postage thereon pre-paid.

Section 7.

Quorum and Adjournment. Twenty-five percent (25%) of the Members entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum at all meetings of the Members for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such a quorum shall not be present, a simple majority of such Members who are then present in person or by proxy may adjourn the meeting from time to time without further notice.

Section 8.

Majority Required. When a quorum is present at any meeting, the vote of a majority of the voting power present, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes or of the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. If the meeting commenced with a quorum, business may continue until adjournment of the meeting notwithstanding the withdrawal of sufficient Members to reduce the number present to less than a quorum; provided that the affirmative vote constitutes a simple majority of the Members remaining.

Section 9.

Voting.

A. *Proxies.* At any meeting of Members, a Member entitled to vote may vote by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

B. *Manner of Acting.* A majority of the votes entitled to be cast on a matter to be voted upon by the Members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by law or by these Bylaws.

C. *Voting by Mail.* Where directors or officers are to be elected by Members, such election may be conducted by mail in such manner as the Board of Directors shall determine.

Section 10.

Election Inspectors. The Board of Directors in advance of any Members' meeting, may appoint three (3) election inspectors to act at such meeting. If an election inspector or inspectors are not so appointed, the chairman of the meeting may make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspectors (acting through a majority of them) will determine the number of Members represented at the meeting; they will receive and count votes and ballots and announce the results thereof; they will hear and determine all challenges and questions pertaining to voting; and, in general, they will perform such acts as may be proper to conduct elections and voting with complete fairness to all Members. No such election inspector need be a Member of the Association.

Section 11.

Organization and Conduct of Meetings. Each Members' meeting will be called to order and thereafter chaired by the President, or if the President is not available, then by such other officer of the Association or such Member as may be appointed by the Board of Directors. The Association's Secretary, or Recording Secretary, will act as Secretary of each Member's meeting; in the Secretary's or Recording Secretary's absence the chairman of the meeting may appoint a person (whether a Member or not) to act as Secretary thereat. After calling the meeting to order, the Chairman thereof may require the registration of all Members intending to vote with the election inspectors (or, if not, with the Secretary of the meeting). The Chairman of the meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of Members, to determine the order of business to be conducted at such meeting and to establish rules for expediting the business of the meeting (including any informal, or question and answer, portions thereof).

Section 12.

Member Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification at any duly constituted meeting of the Members the notice of which either includes mention of the proposed submittal or is waived as provided in these Bylaws. If any contract or act so submitted is approved or ratified by a simple majority of the votes cast thereon

at such meeting, the same will be valid and binding upon the Association and all of its Members as it would be if approved and ratified by each and every Member of the Association, unless otherwise specifically provided by statute.

Section 13.

Waiver of Notice. Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, except when such attendance at the meeting is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any Member may waive notice of any annual or special meeting of Members by executing a written notice of waivers either before or after the time of the meeting.

Section 14.

Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting, or in the areas of credentials, quorums, voting and similar matters, will be deemed waived if no objection is made at the meeting, or prior thereto in writing.

ARTICLE VII

ELECTION AND NOMINATION:

Section 1.

The governing body of the Association shall be the Board of Directors. Directors shall be elected by voting Members at the Annual Meeting as defined in Article IV, Sections 2, 3 and 4.

Section 2.

Nominating Committee. The nominating committee shall consist of three (3) Members appointed by the Board of Directors. They shall report one (1) or more nominees for each vacant term at the following annual meeting. Nominations will also be accepted from the floor during the Annual Meeting in March.

ARTICLE VIII

DIRECTORS:

Section 1.

Number. The number of Directors which shall constitute the whole Board shall initially be seven (7) and shall not be fewer than three (3) nor more than fifteen (15), and the Board shall have the power to increase or decrease its size within such limits. The Directors shall be elected at the annual meeting of the Members and each Director elected shall hold office for the term for

which he or she is elected or appointed and until his or her successor is elected or qualified, or until his or her earlier death, resignation or removal.

Section 2.

Term of Office. The term of office of each Director shall be two (2) years from the Annual Meeting at which the director position is filled by vote of the Members, provided, however, that at the first annual meeting of Members approximately one-half (½) of the Directors shall be elected for a term of three (3) years. To the extent it is feasible, in accordance with the current number of authorized Board positions, terms of office of one-half the authorized Director positions shall expire each year, in order to maintain continuity in the operation of the Board of Directors.

Section 3.

Vacancies. Vacancies and newly created Director positions resulting from any increase in the authorized number of Directors may be filled by the affirmative vote of a majority of the remaining Directors then in office, though not less than a quorum, or by a sole remaining Director, and the Directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner displaced. At the discretion of the Board of Directors, and confirmed by majority vote thereof, an existing, vacant Director position may be filled for the remaining balance of the term of the position, notwithstanding the fact that said term may run past the next annual meeting date.

Section 4.

Powers. The business and affairs of the Association shall be managed by its Board of Directors, which may exercise all powers of the Association and do all such lawful acts as are not prohibited by statute, the Articles or these Bylaws.

Section 5.

Place of Meetings. The Board of Directors of the Association may hold meetings, both regular and special, either by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Section 6.

Annual Meeting. The regular annual meeting of each newly elected Board of Directors shall be held immediately following the Annual Meeting of Members and in the same place as the Annual Meeting. The presence of a majority of the Board of Directors shall be necessary in order legally to hold the meeting, providing all such Directors were present at the annual Members' meeting and a quorum shall be present. In the event such meeting is not held, the meeting may be held within ten (10) days thereafter at such place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in written waiver by all the Directors.

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Section 9.

Treasurer. The Treasurer shall have general custody of all the funds and securities of the Association except such as may be required by law to be deposited with any state official. The Treasurer shall see to the deposit of the funds of the Association in such bank or banks as the Board may designate. Regular books of account shall be kept under the Treasurer's direction and supervision, and the Treasurer shall render financial statements to the President and Directors at proper times. The Treasurer shall have charge of the preparation and filing of such reports, financial statements, and returns as may be required by law. The Treasurer shall give to the Association such fidelity bond as may be required, and the premium therefor shall be paid by the Association as an operating expense.

Section 10.

Assistant Secretaries. There may be such number of Assistant Secretaries as from time to time the Board may fix, and such persons shall perform such functions as from time to time may be assigned to them. No Assistant Secretary shall have the power or authority to collect, account for, or pay over any tax imposed by any federal, state or city government.

ARTICLE X

FISCAL YEAR AND FINANCIAL REVIEW:

Section 1.

The fiscal year of the Association shall begin on the first day of January and end on the thirty-first day of December.

Section 2.

The Board may appoint two (2) Members who are not officers to review the Treasurer's account and report thereon in writing at the next annual meeting of Members.

ARTICLE XI

REPEAL, ALTERATION OR AMENDMENT:

These Bylaws may be repealed, altered, or amended, or substitute Bylaws may be adopted at any time by a majority vote of the Board of Directors or the Members.

ARTICLE XII

Roberts Rules of Order, Revised, shall govern all proceedings of this the **VELVET SHADOWS IMPROVEMENT ASSOCIATION.**

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