

**AMENDED AND RESTATED  
BYLAWS  
OF  
YAVAPAI HILLS HOME OWNERS ASSOCIATION  
ADOPTED JANUARY 18, 2011**

WHEREAS, Yavapai Hills Home Owners Association (the "Association") was incorporated as a nonprofit corporation in the State of Arizona on or about, March 3, 1975;

WHEREAS, A.R.S. § 10-3101, *et seq.* vests the authority to adopt initial bylaws in the Board of Directors; and

WHEREAS, the original Board of Directors adopted the initial Bylaws which initial Bylaws were amended effective December 3, 1996 (the "Amended Bylaws"), and

WHEREAS, pursuant to the Amended Bylaws, the Amended Bylaws may be amended, altered or repealed by the affirmative vote of a majority of the active members represented in person or by absentee ballot at any meeting of the members at which a quorum of the members is present, and

WHEREAS, at a meeting of the members of the Association duly called and held on January 18, 2011, at which a quorum of the members was present, the members constituting at least a majority of the active members represented in person or by absentee ballot at such meeting voted in favor of adopting the Amended and Restated Bylaws as set forth herein.

NOW THEREFORE, the Bylaws of the Association are hereby amended and restated in their entirety as follows:

**ARTICLE I  
NAME AND LOCATION OF ASSOCIATION**

**Section 1.1 Name.** The name of the Association is Yavapai Hills Home Owners Association.

**Section 1.2 Principal Office.** The principal office of the Association in the State of Arizona is currently located at 4975 Hornet Drive, Prescott, Arizona 86301. The Association may change the location of its principal office as the Board of Directors may determine or as the affairs of the Association may require.

**ARTICLE II  
REFERENCE TO DECLARATIONS**

**Section 2.1 Reference to Declarations.** Reference is made to the Amended Declaration of Covenants, Conditions and Restrictions for Residential Lots dated February 3, 1975, and recorded at Book 950, Pages 697-714, Official Records of Yavapai County, Arizona and the other Declarations of Covenants, Conditions and Restrictions for Residential Lots and Townhouses for the various Units and Phases of the Yavapai Hills subdivision, in each case as supplemented and/or amended (hereinafter referred to together as the "Declarations"). Unless otherwise defined in these Bylaws, all capitalized words and phrases shall have the meanings set forth in the Declarations.

**ARTICLE III  
PURPOSE**

**Section 3.1 Purpose.** The primary purpose of the Association is to serve as the governing body for the Owners of Lots and to fulfill such obligations and exercise such rights as are given by statute and the Declarations, the Articles, these Bylaws, the Association Rules, and the Architectural Committee Rules (the "Governing Documents"), as they may hereafter be amended.

#### **ARTICLE IV MEMBERSHIP**

**Section 4.1 Qualification.** Membership in the Association shall be limited to Owners of Lots, Dwelling Units and Residential Tracts (hereinafter, sometimes each, a "Lot"). An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a member of the Association and shall remain a member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

**Section 4.2 Voting Rights.** Subject to the provisions of Section 4.3, the Owner of a Lot shall be entitled to one (1) vote on each matter submitted to a vote of the Members. The vote attributable to each Lot must be cast as a whole; fractional votes shall not be allowed. In the event that a Lot is owned by two (2) or more Persons, the joint or common owners shall designate to the Association in writing one of their number who shall have the right to cast votes with respect to such Lot. If multiple Persons own a Lot and are unable to agree upon how their vote shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Lot, it will thereafter be conclusively presumed that he was acting with the authority and consent of all other owners of the same Lot unless objection thereto is made at the time the vote is cast. In the event that more than one (1) vote is cast with respect to particular Lot, all such votes shall be deemed void. In the event that an Owner owns more than one (1) Lot, such Member shall be entitled, subject to the provisions of Section 4.3, to one (1) vote for each Lot owned.

**Section 4.3 Good Standing.** If a Member otherwise entitled to vote is delinquent in the payment of periodic or special assessments, fines, penalties, interest, late charges, transfer fees, refinance fees, costs of collection, lien fees, attorneys' fees or other monies owed to the Association, or is not in compliance with the terms of the Association's Governing Documents, the Bylaws or the Rules and Regulations of the Association, such Member is not in good standing and such Member's right to vote shall be suspended until the delinquency, breach or violation is paid in full, cured or corrected.

**Section 4.4 Transfer of Membership.** Membership in the Association is inextricably and irrevocably connected with ownership of a Lot and may not be transferred independently of such ownership.

#### **ARTICLE V MEETINGS OF MEMBERS**

**Section 5.1 Annual Meeting.** An annual meeting of the Members of the Association shall be held at least once every twelve (12) months at a date and time determined by the Board of Directors for the purpose of electing or announcing the results of the election of Directors and transacting such other business as may properly come before the meeting.

**Section 5.2 Special Meetings.** Special meetings of the Members may be called by the President, the Board of Directors, or by the written request signed by Members having at least one-fourth (1/4th) of the total authorized votes in the Association.

**Section 5.3 Record Date.** For any meeting of the Members, the Board of Directors may fix a date not more than fifty (50) nor less than ten (10) days before the date of such meeting, as a record date for the determination of the Members of record entitled to vote at such meeting. If a record date has not been fixed in advance of a meeting as provided herein, the time of commencement of the meeting shall be deemed the record date.

**Section 5.4 Place of Meeting.** Meetings of the Members shall be held in Yavapai County, Arizona, at a suitable place designated by the Board of Directors.

**Section 5.5 Notice of Meetings.** Written notice stating the place, day and hour of the annual meeting of Members or a special meeting of Members shall be hand delivered or delivered by first-class U.S. Mail to all Members, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the Secretary. The notice of the meeting shall be deemed to be delivered when left with a person of suitable age and discretion at the address that appears on the records of the Association or when deposited, postage prepaid, in the United States Mail and addressed to the Member at the address that appears on the records of the Association. In the case of special meetings, the purpose for which the special meeting is called shall be stated in the notice and no business shall be transacted at such special meeting except as stated in the notice.

**Section 5.6 Quorum.** Those Members present in person or by absentee ballot at a properly noticed meeting of Members shall constitute a quorum at all meetings of the Members.

**Section 5.7 Absentee Ballots.** At any meeting of Members, any Member entitled to vote at such meeting may vote by absentee ballot in accordance with applicable Arizona statutes.

**Section 5.8 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 absentee ballot at a meeting at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by statute, the Declarations or these Bylaws.

**Section 5.9 Minutes.** Minutes shall be taken at all meeting of Members. Copies of the minutes shall be available for inspection at the office of the Association by Members and Directors at all reasonable times.

**Section 5.10 Voting by Mail.** When Directors are to be elected or any other matter is submitted to a vote of the Members, such vote may be conducted by mail in such manner as the Board of Directors shall determine. In the event that a vote is taken by mail, the return of ballots by fifty-one percent (51%) of Members entitled to vote shall validate the vote and satisfies any quorum requirement. Unless otherwise required by statute, the Declarations or these Bylaws, a majority vote of those voting by mail shall be sufficient to elect Directors or carry a matter put to such a vote.

**Section 5.11 Non-cumulative Voting.** All voting shall be done on a non-cumulative basis.

## **ARTICLE VI BOARD OF DIRECTORS**

**Section 6.1 Powers and Duties.** The affairs of the Association shall be managed by its Board of Directors. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things that are not required by the Declarations, statute or these Bylaws to be exercised or done by the Members. In addition to the powers and duties granted and imposed by statute and the Governing Documents, the powers and duties of the Board of Directors shall include, but are not limited to, the following:

- (A) Open bank accounts on behalf of the Association and designate the signatories thereon;
- (B) To accept such properties, improvements, rights, and interests as may be conveyed, leased, assigned, or transferred to the Association;
- (C) To own, maintain and otherwise manage all of the Common Areas and Facilities, and all improvements, and landscaping thereon; to pay all taxes and assessments, if any, which may properly be levied against the Common Areas and Facilities; to repair, rehabilitate, and restore the Common Areas and Facilities; and to insure the Common Areas and Facilities against such risks as the Board of Directors shall determine in accordance with the Governing Documents;

(D) To own, maintain, manage, lease, sell or otherwise dispose of any personal and real property acquired by the Association in lieu of foreclosure or trustee's sale or through attachment, foreclosure, Sheriff's sale, Trustee's sale, tax sale, redemption or any other judicial, quasi-judicial, bankruptcy or regulatory action and all facilities, structures, buildings, fixtures, landscaping and other improvements located thereon; to pay all taxes and assessments, if any, which may properly be levied against such property; to repair, rehabilitate, and restore such property; and to insure such property against such risks as the Board of Directors shall determine;

(E) To purchase, lease, acquire, own, maintain, manage, sell or otherwise dispose of Association Property; to pay all taxes and assessments, if any, which may properly be levied against Association Property; and to insure Association Property against such risks as the Board of Directors shall determine;

(F) To do all things necessary to carry out and enforce the terms and provisions of the Governing Documents and to do all things and acts, including the payment of all maintenance, operating and other costs, which in the sole discretion of its Board of Directors shall be deemed to be in the best interest of the Members of the Association or for the peace, comfort, safety, or general welfare of the Members of the Association, all in accordance with the Governing Documents;

(G) To enter into agreements with third parties authorizing such parties to carry on any activities which might legally be carried on by the Association and delegated by the Association to third parties;

(H) To engage the services of a manager or managing agent who shall manage and operate the Property for all of the Members upon such terms, for such compensation and with such authority as the Board of Directors may approve;

(I) To appoint committees of the Board of Directors and to delegate to such committees the authority to carry out certain duties of the Board of Directors, to the extent permitted by statute and the Governing Documents;

(J) To estimate the amount of the annual budget; to provide the manner and time of assessing and collecting from the owners the Assessments provided for in the Governing Documents;

(K) To promulgate such rules and regulations pertaining to the use and occupancy of the Property and the personal conduct of the Members and their family members, guests, lessees and invitees thereon as may be deemed proper and which are consistent with the Declarations;

(L) To enforce, by suit or otherwise, the terms and provisions of the Governing Documents;

(M) To establish and maintain working capital, reserve and contingency accounts in an amount to be determined by the Board of Directors;

(N) To lend or invest its working capital and reserves with or without security;

(O) To fix and collect fees, rates, rentals and other charges for the use of Common Areas and Facilities, for the use of other property owned by the Association, and for services rendered by the Association;

(P) To obtain, for the benefit of all of the Property, all water, sewerage, gas and electric services and refuse collections, and to grant easements when necessary for utilities, sewer facilities and CATV over the Property;

(Q) To enter into agreements with the owners of property not within the Project whereby such owners shall contribute to the payment of construction, maintenance and reconstruction expenses, taxes, insurance and other charges attributable to portions of the Common Areas and Facilities which may directly or indirectly benefit such Parcels;

(R) Levy and collect Assessments as provided in the Declarations;

(S) To establish, levy, collect and enforce by any lawful means a schedule of fines, penalties, transfer fees, refinance fees, administrative charges, late charges, interest, and costs of collection;

(T) To do all other acts and things required by applicable law or statute or authorized in the Declarations but not explicitly set out above;

(U) In general to do and perform such acts and things and to transact such business in connection with the foregoing objects and purposes as may be necessary or appropriate.

**Section 6.2 Number and Qualifications of Directors.** The number of Directors of the Association shall be not less than three (3) nor more than ten (10) as determined from time to time by the Board of Directors. If the number of Directors is reduced, all Directors whose terms have not yet expired and who are in good standing shall be allowed to serve the balance of their terms. All Directors must be Members in good standing of the Association in accordance with the provisions of Section 4.3, but need not be residents of the State of Arizona. If an Owner is a corporation, partnership or trust, an officer, partner, trustee or beneficiary of such owner may serve as a Director. If a Director shall fail to meet the qualifications of good standing or Membership at any time during his term, he or she will thereupon cease to be a Director and his or her place on the Board shall be deemed vacant.

**Section 6.3 Terms and Term Limitation.** Directors shall be elected to and shall serve staggered two-year terms as follows: One-half of

the number of Directors (or if there are an uneven number of Directors, as close to one-half as is possible, rounding up and then down in consecutive years) shall be elected for two-year terms at each annual meeting, or each year if voting is conducted by mail. All elections and appointments of Directors under these Bylaws shall be made in a manner to preserve the staggering of terms contemplated hereby.

**Section 6.4 Regular Meetings.** A regular annual meeting of the Board of Directors shall be held without other notice than this Bylaw, immediately after, and at the same place as, the annual meeting of Members. The Board of Directors may provide by resolution the time and place for additional regular meetings of the Board.

**Section 6.5 Special Meetings.** Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any convenient place and time as the place and time for holding any special meeting of the Board of Directors called by them.

**Section 6.6 Teleconference Meetings.** Meetings of the Board of Directors may be held by conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation at such meeting shall constitute presence in person at the meeting.

**Section 6.7 Notice.** Notice of any special meeting of the Board of Directors shall be given to Directors at least three (3) days prior thereto by written notice delivered personally or sent by mail or facsimile to each Director at his address or facsimile number as shown on the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited, postage prepaid, in the United States Mail in a sealed envelope so addressed. If notice is given by facsimile, such notice shall be deemed to be delivered when the notice is transmitted to a fax machine to which the sender has reason to believe the Director has access. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by statute or by these Bylaws.

**Section 6.8 Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; but if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

**Section 6.9 Manner of Acting.** The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is required by law or by the Declarations, the Articles of Incorporation or these Bylaws.

**Section 6.10 Attendance at Meetings.** If any Director fails to attend three (3) or more successive meetings of the Board, including special meetings of which such Director has been given notice as provided in Section 6.7, or misses four (4) or more meetings out of six (6) successive meetings of the Board, including special meetings of which such Director has been given notice as provided in Section 6.7, such Director shall, unless otherwise determined by two-thirds (2/3rds) of the Directors present at a meeting at which a quorum is present, be automatically removed as a Director.

**Section 6.11 Removal.** At any annual or special meeting of the Members duly called, any one or more of the Directors may be removed from the Board with or without cause by Members having more than two-thirds (2/3rds) of the votes entitled to be cast by the Members present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thereby created by a majority of the Members in attendance at the meeting. A Director so elected shall be elected for the full unexpired term of the Director removed. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting prior to the vote for removal.

**Section 6.12 Vacancies.** Except as provided in Section 6.11, any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors shall be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum, at the next regular or special meeting of the Board. A Director appointed to fill a vacancy shall be appointed for the full unexpired term of his predecessor in office.

**Section 6.13 Compensation.** Directors shall not receive any compensation for their services as such. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties. Nothing herein contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

**Section 6.14 Open Meetings.** Notice of the time and place of all meetings of the Directors shall be given to all members by mail, hand delivery, posting in a conspicuous place, publishing in a newsletter of general circulation to all Members, or by any other reasonable means as determined by the Board of Directors. Except as otherwise provided herein or by statute, all meetings of the Directors shall be open to all Members of the Association, and Members shall be permitted to attend and listen to the deliberations and proceedings. The foregoing notwithstanding, any meeting or portion of a meeting of the Board of Directors may be closed if, and only if, the closed meeting or portion thereof is limited to consideration of the following:

- (A) Legal advice from an attorney for the Board of Directors or the Association;
- (B) Pending or contemplated litigation;
- (C) Personal, health and financial information about an individual member of the Association, an individual employee of the Association or an individual employee of a contractor of the Association;
- (D) Matters relating to job performance of, compensation of, health records of or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direction of the Association; or
- (E) As otherwise permitted by applicable statute.

## **ARTICLE VII OFFICERS AND EXECUTIVE DIRECTOR OR MANAGING AGENT**

**Section 7.1 Officers.** The officers of the Association shall be a President, one (1) or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority to perform the duties prescribed, from time to time, by the Board of Directors. All officers of the Association must be Members in good standing of the Association. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

**Section 7.2 Election and Term of Office.** The officers of the Association shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and qualified.

**Section 7.3 Removal or Disqualification.** Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association would be served thereby. Any officer who ceases to be a Member of the Association or who ceases to be in good standing shall be automatically removed from office.

**Section 7.4 Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

**Section 7.5 President.** The President shall be the principal executive officer of the Association and shall, in general, supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of the Members and of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Association authorized by the Board of Directors, any deeds, leases, mortgages, bonds, contracts, or other instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by the Declarations, these Bylaws or by statute to some other officer

or agent of the Association.

**Section 7.6 Vice President.** In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (or in the event there be more than one (1) Vice President, the Vice Presidents in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be delegated or assigned by the President or by the Board of Directors.

**Section 7.7 Treasurer.** The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws; and, in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be delegated or assigned by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give, at the Association's expense, a bond for the faithful discharge of his/her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

**Section 7.8 Secretary.** The Secretary shall keep the minutes of the meetings of the Members and of the Board of Directors in one (1) or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the Association records; keep a register of the post-office addresses of each Member which shall be furnished to the Secretary by such Member; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be delegated or assigned by the President or by the Board of Directors.

**Section 7.9 Assistant Treasurers and Secretaries.** The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or Board of Directors. If required by the Board of Directors, the Assistant Treasurers shall give, at the Association's expense, bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

**Section 7.10 Compensation.** No officer shall receive any compensation from the Association for acting as such. However, any officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties. Nothing contained herein shall be construed to preclude an officer from serving the Association in any other capacity, and receiving compensation therefor.

**Section 7.11 Managing Agent.** The Board of Directors may hire a Managing Agent at a compensation established by the Board of Directors. The Managing Agent may either be an employee of the Association, an independent professional management company, or an independent contractor. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize. The Board of Directors may, but is not obligated to, delegate to the Managing Agent all of the powers granted to the Board of Directors or the officers of the Association by these Bylaws; provided, however, that the following powers may not be delegated to the Managing Agent:

- (A) To adopt the annual budget, any amendment thereto or to levy Assessments;
- (B) To adopt, repeal or amend Association Rules;
- (C) To designate signatories on Association bank accounts;
- (D) To borrow or lend money on behalf of the Association;

**Section 7.12 Management Agreement.** Any contract with the Managing Agent must provide that it may be terminated with or without cause and without payment of any penalty or termination fee on no more than thirty (30) days written notice. The term of any such contract may not exceed one (1) year.

## **ARTICLE VIII COMMITTEES**

**Section 8.1 Committees of Directors.** The Board of Directors shall establish an Architectural Committee and a Finance Committee. The

Board of Directors may, by resolution adopted by a majority of the Directors in office, designate and appoint other standing or *ad hoc* committees, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Association, except that no such committee shall have the authority of the Board of Directors, in reference to amending, altering or repealing these Bylaws; electing, appointing or removing any Member of any such committee or any Director or officer of the Association; amending the Articles of Incorporation; authorizing the sale, lease, exchange or mortgage of the property and assets of the Association; authorizing the voluntary dissolution of the Association or revoking proceedings therefor; adopting a plan for the distribution of the assets of the Association; or amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed by the Declarations or by law.

### **Section 8.2 Architectural Committee.**

8.2.1 The Architectural Committee shall consist of at least three (3) Members of the Association. None of the committee members shall be required to be an architect or to meet any other particular qualifications for membership. A committee member may, but need not, be an officer or Director of the Association. The Board of Directors may increase the number of members on the Architectural Committee but the number of members must always be an odd number.

8.2.2 Subject to the review and approval thereof by the Board of Directors, it shall be the duty of the Architectural Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declarations, to adopt Architectural Committee Rules, and to perform other duties imposed upon it by the Declarations.

8.2.3 Subject to the review and approval thereof by the Board of Directors, the Architectural Committee may adopt, amend and repeal, by unanimous vote or written consent, Architectural Committee Rules. The Architectural Committee Rules shall interpret and implement the Declarations by setting forth the standards and procedures for Architectural committee review and the guidelines for architectural design, placement of building, landscaping, color schemes, exterior finishes and materials and similar features which are required to be used within the Property.

8.2.4 The approval by the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under the Declarations, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or other matter subsequently submitted for approval.

## **ARTICLE IX BUDGET AND ANNUAL ASSESSMENTS**

**Section 9.1 Annual Budget.** Not later than thirty (30) days prior to the beginning of each fiscal year, the Board shall cause to be prepared an estimated annual budget for the upcoming fiscal year of the Association. Such budget shall take into account the estimated common expenses and cash requirements for the year. To the extent that Assessments and other cash income collected 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 be taken into account.

Common expenses shall include, but shall not be limited to, the following:

- (A) All expenses of the Board of Directors incurred for the administration of the Association;
- (B) Management fees;
- (C) All expenses for the operation, maintenance, repair, and replacement of the Association's Common Areas and Facilities;
- (D) Rent for recreational and other equipment and facilities;

- (E) Taxes on Association property;
- (F) Insurance premiums on all policies of insurance obtained by the Board of Directors or the Association's managing agent;
- (G) Security expenses;
- (H) Working capital reserves;
- (I) General operating reserves;
- (J) Repair and replacement reserves;
- (K) Reserve for deficits accrued in prior years;
- (L) Utility expenses;
- (M) Fees payable to attorneys, accountants, bookkeepers, architects, engineers, construction managers and consultants;
- (N) All costs of carrying out the powers and duties of the Association; and
- (O) All other amounts that the Board of Directors may deem necessary or the Membership determines appropriate for the operation, administration, and maintenance of the Association.

**Section 9.2 Regular Assessments.** The period for which the Annual Assessment is to be levied (the "Assessment Period") shall be the Association's fiscal year. The estimated annual budget for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Member before the beginning of the fiscal year. The Board shall then determine the amount of the Annual Assessment against each Lot and shall send written notice of the annual Regular Assessments to every Member. The Board shall not levy an Annual Assessment that is more than twenty percent (20%) greater than the immediately preceding fiscal year's Annual Assessment without the approval of a majority of the Members of the Association.

9.2.1 The Board shall give notice of the Annual Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment Period, but the failure to give such notice shall not affect the validity of the Annual Assessment established by the Board nor relieve any Owner from its obligation to pay the Annual Assessment. If the Board determines during any Assessment Period that the funds budgeted for that Assessment Period are, or will, become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessment by Members, it may, subject to the twenty percent (20%) limit set forth in Section 9.2 above, increase the Annual Assessment for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board.

9.2.2 In the event the Board shall determine that the amount collected or to be collected through Regular Assessments is in excess of the Association's needs for the current year and reserves appropriate for future years, the Board in its discretion may refund to the Members who paid such Assessments all or a portion of such excess, reduce the amount of the Regular Assessments or abate collection of Regular Assessments as it deems appropriate.

**Section 9.3 Special Assessments.** The Association may levy against each Lot, in any Assessment Period, a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an Improvement upon the Common Areas and Facilities, including fixtures and personal property related thereto, provided that any Special Assessment shall have the assent of at least a majority of the votes entitled to be cast by Members who are voting in person, by mail or by absentee ballot at a meeting duly called for such purpose.

**Section 9.4 Collection of Assessments and Other Charges.** The Association shall collect Assessments, fees, charges, fines and penalties, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, fees, charges, fines or penalties, whether or not suit is filed, as provided in the Declarations.

**Section 9.5 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, a claim that the Association is not properly exercising its duties of maintenance of all or any portion of the Common Areas and Facilities or that the Association is not enforcing the Governing Documents.

**Section 9.6 Refinance and Disclosure Fees.** Any Owner of a Lot who sells or refinances his or her Lot and requires a status or disclosure statement from the Association in connection therewith shall pay to the Association a refinance or disclosure fee in such amount as is established from time to time by the Board. Fees charged pursuant hereto shall be secured by the Association Lien established pursuant to the Declarations.

## **ARTICLE X NEGOTIABLE INSTRUMENTS AND SECURITIES**

**Section 10.1 Signatures on Checks, Etc.** All checks, drafts, orders for payment of money, and negotiable instruments shall be signed by an officer or officers, employee or employees, or the Managing Agent of the Association as the Board of Directors may from time to time, by standing resolution or special order, prescribe.

**Section 10.2 Signatures on Certificates and Securities.** Endorsements or transfers of bonds or other securities will be signed by the President or any Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Association unless the Board of Directors prescribes otherwise.

**Section 10.3 Securities.** An officer or officers of the Association will from time to time be designated by the Board of Directors to have power to control and direct the disposition of any bonds or other securities or property of the Association deposited in the custody of any trust company, bank, or custodian.

## **ARTICLE XI RECORDS**

**Section 11.1 Records.** The Manager, Managing Agent, and Board of Directors will keep records of all actions of the Manager, Managing Agent, and Board of Directors, as well as minutes of the meetings of the Board of Directors, minutes of the meetings of the Members, and financial records and books of account for the Association, including a record of all receipts and disbursements. A separate account will also be kept for each Member containing, among other things, the amount of each Assessment, the date when due, amounts paid thereon, the balance remaining due, and any other fees, charges, fines and penalties, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, fees, charges, fines or penalties, whether or not suit is filed.

**Section 11.2 Access to Records.** The Association shall make the financial and other records of the Association reasonably available for examination and copying by a Member and his authorized agents. The Association may charge a reasonable fee for the time and costs of copying Association records. Association records may be withheld from disclosure to the extent that the portion withheld relates to any of the following:

- (A) Privileged communications between an attorney for the Association and the Association;
- (B) Documents related to pending or contemplated litigation;
- (C) Personal, health and financial records of an individual member of the Association, an individual employee of the Association or an individual employee of a contractor for the Association;
- (D) Records relating to job performance of, compensation of, health records of or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direct supervision of the Association;
- (E) Such other records as may be withheld pursuant to applicable statute; or
- (F) Meeting minutes or other records of a session of a meeting of the Board of Directors that is not required to be open to all Members pursuant to statute or Section 6.14 of these Bylaws.

## **ARTICLE XII**

## FISCAL YEAR

**Section 12.1 Fiscal Year.** The fiscal year of the Association shall be from the first day of January through the last day of the succeeding December.

## ARTICLE XIII ASSOCIATION RULES

**Section 13.1 The Association Rules.** The Association may, from time to time, and subject to the provisions of the Declarations, adopt, amend and repeal rules and regulations pertaining to (i) all aspects of the Association's rights, activities and duties, (ii) the management, operation and use of the Common Areas and Facilities, (iii) the Common Areas and Facilities including, but not limited to, any recreational facilities situated upon the Common Areas and Facilities, or (iv) any other subject within the jurisdiction of the Association. Except as limited herein, the Association Rules may be adopted, amended and repealed by a majority of the members of the Board. In the event of any conflict or inconsistency between the provisions of the Declarations and the Association Rules, the provisions of the Declarations shall prevail.

**Section 13.2 Fines and Penalties.** In addition to any other rights or remedies which the Association may have under the Declarations or at law or in equity as a result of the violation of the Declarations or the Governing Documents, the Association shall have the right, subject to applicable law, to levy reasonable fines or penalties against an Owner for any violation of the Declarations or the Governing Documents by the Owner, any other residents of the Owner's Lot or any of the Owner's family, tenants, guests, contractors or agents. The amount of the fine or penalty for each violation shall be established by the Board.

## ARTICLE XIV MISCELLANEOUS

**Section 14.1 Notices.** All notices required or permitted to be sent to the Board of Directors will be sent by first-class mail, postage prepaid, in care of the Manager or Managing Agent, or if there is no Manager or Managing Agent, to the office of the Association as set forth herein, or to such other address as the Board may, from time to time, designate. All notices required or permitted to be sent to any Member will be sent first-class U.S. mail, postage prepaid, to such address as the Member may have designated in writing to the Board of Directors. All notices will be deemed to have been given when mailed, except notices of change of address which will be deemed to have been given when received.

**Section 14.2 Waiver.** No restriction, condition, obligation, or provision contained in these Bylaws will be deemed to have been abrogated or waived by reason of any failure to enforce it, irrespective of the number of violations and failures to enforce that may occur.

**Section 14.3 Invalidity.** If any provision or provisions of these Bylaws is or are declared invalid, the invalidity will in no way impair or affect the validity, enforceability, or effect of the remaining provisions of these Bylaws.

**Section 14.4 Captions.** Captions are inserted in these bylaws for convenience and reference only, and will not be taken in any way to limit or describe the scope of these Bylaws or any provision thereof.

**Section 14.5 Personal Liability.** No member of the Board or of any committee of the Association, no officer of the Association, and no manager or other employee of the Association shall be personally liable to any Member, or to any other person or entity, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, the manager, any representative or employee of the Association, or any committee, committee member or officer of the Association; provided, however, the limitation set forth in this Section shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct.

**Section 14.6 Amendments.** These Bylaws may be amended, altered or repealed by the affirmative vote of a majority of the Members present at any meeting at which a quorum is present, provided written notice of the proposed amendment shall have been given to the Members at least two (2) weeks prior to the meeting.

**ARTICLE XV  
CONFLICTS**

**Section 15.1 Conflicts.** In case of a conflict between these Bylaws and the Articles of Incorporation, the Articles shall control. In case of a conflict with these Bylaws and the Declarations, the Declarations shall control. If any provision of these Bylaws is less restrictive than the Declarations or the Articles of Incorporation when dealing with the same subject, the more restrictive provisions of the Declarations and Articles of Incorporation shall be applicable in the same manner as if included in the provisions of these Bylaws.

**ARTICLE XVI  
DISSOLUTION**

**Section 16.1 Dissolution.** If there are Members entitled to vote on dissolution, the Board of Directors shall adopt a resolution recommending that the Association be dissolved and directing that the question of such dissolution be submitted to a vote at a meeting of those Members, which may be either an annual or a special meeting. Written notice stating that the purpose, or one of the purposes, of such meeting is to consider the advisability of dissolving the Association shall be given to each Member entitled to vote at such meeting of Members. A resolution to dissolve the Association may be adopted only by act of the Members. If there are no Members, or no Members entitled to vote on dissolution, the dissolution of the Association may be authorized by act of the Board of Directors. Voluntary dissolution shall comply in all respects with A.R.S. § 10-11401 *et seq.*

**SECRETARY'S CERTIFICATE**

The undersigned does hereby certify that:

He/She is the duly elected Secretary of the Yavapai Hills Home Owners Association, an Arizona nonprofit corporation; and

The foregoing Amended and Restated Bylaws constitute the Bylaws of the Yavapai Hills Home Owners Association as approved at a meeting of the members of the Association duly called and held on January 18, 2011, at which a quorum of the members was present, by the members constituting at least a majority of the active members represented in person or by absentee ballot at such meeting.

IN WITNESS WHEREOF, the undersigned has hereunto set his/her hand as of this \_\_\_\_\_ day of 201\_\_.

\_\_\_\_\_, Secretary