

**BYLAWS  
OF  
FLAGSTAFF MEADOWS PROPERTY OWNERS' ASSOCIATION**

**ARTICLE I**

**PRINCIPAL OFFICE**

The principal office of the corporation shall be located at 721 E. San Pedro, Gilbert, Arizona 85234, or such other place as may be designated from time to time by the Board of Directors.

**ARTICLE II**

**DEFINITIONS**

II. The following words where used in these Bylaws shall be defined as set forth in this Article

2.1 "Association" shall mean and refer to Flagstaff Meadows Property Owners' Association, an Arizona nonprofit corporation, its successors and assigns.

2.2 "Board" shall mean and refer to the Board of Directors of the Association.

2.3 "Bylaws" shall mean and refer to these "Bylaws of Flagstaff Meadows Property Owners' Association".

2.4 "Declaration" shall mean and refer to the Declaration of Restrictions for Flagstaff Meadows Subdivision, dated \_\_\_\_\_, 2001, as recorded \_\_\_\_\_, 2001, at Pages \_\_\_ through \_\_\_ of Fee \_\_\_\_\_, records of Coconino County, Arizona, as the same may be amended or supplemented from time to time.

2.5 "Director" shall mean and refer to a member of the Board.

2.6 "Lot" shall mean and refer to a parcel of real property shown and identified as any of the Lots identified or located within the Property.

2.7 "Member" shall mean and refer to the holder of the fee simple title to a Lot as shown from time to time in the property records of the office of the Coconino County Recorder, Arizona; provided, however, "Member" shall also include the holder of equitable title to any Lot, including a purchaser under a contract for conveyance of real property, for which legal title is held of record by another person; provided, however, any person holding title as security shall not be deemed a "Member".

2.8 "Property" shall mean and refer to the parcels referred to as the Property and described in the Declaration.

2.9 "Voting Representative" shall mean and refer to the natural person appointed by a Member to cast that Member's vote in matters involving the Association.

### ARTICLE III

#### MEMBERSHIP

3.1 Members. Qualifications for membership in the Association and the incidents thereof shall be as set forth in the Declaration. In accordance with the Declaration, there shall be two (2) classes of membership. Each membership shall be held and exercised in accordance with the provisions of the Declaration and these Bylaws.

3.2 Membership Certificates. The Board may, but shall not be required to, issue to each Member of the Association a certificate in a form approved by the Board setting forth the name of the Member and identifying the Lot owned. Each certificate shall be signed by the President or Vice-President and by the Secretary and may be impressed with the corporate seal.

3.3 Transfer of Membership. A membership shall be transferred on the Association's records upon delivery to the Association of proper evidence of transfer of ownership of the Lot to which the membership pertains, and if a certificate has been issued, delivery to the Association of such certificate duly endorsed. A transferee who is not a natural person shall register a "Voting Representative" in accordance herewith prior to exercising any voting rights or privileges.

3.4 Replacement Certificates. The Board may issue a new certificate in place of a certificate alleged to have been destroyed or lost or which a former Member wrongfully refuses or fails to produce upon sale of such Member's Lot. The Board, in its discretion, may as a condition precedent to issuing the new certificate, require the Member to furnish a sworn affidavit certifying to the Board and the Association the facts upon which issuance of a new certificate is requested and to provide a bond or other security to the Board as indemnity against any claim that may be asserted against the Board or the Association by reason thereof.

3.5 Registration of Voting Representative. All voting rights and privileges of a Member who is other than a natural person shall be exercised exclusively by a Voting Representative who shall be a natural person. Each such Member shall file in writing with the Association the full name, mailing address and telephone number of such Member's duly authorized Voting Representative who shall be deemed for all purposes affecting the Association as the person empowered to act on behalf of the Member. A Member may change its Voting Representative at any time by registering a new Voting Representative with the Association.

3.6 Suspension of Voting Privilege. The Board may suspend a Member's privilege to vote for violation of any provision of the Declaration or these Bylaws. Prior to any suspension, the Board shall hold a hearing at which time the Member will be given an opportunity to respond to the alleged violation. Written notice specifying the time and place of the hearing and the nature of the alleged violation shall be given to the Member at least fifteen (15) days in advance of the time set for the hearing. If the Board determines by majority vote that the Member has violated any of the provisions of the Declaration or these Bylaws as alleged, the Member's privileges to Vote shall as the Board determines be suspended unless the violation is cured within ten (10) days thereafter. The maximum term of suspension shall be thirty (30) days for each violation, except for a continuing violation. In the case of a continuing violation, the suspension shall continue until the violation is cured, as determined by the Board. This Section shall not in any manner prohibit the Board from imposing such other or additional sanctions as the Board may deem advisable and shall not in any manner limit the provisions of the Declaration or these Bylaws relating to assessments and enforcement of any remedy against a Member to collect delinquent assessments.

#### ARTICLE IV

##### MEETINGS OF THE MEMBERS

4.1 Annual Meetings. The first Annual Meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting shall be held on the same day of the same month of each calendar year thereafter at the hour of 10:00 a.m. (Mountain Standard Time). The Board may fix a different date and time for the meeting but such new date shall be not more than thirty (30) days before or after the first anniversary of the immediately preceding Annual Meeting. If the scheduled day for any Annual Meeting of the Association is a legal holiday (either federal or State of Arizona), the meeting shall be held at the same hour on the first day following which is not a legal holiday. Any business of the Association may be transacted at the Annual Meeting.

4.2 Place of Meetings. Meetings of the Members shall be held at the principal office of the Association or at any other place within or without the State of Arizona, County of Coconino, that the Board may from time to time select.

4.3 Special Meetings. Special Meetings of the Members may be called at any time by the President of the Association or by the Board or upon written request of the Members who are entitled to cast ten percent (10%) or more of the combined votes for all classes of stock.

4.4 Notice of Meetings. Written notice of each Meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by mailing a copy of the notice, postage prepaid, at least ten (10) days before the meeting to each Member, addressed to the Member's address last appearing on the ownership role of the

Association or to such other address as may have been supplied in writing by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting. Duplicates of notices need not be given to Voting Representatives.

4.5 Waiver of Notice. A Member, either before or after a meeting, may waive notice of the meeting, and such waiver shall be deemed the equivalent of giving notice. Attendance at a meeting by the Member or the Member's Voting Representative shall constitute waiver of notice of the meeting unless the Member or the Voting Representative attends for the express purpose of objecting to the transaction of business on the ground that the meeting was not lawfully noticed.

4.6 Quorum. The presence at a meeting, in person or by proxy, of Members and Voting Representatives entitled to cast fifteen percent (15%) of the combined votes for all classes of stock which may be cast by Members of the Association shall constitute a quorum for any action except as may otherwise be provided in the Declaration or these Bylaws. If, however, such a quorum is not present, the meeting may be adjourned to a time not less than twenty-four (24) hours nor more than thirty (30) days thereafter. At such reconvened meeting, the presence of Members and Voting Representatives entitled to cast at least ten percent (10%) of the combined votes for all classes of stock which may be cast by Members of the Association shall constitute a quorum. A meeting may be reconvened only once. Thereafter, a new meeting must be called and the original quorum requirements shall be applicable.

4.7 Proxies. At all meetings, each Member may vote in person through the Member's Voting Representative or by proxy. All proxies shall be in writing, duly executed and acknowledged by the Member and filed with the Secretary prior to commencement of any meeting at which the proxy is to be exercised. No proxy shall be valid after twelve months from the date of its execution.

4.8 Adjournments. Any meeting may be adjourned by majority vote of the total votes represented at the meeting.

4.9 Action by Members Without A Meeting. Any action that may be taken at a meeting may be taken without a meeting if consented to in writing by those Members entitled to vote with respect to the subject matter at the meeting.

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

## ARTICLE V

### BOARD OF DIRECTORS

5.1 Number. The business and affairs of the Association shall be conducted and managed by a Board of not less than three (3) nor more than seven (7) Directors who need not be Members of the Association. The number of Directors may be changed from time to time by a majority vote of the Board without amendment of these Bylaws.

5.2 Initial Directors and Staggered Terms. The individuals named in the Articles of Incorporation will serve as the Association's Directors until the appointment and qualification of their successors or until the first annual election of Directors by the Members of the Association. At the first meeting of the Members of the Association, the Members shall determine the number of Directors on the Board. Thereupon, the Board shall be divided into three groups as nearly equal in size as possible. The first group shall be elected to three year terms, the second group to two year terms and the third group to one year terms. The person or persons receiving the highest number of votes shall be elected to the directorship(s) available in that group. The person or persons receiving the next highest vote count shall be elected to the second group. The person or persons receiving the next highest vote count shall be elected to the third group. In subsequent Annual Meetings of the Membership, the directorship(s) in the group whose term expire at the time of that Annual Meeting of the Membership shall stand for election to a full three year term, resulting in approximately one-third of the Directors being elected each year.

5.3 Election and Term of Office. Directors shall hold office for a term of three (3) years, or until they shall sooner resign, be removed or otherwise become disqualified to serve. Elections shall be by secret written ballot and may be conducted by mail. All elections shall be by cumulative voting and the candidates receiving the largest number of votes shall be elected. Such Member Directors so elected shall serve until the expiration of their term, or unless removed for reasonable cause by the vote of Members holding the majority of the votes represented in person or by proxy at a meeting of the Association called for that purpose.

5.4 Removal. Any or all of the Directors may be removed from office with or without cause by a majority vote of Members.

5.5 Filling Vacancies. In the event of death, resignation or removal of a Director, his or her successor shall be selected by a majority of the Directors then in office or by a sole remaining Director and shall serve for the unexpired term of his or her predecessor.

5.6 Compensation. No Director shall receive compensation for any service rendered to the Association, but a Director may be reimbursed for actual expenses incurred in the performance of his or her duties.

## ARTICLE VI

### MEETINGS OF THE BOARD

6.1 Regular Meetings. Regular meetings of the Board shall be held at intervals of not greater than one hundred eighty (180) days at such place and hour as may be fixed from time to time by the Board. Regular meetings of the Board may be held from time to time as the Board may determine.

6.2 Special Meetings. Special meetings of the Board shall be held when called by the President of the Association or by any two Directors after not less than seven (7) days' notice to each Director. A call or notice of a special meeting shall state the purpose or purposes for which the meeting is being called or noticed, and only business affecting or related to such purpose or purposes may be conducted at such meeting.

6.3 Quorum. A majority of the Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present shall be regarded as the act of the Board.

6.4 Action Taken Without a Meeting. The Directors shall have the right to take any action without a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as a unanimous vote of such Directors taken at a meeting of the Directors.

## ARTICLE VII

### POWERS AND DUTIES OF THE BOARD

7.1 Powers and Duties. The Board shall be vested with all the rights, powers and privileges and charged with all the duties and responsibilities of the Association.

## ARTICLE VIII

### OFFICERS AND THEIR DUTIES

8.1 Enumeration of Officers. The officers of the Association shall be a President and a Vice President, who shall at all times be Directors, and a Secretary and a Treasurer, who need not be Directors. One individual may hold two (2) or more offices, except that the same person shall not hold both the office of Secretary and either the office of President or Vice President.

8.2 Election of Officers. The election of officers shall be by majority vote of the Directors. Elections shall be by secret ballot and may be conducted by mail.

8.3 Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign or be removed by the Board, or otherwise becomes disqualified to serve.

8.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may from time to time determine.

8.5 Resignation and Removal. An officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance by the Board shall not be necessary to make such resignation effective.

8.6 Vacancies. A vacancy in any office may be filled by the Board in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the unexpired term of his or her predecessor.

8.7 Powers and Duties. The powers and duties of the officers shall be as follows but shall include such other powers and duties as the Board may authorize or delegate:

A. President. The President shall preside at all meetings of the Board and act as the chief executive officer of the Association.

B. Vice President. The Vice President shall act in the place and stead of the President in the event of his or her absence or inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her for the Board.

C. Secretary. The Secretary shall attend and record the votes and keep the minutes of all meetings and proceedings of the Board and of the Association; keep the corporate seal; serve notice of meetings of the Board and of the Association; keep appropriate current records showing the Members of the Association, and the Voting Representatives; and perform such other duties as required by the Board.

D. Treasurer. The Treasurer shall keep or cause to be kept proper books of account showing all receipts and disbursements and shall cause an annual report in form and substance approved by the Board to be sent to the Members not later than one hundred twenty (120) days after the close of the Association's fiscal year which shall contain a balance sheet as of the end of such calendar year and a statement of income and expenditures for such calendar year.

8.8 Execution of Documents. Contracts, deeds and other documents shall be executed by the President or the Vice President and attested by the Secretary unless the Board shall designate by resolution another procedure for their execution.

8.9 Signing of Checks and Notes. Checks, notes, drafts and similar instruments shall be signed by the officers from time to time designated by the Board. All such documents shall be signed by no less than two officers.

## ARTICLE IX

### COMMITTEES

9.1 Appointment. The Board of Directors may appoint such committees as it shall deem appropriate in carrying out the Board's duties.

## ARTICLE X

### BOOKS AND RECORDS

10.1 Inspection; Audit. The books and records, including without limitation, the ownership role, of the Association shall be available for inspection by any Member at the principal office of the Association at all times during normal business hours. The Declaration and these Bylaws shall also be available for inspection by any Member at the principal office of the Association at all times during normal business hours, and copies thereof may be purchased at reasonable cost. The Board, at its discretion, shall cause an annual audit to be made of the books and records of the Association by an independent public accountant or certified public accountant and a copy thereof shall be sent to each Member.

## ARTICLE XI

### BUDGET AND ASSESSMENTS

11.1 Budget and Annual Assessment. At least thirty (30) days prior to each Annual Meeting of the Membership, the Board shall provide to each Member a recommended Budget and Annual Assessment for the operation, maintenance and repair of the Association and its Common Areas, including but not limited to wastewater facilities owned by the Association, for the ensuing 12 month period. The Membership shall have the opportunity to comment on the Budget and Annual Assessment at the annual Meeting of the Members. Written comments on the Budget and Annual Assessment shall be received by the Board before or at the Annual Meeting. Following receipt and consideration of the comments of the Members, the Board shall adopt an Budget and Annual Assessment. Within thirty (30) days of its adoption by the Board, a copy and notice of the authorized Budget and Annual Assessment will be provided to each Member.



11.2 Authority and Procedure. Pursuant to the authorization given in the Articles of Incorporation and the Declaration, the Board may establish procedures for setting and collecting the Assessments.

11.3 Collection of Assessment. Assessments shall be due and payable from the Members thirty (30) days following notice of the Assessment.

11.4 Capital Cost and Special Assessments. In addition to the Annual Assessment, all capital costs necessary for the continued maintenance, repair or improvements of the Common Areas, as those costs are differentiated from operating costs in the sole discretion of the Board, shall be assessed against each Lot Owner on a per lot basis. Capital costs may include all engineering, legal, financing and administrative costs pertaining to the capital expenditures. Furthermore, in the event the Annual Assessments authorized by the Declaration are insufficient to cover such capital cost from budgeted requirements, then and in that event the Board may assess this Special Assessment to recover those costs.

11.5 Service Connection Agreement. At the time an Owner wishes to receive water and wastewater service to Owner's Lot, Owner shall enter into a Service Connection Agreement (the "SCA") specifying the terms and conditions under which the Association will provide that service. The SCA shall provide, at a minimum, that: (i) each Lot shall have the right to one (1) and only one ¾" water meter for all water use on the Lot, (ii) each Lot shall have the right to one (1), and only one, two and one half inch (2 ½") discharge connection for all wastewater use on the Lot, which use is consistent with the Declarations, (iii) each Owner shall pay to the Association all costs incurred by the Association to initiate such service, including but not limited to, account establishment fees, service line costs, and supervision of Owner installed facilities that are interconnected to the Association's facilities, (iv) each Owner shall also pay all other capital costs as established pursuant to Section 11.8 below, (v) identify specific facilities that Owner will be required to fund, construct, operate and maintain on Owner's specific Lot which facilities are required by the Association's certified operator necessary for the Association to provide said service (specific facilities may include but not be limited to holding/septic tanks, trickling filters, grinders, and lift stations,) (vi) acknowledge receipt by the Owner of a written copy of the "Waste Limit Regulations" which identify particular waste items that can not be disposed into the wastewater system, and (vii) Owners shall not use, or permit others to use, water purchased from the Association at locations beyond the boundaries of that Member's Lot, or permit wastewater that was not originated on that Member's Lot to be discharged to the facilities. Said assessments under subparagraph (iii) and (vi) above shall be payable in full at the time the Owner requests service to the Lot. The facilities required by subparagraph (v) above shall be installed and inspected by the Association prior to the Lot receiving service.

11.6 Water Service Assessments. In addition to the above Annual Assessment and the Capital Cost and Special Assessments, Members shall be responsible for Water Service Assessments as prescribed herein.

11.6.1 Service Charge and Use Assessment. The Special Water Service Assessment (the "WSA") shall include a commodity and service charge. That Assessment shall be based upon each Owner's water consumption during the preceding month at the rates charged by the Association's water supplier, including the monthly minimum charge for the Owner's meter size. In addition, all direct and indirect costs associated with the management, operation, maintenance and repair of the Association's Water Facilities, including all applicable fees and taxes (the "Unrecovered Costs") which are not recovered in the minimum charge shall be charged to the Owner based on each Owner's consumption, divided by the total consumption of all Owners, multiplied by the Unrecovered Costs. The Owner's water consumption for any month may be estimated by the Association, and billed based upon that estimate, provided, however, that actual meter readings shall be made at least once every six month period with the following monthly assessment to adjust the billing to equal the Owner's actual water consumption during the estimate period.

11.7 Wastewater Service Assessments. In addition to the above Annual Assessment and the Capital and Special Assessments, Members shall be responsible for Wastewater Service Assessments as prescribed herein.

11.7.1 Service Charge and Use Assessment. The Special Wastewater Service Assessment (the "WWSA") shall include a flow rate and service charge. That flow rate charge shall be based upon each Owner's water consumption during the preceding month at the rates charged by the Association wastewater service provider. The wastewater monthly minimum charge shall be equal to the Association's water supplier's monthly water meter charge for the Owner's meter size. In addition, all direct and indirect costs associated with the management, operation, maintenance and repair of the Association's Wastewater Facilities, including all applicable fees and taxes, (the "Unrecovered Costs") which are not recovered in the minimum charge shall be charged to the Owner based on each Owner's water consumption, divided by the total water consumption of all Owners, multiplied by the Unrecovered Costs. The Owner's consumption for any month may be estimated on the water consumption by the Association, and billed based upon that estimate, provided however, that actual meter readings shall be made at least once every six month period with the following monthly assessment to adjust the billing based upon the Owner's actual water consumption during the estimate period.

11.8 Water and Wastewater Facilities Capital Cost Special Assessment. All capital costs necessary for the provision of water and wastewater service to the Property as those costs are differentiated from operating and maintenance costs in the sole discretion of the Board, shall be assessed against each Lot Owners on a per Lot basis. This assessment shall be referred to as the Water and Wastewater Facilities Capital Cost Special Assessment (the "CCSA") and shall include any Facilities Reserve Fees set forth in the Declaration. For the initial phase(s) of the Property, that CCSA shall include a prorated portion of the cost of the water and wastewater facilities built, or to be built, to serve the

initial phase(s). For subsequent phases, or areas annexed into the Association, the CCSA shall include the prorated portion of the cost of the wastewater facilities required to serve the additional area. The CCSA shall be assessed upon Board approval and may be collected as part of the SCA. Subsequent capital costs for improvements or replacements may be assessed as determined by the Board.

11.9 Lack of Capital or Expense Funds. In the event Owners do not timely pay the assessments authorized herein or the funds are otherwise unavailable, the Board shall not be responsible or liable to any Owner or other person for a resulting reduction or discontinuance of water or wastewater service to the Lots.

## ARTICLE XII

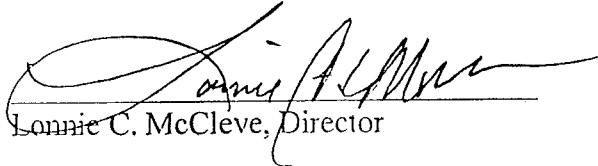
### MISCELLANEOUS

12.1 Loans to Directors or Officers Prohibited. The Association shall not loan money or its credit to assist directors, officers or employees. Any director or officer who assents to or participates in the making of any such loan shall be liable to the Association in the amount of such loan until the repayment of the loan.

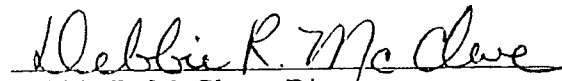
12.2 Amendments. These Bylaws may be amended by a majority vote of the Board.

12.3 Conflicts. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. All of the terms, provisions and definitions contained within the Declaration are incorporated herein by this reference and made a part hereof as if set forth in full herein.

IN WITNESS WHEREOF, we, being all of the Directors of the Flagstaff Meadows Property Owners' Association, have set our hands hereunto this \_\_\_\_ day of \_\_\_\_\_, 2001.

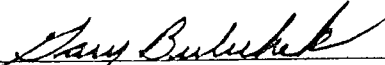
  
\_\_\_\_\_  
Lonnie C. McCleve, Director

  
\_\_\_\_\_  
Gary Bulechek, Director

  
\_\_\_\_\_  
Debbie R. McCleve, Director

CERTIFICATION OF SECRETARY

I, the undersigned, being the Secretary of the Flagstaff Meadows Property Owners' Association do hereby certify the foregoing to be the Bylaws of said Association as adopted at a meeting of the Directors held on the \_\_\_\_ day of \_\_\_\_\_, 2001.

  
\_\_\_\_\_  
Secretary/Treasurer