

DISCLAIMER

The following version of the Bylaws of the Williamson Valley Ranch Road Association was produced from a copy of the Bylaws of the Williamson Valley Ranch Road Association¹. Although the content of this version is believed to be consistent with the original, there may exist differences introduced in the processing. In case of any difference between the following version of the Bylaws of the Williamson Valley Ranch Road Association and the original Bylaws of the Williamson Valley Ranch Road Association, the original Bylaws of the Williamson Valley Ranch Road Association takes precedence.

NOTE

An amendment to Section 5.6 of the Bylaws, adopted by a unanimous vote of the Members of the Board of Directors at the meeting of the Board of Directors on June 10, 2005, has been inserted into the Bylaws.

¹ The formatting of the original document was only partially preserved; therefore the pagination of the following version is different from the pagination of the original version.

**BYLAWS
OF
WILLIAMSON VALLEY RANCH ROAD ASSOCIATION
ADOPTED FEBRUARY 19, 2005**

INTRODUCTION

WHEREAS, the Williamson Valley Ranch Road Association (the “Unincorporated Association”) was created pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions of Williamson Valley Ranch Road Association (the Declaration”) dated July 16, 1999, and recorded in Book 3680 at page 413 of the Official Records of Yavapai County; and

WHEREAS, the Unincorporated Association adopted certain bylaws effective July 23, 1999 (the “Association Bylaws”); and

WHEREAS, on February 8, 2005, the Unincorporated Association was incorporated as a nonprofit corporation in the State of Arizona named Williamson Valley Ranch Road Association (the “Association”) to succeed to and assume the rights, obligations and duties of the Unincorporated Association; and

WHEREAS, at a meeting of the Board of Directors of the Association duly called and held on February 27, 2005, a two-thirds majority of the Directors of the Association voted in favor of revoking the Unincorporated Association Bylaws and immediately thereafter voted in favor of adopting these Bylaws as set forth herein as the Bylaws of the Association.

NOW THEREFORE, these Bylaws of the Association are hereby adopted in their entirety as follows:

**ARTICLE I
NAME AND LOCATION OF ASSOCIATION**

Section 1.1 Name. The name of the Association is Williamson Valley Ranch Road Association.

Section 1.2 Principal Office. The principal office of the Association in the State of Arizona is currently located at 1550 Plaza West Drive, Prescott, Arizona 86303. 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 DECLARATION**

Section 2.1 Reference to Declaration. Reference is made to the Declaration of Covenants, Conditions and Restrictions for Williamson Valley Ranch Road Association dated July 16, 1999 and recorded in Book 3680 at Page 413 in the Official Records of Yavapai County, Arizona, (the "Declaration").

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 for the purpose of maintaining the Roads and Easements and to fulfill such other obligations and exercise such rights as are given by statute and the Association's 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.

Section 4.2 Voting Rights. Subject to the provisions of Section 4.3, the Owner(s) 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 only one Owner that Owner shall be deemed to have been designated in writing as the "Voting Owner". In the event that a Lot is owned by two (2) or more Owners, the joint or common Owners shall designate to the Association in writing one of their number as the "Voting Owner" who shall have the right to cast votes with respect to such Lot. If multiple Owners own a Lot and are unable to agree upon how their vote shall be cast and/or fail to properly designate a "Voting Owner" to cast their vote, they shall lose their right to vote on the matter in question. If any Member casts a vote as a "Voting Owner" representing a certain Lot, it will thereafter be conclusively presumed that he or she 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 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 Owner shall be entitled, subject to the provisions of this Section and of Section 4.3, to one vote for each Lot owned.

Section 4.3 Good Standing. If the payment of any Assessments, fines, penalties, interest, late charges, transfer fees, refinance fees, costs of collection, lien fees, attorneys' fees or other monies owed to the Association as to a Lot are delinquent, or if the Owner of such Lot is not in compliance with the terms of the Association's Governing Documents, the Board of Directors may, in its sole discretion, certify that the Owners of such Lot are not in good standing and such Owners' 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-tenth (1/10th) of the total authorized votes in the Association.

Section 5.3 Date of Meeting. 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. The presence in person or by proxy, at a properly noticed meeting of Members entitled to cast fifty-one percent (51%) of the votes Members are entitled to cast at such meeting shall constitute a quorum for such meeting of the Members.

The following amendment to the Bylaws was adopted by a unanimous vote of the Members of the Board of Directors at the meeting of the Board of Directors on June 10, 2005:

In such case as the quorum is not achieved at the annual meeting or by mail and/or e-mail

within 30 days after the annual meeting a quorum will be ruled to have been achieved automatically, constituted by all those responding by the end of the 30-day period.

Section 5.7 Proxies. At any meeting of Members, any Member entitled to vote may vote by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. Proxies may be granted in favor of only another Member, the granting Member's attorney, the lessee of a granting Member's Lot, the Secretary of the Association or the Board of Directors. Proxies shall be duly executed in writing and shall be valid only for the particular meeting designated therein or any adjournment thereof. All proxies must be filed with the Secretary prior to the commencement of the meeting for which they are given. Proxies shall be deemed revoked only upon the actual receipt by the person presiding over the meeting of a written notice of revocation signed by the Member who granted the proxy.

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 proxy 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 Declaration or these Bylaws.

Section 5.9 Minutes. Minutes shall be taken at all meetings 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 Declaration 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.

Section 5.12. Adjournment. Any meeting of the Members may be adjourned from time to time to such place and time as may be determined by majority vote of the members present, whether a quorum be present or not, without notice other than the announcement at the meeting. At any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

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 Declaration, 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 own, maintain and otherwise manage all of the Common Area and all facilities, improvements, and landscaping thereon; to pay all taxes and assessments, if any, which may properly be levied against the Common Area; to repair, rehabilitate, and restore the Common Area; and to insure the Common Area against such risks as the Board of Directors shall determine in accordance with the Governing Documents;

(C) 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;

(D) 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;

(E) 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;

(F) 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;

(G) 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;

(H) 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;

(I) To promulgate such rules and regulations pertaining to the use of the Roads and Easements and of any Common Area 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 Declaration; provided that such rules and regulations shall not discriminate among the Members and shall not be inconsistent with the terms of the Declaration.

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

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

(L) To lend or invest its working capital and reserves;

(M) To grant easements when necessary for utilities, sewer facilities and CATV over the Roads and Easements;

(N) 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 which may directly or indirectly benefit such property;

(O) Levy and collect Assessments as provided in the Declaration;

(P) 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;

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

(R) 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. 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. 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, e-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 e-mail or facsimile, such notice shall be deemed to be delivered when the notice is transmitted to a computer or facsimile 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 Declaration, the Articles or these Bylaws. Each Director shall have one vote regardless of the number of Lots owned in the Ranch.

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 disinterested 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 or her 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; provided however, no such compensation shall be paid unless a resolution authorizing such compensation is unanimously adopted by the disinterested members of the Board of Directors before the services are undertaken. A Director may not be an employee of the Association.

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 speak at such meetings as provided by statute. The foregoing notwithstanding, any meeting or portion of a meeting of the Board of Directors may be closed if, and only if, permitted by statute and approved by a majority of the attending Directors.

ARTICLE VII OFFICERS AND MANAGING AGENT

Section 7.1 Officers. The officers of the Association, all of whom shall be elected from the board of directors, shall be a President, Vice Presidents, 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 such other officers, 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 Declaration, 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 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.

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 or 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 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 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; provided however, no such compensation shall be paid unless a resolution authorizing such compensation is unanimously adopted by the disinterested members of the Board of Directors before the services are undertaken. An officer may not be an employee of the Association.

Section 7.10 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; or
- (D) To borrow or lend money on behalf of the Association;

Section 7.11 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, but such term may be subject to renewal.

ARTICLE VIII COMMITTEES

Section 8.1 Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the Directors in office, designate and appoint standing or *ad hoc* committees. Said Committees shall have no authority to act in behalf of the Association. Their sole purpose shall be to organize work parties and provide information to the board.

ARTICLE IX AREAS OF RESPONSIBILITY.

Section 9.1 Areas of Association Responsibility. The Association, or its duly delegated representative, shall manage, maintain, repair and replace the (i) Common Area, and all Improvements located thereon, (ii) the Roads and (iii) all Association Property. The Association shall not be obligated to maintain, repair and replace any other property within the Project, including without limitation, any Private Streets or other Improvements created in connection with the subdivision of a Lot. The Board shall be the sole judge as to the appropriate maintenance of all Areas of Association Responsibility. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of said properties shall be taken by the Board or by its duly delegated representative.

Section 9.2 Lots. Each Owner shall be responsible for maintaining his or her Lot. Each Owner shall be responsible for maintaining, repairing or replacing any and all buildings, Residential Units, landscaping or other Improvements situated on his or her Lot. All buildings, Residential Units, landscaping and other Improvements shall at all times be kept in good condition and repair.

Section 9.3 Assessment of Certain Costs of Maintenance and Repair. In the event that the need for maintenance or repair of an Area of Association Responsibility is caused through the willful or negligent act of any Member, his family, Lessee, guests or invitees, the cost of such maintenance or repairs shall be added to and become a part of the Assessment to which such Member and the Member's Lot is subject and shall be secured by the Association Lien.

Section 9.4 Maintenance of Subdivision Streets. The Owners of the Lots serviced by the easements to a Private Street, or their duly delegated representative, shall manage, maintain, repair and replace said Private Street. Such Owners shall be jointly and severally responsible for the costs of the management, maintenance, repair and replacement of said Private Street and shall hold the Association harmless therefrom.

Section 9.5 Improper Maintenance and Use of Private Streets. In the event any portion of any Private Street is so maintained as to present a public or private nuisance, or as to

substantially detract from the appearance or quality of the surrounding Lots or other areas of the Project which are substantially affected thereby or related thereto; or in the event the Owners of the Lots responsible for the maintenance such Private Street are failing to perform any of their obligations under the Governing Documents, the Board may make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owners that unless corrective action is taken within thirty (30) days, the Board may cause such action to be taken at said Owners' cost. If at the expiration of said thirty (30) day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered in its sole discretion to cause such action to be taken and the cost thereof shall on a prorated basis be added to and become a part of the Assessment to which the offending Owners and the Owners' Lots are subject.

ARTICLE X BUDGET AND ANNUAL ASSESSMENTS

Section 10.1 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.

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 Areas of Responsibility;
- (D) Rent for 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 Members determine appropriate for the operation, administration, and maintenance of the Association.

Section 10.2 Annual Assessments.

10.2.1 In order to provide for the operation and management of the Association and to

provide funds for the Association to pay all Common Expenses and to perform its duties and obligations under the Governing Documents, including the establishment of replacement and maintenance reserves, the Board, for each Assessment Period, shall assess an Annual Assessment against each Lot. The Annual Assessment for the first Assessment Period of the Association shall be one hundred Dollars (\$100.00). 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 sixty-seven percent (67%) of the Members of the Association.

10.2.2 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 10.2.1 above, increase the Annual Assessment for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board.

10.2.3 Assessment Period. The period for which the Annual Assessment is to be levied (the "Assessment Period") shall be the Association's fiscal year.

10.2.4 Rate of Assessment. Subject to the limitations set forth in Section 10.2.1 above, the amount of the Annual Assessment for each Lot shall be the amount obtained by dividing the anticipated Common Expenses of the Association for the Assessment Period for which the Annual Assessment is being levied by the total number of Lots.

10.2.5 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, improvement or replacement of the Roads, provided that any Special Assessment shall have the approval of sixty-seven percent (67%) of the Members of the Association.

10.2.6 Lot Specific Assessments. Lot Specific Assessments shall be levied by the Board of Directors against Lots with respect to which particular costs have been incurred by the Association. In the event the Association undertakes to provide work, materials or services on or about a Road, Easement or the Common Area which are necessary to cure or remedy a breach or violation of the Governing Documents that the Owner has refused to cure or remedy, such Owner by refusing to undertake or complete the required cure or remedy shall be deemed to have agreed in writing that all of the costs and expenses incurred in connection therewith shall be Lot Specific Assessments.

10.2.7 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 Area or other Area of Association

Responsibility, or that the Association is not enforcing the Governing Documents.

10.2.8 Purposes for which Association's Funds May Be Used. The Association shall apply all funds and property collected and received by it (including the Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of the Project and the Owners by devoting said funds and property, among other things, to the maintenance, provision and operation, by any manner or method whatsoever, of the Areas of Association Responsibility and for any and all services, projects, programs, studies and systems, within or without the Project, which may be necessary, desirable or beneficial to the general common interests of the Project and the Owners.

10.2.9 Rules Regarding Billing and Collection Procedures. Annual Assessments shall be collected on an annual basis or such other basis as may be selected by the Board. Special Assessments may be collected as specified by the Board. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making Assessments and for the billing and collection of the Assessments provided that the procedures are not inconsistent with the provisions of the Declaration. The Association shall be under no duty to refund any payments received by it even though the ownership of a Lot changes during an Assessment Period; successor Owners of Lots shall be given credit for prepayments, on a prorated basis, made by prior Owners.

10.2.10 Transfer, Refinance and Disclosure Fees. Each Purchaser of a Lot shall pay to the Association immediately upon becoming the Owner of the Lot a transfer fee in such amount as is established from time to time by the Board. 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 disclosure or refinance fee in such amount as is established from time to time by the Board.

10.2.11 Fines and Penalties. In addition to any other rights or remedies which the Association may have under the Declaration or at law or in equity as a result of the violation of the Declaration 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 Declaration 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.

10.2.12 Notice of Violation, Appeal and Payment of Fines and Penalties.

10.2.12.1 The Board, or any person designated by the Board, may serve a "Notice of Violation" against an Owner or Lessee for a violation of any provision of the Governing Documents by the Owner, his family or guests. A Notice of Violation shall contain (i) a description of the violation, (ii) the approximate time and place at which the violation was observed, (iii) the amount of the fine to be paid by the Owner or Lessee for such violation, (iv) the name of the person issuing the Notice of Violation, and (v) a statement advising the Owner or Lessee of the Owner's or Lessee's right to appear before the Board on the date, time and place specified for a hearing at which the Owner or Lessee can offer any defenses or mitigating

circumstances.

10.2.12.2 A Notice of Violation shall be deemed to have been served if delivered personally to the Owner or Lessee named in the Notice of Violation or sent to the Owner or Lessee by registered or certified United States mail, return receipt requested, postage prepaid. A Notice of Violation served by mail shall be deemed to have been received by the Owner or Lessee to whom the notice was addressed on the earlier of the date the notice is actually received or three (3) days after the notice is deposited in the United States mail. A Notice of Violation given to the Owner by mail shall be addressed to the Owner at the address of the Owner as shown on the records of the Association. A Notice of Violation given to the Lessee by mail shall be addressed to the Residential Unit occupied by the Lessee. If a Lot is owned by more than one Person, a Notice of Violation to one of the joint Owners shall constitute notice to all of the joint Owners.

10.2.12.3 The Owner or Lessee shall pay the fine set forth in the Notice of Violation to the Association within ten (10) days after the Notice of Violation is served on the Owner or Lessee or, if the Owner or Lessee appears at the hearing specified in the Notice of Violation, within ten (10) days after a hearing before the Board in which the Board upholds the fine.

10.2.13 Costs of Enforcement. Any costs incurred by the Association in enforcing the Declaration or the other Governing Documents shall be the obligation of the Owner of the Lot against which enforcement is sought. Such costs shall include, but not be limited to, reasonable attorneys' fees, whether or not suit is filed.

10.2.14 Effect of Nonpayment of Assessments, Fees, Charges, Fines and Penalties; Remedies of the Association.

10.2.14.1 Any Assessment, fee, charge, fine or penalty, or any installment of an Assessment, fee, charge, fine or penalty not paid within thirty (30) days after the Assessment, fee, charge, fine or penalty, or the installment thereof, first became due shall bear interest from the due date at the rate of interest established from time to time by the Board. In addition, the Board of Directors may establish a late fee and interest to be charged to any Owner who has not paid any Assessment, fee, charge, fine or penalty, or any installment thereof, within thirty (30) days after such payment was due; provided, however, such late fee for Assessments shall not exceed the greater of Fifteen Dollars (\$15.00) or ten percent (10%) of the amount of the past due Assessment.

10.2.14.2 As set forth in the Declaration, the Association shall have a lien on each Lot for all Assessments, together with interest and late charges, costs of collecting and reasonable attorneys' fees levied against or charged to such Lot or the Owner thereof. The Association may, at its option, record a Notice of Lien setting forth the name of the delinquent Owner as shown in the records of the Association, the legal description or street address of the Lot against which the Notice of Lien is recorded and the amount claimed to be past due as of the date of the recording of the Notice, including late charges, interest, costs of collection, lien recording fees, lien release fees, reasonable attorneys' fees and the costs of preparing the Notice

of Lien.

10.2.14.3 The Board may suspend for the entire period during which any Assessments, fees, charges, fines and penalties, together with interest and late charges, costs of collecting and reasonable attorneys' fees remain delinquent, the obligated Owner's right to vote on any matter at regular or special meetings of the Association.

10.2.14.4 The Board may, without notice or demand, enforce the lien established pursuant to the Declaration.

10.2.14.5 The Board may, without notice or demand, institute an action at law for a money judgment to recover the amount of the delinquent Assessment together with all fees, charges, fines and penalties, together with interest and late charges, costs of collecting and reasonable attorneys' fees.

10.2.15 Surplus Funds. The Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year, and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

ARTICLE XI NEGOTIABLE INSTRUMENTS AND SECURITIES

Section 11.1 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 11.2 Signatures on Certificates and Securities. Endorsements or transfers of bonds or other securities will be signed by the President or Vice President and by the Treasurer or the Secretary of the Association unless the Board of Directors prescribes otherwise.

Section 11.3 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 XII RECORDS

Section 12.1 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 12.2 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 as required by statute. 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 permitted by statute.

ARTICLE XIII FISCAL YEAR

Section 13.1 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 XIV DEFINITIONS

Section 14.1 "Annual Assessment" means the assessments levied against each Lot, and the Owner thereof, pursuant to the Declaration.

Section 14.2 "Areas of Association Responsibility" means (i) all Common Areas, including the Improvements and landscaping situated thereon, and (ii) all real property, and the Improvements situated thereon, within the Project located within Easements and rights-of-way of the Roads with respect to which the State of Arizona or Yavapai County has not accepted responsibility for the maintenance.

Section 14.3 "Articles" means the Articles of Incorporation of the Association, as they may from time to time be amended.

Section 14.4 "Assessment" means an Annual Assessment, a Special Assessment or a Lot Specific Assessment.

Section 14.5 "Association" means Williamson Valley Ranch Road Association, an Arizona nonprofit corporation, and its successors and assigns.

Section 14.6 "Association Lien" means the lien created and imposed by the Declaration.

Section 14.7 "Association Property" means any personal property owned or leased by

the Association.

Section 14.8 "Association Rules" means the restrictions, limitations, rules and regulations adopted by the Association pursuant to the Declaration and these Bylaws, as they may from time to time be amended.

Section 14.9 "Board" means the Board of Directors of the Association.

Section 14.10 "Bylaws" means these Bylaws of the Association, as amended from time to time.

Section 14.11 "Common Area" means all real property, together with all Improvements situated thereon, which the Association owns in fee or in which the Association has a leasehold interest. "Common Area" shall not include any real property, improvements or personal 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.

Section 14.12 "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

Section 14.13 "Declarant" means Capital Title Agency, Inc., an Arizona corporation, its successors and assigns.

Section 14.14 "Declaration" means the Declaration of Covenants, Conditions and Restrictions of the Association, as it may be amended from time to time.

Section 14.15 "Easement" means the easements for the Roads as set forth on the Survey.

Section 14.16 "Improvement" means any building, fence, wall or other structure or any swimming pool, tennis court, road, driveway, parking area or any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

Section 14.17 "Lessee" means a third-party lessee, sub lessee, tenant or subtenant under a lease, oral or written, of any Lot. As used herein a "third party" is any Person who is not an Owner.

Section 14.18 "Lot" means each parcel of real property designated as a parcel or a lot on the Survey or on any amendment to the Survey, and where the context indicates or requires, shall include any Residential Unit, building, structure or other Improvements situated on the Lot.

Section 14.19 "Member" means any Person who is a Member of the Association.

Section 14.20 "Owner" means the record owner, whether one or more Persons, of legal, beneficial or equitable title to the fee simple interest of a Lot. "Owner" shall not include (i)

Persons having an interest in a Lot merely as security for the performance of an obligation, or (ii) a Lessee. In the case of Lots, the fee simple title to which is vested in a trustee pursuant to Arizona Revised Statutes, Section 33-801, *et seq.*, the Trustor shall be deemed to be the "Owner." "Owner" shall also include a purchaser under a contract for the conveyance of real property subject to the provisions of Arizona Revised Statutes Section 33-741, *et seq.* "Owner" shall not include purchasers under purchase contracts and receipts, escrow instructions or similar executory contracts that are intended to control the rights and obligations of the parties to such executory contracts pending the closing of a sale or purchase transaction.

Section 14.21 "Person" means a natural person, corporation, business trust, estate, trust, living trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

Section 14.22 "Private Street" means any street created in the Project as the result of the subdivision of a Lot as shown on an amendment to the Survey, and specifically excluding any Road.

Section 14.23 "Property" or "Project" means the real property described on the Survey as Parcels 1 through 29, inclusive, and Tract A together with all Improvements located thereon.

Section 14.24 "Project Documents or Governing Documents" means the Declaration, the Articles, these Bylaws and the Association Rules.

Section 14.25 "Purchaser" means any Person who by means of a voluntary transfer becomes the Owner of a Lot.

Section 14.26 "Recording" means placing an instrument of public record in the office of the County Recorder of Yavapai County, Arizona, and **"Recorded"** means having been so placed of public record.

Section 14.27 "Resident" means each individual occupying or residing in any Residential Unit.

Section 14.28 "Residential Unit" means any building, or portion of a building, situated upon a Lot and designed and intended for independent ownership and for use and occupancy as a residence.

Section 14.29 "Road" means any of the easements for ingress, egress and roadways as shown on the Survey and specifically consists of those easements designated as Williamson Valley Ranch Road, Lonely Trail, Calais Lane, Friendly Meadow Road, L Bar L Road, Cowboy Trail and Corriente Circle, as set forth on the Survey and specifically excludes any Private Streets.

Section 14.30 "Special Assessment" means any special assessment levied and assessed pursuant to these Bylaws.

Section 14.31 “Survey” means the Amended Record of Survey as recorded on August 17, 1999 in the records of Yavapai County in Book 49 of Land Surveys at page 56 at request of the Declarant.

Section 14.32 “Voting Owner” means the Owner of a Lot designated pursuant to Section 4.2 to cast the vote as to such Lot.

ARTICLE XV MISCELLANEOUS

Section 15.1 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 by the Governing Documents 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 such 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. Any information other than notices required to be given to the Members pursuant to the Governing Documents and any other information may in the Board’s discretion be distributed to the Members via e-mail notification.

Section 15.2 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 15.3 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 15.4 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.

ARTICLE XVI CONFLICTS

Section 16.1 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 Declaration, the Declaration shall control. If any provision of these Bylaws is less restrictive than the Declaration or the Articles of Incorporation when dealing with the same subject, the more restrictive provisions of the Declaration and Articles of Incorporation shall be applicable in the same manner as if included in the provisions of these Bylaws.

**ARTICLE XVII
DISSOLUTION**

Section 17.1 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.*

**ARTICLE XVIII
AMENDMENTS**

Section 18.1 These Bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new Bylaws may be adopted, by the affirmative vote of sixty-seven percent (67%) of the Board of Directors.

IN WITNESS WHEREOF, these Amended and Restated Bylaws of the Williamson Valley Ranch Road Association are adopted as set forth above.

_____, President

_____, Vice President

_____, Treasurer

_____, Roads Manager

_____, Director

SECRETARY'S CERTIFICATE

The undersigned does hereby certify that:

He/She is the duly elected Secretary of the Williamson Valley Ranch Road Association, an Arizona nonprofit corporation; and

The foregoing Bylaws constitute the Bylaws of the Williamson Valley Ranch Road Association as adopted by the Directors present at a meeting duly called and held on February 27, 2005.

IN WITNESS WHEREOF, the undersigned has hereunto set his/her hand as of this ____ day of February 2005.

_____, Secretary