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BYLAWS OF

DISCOVERY AT VILLA DE PAZ HOMEOWNERS' ASSOCIATION

ARTICLE I

Plan of Unit Ownership

Section 1.1 - Unit Ownership. These Bylaws shall constitute the Bylaws of Discovery at Villa de Paz Homeowners' Association (hereinafter referred to as the "Association"), a corporation formed pursuant to that Declaration of Horizontal Property Regime and Covenants, Conditions and Restrictions for Discovery at Villa de Paz, as and if amended (such Declaration hereinafter referred to as the "Declaration", and the Horizontal Property Regime created thereby hereinafter referred to as the "Condominium" or "Project").

Section 1.2 - Personal Application. All present or future Owners (as defined in the Declaration), tenants, future tenants, or their employees, or any other person who might use the facilities of the Condominium in any manner, are subject to the regulations of these Bylaws as set forth herein.

Section 1.3 - Non-Profit Corporation. The Association is an Arizona not-for-profit corporation, and is organized and existing under and by virtue of the laws of the State of Arizona as same pertains to the application of corporate activities and the Project. The office of the Association shall be located at 2735 East Camelback Road, Suite 150, Phoenix, Arizona 85016.

Section 1.4 - Terms. The terms utilized in these Bylaws shall, except as otherwise provided herein, have the meaning set forth in the Declaration.

ARTICLE II

Membership and Voting Rights

Section 2.1 - Membership. Every Owner of a Unit which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Unit which is subject to assessment.

Section 2.2 - Classes of Voting Membership. The Association shall have two (2) classes of voting membership:

Class "A". Class "A" Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Unit owned. When more than one person holds an interest in any Unit, all such persons shall be Members. The vote for such Unit shall be exercised as they determine, but in no event shall more than one (1) vote be cast with respect to any Unit. The person casting a vote for a Unit shall be the "Voting Member" for that Unit.

Class "B". The Class "B" Member(s) shall be the Declarant and shall be entitled to three (3) votes for each Unit owned. The Class "B" Membership shall cease and be converted to Class "A" Membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class "A" Membership equal the total votes outstanding in the Class "B" Membership, or

(b) on March 31, 1989.

Transfer of Unit ownership, either voluntarily or by operation of law, shall terminate Membership of the transferors thereof in the Association. If Unit ownership is vested in more than one person, then all of the persons so owning each Unit shall be Members eligible to hold office, attend meetings, and shall be accorded all other rights and obligations of Members; provided, however, that the one (1) vote for such Unit shall be cast only by the "Voting Member". Any application for the transfer of Membership or for a conveyance of interest in or to a lease of a Unit, where the approval of the Board of Directors of the Association is required, as set forth in these Bylaws and/or the Declaration, shall be accompanied by an application fee in the amount to be set by the Board of Directors to cover the reasonable cost of investigation that may be incurred by the Board of Directors.

Section 2.3 - Majority. A "majority of Members" as used in these Bylaws shall mean those Members holding fifty-one percent (51%) of the votes in the Association. A majority of the votes of Voting Members present at any meeting shall decide any question unless the Bylaws, Declaration or applicable law shall provide otherwise, and in such event, the voting percentage required in these Bylaws, the Declaration, or such applicable law shall control.

Section 2.4 - Vote Indivisible. The vote of a Unit, whether the Unit is owned by more than one (1) individual Class "A" Member or by more than one (1) individual Class "B" Member, shall not be divisible.

Section 2.5 - Designation of Voting Member. If a Unit is owned solely by one natural person, his right to vote shall be established by the recorded title to the Unit and he shall be the Voting Member for that Unit. If a Unit is owned by more than one natural person, or by a corporation or other legal entity other than a natural person, the person entitled to cast the vote for the Unit owned by such natural persons, corporation or entity may, but shall not be required, be designated on a certificate (the "Certificate") filed with the Secretary of the Association. If a Unit is owned by more than one natural person, or by a corporation, or other legal entity other than a corporation, and a voting member is not designated by Certificate, if more than one (1) owner of such Unit is present at a meeting and such owners are unable to concur in their decision upon a subject requiring a vote, they shall lose their right to vote on that subject at that meeting. (As previously stated, the vote of a Unit is not divisible). Where a Unit is owned by more than one natural person or by a corporation or other legal entity other than a corporation, and a voting member is not designated by Certificate, and only one (1) owner of such Unit is present at a meeting, the person present may cast the Unit vote, just as though such owner owned the Unit individually, and without establishing the concurrence of the absent owner.

ARTICLE III

Meetings of the Membership

Section 3.1 Place. All meetings of the Members shall be held at the Project, or at such other place and

time as shall be designated by the Board of Directors of the Association and stated in the Notice of Meeting.

Section 3.2 - Notices. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the time and place thereof to each Unit Owner of record at least fifteen (15) days prior to such meeting. Notices of any special meeting shall state the purpose thereof. All notices shall be mailed to or served at the address of the Unit Owner as it appears on the books of the Association.

Secret

Section 3.3 - Annual Meeting. An annual meeting of Members shall be held at the Project, Phoenix, Maricopa County, Arizona, on the first Wednesday in March of each year, for the purpose of electing directors and transacting other business authorized to be transacted by the Members.

Section 3.4 - Special Meetings. Special meetings of the Members for any purpose or purposes, may be called by the President or the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class "A" Membership.

Section 3.5 - Quorum. At any meeting of the Members, one tenth (1/10) of each class of Members entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business except as otherwise provided by statute, the Declaration, or the Articles of Incorporation.

Section 3.6 - Voting. A Voting Member may vote by proxy executed in writing by the Voting Member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Memberships held by a legal personal representative or by a court-appointed receiver may be voted, in person or by proxy, by such representative or receiver without the transfer of such Membership into the name of the trustee, except pursuant to a valid voting trust agreement.

Section 3.7 - Cumulative Voting. In all elections of Directors of the Association, each Class "A" Voting Member shall have the right to cast as many votes in the aggregate as shall equal the number of Units for which he is a Class "A" Voting Member, a Class "B" Voting Member shall have the right to cast as many votes in the aggregate as shall equal three (3) times the number of Units for which he is a Voting Member, multiplied by the number of Directors to be elected at such election; and each Voting Member may cast the whole of such votes whether in person or by proxy for one candidate, or distribute such votes among two (2) or more candidates, and Directors of the Association shall not be elected otherwise.

Section 3.8 - Informal Action. Any action required to be taken at a meeting of the Members, or any other action which may be taken at such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Voting Members entitled to vote with respect to the subject matter thereof.

Section 3.9 - Irregularities. All information and/or irregularities in calls, notices of meetings and 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.

Section 3.10 - Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members, or in order to make a determination of Members for any other purpose, the Board of Directors, at its election, may provide that the Membership books shall be closed for a stated period, but not to exceed in any case fifteen (15) days prior to the event concerned.

Section 3.11 - Adjourned Meeting. If any meeting of the Members cannot be organized because a quorum has not attended, the Members who are present either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

ARTICLE IV

Board of Directors

Section 4.1 - Membership. The Board of Directors shall consist of five (5) Members and shall be elected at the organizational meeting as follows: Two (2) Members for three (3) years; two (2) Members for two (2) years; and one (1) Member for one (1) year. Thereafter, at each annual meeting of the Members, the Directorships of those Members whose terms have expired shall be elected from the Voting Members for a period of three (3) years. Each member of the Board of Directors shall be an Owner of a Unit or shall be a representative of a corporation or other entity as previously defined in Section 2.5. Notwithstanding the foregoing, as long as there is a Class "B" Membership (as defined in Section 2.2), each member of the Board of Directors need not be an Owner of a Unit.

2 for 3 yrs
2 for 2 yrs
1 for 1 yr

Section 4.2 - Organizational Meeting. The organizational meeting of the Board of Directors shall be held at such place and at such time as shall be determined by the Directors.

Section 4.3 - Removal of Directors. At any time after the first meeting of the Members any one or more of the Directors may be removed with or without cause by the affirmative vote of the Voting Members casting not less than two-thirds (2/3) of the total votes present at such meeting, and a successor may then and there be elected to fill the vacancy.

Section 4.4 - Vacancies on Board of Directors. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, disability or otherwise, a majority of the remaining Directors, though less than a quorum, shall choose a successor or successors, who shall hold office for the balance of the unexpired term.

Section 4.5 - Disqualification and Resignation of Directors. Any Director may resign at any time by sending written notice of such resignation to the office of the Corporation, delivered to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt by the Secretary. Except in the case of injury, illness or similar circumstances, more than three (3) consecutive absences from regular meetings of the Board of Directors shall automatically constitute a resignation to be effective as of the conclusion of the last missed meeting. In the event a Director ceases to be an Owner of a Unit or have an interest therein, the directorship shall immediately and automatically terminate. No Member shall continue to serve on the Board should he be more than thirty (30) days

delinquent in the payment of an Assessment and said delinquency shall automatically constitute a resignation effective when such resignation is accepted by the Board of Directors.

Section 4.6 - Regular Meetings. The Board of Directors may establish a schedule of regular meetings to be held at such time and place as the Board of Directors may designate. Notice of such regular meetings shall nevertheless be given to each Director personally or by mail, telephone or telegraph, at least five (5) days prior to the day named for such meeting.

Section 4.7 - Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation. These powers shall include the following:

A. To make Assessments as authorized by the Declaration, collect Assessments, and use and expend the Assessments to carry out the purposes and powers of the Association;

B. To employ, dismiss and control the personnel necessary for the maintenance and operation of the Project and of the Common Elements, including the right and power to employ attorneys, accountants, contractors and other professionals as the need arises;

C. To make and amend Rules and Regulations respecting the operation and use of the Common Elements and the Project and the use and maintenance of the Units therein;

D. To contract for the management of the Project and to designate to such manager all or a portion of the powers and duties of the Association;

E. To engage in the management of the business affairs of the Association;

F. To use and disburse the proceeds of Assessments in the exercise of its powers and duties;

G. The maintenance, repair, replacement and operation of the Common Elements;

H. The reconstruction of Improvements after casualty loss and the further improvement of the Project;

I. To enforce by legal means, if necessary, the provisions of the Declaration, the Articles of Incorporation, the Bylaws and Rules and Regulations of the Association, and other documents and laws respecting the Association and the Project;

J. To pay taxes and assessments which are liens against any part of the Project, other than individual Apartments, and to assess the same against the Units subject to such liens;

K. To pay the cost of all power, water, sewer and other utility services rendered to the Project and not metered and billed to individual Units; and

L. To select the officers of the Association.

Section 4.8 - Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state

the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two-thirds (2/3) of the Directors.

Section 4.9 - Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 4.10 - Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there should be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 4.11 - Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds, and all other persons designated by the Declaration, shall furnish adequate fidelity bonds or coverage. The premiums on such bonds or coverage shall be paid by the Association.

ARTICLE V

Officers

Section 5.1 - Elective Officers. The principal officers of the Corporation shall be President, Vice President and a Secretary/Treasurer.

Section 5.2 - Term. The officers of the Association shall hold office until their successors are chosen and qualify in their stead. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

Section 5.3 - The President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members and of the Board of Directors. He shall have executive powers and general supervision over the affairs of the Association.

Section 5.4 - The Vice President. The Vice President shall perform all of the duties of the President in his absence or disability and such other duties as may be required of him from time to time by the Board of Directors.

Section 5.5 - The Secretary/Treasurer. The Secretary/Treasurer shall issue notices on all meetings of the Members and shall attend and keep the minutes of the same and shall have charge of all of the Association's books, records and papers. He shall have custody of and shall keep full and accurate account of receipts and disbursements in books belonging to the Association and shall deposit all monies and other valuable effects in the name of and to the credit of the Association, in such depositories as may be

designated from time to time by the Board of Directors. The Secretary/Treasurer shall be allowed to delegate the collection, deposit and disbursement of monies by establishing a reasonable method of accounting which shall be reviewed by the Board of Directors on a monthly basis.

ARTICLE VI

Fiscal Management

Section 6.1 - Depositories. The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board of Directors from time to time, upon resolutions approved by the Board of Directors, and shall be withdrawn only upon checks and demands for money signed by such officer or officers of the Association or a professional management company as may be designated by the Board of Directors.

What bank?

Section 6.2 - Determination of Assessments. The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated Common Expenses for the Project (as defined in the Declaration) and cash requirements for the year. The estimated annual budget shall not include those utility expenses which are the obligation of the individual Owners. The annual budget shall also take into account the estimated net available cash income for the year from the operation or use of any of the Common Elements. The annual budget shall also provide for a reserve for contingencies for the year and an adequate reserve for maintenance, repairs and replacements of those Common Elements that must be replaced on a periodic basis, as determined by the Board. To the extent that the Assessments and other cash income collected from the Owners 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 in determining the annual budget.

Section 6.3 - Amount. Each Unit shall pay its pro rata share of the total annual Assessment in the proportion required by the Declaration.

Section 6.4 - Budget. 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 Owner not later than thirty (30) days before the beginning of such year. On or before the first day of the first month and of each succeeding month of the year covered by the annual budget, each Owner shall pay as his Unit's respective monthly Assessment, and one-twelfth (1/12) of his proportionate share of the annual Assessment for his Unit. As used herein, proportionate shares for each Owner and his Unit shall be in accordance with his respective ownership interest in the Common Elements as set forth in the Declaration. (Such general Assessments and utility Assessments may hereinafter be referred to collectively as regular monthly Assessment or Assessments.)

Section 6.5 - Statement of Assessment. The Board may cause to be sent to each Owner on or before the first day of each month a statement of the regular monthly Assessment or Assessments of such Owner and his Unit for such month, but the failure to send or to receive such monthly statement shall not relieve any Owner of his obligation to pay said monthly Assessment or Assessments on or before the first day of each month. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new monthly Assessments for any year or shall be delayed in doing so, each Owner shall continue to pay each

month the amount of his prior respective monthly Assessment or Assessments on or before the first day of each such month to the manager or managing agent or as may otherwise be directed by the Board.

Section 6.6 - Additional Assessments. In addition to the foregoing regular Assessments, the Board may levy additional monthly Assessments to meet Common Expenses if such Assessments become necessary or desirable during the fiscal year. The Board may also levy Special Assessments as authorized by and in accordance with the Declaration. Such Assessments shall be payable upon such notice as the Board may determine.

Section 6.7 - Obligation. No Owner shall be relieved of his obligation to pay Assessments for his Unit by abandoning or not using his Unit or the Common Elements. Any Owner becoming such after the commencement of the fiscal year shall pay his Unit's Assessment or Assessments as such become due, shall pay any Special Assessment made on or after the date he becomes an Owner, and shall be jointly and severally liable, except as otherwise provided in the Declaration, with the preceding Owner of such Unit for any and all Assessments against the preceding Owner and the Unit which are unpaid and delinquent when the Owner becomes an Owner.

Section 6.8 - Notice of Assessment. When the Board of Directors has determined the amount of any Assessment, the Treasurer of the Association shall mail or present to each Unit Owner a written statement of said Unit Owner's Assessment. All Assessments shall be due and payable on the first day of each month, or at such other time as the Board of Directors may designate. All Assessments shall be made payable to the Association.

Section 6.9 - Nonpayment of Assessments/Assessment Default. Any Assessment which is not paid when due is delinquent. Whenever an Assessment is delinquent, the Board may, at its option, invoke any or all of the sanctions provided for herein or in the Declaration, or any other reasonable sanction in order to compel its prompt payment.

A. Interest. If any Assessment is not paid within ten (10) days after it becomes due and payable, interest at the rate of ~~twelve percent (12%)~~ per annum, or at such other rate as may be determined by the Board, may be assessed on the amount owing from the date due until such time as it is paid.

B. Late Charge. The Board may, in its discretion, require an Owner and any predecessor in interest who was in arrears at the time of a voluntary conveyance to pay a late charge, in an amount to be determined by the Board, for delinquency in the payment of Assessments which are five (5) days or more overdue.

C. Suspension of Vote. The Board may suspend for the entire period during which an Assessment remains delinquent the obligated Owner's right to vote on any matter at regular or special meetings of the Association.

D. Suspension of Recreation Privileges. The Board may also suspend for the entire period during which an Assessment remains delinquent the obligated Owner's right to use of the recreational facilities of the Project.

E. Obligation. No Owner may exempt himself from liability for his Assessment or contribution toward Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Unit.

F. Enforcement of Lien. The Board of Directors may proceed as authorized by Section 6.10 of the Bylaws or the requisite provisions of the Declaration to institute an action at law for a money judgment or other proceeding to recover the amount of the delinquent Assessment.

Section 6.10 - Lien. It shall be the duty of every Owner to pay his Unit's respective Assessment in the manner herein provided. Such Assessments, together with any interest thereon and costs of collection thereof, as provided for in the Declaration, shall until paid, be a charge against and continuing lien upon the Unit against which and for which such Assessment is made; provided, however, such lien shall be subordinate to tax liens on the Unit in favor of any assessing unit and special district and to the lien of a prior recorded First Mortgage (as defined in the Declaration) on the Unit or the interest of such Owner, except for the amount of the Assessment which becomes due and payable from and after the date on which the said lien or Mortgage holder either takes possession of the applicable Unit, accepts the conveyance of any interest therein (other than as security), files suit to foreclose its Mortgage or records a notice of sale under the applicable deed of trust, causes a receiver to be appointed with respect to such Unit, or such other time as is provided by the Declaration. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Declaration, these Bylaws or otherwise available at law or in equity for the collection of all unpaid Assessments and any interest thereon and costs of collection thereof.

Section 6.11 - Recordation. Any lien or Assessment upon a Unit shall become effective upon recording notice thereof in the Office of the County Recorder, Maricopa County, Arizona. *

Section 6.12 - Suit. Suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosure or waiving any lien securing same. In any legal action against an Owner to enforce payment of any unpaid Assessments or otherwise to secure compliance with the provisions of these Bylaws, the Articles, the Declaration, or applicable law, the Association, upon prevailing, shall be entitled to reimbursement from the Owner for all costs and expenses incurred thereon including, but not limited to, reasonable attorneys' fees.

Section 6.13 - Records and Statements of Account. The Board shall cause to be kept detailed and accurate records in chronological order of the receipts and expenditures affecting the Common Elements and the Project and specifying and itemizing the Common Expenses incurred. All records authorizing payments shall be available for examination by the Owners at convenient hours designated by the Board. The Board shall, upon receipt of ten (10) days notice to it or the Association, furnish to each Owner a statement of his account setting forth the amount of any unpaid Assessments or other charges due and owing from such Owner.

Section 6.14 - Discharge of Liens. The Board may cause the Association to discharge any mechanics' lien or other encumbrance which in the opinion of the Board may constitute a lien against the Project or Common Elements rather than against a particular Unit only. When less than all of the Owners are responsible for such lien or encumbrance, they shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses including, but not limited to, attorneys' fees incurred by reason of such lien or encumbrance.

Section 6.15 - Fiscal Year. The fiscal year of the Association shall be the calendar year and shall begin on the first day of January of every year, except that the first fiscal year of the Association shall begin at the date of incorporation of the Association. The commencement date of the fiscal year herein established shall be subject to change by the Board should Association practice subsequently dictate.

Section 6.16 - Books of Account. Books of account of the Association shall be kept under the direction of the Treasurer on a consistent basis in accordance with generally accepted accounting practices.

Section 6.17 - Contracts. Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the President or Vice President and countersigned by the Secretary/Treasurer.

ARTICLE VII

Obligations of Members

Section 7.1 - Maintenance and Repair.

A. Maintenance. Every Owner must perform promptly all maintenance and repair work within his own Apartment, as required by the Declaration. Should an Owner fail to perform or perform without due care and diligence the repair or maintenance required by the Declaration, he shall be liable for all damages to the Project caused by such failure.

B. Expense. All the repairs of internal installations of the Apartment, such as water, light, gas, power, sewage, telephones, air conditioning, sanitary installations, doors, windows, lamps and all other accessories belonging to the Apartment area shall be at the respective Owner's expense unless the Declaration requires such to be performed at Association expense.

C. Reimbursement. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Elements damaged through the neglect or act of such Owner.

Section 7.2 - Negligence or Carelessness of Unit Owner. Each Unit Owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or by that of any member of his family, or his or their guests, employees, pets or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by such act, neglect or carelessness, use, misuse, occupancy or abandonment of any Unit or its appurtenances. The expense of any maintenance, repair or replacement required shall be charged to the Unit as an Assessment for such Unit.

Section 7.3 - Costs and Attorneys' Fees. In any proceeding arising because of an alleged default by a Unit Owner of his obligation under the Declaration or these By-laws, the prevailing party therein shall be entitled to recover costs of the proceeding and such reasonable attorneys' fees as may be determined by the court.

Section 7.4 - Additions and Alterations. There shall be no substantial additions or alterations to the Common Elements unless the same are authorized by the Board of Directors and ratified by the affirmative vote of the

Owners and, if applicable, other parties, as required by the Declaration.

Section 7.5 - Use of Apartments - Internal Changes.

A. Use. All Apartments shall be utilized for residential purposes only.

B. Changes. An Owner shall not make structural additions, modifications or alterations in his Apartment or installations located therein without previously notifying the Association in writing through the managing agent, if any, or through the President of the Association if no managing agent is employed, and otherwise complying with the Declaration.

Section 7.6 - Use of Common Areas.

A. Use Regulations. The Common Elements shall be used for only such purposes as may be permitted by the Declaration and the Association. An Owner shall abide by such Rules and Regulations as the Board of Directors may from time to time adopt relating to the time, manner and nature of the use of the Common Elements.

B. Dedications or Transfers. The Association shall have the right to dedicate or transfer all or any part of the Common Elements to any public agency, authority or utility for such purposes and subject to such conditions as are required by the Declaration.

Section 7.7 - Right of Entry.

A. Emergency. Any Owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association in the case of any emergency originating in or threatening his Unit, whether the Owner is present at the time or not.

B. Services. An Owner shall permit other Owners, or their representatives, when so required, to enter his Unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is reasonable and at a time convenient to the Owner. In case of an emergency, such right of entry shall be immediate.

Section 7.8 - Rules of Conduct.

Residents shall comply with all rules and regulations adopted by the Board of Directors pursuant to the Declaration, Articles of Incorporation, and Bylaws of this Association.

ARTICLE VIII

Acquisition of Units on Foreclosure

At any foreclosure sale of a Unit the Board of Directors may, with the authorization and approval by the affirmative vote of Owners, as required by the Declaration, acquire in the name of the Association or its designee, a Unit being foreclosed. The term "foreclosure" as used in this Article shall mean and include any foreclosure of any lien, including a lien for Assessments. The power of the Board of Directors to acquire a Unit at any foreclosure sale shall never be interpreted as any requirement or obligation on the part of the Board of Directors, or of the Association

to do so at any foreclosure sale, the provisions hereof being permissive in nature and for the purpose of setting forth the power in the Board of Directors to do so should the requisite approval of the Owners be obtained.

ARTICLE IX

Parking Rights

Section 9.1 - Allocation. Ownership of each Unit shall entitle the Owner or Owners thereof to the use of at least one (1) automobile parking space. Parking for each Unit shall be in the parking space as designated by the Board of Directors.

All visitor parking shall be in any street adjacent to the Project or in visitor parking designated as such by the Board.

ARTICLE X

Amendments of the Bylaws

Section 10.1 - Amendment. These Bylaws may be altered, amended or added to at any duly called meeting of the Members, provided notice of the meeting shall contain a statement of the proposed amendment; however, the Federal Housing Administration and the Veterans Administration shall have the right to veto any amendments while there is a Class "B" Membership. In addition, any amendment proposed that would change the percentage interests of Owners must have the prior written approval of all First Mortgagees.

Section 10.2 - Inconsistencies. Notwithstanding the foregoing, these Bylaws shall not be amended to contain any provision which would be contrary to or inconsistent with the Declaration as in effect from time to time and any provisions of or purported amendment to these Bylaws which is contrary to or inconsistent with the Declaration shall be void to the extent of such inconsistency. Subject to the foregoing, the Association may amend, alter or repeal any provision hereof only by the affirmative vote of a majority of the Members then entitled to vote at any regular or special meeting, in person or by proxy, and upon ten (10) days prior written notice to all First Mortgagees (as defined in the Declaration), and, if required by law, after publication in a newspaper having general circulation in Maricopa County, Arizona.

ARTICLE XI

Indemnification

The Association shall indemnify every Director and every officer, his heirs, executors, administrators, against all loss, cost and expense, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party, by reason of his being or having been a Director or officer of the Association, including reasonable matters wherein he shall be finally adjudged in such action, suit or proceeding to be liable for or guilty of negligence, except to the extent such liability, damage or injury is covered by any type of insurance; however, this indemnification shall not cover any acts of gross negligence, willful misconduct or with fraudulent or criminal intent. The foregoing rights shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

ARTICLE XII

Liability Survives Termination of Membership

The termination of ownership and/or Membership in the Project and/or Association shall not relieve or release any such former Owner or Member from any liability or obligations incurred under or in any way connected with the Project and/or Association, during the period of such ownership and Membership, or impair any rights or remedies which the Association may have against such former Owner and Member arising out of or in any way connected with such ownership and Membership, and the duties and obligations incident thereto.

ARTICLE XIII

Limitation of Liability

Notwithstanding the duty of the Association to maintain and repair the Common Elements of the Project, the Association shall not be liable for injury or damage caused by a latent condition in the Project, or by other Owners or persons.

ARTICLE XIV

Construction

Section 14.1 - Priorities. Any discrepancies or conflicts between the provisions of the Arizona Revised Statutes or applicable law, the Declaration, the Articles and Bylaws, and the Rules and Regulations of the Association shall, unless otherwise provided, be resolved by giving priority first to the Arizona Revised Statutes or applicable law, second to the Declaration, third to the Articles, fourth to the Bylaws, and fifth to the Rules and Regulations.

Section 14.2 - Disputes. In the event of any dispute or disagreement between any Owners relating to the Project, or any questions or interpretation or application of the provisions of the Articles of Incorporation, Declaration, or these Bylaws, the determination thereof by the Board shall be final and binding on each and all Owners. If a decision cannot be reached by the Board, such matter shall be decided as set forth in the Declaration.

Section 14.3 - FHLMC, FNMA, FHA/VA. Notwithstanding anything to the contrary herein, to the extent that these Bylaws shall be contrary to or inconsistent with provisions of the Declaration or rules and regulations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Housing Administration and Veterans Administration, if any may be applicable to the Association, these Bylaws shall be considered superseded by such provisions, rules and/or regulations.

ARTICLE XV

Fees and Dues

All fees and dues for Membership in this Association shall be in accordance with and included within the Assessments.

ARTICLE XVI

Property Funds and Titles

All funds and the titles of all properties acquired by the Association and the proceeds thereof shall be held in trust for the Members of the Association in accordance with the provisions of the Declaration.

ADOPTED BY the Board of Directors of DISCOVERY AT VILLA DE PAZ HOMEOWNERS' ASSOCIATION, at Phoenix, Arizona, this 13 day of January 1984.

Mark A. Vorys
Lewis J. Satterfield
Katherine W. W. W.