

**BYLAWS
OF
THE AERIE CONSERVANCY**

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Article I

Name, Principal Office, and Definitions

1.1 Name. The name of the Association shall be The Aerie Conservancy ("Association").

1.2 Principal Office. The principal office of the Association shall be located at the place as is designated in the Articles of Incorporation or such other place as the Association may designate from time to time in accordance with Arizona statutes governing nonprofit corporations. The Association may have such other offices as the Board may determine or as the affairs of the Association may require.

1.3 Definitions. The words used in these Bylaws shall be given their normal, commonly understood definitions. Unless otherwise defined herein, capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for The Aerie Conservancy recorded in the Office of the County Recorder of Yavapai County, Arizona, as the same may be amended or supplemented from time to time ("Declaration"), unless the context indicates otherwise.

Article II

Association: Membership, Meetings, Quorum, Voting, Proxies

2.1 Membership. Membership in the Association shall be limited to Owners of Lots. The provisions pertaining to membership in the Declaration are incorporated herein by this reference.

2.2 Place of Meetings. Meetings of the Association shall be held at the offices of Keep Sedona Beautiful located in Sedona, Arizona, or at such other suitable place within Yavapai County, Arizona as may be designated by the Board.

2.3 Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one year after incorporation of the Association. Subsequent regular annual meetings shall be held in October of each year, on a day and at a time set by the Board. In the event that a quorum, as defined in Section 2.11 of these Bylaws, is not present at an annual meeting, the Association may hold the meeting for informational purposes; provided, however, the Association may not take any action at such meeting unless a quorum is present and such informational meeting shall not be deemed an annual meeting unless and until a quorum is present.

2.4 Special Meetings. The President of the Association may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members

holding at least 10% of the voting power of the Association; provided, in the case of a special meeting held for the purpose of removing a director as provided in Section 3.6, a meeting shall be called upon a petition signed by Members holding at least 10% of the votes entitled to be cast for the subject director. The close of business on the thirtieth (30th) day before delivery of the demand or demands for a special meeting shall be the record date for the purpose of determining whether the demand for the special meeting has been signed by Members having at least 10% of the total authorized votes in the Association.

2.5 Notice of Meetings. The Secretary of the Association shall cause written notice stating the place, day, and hour of any meeting of the Association to be delivered by hand delivery or United States mail, postage prepaid, to each Member, or, by facsimile, computer, fiber optics, cable, or other similar communication devices, or such other manner which is reasonably calculated, as determined in the discretion of the Board, to provide personal notice to the Members entitled to notice. Notice for annual meetings shall be delivered not less than 10 nor more than 60 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or Persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No other business shall be transacted at a special meeting except as stated in the notice. Notice of a special meeting shall be delivered not less than four (4) nor more than ten (10) days before the date of such meeting, by or at the direction of the President or the Secretary.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage prepaid. If sent by facsimile, computer, fiber optics, cable, or such other similar communication device, notice shall be deemed to be delivered, when transmitted to the Member at his or her address or number as it appears on record with the Association. The failure of any Member to receive actual notice of a meeting of the Members shall not affect the validity of any action taken at such meeting.

2.6 Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7 Adjournment of Meetings. When a meeting is adjourned to another date, time or place, notice of the new date, time or place need not be given of the adjourned meeting if the time and place of the meeting are announced at the meeting at

which the adjournment is, taken. At the adjourned meeting, the Association may transact any business which might have been transacted at the original meeting.

2.8 Voting. Members shall have such voting rights as set forth in the Declaration. Such voting rights provisions are incorporated herein by this reference. Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, however, meetings shall be held when required by the Declaration, these Bylaws, or Arizona law. Votes for the election of directors shall be cast by secret written ballot. Elections for directors may be conducted by mail as provided in Section 2.14 below. Voting on any matter also may be conducted electronically (i.e., via the Internet, intranet, or teleconference) if, and to the extent, permitted by law. All votes of the Members at meetings shall be subject to the quorum requirements of Section 2.11 of these Bylaws.

2.9 Proxies. At all meetings of the Members a vote may be cast in person or by proxy. A Member may appoint a proxy to vote or otherwise act for the Member by signing an appointment form, either personally or by the Member's attorney-in-fact. A proxy is valid, for 11 months unless a shorter period is expressly provided in the appointment form. An appointment of a proxy is effective on receipt by the Secretary or other officer or agent authorized to tabulate votes. An appointment of a proxy is revocable unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest. Appointment of a proxy is revoked by the person who appoints a proxy by either (1) attending any meeting and voting in person or (2) signing and delivering to the Secretary or other officer or agent authorized to tabulate proxy votes either a writing stating that the appointment of the proxy is revoked or a subsequent appointment form. The death or incapacity of the member who appoints a proxy shall not affect the right of the Association to accept the proxy's authority unless the Secretary or other officer or agent authorized to tabulate votes receives written notice of the death or incapacity before the proxy exercises authority under the appointment.

2.10 Majority. As used in these Bylaws, the term "majority" shall mean the "Majority of Members," as such term is defined in the Declaration. Unless otherwise provided in the Governing Documents, if a quorum is present at a meeting of the Members, the affirmative vote of a majority of the votes represented and voting is the act of the Members.

2.11 Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence, in person or by proxy, of 10% of the Members of the Association shall constitute a quorum at all meetings of the Association. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum; provided, unless otherwise specifically set forth in the Governing Documents, any action for which a vote of the Members at a meeting is required must be approved by at least a majority of the votes required to constitute a quorum.

2.12 Conduct of Meetings. All Members attending a meeting of the Members shall register with the Secretary (or such person or persons as may be designated by the Secretary) prior to commencement of the meeting, and all proxies must be filed with the Secretary (or such person or persons as may be designated by the Secretary) prior to commencement of the meeting. After the meeting is called to order by the chair of the meeting, no further proxies or changes, substitutions or revocation of proxies shall be accepted. All meetings of the Members will be called to order and chaired by the President of the Association, or if there is no President or if the President is absent or so requests, then by the Vice President. If both the President and Vice President are not present at the meeting, any other officer of the Association or such member of the Association as is appointed by the Board may call the meeting to order and chair the meeting. The chair of the meeting may appoint any person (whether or not a Member of the Association) to act as recording secretary. The chair of the meeting shall have the authority to determine the order of business to be conducted at the meeting, and to establish reasonable rules for expediting the business of the meeting.

2.13 Video or Telephonic Participation. One or more Members may participate in and vote during any regular or special meeting of the Members by telephone conference call, video conference, fiber optics, cable, or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those Members so participating shall be deemed present at such meeting for all purposes, including calculation of a quorum.

2.14 Action by Written Ballot. Any action that the Association may take at any annual, regular or special meeting of the Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by written ballot shall: (1) indicate the number of responses needed to meet the quorum requirements; (2) state the percentage of approvals necessary to approve, each matter other than election of directors; and (3) specify the time by which a ballot must be delivered to the Association in order to be counted, which time shall not be less than three (3) days after the date that the Association delivers the ballot. Once a written ballot has been received by the Association, the ballot may not be revoked. Approval by written ballot pursuant to this Section is valid only if both the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action and the number of approvals equal or exceeds the number of votes which would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

2.15 Action by Written Consent.

(a) The Members may approve any action required or permitted by law that requires the Members' approval without a meeting of the Members if the action is approved by Members holding at least a majority of the voting power in the Association, unless the Declaration, Articles, these Bylaws or applicable law require a different amount of voting power. The action shall be evidenced by one or more written

consents describing the action taken, signed by those Members representing at least the requisite amount of the voting power, and delivered to the Association for inclusion in the minutes or filing with the corporate records of the Association.

(b) If not otherwise fixed by the Board, the record date for determining Members entitled to take action without a meeting is the date the first Member signs the consent to the action. A consent signed under this Section has the effect of a meeting vote and may be described as such in any document. Written notice of Member approval pursuant to this Section shall be given to all Members who have not signed the written consent. Unless otherwise specified in the consent or consents, the action is effective on the date that the consent or consents are signed by the last Member whose signature results in the requisite amount of the voting power. Any Member may revoke the Member's consent by delivering a signed revocation of the consent to the President or Secretary before the date that the consent or consents are signed by the last Member whose signature results in the requisite amount of the voting power.

Article III Board of Directors

A. Composition and Selection.

3.1 Governing Body; Composition. The affairs of the Association shall be managed by a Board of Directors which shall serve as the corporate policy-making body for the Association. Each director shall have one equal vote. Except with respect to directors appointed by the Declarant, each director shall be qualified to serve as a director in accordance with Section 2.4 of the Declaration; provided, no more than one representative from a particular Lot may serve on the Board at the same time. All directors shall complete, prior to commencing service on the Board, such training requirements as may be established by the Board from time to time.

In the case of a Member which is not a natural person, the entity shall designate an individual who is (i) a member or manager of the limited liability company, if the Owner is or includes a limited liability company, or (ii) a partner in the partnership, if the Owner is or includes a partnership, or (iii) an officer of the corporation, if the Owner is or includes a corporation, or (iv) trustee or a beneficiary of the trust, if the Owner is or includes a trust, or (v) an owner of the entity, if the Owner is or includes a Person other than an individual, a limited liability company, a partnership, a corporation or a trust (a "Designee") who is eligible to serve as a director or an officer of the Association in a written notice to the Association signed by such Member. Any notice designating a Designee may be presumed valid by the Association until a subsequent notice is received. If the Association receives conflicting notices regarding the Designee, no individual shall be eligible to serve as a director or officer on behalf of such Member until the conflict is resolved to the reasonable satisfaction of the Association.

No Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Declarant.

3.2 Number of Directors. The number of directors in the Association shall be not less than three nor more than five. The initial Board shall consist of three directors appointed by the Declarant as identified in the Articles.

3.3 Directors Appointed by the Declarant. The directors which the Declarant is entitled to appoint pursuant to Section 3.5 of these Bylaws shall be appointed by the Declarant acting in its sole discretion and shall serve at the pleasure of the Declarant.

3.4 Nomination of Directors. Except with respect to directors appointed by the Declarant, nominations for election to the Board shall be made in accordance with policies and procedures established, from time to time, by the Board. Such policies and procedures may include, but are not limited to, requiring a specified number of signatures as a precondition to appearing on the ballot or permitting nominations through a Nominating Committee.

The Board shall establish policies and procedures for nominations no later than 90 days prior to any election. Except with respect to "write-in candidates" or nominations made from the floor at any meeting (if permitted by the policies and procedures), nominations shall be made no later than 45 days before the election shall be held.

The Board shall provide for as many nominations on each slate for election to the Board as it, in its discretion, shall determine, but in no event less than the number of positions to be filled from each slate as provided in Section 3.5.

For any election, the Board may, but shall not be obligated to, appoint a Nominating Committee. If appointed, the Nominating Committee shall consist of three or more persons and a Chairperson, who shall be a member of the Board. The remaining members of the Nominating Committee shall be Members or any officer, director, partner, or trustee of a Member which is not a natural person.

3.5 Election and Term of Office. Except as provided in this Section 3.5, annual elections for directors shall be held yearly at each annual meeting of the Members. Subject to completion of the training requirements, if any, established by the Board pursuant to Section 3.1, directors elected at such annual elections shall take office on January 1 following such annual elections. Notwithstanding the above or any other provision of these Bylaws:

(a) Declarant shall have the absolute power and right to appoint and remove the members of the Board until the Transition Date. Members of the Board appointed by the Declarant shall hold office until their respective successors are appointed and take office or until such director's earlier resignation, removal from office, death, or disability. Declarant may (but shall not be required to) relinquish its rights under this Section prior to the Transition Date by recording a notice of relinquishment.

(b) Prior to relinquishing control at the Transition Date, Declarant shall divide the Board into three (3) groups, with each group having at least

one (1) but not more two (2) directors and each group containing as equal a number of directors as possible. The term of office of the directors in the first group shall expire at the first annual meeting of shareholders entitled to vote on the election of directors following the Transition Date, the term of office of the directors in the second group shall expire at the second annual meeting of shareholders entitled to vote on the election of directors following the Transition Date, and the term of office of the directors of the third group shall expire at the third annual meeting of shareholders entitled to vote on the election of directors following the Transition Date, and in each case directors shall be elected for a three (3) year term; provided, however, members of the Board shall hold office until their respective successors are elected and take office. In the case of any increase in the number of directors, the additional directors shall be classified so that all classes of directors shall be increased equally, as nearly as may be possible. In the case of any decrease in the number of directors, all classes of directors shall be decreased equally, as nearly as may be possible.

(c) Within 120 days after the Declarant earlier determines, the Board shall be increased to five directors. At such time, the Association shall hold an election at which the Members shall be entitled to elect all of the five directors. Such directors shall be elected by the Members and shall serve a term which expires when successor directors elected by the Members at the next succeeding annual election take office.

(d) Each Member shall be entitled to cast one vote with respect to each vacancy to be filled from each slate on which such Member is entitled to vote. There shall be no cumulative voting. The candidate(s) receiving the most votes for each vacancy to be filled on each slate shall be elected.

3.6 Removal of Directors and Vacancies. Subject to Section 3.5(a) of these Bylaws, any director elected by the Members may be removed, with or without cause, by a vote of the lesser of (a) a majority of the Members entitled to vote for the election of such director, or (b) the number of Members that voted to elect such director, plus one. Any director whose removal is sought shall be given notice prior to any meeting called and noticed in accordance with these Bylaws for that purpose or prior to any recall vote conducted by mail for such purpose. Upon removal of a director, a successor shall be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Members who has three consecutive unexcused absences from Board meetings, who is more than 30 days delinquent in the payment of any assessment or other charge due the Association, who fails or refuses to complete the training requirements, if any, referenced in Section 3.1 above, or who is shown to be in violation of any written policy or resolution adopted by the Board, may be removed by the vote of at least two-thirds (2/3) of all directors at a regular or special meeting of the Board at which a quorum is present. In the event of such removal by the Board, a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy for the remainder of such director's term and until the successor director takes office. In the event of the death, disability, resignation, or removal (with or without cause) by the Declarant of a director appointed by the Declarant, the Declarant may appoint a successor director to fill the vacancy.

B. Meetings.

3.7 Organizational Meetings. Each Board shall hold an organizational meeting within a reasonable time after newly-elected or newly-appointed directors take office.

3.8 Regular Meetings. Regular meetings of the Board may be held at such time, and place as the Board shall determine, but at least one such meeting shall be held each quarter. Notice of the time and place of the meeting shall be posted in a prominent place within The Aerie or at such other location as may be designated by the Board (which may include posting to a secure website), and shall be communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9 Special Meeting. Special meetings of the Board shall be held when called by written notice signed by the President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile, computer, fiber optics, or any such other communication device. All such notices shall be given at the director's telephone, facsimile, or e-mail number or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board also shall be posted in a prominent place within The Aerie or at such other location as may be designated by the Board (which may include posting to a secure website) at least three days prior to such meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least three business days before the time set for the meeting. Notices given by personal delivery, telephone, facsimile, or other device shall be delivered, telephoned, or transmitted at least three business days before the time set for the meeting.

3.10 Waiver of Notice. The transaction of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held and noticed if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given

to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11 Quorum of Board of Directors. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

A director who is present at a meeting of the Board when corporate action is taken is deemed to have assented to the action taken unless either: (1) the director objects at the beginning of the meeting or promptly on the director's arrival to holding it or transacting business at the meeting; (2) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Association before 5:00 P.M. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

A director may vote in person or by proxy. A director may appoint a proxy to vote or otherwise act for the director by signing an appointment form, either personally or by the director's attorney-in-fact. The appointment does not relieve the director of liability for acts or omissions imposed by law on directors. An appointment of a proxy is effective when received by the Secretary. An appointment is valid for one (1) month unless a different period is expressly provided in the appointment form. An appointment of a proxy is revocable by the director. The death or incapacity of a director appointing a proxy shall not affect the right of the Association to accept the proxy's authority unless written notice of death or incapacity is received by the Secretary before the proxy exercises its authority under the appointment. Subject to any express limitation on the proxy's authority appearing on the face of the appointment form, the Association is entitled to accept the proxy's vote or other action as the vote of the director making the appointment.

3.12 Compensation. No director shall receive any compensation from the Association for acting as such; provided however, any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior

to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

3.13 Conduct of Meetings. The President shall preside over all meetings of the Board, and the Secretary shall ensure that a minute book is kept of all meetings of the Board, recording all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

3.14 Open Meetings. Subject to the provisions of Sections 3.15 and 3.16, all meetings of the Board shall be open to all Members, but a Member other than a director may not participate in any discussion or deliberation unless permission to speak is authorized by a vote of the majority of a quorum of the Board. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss any or all of the following:

- (a) employment or personnel matters for employees of the Association;
- (b) legal advice from an attorney retained for the Board or the Association;
- (c) pending or contemplated litigation; or
- (d) pending or contemplated matters relating to enforcement of the Declaration, Bylaws, Articles, or rules and regulations of the Association.

3.15 Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote. Written consent or consents shall be filed with the minutes of the proceedings of the Board. Within three days after all written consents to an action have been obtained, the Board shall post in a prominent place within The Aerie or at such other location as may be designated by the Board (which may include posting to a secure website) a notice of the action to be taken or actually taken by the Board; provided, the obligation to post notice shall not apply to any action pertaining to any subject matter which could be discussed in an executive session of the Board as set forth in Section 3.14. Failure to give notice shall not render the action to be taken or actually taken invalid.

3.16 Video and Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call, video conference, fiber optics, or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors so participating shall be deemed present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Board.

C. Powers and Duties.

3.17 Powers. The Board shall have such powers as are necessary and appropriate for the management of the Association's affairs and for ensuring that the duties and responsibilities of the Association as set forth in the Declaration, these Bylaws, the Articles, and as provided by law, are fulfilled. The Board may do or cause to be done all acts and things as are not required by the Declaration, Articles, these Bylaws, or Arizona law to be done and exercised exclusively by the Declarant or the membership generally. The Board may delegate powers to committees, officers, a management agent or agents, or employees of the Association and, if so delegated, such powers may be exercised without unreasonable interference by the Board.

3.18 Duties. The duties of the Board shall include, without limitation:

- (a) adopting annual budgets;
- (b) levying Assessments against the Members pursuant to the Declaration, and establishing policies governing collection of Assessments;
- (c) establishing policies for the operation, care, upkeep, and maintenance of the Common Areas and Areas of Common Responsibility and, ultimately, ensuring that such policies are carried forth;
- (d) take such actions as the Board deems appropriate in connection with the operation and ownership of the Water System;
- (e) if desirable, retaining the services of a managing agent or agents or, in the alternative, designating, hiring, and dismissing such other personnel as are necessary to perform the powers, responsibilities, and day-to-day operations of the Association;
- (f) approving a bank depository to receive funds on behalf of the Association and directing that all such funds be so deposited and applied towards the operation of the Association in accordance with the provisions set forth in the Declaration;
- (g) adopting rules and regulations and amendments thereto and approving sanctions for infractions thereof;
- (h) opening of bank accounts on behalf of the Association and designating the signatories required in accordance with the provisions set forth in the Declaration;
- (i) establishing policies and guidelines by which the Association shall make or contract for the making of repairs, additions, and improvements to or alterations of the Common Areas and Areas of Common Responsibility in accordance with the Declaration and these Bylaws;

(j) enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules adopted by the Board and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Association; provided, the Board shall not be obligated to take any action to enforce any covenant, restriction, or rule which the Board reasonably determined is, or is likely to be, inconsistent with applicable law, or if the Board reasonably determines that the Association's position is not strong enough to take such enforcement action or if the Board otherwise determines, in its business judgment, that such enforcement action would be inappropriate;

(k) ensuring that property, liability, and commercial crime insurance, as required in the Declaration, are carried by the Association, that the cost thereof is paid, and that claims are filed and adjusted, as appropriate;

(l) providing for the payment of all taxes and/or assessments which are or could become a lien on the Common Areas or a portion thereof;

(m) providing for the payment of the cost of all services rendered to the Association or its Members and not chargeable directly to specific Members;

(n) providing that books with detailed accounts of the receipts and expenditures of the Association are kept on behalf of the Association and are, upon reasonable advanced request, made available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot;

(o) as and when required by applicable law and the Declaration, making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Declaration, the Articles, the Bylaws, rules and all other books, records, and financial statements of the Association;

(p) establishing policies and guidelines under which utility suppliers are permitted to use portions of the Common Areas and the Areas of Common Responsibility reasonably necessary to the ongoing development or operation of the Properties;

(q) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the fullest extent such indemnity is permitted or required by Arizona law as the same may be amended from time to time, the Declaration, the Articles, and these Bylaws; and

(r) providing for assistance in the resolution of disputes between Members and others without litigation, as set forth in the Declaration;

3.19 Right of Declarant to Control Association and Disapprove Actions. Section 2.14 of the Declaration is hereby incorporated by reference into these Bylaws. Further, notwithstanding anything in the Articles or the Bylaws, until the Transition Date,

the Declarant shall have the right to disapprove any action, policy, or program of the Association, the officers of the Association, the Board, and any committee which, in the judgment of the Declarant, would tend to impair the rights of the Declarant under the Declaration or these Bylaws, interfere with development, construction, or marketing of any portion of the Property or the Project, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right of Declarant to approve or disapprove specific actions of the Association, the officers of the Association, the Board, or any committee.

(a) The Declarant shall be given prior written notice of all meetings and proposed actions to be approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee thereof. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address the Declarant has registered with the Secretary of the Association. The notice shall specify the time and place of the meeting and shall set forth with reasonable particularity the agenda for such meeting.

(b) The Declarant shall be given the opportunity at any such meeting to, from the floor, join in or have its representatives or agents join in discussion of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make its concerns, thoughts, and suggestions known to the Members, the Board and/or the members of any subject committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and, to the extent the Declarant has the right to disapprove of such action, policy, or program pursuant to the Declaration, Articles, or Bylaws, the Declarant has not disapproved the action, policy or program prior to expiration of the time period set forth in subsection (d) below.

(d) The Declarant may exercise its right to disapprove (i) at any time within 10 days following the meeting at which such action was proposed; (ii) in the case of any action taken by written consent in lieu of a meeting or action taken by an officer without a meeting, at any time within 10 days following receipt of written notice of the action taken; or (iii) at any time within such longer period of time as may be specifically provided in the Governing Documents for the exercise of the Declarant's disapproval right (if any) with respect to the same subject matter. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these Bylaws. The Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

(e) Notwithstanding anything contained in the Articles or the Bylaws to the contrary, any vote with respect to a Water System Matter shall be governed by Section 2.22 of the Declaration.

3.20 Management. The Association may, but shall not be required to, employ a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize; provided, however, that at all times prior to the Transition Date, the Declarant shall have the right to pre-approve any management agreement entered into between the Association and any management agent or agents. The Board shall delegate to the management agent such powers as are necessary to perform its assigned duties.

At any time prior to the Transition Date, at the request of the Declarant, the management agent shall be terminated by the Association, in accordance with the management agreement. In addition, the management agent may be terminated at any time by the Association, in accordance with the management agreement, if such action is requested by a majority of the Board.

The Declarant, or an affiliate of the Declarant, may be employed as a management agent. The Board may designate one of its members as responsible for communications with the management agent between meetings of the Board; provided, however, such individual shall not have independent authority to supervise, direct, or interfere with the activities of such management agent.

3.21 Accounts and Reports. The following management standards of performance shall be followed unless the Board, by resolution, specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the management agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) any financial or other interest which the management agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board; and

(f) the following financial and related information shall be regularly prepared and made reasonably available for examination by all Members:

(i) a capital expenditures budget and a Common Expense budget for the Association for each fiscal year of the Association. The Budget shall be made available for examination in the manner provided in the Declaration.

(ii) an annual report ("Financial Statement") in accordance with generally accepted accounting principles. If requested, one copy of the Financial Statement may be distributed personally, by mail, or such other manner as is reasonably designed to provide delivery to a Member, without charge. The Financial Statement shall consist of:

- (A) a balance sheet as of the end of the fiscal year;
- (B) an income statement for the fiscal year; and
- (C) a statement of changes in financial position for the fiscal year.

The Financial Statement shall be prepared on an audited, reviewed, or compiled basis, as the Board determines.

3.22 Borrowing. The Association, acting through its Board, shall have the power to borrow money for any legal purpose; provided, the Board shall obtain the prior approval by vote or written consent of a majority of the Members and, until the Transition Date, the Declarant, if the proposed borrowing is for the purpose of making discretionary capital improvements or purchasing additional capital assets and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for that fiscal year.

3.23 Rights of the Association. Subject to applicable law relating to Member, officer, and director conflicts of interest, the Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, and other owners or residents associations, both within and outside the Property.

3.24 Enforcement.

(a) Notice. Prior to imposition of any sanction provided in the Declaration, other than self-help or suit to enjoin any violation of the Declaration, Bylaws, Articles, or rules and regulations of the Association and/or to recover monetary damages, the alleged violator shall be served with written notice setting forth (a) the nature of the alleged violation, (b) the proposed sanction to be imposed, (c) a statement that the alleged violator may present a written request for a hearing to the Secretary of the Association within 15 days of delivery of the notice; and (d) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received by the Secretary of the Association within such time period. Proof of

proper notice shall be placed in the Association's corporate records. Proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery is so entered. The notice requirement shall be deemed satisfied if the alleged violator requests a hearing.

If a timely request for a hearing is not received by the Secretary of the Association, the sanction stated in the notice shall be imposed; provided, any proposed sanction may be suspended if the violation is cured or if a cure is diligently commenced within the 15-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 15-day period, the hearing shall be held before the Board or, if one is created, the covenants committee, if any, or if none, before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. A written statement of the results of the hearing and the sanction, if any, imposed shall be recorded in the corporate records.

(c) Appeal. If a hearing is held before the covenants committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the Secretary of the Association within 15 days after the hearing date.

(d) Joint and Several Liability. Any monetary sanctions imposed pursuant to Article III shall be the joint and several liability of all joint owners of the Lot which is the subject of the violation.

Article IV Officers

4.1 Officers. The officers of the Association shall be a President, Vice President and Secretary. Prior to the Transition Date, the officers of the Association need not be members of the Board and need not be Members. Following the Transition Date, the officers of the Association need not be members of the Board, but shall be Members (and entities that are Members shall be subject to the requirements of Section 3.1 in terms of the Designee who may serve as an officer). The Board may appoint such other officers, including one or more Assistant Secretaries as it shall deem desirable. Such other officers need not be members of the Board or Members of the Association and shall have such authority and perform such duties as are prescribed by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election and Term of Office. The officers of the Association shall be elected by the Board at an organizational meeting of the Board taking place pursuant to Section 3.5. Each officer shall serve a one year term; provided, each officer's term shall automatically renew unless at least two-thirds (2/3) of the directors vote not to renew.

4.3 Removal and Vacancies. Any officer may be removed by a vote of at least two-thirds (2/3) of the directors. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as may specifically be conferred or imposed by the Board; provided, the Board may not confer or impose powers or duties which may not otherwise be exercised by the Board. In the exercise of delegated responsibilities, officers shall not directly or unreasonably interfere with the day-to-day operations of the Association's management agent, if any, or such Persons designated or employed by the Board to perform management functions. By way of example, and not limitation, the officers shall have the following powers and duties:

(a) President. The President shall be the chief executive officer of the Association and shall exercise general supervision and direction of the affairs of the Association. The President shall have the authority to directly administer all matters not expressly delegated or assigned to a managing agent or agents or others.

(b) Vice President. The Vice President shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.

(c) Secretary. The Secretary shall be responsible for ensuring that the minutes of all meetings of the Association, the Board, and the committees of the Board are kept, and shall have charge of such books and papers as the Board may direct. The Secretary shall also have responsibility for ensuring the preparation of the Budget as provided for in the Declaration and these Bylaws and shall otherwise function as a treasurer. In the Secretary's absence, any officer directed by the Board shall perform all duties incident to the office of secretary.

4.5 Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6 Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association (other than for the withdrawal of reserve funds) shall be executed by at least two different individuals who are officers of the Association, or by such other person or persons as may be designated by resolution of the Board. The Board shall require signatures for the withdrawal of reserve funds of either two members of the Board or a member of the Board and officer of the Association who is not also a member of the Board. For purposes of this Section, "reserve funds" means monies the Board has identified in the capital expenditures budgets for use to defray the future repair or replacement of those

replaceable assets which the Association is obligated to maintain and for use in making additional capital improvements and purchasing additional capital assets.

4.7 Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.12 hereof.

Article V Committees

5.1 Committees of the Board. Committees comprised solely of Members of the Board may be appointed to exercise the authority of the Board. Such committees shall be appointed upon the approval of at least a majority of the directors. Notwithstanding the above, no such committee may exercise the authority of the Board in reference to (a) submission to the Members of any matter requiring an act of the Members; (b) filling vacancies on the Board or on any committee of the Board; (c) adoption, amendment, or repeal of the Articles or Bylaws; or (d) fixing compensation of directors. The Board may, with or without cause and for any reason or no reason, dissolve any such committee or remove any director from the committee at any time.

5.2 Other Committees. In addition to committees of the Board as set forth in Section 5.1 and such other committees as are required or authorized under the Governing Documents, the Board, by resolution from time to time, may establish such committees and charter clubs as it deems appropriate. Any such committee may perform such tasks and functions as the Board may designate by resolution; provided, no committee or committee member may exercise any power or authority which could not otherwise be exercised by the Board in accordance with these Bylaws.

Each committee appointed pursuant to this Section shall consist of at least one director. Other committee members may, but need not, be Members. Committee members serve at the Board's discretion for such periods as the Board may designate by resolution; provided, however, any committee member, including the committee chair, may be removed by the vote of a majority of the directors. Any resolution establishing a charter club shall designate the requirements, if any, for membership therein. Each committee and charter club shall operate in accordance with the terms of the resolution establishing such committee or charter club.

Article VI Miscellaneous

6.1 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31 unless otherwise established by Board resolution.

6.2 Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Arizona law, the Articles, the Declaration, or these Bylaws.

6.3 Conflicts. If there are conflicts between the provisions of Arizona law, the Articles, the Declaration, and these Bylaws, the provisions of Arizona law, the Declaration, the Articles, and the Bylaws (in that order) shall prevail.

6.4 Books and Records.

(a) Inspection by Members and Mortgagees. Subject to the exceptions set forth below, the Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Lot, any Member, or the duly authorized agent of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot, the Declaration, Bylaws, and Articles, any amendments to the foregoing, the rules of the Association, the membership register, all financial records of the Association, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within Maricopa County, Arizona or Yavapai County, Arizona as the Board shall designate.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing and delivering copies of documents requested.

(c) Inspection by the Declarant and Directors. The Declarant and every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association in furtherance of such director's duties as a director.

(d) Exceptions to Inspection Requirement. Notwithstanding any provision to the contrary, the Board shall not be required to make available for inspection by Members or Mortgagees any portion of any book or record which relates to any of the following:

- (i) personnel matters or a person's medical records;
- (ii) communication between an attorney for the Association and the Association;
- (iii) pending or contemplated litigation;

(iv) pending or contemplated matters relating to enforcement of the Governing Documents; or

(v) meeting minutes or other records of a session of a Board or Association meeting that is not required by law to be open to all Members.

In addition, the Board shall not be required to disclose or make available for inspection any financial or other records of the Association if disclosure would violate local, state, or federal law.

6.5 Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications shall be in writing and shall be sent as follows:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(b) if to the Association, the Board, any officer of the Association, or any management agent, at the principal office of the Association or the management agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to the Declarant, at the principal office of the Declarant, or at such other address as is designated in writing and filed with the Secretary.

All such notices shall, for all purposes, be deemed delivered and received (a) upon personal delivery to the party or address specified above, or (b) on the third day after being deposited in the United States mail, postage prepaid and properly addressed.

6.6 Indemnification. Subject to any limitations imposed by applicable law, the Association shall indemnify every past and present officer, director, and committee member against all expenses, including counsel fees, reasonably incurred by them and each of them in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

The past and present officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The past and present officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association. The Association shall indemnify and forever hold each such officer, director, and committee member harmless from any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense,

maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available. The indemnification obligations contained herein are in addition to, and not in lieu of, any other indemnification obligations set forth in the Articles or the Declaration.

6.7 Amendment.

(a) By Declarant. Until the Transition Date, Declarant may unilaterally amend these Bylaws for any reason.

(b) By Members. Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof of Members representing at least 67% of the membership votes in the Association. Notwithstanding, the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these Bylaws shall become effective upon date of execution of the same in the manner provided in these Bylaws, unless a later date is specified therein. Any procedural challenge to an amendment must be made within six months of the effective date of such amendment or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these Bylaws.

If a Member consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such Member has the authority to do so, and no contrary provision in any Mortgage or contract between the Member and a third party will affect the validity of such amendment.

Notwithstanding any provision herein to the contrary, no amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

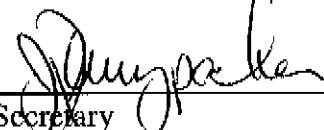
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Association;

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board thereof held on the 1st day of November, 2005.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 17th day of November, 2005.


Secretary