

AMENDED AND RESTATED BYLAWS
OF
WILLOW HILLS HOMEOWNERS. ASSOCIATION
An Arizona Nonprofit Corporation

Revised
October 1, 2018

Changes from August 15, 2018 Willow Hills HOA Association Bylaws revised and adopted October 1, 2018:

3.1 Principal Office

Change 3.1 Principal Office from CMA Realty to Tri-City Property Management services Inc. (TCPM)

Sections 9.4.4 and 11.1 Signature Requirements

Increase limit for two signature requirement from \$500 to \$700 in 9.4.4 and 11.1, and from 11.1.1 & 11.1.2 remove exception for monthly landscaping payments.

9.22 Transfer, Refinance and Disclosure Fees

Add reference to AZ Statute 33-1806 Resale of Units; etc.

Changes from June 20, 2017 Willow Hills HOA Association Bylaws revised and adopted August 15, 2018. The following changes reflect current AZ Statute 33-1803:

6.15 Suspension of Voting Rights

Change: ‘ . . . or if any Owner violates any other provision of the Declaration or these Bylaws or the Association Rules and such violation is not cured within fifteen (15) days after the Association notifies the Owner of the violation, ‘

To: ‘ . . . or if any Owner violates any other provision of the Declaration or these Bylaws or the Association Rules and such violation is not cured within twenty-one (21) days after the Association notifies the Owner of the violation, ‘

Changes from March 6, 2012 Willow Hills HOA Association Bylaws revised and adopted June 20, 2017:

Add exception to two Board member signature requirement for payments of \$500 or more, Exception granted for monthly landscaping payments – unanimously approved by the Board at the 6/20/2017 BoD meeting:

Add statement: ‘Monthly landscaping payments are exempt from this two signature requirement.’ To the following sections of these Bylaws:

Article 9 Obligations of the Owners Section 9.4.4, and Article 11 Execution of Instruments Sections 11.1.1 (iii) and 11.1.2 (iii)

Formatting changes to include insertion of an automatically updated Table of Contents

Corrected spelling Section 14.1 from ‘This is the case weaher or not. . .’ to ‘This is the case whether or not. . .’

Table of Contents

ARTICLE 1 APPLICATION OF BYLAWS 6

ARTICLE 2 ASSOCIATION OF OWNERS 6

ARTICLE 3 OFFICE 7

 3.1. Principal Office 7

 3.2. Place of Meetings 7

ARTICLE 4 INITIAL MANAGEMENT/TRANSITION DATE 7

ARTICLE 5 FISCAL YEAR 7

ARTICLE 6 MEETINGS 7

 6.1. The First Meeting 7

 6.2. Annual Meetings 7

 6.3. Special Meetings 7

 6.4. Notice of Meetings 8

 6.5. Waiver of Notice 8

 6.6. Validity of Meeting 8

 6.7. Record Date 8

 6.8. Record of Members 9

 6.9. Presiding Officer 9

 6.10. Quorum 9

 6.11. Voting 9

 6.12. Adjournment 9

 6.13. Action by Members Without a Meeting 10

 6.14. Voting Ballots 10

 6.15 Suspension of Voting Rights 10

ARTICLE 7 BOARD OF DIRECTORS 10

 7.1. Number and Qualification 10

 7.2 Powers and Duties 10

 7.3 Other Duties 11

 7.4. Manager or Managing Agent, Employees and Contractors, Generally 11

 7.5 Election of Directors and Term of Office 11

 7.6. Resignation 11

7.7. Removal of Directors 11

7.8. Vacancies 11

7.9. Compensation 12

7.10. Organization Meeting 12

7.11. Regular Meetings 12

7.12. Special Meetings 12

7.13. Waiver of Notice 12

7.14. Board of Directors Quorum 12

7.15. Actions by Directors without a Meeting 13

7.16. Bonds of Officers and Employees 13

ARTICLE 8 OFFICERS 13

8.1. Designation 13

8.2. President 13

8.3. Vice President 13

8.4. Secretary 14

8.5. Treasurer 14

ARTICLE 9 OBLIGATIONS OF THE OWNERS 14

9.1. Creation of Lien and Personal Obligations 14

9.2. Purposes of Assessments 15

9.3. Regular Assessments 15

9.4. Capital Improvement Assessments 16

9.5. Uniform Assessments 16

9.6. Special Assessments 16

9.7. Exempt Property 17

9.8. Late Charges and Interest 17

9.9. No Offsets 17

9.10. Homestead Waiver 17

9.11. Financial Reserves 17

9.12. Certificate of Unpaid Assessments 17

9.13. Enforcement of Assessment Liens 18

9.14. Pledge of Assessment Rights as Security 18

9.15. Maintenance and Repair 18

9.16. Use of Lots..... 18

9.17. Association Rules..... 18

9.18. Right of Entry 18

9.19. Title and Member Information..... 19

9.20. Mortgages and Deeds of Trust..... 19

9.21 Fines and Penalties..... 19

9.22 Transfer, Refinance and Disclosure Fees..... 19

ARTICLE 10 INSURANCE..... 19

10.1 Scope of Coverage 19

10.3 Payment of Premiums 21

10.4 Payment of Insurance Proceeds 21

10.5 Repair and Replacement of Damaged or Destroyed Common Area 21

ARTICLE 11 EXECUTION OF INSTRUMENTS..... 21

11.1 Signature Requirements 21

ARTICLE 12 COMMITTEES..... 22

ARTICLE 13 AMENDMENT TO THE BYLAWS..... 22

ARTICLE 14 PERSONAL LIABILITY AND INDEMNIFICATION 22

14.1. Scope of Indemnification..... 22

14.2. Determination 22

14.3. Right of Refusal 23

14.4 Personal Liability 23

AMENDED AND RESTATED BYLAWS
OF
WILLOW HILLS HOMEOWNERS ASSOCIATION
An Arizona Nonprofit Corporation

The Bylaws of the Association are hereby amended and restated in their entirety to provide as hereinafter set forth. These Amended and Restated Bylaws were revised and approved by the unanimous vote of the Board of Directors of the Association effective October 1, 2018 and replace and supersede all previous versions of the Bylaws of the Association.

ARTICLE 1 APPLICATION OF BYLAWS

All present and future lot owners, mortgagees, lessees and occupants of dwellings, employees, and any other persons who may use the facilities of Willow Hills in any manner are subject to the Declaration, the Articles of Incorporation, these Bylaws, and all rules made pursuant hereto and any amendments thereof. The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a lot shall constitute an agreement that the provisions of the Declaration, the Articles of Incorporation, and these Bylaws (and any rules and regulations made pursuant thereto), as they may be amended from time to time, are accepted, ratified and will be complied with. Except as otherwise defined herein, capitalized terms shall have the meanings as defined in the Declaration.

ARTICLE 2 ASSOCIATION OF OWNERS

Willow Hills Homeowners Association is an Arizona nonprofit corporation organized under the provisions of Arizona Revised Statutes, annotated, as amended. The name in which contracts shall be entered into, title of property shall be acquired, held, dealt in and disposed of, bank accounts shall be opened, and suits shall be brought and defended by the Board of Directors or officers thereof on behalf of and as agents for the Property Owners in the manner specified by the Arizona Revised Statutes, the Declaration, or these Bylaws, is 'Willow Hills Homeowners Association'.

ARTICLE 3 OFFICE

3.1. Principal Office

The Association's principal office and mailing address is Willow Hills Homeowners Association, C/O Tri-City Property Management Services, Inc. (TCPM) 760 Stapley Drive, Mesa, AZ 85204. The Board of Directors may from time to time change the principal office and mailing address of the Association.

3.2. Place of Meetings

The location of meetings of the Association will be determined by the Board and announced in accordance with the requirements of the governing documents of the Association and applicable statutes.

ARTICLE 4 INITIAL MANAGEMENT/TRANSITION DATE

Willow Hills L.L.C., an Arizona limited liability company, handled all necessary management activities and expenses and provided a Board of Directors for the Association until December 13, 2007. At that time the first meeting of the Members of the Association was held, and the management and operation of the Association was turned over to the Owners of the Lots.

ARTICLE 5 FISCAL YEAR

The Fiscal Year of the Association shall be January 1 through December 31.

ARTICLE 6 MEETINGS

6.1. The First Meeting

The first meeting of the Association was held on December 13, 2007, in accordance with the requirements of the Arizona Revised Statutes, the Declaration and these Bylaws.

6.2. Annual Meetings

Annual meetings of the Association shall be held in December of each year at such date and time as shall be designated by the Board and stated in the notice of the meeting. At the annual meeting, Members shall elect a Board and transact other business as may properly be brought before the meeting.

6.3. Special Meetings

Special meetings of the Members may be held at any time when requested by the President, or when requested by a majority of the Directors, or when requested by the Members having at least one-tenth (1/10) of the total number of qualified votes of the Association. Upon notice of a special meeting called by Members having at least one-tenth (1/10) of the votes as noted above, the Secretary shall send out a notice of the meeting to all Association Members.

6.4. Notice of Meetings

6.4.1. Content. A written or posted notice of every meeting of the Association stating whether it is an annual meeting or special meeting as specified above, the authority for the call of the meeting, the place, date and hour thereof, and the purpose of the meeting shall be given by the secretary or the Member or Members calling the meeting; provided that no purpose need be included in the notices for an annual meeting.

6.4.2. Timing. The notice of a meeting of the Members shall be issued not less than ten (10) days and no more than fifty (50) days before the date set for the meeting.

6.4.3. Notification. Notice shall be given to each Member in any of the following ways: (a) by delivering the notice to him or her personally; (b) by leaving the notice at the residence or usual place of business of such member; (c) by mailing the notice, postage prepaid, addressed to the member at his or her address as it appears on the records of the Association or by electronic mail if chosen by the Member. If notification is given pursuant to the provisions of this section, the failure of any Member to receive actual notice of the meeting shall in no way invalidate the meeting or any proceedings thereat.

6.4.4. Mortgage or Trust Holders. Upon written request for notices mailed by registered mail addressed to the Secretary of the Association at the address of the Association, the holder of any duly recorded mortgage or deed of trust against any Lot may promptly obtain a copy of any and all notices permitted or required to be given to entitle the holder of any mortgage or deed of trust requiring such notice to receive all notices sent to Members from and after receipt of said request until said request is withdrawn and said mortgage or deed of trust is discharged of record.

6.5. Waiver of Notice

No notice need be given to any Member who executes and delivers a waiver of notice before or after the meeting. The attendance of a Member in person at the meeting without protesting the lack of notice of a meeting shall constitute a waiver of notice by the Member.

6.6. Validity of Meeting

The presence of a quorum of the Members, in person or by absentee ballot, at any meeting shall render the same a valid meeting, unless any Member shall, at the opening of such meeting, object to the holding of the same for noncompliance with the notice provisions of these Bylaws. Any meeting so held without objection shall, notwithstanding the fact that no notice of meeting was given, or that the notice given was improper, is valid for all purposes, and at such meeting, any general business may be transacted and any action may be taken.

6.7. Record Date

The Board of Directors shall fix a record date for the purpose of determining Members entitled to notice, to vote, to express consent or dissent from any proposal without a meeting, or for any other proper purpose. The record date for Members entitled to notice of a meeting is the close of business on the business day before the notice is given. The record date for the determination of Members entitled to vote at a meeting of Members shall be the date of the meeting. Establishment of a record date shall apply to any adjournment of any meeting, unless a new record date is fixed by the Board of Directors for an adjourned meeting.

6.8. Record of Members

At every meeting of Members, there shall be present a list or record of Members as of the date of the meeting. A copy of this record will be made available upon request. Any Member who has given written notice to the Association, which request shall be made at least ten (10) days prior to the meeting, shall have the right to inspect the list or record at the meeting.

6.9. Presiding Officer

Meetings of the Members shall be presided over by the following officers, in order of seniority: president and then vice president, or if neither of the foregoing is in office or present at the meeting, by a chairman to be chosen by a majority of the Members in attendance. The secretary or an assistant secretary of the Association shall act as secretary of every meeting. When neither the secretary nor an assistant secretary is available, the presiding officer may appoint a secretary of the meeting.

6.10. Quorum

The Members entitled to cast at least one-third (1/3) of the total number of votes entitled to be cast at a meeting shall constitute a quorum at a meeting of Members for the transaction of any business. The Members present may adjourn the meeting despite the absence of a quorum. Each membership shall entitle the holder thereof to one (1) vote. In the election of Directors, a plurality of the votes cast shall elect. Except to the extent provided by law, all other action shall be by a majority of the votes cast.

6.11. Voting

6.11.1. Members. Any person, firm, corporation, trust, or other legal entity, or a combination thereof owning a Lot; as determined by the records of the Yavapai County Recorder, shall be a Member of the Association. Joint owners shall be deemed one (1) Member and shall designate a 'voting member' by advising the secretary of the Association at the time of applicable meetings. The words 'Member' and 'Owner' are used interchangeably in these Bylaws.

6.11.2. Representatives. An executor, administrator, personal representative, guardian, managing agent or trustee (vested parties) may vote at any meeting of the Association with respect to any Lot owned or held by him/her in such capacity, whether or not the same shall have been transferred to his/her name by a duly recorded conveyance. In case such Lot shall not have been so transferred to his/her name, he/she shall satisfy the secretary that he/she is the duly appointed vested party holding such Lot in such capacity. Whenever any such Lot is owned by two (2) or more persons jointly according to the records of the Yavapai County Recorder, the vote therefor may be exercised by any one (1) of the interested parties noted above in the absence of protest by the other(s).

6.12. Adjournment

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

6.13. Action by Members Without a Meeting

Any act of the Members may be taken without a meeting if consent in writing setting forth the act is signed by all of the Members entitled to vote with respect to the subject matter of the meeting. The consent shall have the same force and effect as a unanimous vote.

6.14. Voting Ballots

On any matter as to which a Member is entitled personally to cast the vote for his Lot, such vote may be cast in person or by absentee ballot, subject to the limitations of Arizona law relating to use of absentee ballots and subject to any specific provision to the contrary in the Declaration or these Bylaws. Every absentee ballot shall indicate the Lot for which it is given, be dated, and filed at the principal office with the secretary of the Association prior to the meeting for which it is to be effective, unless otherwise specifically provided in the absentee ballot. All absentee ballots must: (a) set forth each proposed action, (b) provide space to vote 'for' or 'against' each proposed action (other than as to the election of Directors), (c) specify the date and time for the ballot to be delivered in order to be counted (must be at least seven (7) days after the ballot is delivered to the Member), and (d) be valid for only one meeting. Absentee ballots shall not be revocable.

6.15 Suspension of Voting Rights

If any Owner fails to pay any Assessments or other amounts due to the Association under the Declaration or these Bylaws within fifteen (15) days after such payment is due, or if any Owner violates any other provision of the Declaration or these Bylaws or the Association Rules and such violation is not cured within twenty-one (21) days after the Association notifies the Owner of the violation, the Board of Directors shall have the right to suspend such Owner's right to vote until such time as all payments, including interest and attorneys' fees, are brought current, and until any other infractions or violations of the Declaration or these Bylaws or the Association Rules are corrected.

ARTICLE 7 BOARD OF DIRECTORS**7.1. Number and Qualification**

The affairs of the Association shall be governed by a Board of Directors composed of no fewer than three (3) and no more than nine (9) Directors. Each Director shall be at least eighteen (18) years of age and shall be a Member of the Association throughout the period of his/her service as a director. A Director may not be an employee of the Association or managing agent/manager employed by the Association. The Directors shall hold office until the next annual meeting or until he/she resigns or is removed pursuant to paragraphs 7.6 or 7.7 contained herein. The number of Directors may be increased or decreased within the above limitations at any annual or special meeting of the Association by majority vote of the Members present. There shall always be an odd number of voting members of the Board. No decrease in the number of Directors shall shorten the term of any Director then in office.

7.2 Powers and Duties

The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Members.

7.3 Other Duties

In addition to duties imposed by the Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following:

7.3.1. Care, upkeep and surveillance of the project and the Common Area and facilities;

7.3.2. Collection of assessments from the Owners or Members;

7.3.3. Designation and dismissal of the personnel necessary for the maintenance and operation of Willow Hills, the Common Areas and facilities;

7.3.4. Enforcement of the Declaration as recorded in Yavapai County and as amended from time to time and the other governing documents of the Association.

7.4. Manager or Managing Agent, Employees and Contractors, Generally

The Board of Directors may employ for the Association a managing agent/manager at a compensation established by the Board to perform such duties and services as the Board shall authorize, including but not limited to the duties listed in section 7.3 of these Bylaws. The duties conferred upon the managing agent/manager by the Board may be revoked, modified or amplified by the majority members in a duly constituted meeting. The managing agent/manager services may be revoked in accordance with applicable contractual provisions of any existing contract with the Association and managing agent/manager. The Board of Directors may employ any other persons, employees, contractors or agents to perform such duties and at such compensation as the Board of Directors may establish.

7.5 Election of Directors and Term of Office

At each annual meeting of the Members, the Members shall elect Directors to hold office until the next annual meeting. Each Director shall hold office until the expiration of the term for which he/she was elected and until his/her successor has been duly elected and qualified, or until his/her prior resignation or removal as herein provided.

7.6. Resignation

A Director may resign at any time by giving written notice to the Board of Directors. Unless otherwise specified in the notice, the resignation shall take effect upon the receipt thereof by the Board of Directors or a Board officer. Acceptance of the resignation shall not be necessary to make it effective.

7.7. Removal of Directors

In addition to any other applicable removal procedures set forth in Arizona Revised Statutes, at any regular meeting or special meeting any member or members of the Board of Directors may be removed, with or without cause. Such removal must be by the vote of a majority of the Members and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

7.8. Vacancies

Vacancies in the Board of Directors caused by any reason other than removal by a vote of the Members shall be filled by vote of the majority of the remaining Directors. This vote shall be

valid even though they may constitute less than a quorum of the Board. Each person so elected shall hold office in accordance with 7.5 of these Bylaws.

7.9. Compensation

No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director for services performed by him/her for the Association in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. A Director may not be an employee of the Association.

7.10. Organization Meeting

The first meeting of a newly elected Board of Directors shall be held at such date, time and place as shall be fixed by the Directors at the meeting at which such Directors were elected. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the Board shall be present.

7.11. Regular Meetings

Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board shall be given to each Director, personally, by telephone contact, facsimile, electronic mail or by USPS mail addressed to his/her residence. Such notification must be at least five (5) prior to the date of such meeting. The Association shall at all times conform to the laws regarding meetings set for in A.R.S. §33-1804, including, the giving of notice of Board meetings to Members of the Association as set forth in that statute.

7.12. Special Meetings

Special meetings of the Board may be called by the president on three (3) days' notice given to each Director, personally, by telephone contact, facsimile, electronic mail or by USPS mail addressed to his/her residence. The notice shall state the time, date, place and purpose of the meeting. Special meetings of the Board shall be called by the president or secretary when requested by two (2) Directors.

7.13. Waiver of Notice

At any meeting of the Board any Director may, in writing, waive notice of such meeting. This waiver shall be deemed equivalent to the giving of such notice. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at that meeting.

7.14. Board of Directors Quorum

At all meetings of the Board, fifty-one percent (51%) of the Directors shall constitute a quorum for the transaction of business. The acts of the majority of the Directors present when a quorum exists shall be the acts of the Board. If at any meeting of the Board if there is less than a quorum present, the majority of those present may adjourn the meeting. At an adjourned meeting, any transacted business as originally called may be transacted without further notice.

7.15. Actions by Directors without a Meeting

Any act of the Board may be taken without a meeting if consent, in writing, setting forth the act is signed by all of the Directors with respect to the subject matter of the meeting. The consent shall have the same force and effect as a unanimous vote.

7.16. Bonds of Officers and Employees

The Board may require that all officers and employees of the Association handling or responsible for Association funds furnish adequate bonds. The premiums of such bonds shall be paid by the Association.

ARTICLE 8 OFFICERS**8.1. Designation**

The principal officers of the Association, all of whom shall be elected from the Board, shall be a president, a vice president, a secretary and a treasurer. Any two or more offices may be held by the same person. If for any reason there is temporarily only one (1) officer of the Association, that officer shall be the president having all the authority and duties as set forth herein. The officers of the Association shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and qualified. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association would be served thereby. Any officer who ceases to be a Member of the Association or who ceases to be in good standing shall be automatically removed from office. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

8.2. President

The president shall be the chief executive officer of the Association. He/She shall preside at all Association meetings and of the Board of Directors. The president shall have all general powers and duties which are usually vested in the office of president of an association. These powers and duties include, but are not limited to, the power to appoint committee chairmen from among the Members at the president's discretion as decided appropriate to assist in conducting the affairs of the Association.

8.3. Vice President

The vice president shall take the place of the president and perform the duties of the president whenever the president shall be absent or unable to act. The vice president shall also perform such other duties as may be assigned by the Board of Directors. If neither the president nor the vice president can act, the succession will be the secretary, then the treasurer and finally any other member of the Board.

8.4. Secretary

The secretary shall attend and keep minutes of all meetings of the Association and of the Board. The secretary shall prepare required notices of Association meetings and Board meetings. The secretary shall have charge of all books and records of the Association and shall maintain a membership book reflecting the names and address of all Members. The secretary shall perform duties assigned by the Board. If the secretary is not present at any meeting, a secretary pro tempore shall be appointed by the presiding officer to perform the secretary's duties. The secretary shall not maintain the books of account as they fall under the responsibility of the Treasurer.

8.5. Treasurer

8.5.1. Regular Duties. The treasurer shall have the responsibility for all Association funds, accounts and securities. The treasurer shall ensure the full and accurate accounts of all disbursements and receipts are kept in books/ledgers belonging to the Association. The treasurer shall be responsible for the deposit of all Association funds and other valuable effects into such depositories designated by the Board. The treasurer shall disburse funds as necessary in conducting the Association's business. Accordingly, if the Board directs the treasurer will be bonded as provided in section 7.16 of these Bylaws.

8.5.2. Delegation of Regular Duties. When approved by the Board, the regular duties of the treasurer may be delegated to a designated managing agent/manager. Notwithstanding any such delegation, the treasurer will, on at least a monthly basis, review the financial records of the Association to assure the Association funds are being managed correctly. Any discrepancy(ies) noted will be immediately brought to the attention of the Board and corrective action implemented.

8.5.3. Annual Budget. The treasurer, in coordination with the Board, shall prepare the next fiscal year's annual budget no later than November 15th of the current fiscal year. Such budget will be presented to the Board for approval at the December Board Meeting.

8.5.4. Annual Audit, Review or Compilation. In accordance with the provisions of A.R.S. § 33-1810, the Board shall provide for an annual financial audit, review or compilation of the Association finances as determined by the Board each year to be appropriate. Such financial audit, review or compilation shall be completed no later than one hundred eighty (180) days after the end of the Association's fiscal year and shall be made available upon request to the members within thirty (30) days of its completion.'

ARTICLE 9 OBLIGATIONS OF THE OWNERS

9.1. Creation of Lien and Personal Obligations

9.1.1. By becoming an Owner, each Owner agrees to pay to the Association the following: regular assessments, capital improvement assessments and special assessments. These assessments will be established and collected by the Association when required and provided by these Bylaws and the Declaration. Such assessments together with interest thereon, late charges, attorneys' fees, court costs, and other costs of collection (all of which shall be deemed to be a part of such assessments) shall be a continuing lien as set forth in the Declaration upon each Owner's Lot and shall also be the personal obligation of the Owner to whom such assessments relate, which personal

obligation shall continue after such Owner is no longer the Owner of the Lot in question. These obligations shall not pass to an Owner's successor unless expressly assumed by the successor in writing. However, any such obligation remains a lien on each applicable Lot until paid.

9.1.2. The liens for assessments noted above shall be superior to any and all other charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon any Lot, except as otherwise provided herein and except that such lien shall be subordinate to liens for real property taxes and other public charges which by applicable law are expressly made superior.

9.1.3 The Association shall not be responsible for any charge made against any Lot, including, but not limited to, any gas, electricity, sewer, water, telephone or similar utilities/services charged against any Lot or the Owner thereof. The cost for such services or charges shall be the personal obligation of the Owner of the related Lot.

9.2. Purposes of Assessments

The assessments levied by the Association shall be used for the purposes indicated herein and in the Declaration.

9.3. Regular Assessments

9.3.1. Each Owner shall pay their regular assessment which is a proportional share of the common Association expenses. Except as otherwise specifically provided herein, payment of regular assessments shall be in such amounts and at such times as provided in the Declaration, these Bylaws or as determined by the Association.

9.3.2. Not later the thirty (30) days prior to the beginning of each fiscal year, the Board shall make available for review by any Member at the Association's office a pro forma operating statement or budget for the upcoming fiscal year. Any such review may be conducted during reasonable business hours after making an appointment prior to this review. This document(s) show the estimated total common expenses to be incurred during the next fiscal year. At the same time, the Board shall determine the amount of the regular assessment payable by each Owner for the upcoming fiscal year. Written notice of the regular assessment shall be mailed by the Board to each Member. Upon receipt of this written notice each Owner shall pay to the Association the regular assessment in whole or in partial payments as directed by the written notice. All payments, if the Member chooses to make payments rather than payment in full, are due and payable on the date(s) contained in the written notice.

9.3.3 If at any time during any fiscal year the Board determines that the aggregate regular assessments for that year are inadequate to meet all common expenses for whatever reason, the Board shall immediately determine and approximate the amount of such inadequacy. In the event the Board determines that this inadequacy requires the issuance of a supplemental regular assessment to be paid by each Owner, the Board shall give written notice of the amount of such supplemental regular assessment to each Owner. Upon receipt of this written notice, each Owner shall pay to the Association the supplemental regular assessment in whole or in partial payments as directed by the written notice. All payments, if the Member chooses to make payments rather than payment in full, are due and payable on the date(s) contained in the written notice.

9.3.4. Regular assessments shall commence to each Owner on the first day of the month following the date of conveyance to the Owner for the Lot which regular assessments apply.

9.3.5. Notwithstanding the foregoing, the Board shall not in any fiscal year levy an annual assessment (including any supplemental regular assessment), if any, that are together more than twenty percent (20%) greater than the immediately preceding fiscal year's annual assessment (including any supplemental regular assessment) without the approval of a majority of the Members of the Association.

9.3.6. If the aggregate regular assessments for any fiscal year proves to be excessive after all actual common expenses, the Board will at its sole discretion retain such excess as additional working capital/reserves, reduce the amount of the regular assessments for the succeeding fiscal year, refund the excess to those members that paid the regular assessments or abate collecting of regular assessments for such period deemed appropriate.

9.4. Capital Improvement Assessments

9.4.1. The purpose of any capital improvements assessment is to defray the estimated cost to the Association for the improvement, installation or construction of any capital improvements to/on any of the Common Areas. The Board may in any fiscal year levy a capital improvement assessment applicable to that fiscal year only.

9.4.2. The Board shall determine the amount of the capital improvement assessment payable by each Owner in a fiscal year. Written notice of such assessment shall be mailed by the Board to each Member or via electronic mail if chosen by the Member. Upon receipt of this written notice, each Owner shall pay to the Association the assessment in whole or in partial payments as directed by the written notice. All payments, if the member chooses to make payments rather than payment in full, are due and payable on the date(s) contained in the written notice. Payments will be governed by the Declaration, these Bylaws or as determined by the Board.

9.4.3. Without the approval of a majority of the Members, the Board of Directors shall not impose a capital improvement assessment in any fiscal year exceeding five percent (5%) of the estimated operating expenses of the Association for that fiscal year.

9.4.4. All amounts collected as capital improvement assessments may only be used for the capital improvements for which the assessment was made. These funds shall be deposited by the Association in a separate bank account and any financial instrument in excess of seven hundred dollars (\$700.00) written on such separate account must be signed by at least two (2) Board members. Monthly landscaping payments are exempt from this two-signature requirement.

9.5. Uniform Assessments

Regular assessments, supplemental regular assessment, capital improvement assessments and reconstruction assessments shall be uniform for each Lot Owner.

9.6. Special Assessments

A special assessment shall be levied by the Board against a particular Member and his/her Lot for the following:

9.6.1. Costs incurred by the Association in bringing such Member's Lot into compliance with the provisions of the Declaration, the Articles of Incorporation, these Bylaws or the Association Rules;

9.6.2. Any other charge designated as a special assessment in the Declaration, the Articles of Incorporation, these Bylaws or the Association Rules;

9.6.3. Fines fixed by the Board of Directors as established by the Declaration, these By Laws or the Association Rules.

9.6.4. In the event the Association undertakes to provide materials or services which benefit a particular Member or Lot, then such Member herein agrees that these costs shall be a special assessment.

9.7. Exempt Property

All properties dedicated to, accepted by, or otherwise owned/acquired by a public authority shall be exempt from the assessments contained in these Bylaws.

9.8. Late Charges and Interest

9.8.1. Assessments shall be due and payable in a manner and by the date(s) designated by the Board. If assessments or payments are not received within fifteen (15) calendar days after the due date(s), each assessment shall have added to it a late charge equal to ten percent (10%) of the assessment. The assessment and late charge shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid.

9.8.2. The Board may, at its discretion, waive the late charge and/or interest in any particular instance. This can be done without waving the imposition of a late charge or interest in any other instance.

9.9. No Offsets

All assessments shall be payable as specified in the written notification of the assessment. No offsets against such amount shall be permitted for any reason. This includes, but is not limited to a claim that:

9.9.1. The Association is not properly exercising any of its duties, responsibilities or powers; or

9.9.2. The regular assessment for any period exceeds common expenses.

9.10. Homestead Waiver

The benefit of any homestead or exemption laws of the State of Arizona now or hereafter in effect are hereby waived to the extent permitted by law regarding any liens created pursuant to the Declaration, these Bylaws and the Association Rules. This waiver applies whether such liens are now in existence or created at any time in the future.

9.11. Financial Reserves

The Association's financial reserves included in the common expenses which are collected as a part of the regular assessment shall be deposited by the Association in a separate bank account. The responsibility of the Board shall only be to provide for such reserves as the Board, in good faith, deems reasonable. The Association shall not have any liability to any Member or to any other person/organization if such reserves prove to be inadequate

9.12. Certificate of Unpaid Assessments

Upon becoming an Owner, any person or persons shall be entitled to a certificate from the Association setting forth the amount of due-but-unpaid assessments to their Lot, if any. No lien

shall be attached to the Lot in excess of the amount set forth in the certificate, except for assessments which accrue after the date thereof.

9.13. Enforcement of Assessment Liens

Liens may be enforced by the Association as set forth in the Declaration. Nothing herein shall be construed as requiring that the Association take any action to collect any assessments at any time. The failure of the Association to take such action at any time shall not constitute a waiver of the right to take such action at a later time or in a different instance.

9.14. Pledge of Assessment Rights as Security

The Association shall have the power to pledge its assessment rights provided for in the Declaration and these Bylaws as security for the performance of any obligation by the Association

9.15. Maintenance and Repair

9.15.1. Every Owner must promptly perform all maintenance and repair work on his/her Lot, which if omitted, would affect the project in its entirety or in a part belonging to other Owners. Such Owner is expressly responsible for damages and liabilities that his/her failure to maintain or repair may cause others.

9.15.2. All repairs and maintenance of internal installations of dwellings, such as water, light, power, sewage, telephones, sanitary installations, doors, windows, lamps and all other accessories belonging to the dwelling shall be maintained by the Owner at the Owner's expense.

9.15.3. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Area/facility damaged through his/her fault or the fault of his/her tenants, guests or invitees.

9.16. Use of Lots

Each Lot shall be for a one-story single family residence. All residences shall be utilized in accordance with the provisions of the Declaration, these Bylaws and the Association Rules. A copy of each amendment, modification or revocation of these documents shall be delivered to each Owner. Such documents, as so amended, shall be binding upon all Members of the Association and on all tenants and occupants of any Willow Hills dwelling.

9.17. Association Rules

The Board may adopt, modify or revoke in whole or in part the rules and regulations to be known as the 'Association Rules'. These Association Rules will be consistent with all the provisions of the Declaration and these Bylaws. A copy of the adopted Association Rules and of every amendment, modification or revocation of this document shall be delivered to each Owner. The Association Rules shall be binding upon all Members of the Association and upon all tenants and occupants of any Willow Hills dwelling.

9.18. Right of Entry

The manager and any person authorized by the Board shall have the right to enter onto a Lot in case of any emergency originating or threatening such Lot or other Lots. This right of entry applies whether or not the Owner, tenant or occupant is present at the time. The Owner acknowledges that any such entry shall not constitute a trespass by the Association or its agent.

9.19. Title and Member Information

Every Lot Owner shall duly record with the Yavapai County Recorder the deed, lease, assignment or conveyance evidencing his/her ownership of the Lot. Every Lot Owner shall immediately notify the Board of his/her acquisition of title to a Lot.

9.20. Mortgages and Deeds of Trust

Any mortgagee, holder of a beneficial interest or trustee under a deed of trust on a Lot may file a copy of its mortgage or deed of trust with the Board. These documents will be maintained in the record of ownership of the Association. The Board shall be required to notify the mortgagee, beneficiary or trustee who has filed any such document with the Association of the related Lot Owner's default in the payment of any Association expenses.

9.21 Fines and Penalties

In addition to any other rights or remedies which the Association may have under the Declaration or these Bylaws or at law or in equity as a result of the violation of the Declaration or these Bylaws or the Association Rules, the Association shall have the right, subject to applicable law, to levy reasonable fines or penalties against an Owner for any violation of the Declaration or the or these Bylaws or the Association Rules by the Owner, any other residents of the Owner's Lot or any of the Owner's family, tenants, guests, contractors or agents. The Board shall establish the amount of the fine or penalty for each violation.

9.22 Transfer, Refinance and Disclosure Fees

Reference AZ Statute 33-1806 Resale of Units; Information Required; Fees; Civil Penalty;
Definition: Each purchaser of a Lot shall pay to the Association immediately upon becoming the Owner of the Lot a transfer fee in such amount as is established from time to time by the Board. Any Owner of a Lot who sells or refinances his or her Lot and requires a status or disclosure statement from the Association in connection therewith shall pay to the Association a refinance or disclosure fee in such amount as is established from time to time by the Board. Fees charged pursuant hereto shall be secured by the assessment lien established pursuant to Section 9.1.

ARTICLE 10 INSURANCE**10.1 Scope of Coverage**

Commencing not later than the time of the first conveyance of a Lot to a purchaser, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

10.1.1 Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than \$1,000,000. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Area and all other portions of the Property which the Association is obligated to maintain under the Declaration, and shall also include hired automobile and non-owned automobile coverage with cross liability endorsements to cover liabilities of the Owners as a group to an Owner;

10.1.2 Property insurance on all Common Areas insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Common Area, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property policy;

10.1.3 Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona;

10.1.4 Directors and officers liability insurance in an amount to be determined by the Board;

10.1.5 Such other insurance as the Association shall determine from time to time to be appropriate to protect the Association or the Owners.

10.1.6 The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions:

- (i) That there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owners and members of their household;
- (ii) No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy;
- (iii) That the coverage afforded by such policy shall not be brought into contribution or pro-ration with any insurance which may be purchased by Owners or their mortgagees or beneficiaries under deeds of trust;
- (iv) A 'severability of interest' endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners;
- (v) Statement of the name of the insured as the Association; and
- (vi) For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the first mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy.

10.2 Certificates of Insurance

An insurer that has issued an insurance policy under this Article shall issue a certificate or a memorandum of insurance to the Association and, upon request, to any Owner, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be canceled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each mortgagee or beneficiary under deed of trust to whom certificates of insurance have been issued.

10.3 Payment of Premiums

The premiums for any insurance obtained by the Association pursuant to Section 10.1 of the Declaration shall be included in the budget of the Association and shall be paid by the Association.

10.4 Payment of Insurance Proceeds

With respect to any loss to any Common Area covered by property insurance obtained by the Association in accordance with this Article, the loss shall be adjusted with the Association, and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 10.5 of this Declaration, the proceeds shall be disbursed for the repair or restoration of the damage to the Common Area.

10.5 Repair and Replacement of Damaged or Destroyed Common Area

Any portion of the Common Area which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (ii) Owners representing at least eighty percent (80%) of the total authorized votes in the Association vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If all of the Common Area is not repaired or replaced, insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall either (i) be retained by the Association as an additional capital reserve, or (ii) be used for payment of operating expenses of the Association if such action is approved by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the votes in the Association.

ARTICLE 11 EXECUTION OF INSTRUMENTS**11.1 Signature Requirements**

The signature requirements for all Association checks, drafts, notes, bonds, and all other financial instruments shall be as follows:

11.1.1 As to any operating accounts of the Association:

- (vii) The signatures of any two Board members for all instruments having a face value of more than \$700.00, and
- (viii) The signature of any one Board member or of any person authorized by the Board on a signature card filed with the financial entity upon which such instrument is drawn for all instruments having a face value of \$700.00 or less.

11.1.2 As to any accounts of the Association other than its operating accounts (including but not limited to its reserve accounts, capital improvement accounts and escrow accounts):

- (i) The signatures of any two Board members for all instruments having a face value of more than \$700.00, and

- (ii) The signature of any one Board member for all instruments having a face value of \$700.00 or less.

Any change in the above signature requirements shall require the unanimous approval of the Board.

ARTICLE 12 COMMITTEES

Standing committees and special committees of the Association may be established by the Board. The Chairmen and members of those committees shall be appointed by the president with the approval of the Board. Committees shall perform such duties as may be assigned by the Board, which may establish committees for those purposes which it deems to be in the best interest of the Association. All committees shall keep minutes of their proceedings.

ARTICLE 13 AMENDMENT TO THE BYLAWS

These Bylaws may be amended or revoked in any respect as deemed appropriate by a unanimous vote of the Board. In addition, at a special meeting of the Members convened for the purpose of amending or revoking the Bylaws, the Members by a two-thirds (2/3) vote of those entitled to vote at such meeting may amend or revoke these Bylaws.

ARTICLE 14 PERSONAL LIABILITY AND INDEMNIFICATION

14.1. Scope of Indemnification

Subject to the further provisions hereof, the Association shall indemnify (i.e. reimburse) any and all of its existing and former Directors and officers against all expenses incurred by them as a group or individually. These expenses include, but are not limited to, legal fees, judgments, penalties and amounts paid in settlement or compromise. These expenses may arise or be incurred, rendered or levied in any legal action brought or threatened against any of them for or on account of any action or scope of service as a Director or officer of the Association. This is the case whether or not any action is or has been filed against the Director or officer and whether or not any settlement or compromise is approved by a court. Indemnification shall be made by the Association whether the legal action brought or threatened is by or in the right of the Association or by any other person.

14.2. Determination

Whenever any existing or former officer shall report to the Board or president of the Association that they have incurred or may incur such expenses the Board shall at its next regular or special meeting held within a reasonable time thereafter in good faith determine whether regarding the matter involved in the action/contemplated action if they acted, failed to act or refused to act willfully with gross negligence or the fraudulent or criminal intent. If the Board determines in good faith that they did not act as noted above, indemnification shall be mandatory and shall be automatically extended as specified herein. These expenses are those previously enumerated in paragraph 13.1 above.

14.3. Right of Refusal

The Association shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the Association, at its own choosing, to defend them in the action.

14.4 Personal Liability

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