

BYLAWS OF  
CANDLEWOOD  
HOMEOWNERS' ASSOCIATION

ARTICLE I

PLAN OF LOT OWNERSHIP

1. Name and Location.

These Bylaws shall constitute the Bylaws of Candlewood Homeowners' Association (the "Association"), a corporation formed pursuant to Covenants, Conditions and Restrictions now or hereafter recorded in the records of the County Recorder of Maricopa County, Arizona, as and if amended (the "Declaration"), for that subdivision recorded as Candlewood (the "Project").

2. Personal Application.

All present or future Owners (as defined in the Declaration), tenants, future tenants, or their employees, or any other persons who might use the facilities of the Project in any manner, are subject to the regulations of these Bylaws as set forth herein.

3. Non-Profit Corporation.

The Association is an Arizona non-profit corporation, and is organized and existing under and by virtue of the laws of the State of Arizona as same pertains to the application of corporate activities and the Project. The office of the Association shall be located at 11000 North Scottsdale Road, Suite 234, Scottsdale, Arizona 85254, but meetings of the members and directors may be held at such places within the State of Arizona, County of Maricopa, as may be designated by the Board of Directors.

4. Terms.

The terms utilized in these Bylaws shall, except as otherwise provided herein, have the meanings set forth in the Declaration.

ARTICLE II

MEETINGS OF THE MEMBERSHIP

1. Place.

All meetings of the Members shall be held at the Project, or at such other place as shall be designated by the Board of Directors of the Association and stated in the Notice of Meeting.

2. Annual Meeting.

An annual meeting of Members shall be held at the Project, Gilbert, Maricopa County, Arizona during the month of September of each year, for the purpose of electing directors and transacting other business authorized to be transacted by the Members.

3. Special Meetings.

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

4. Notices and Quorums.

Written notice of any annual or special meeting shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. Written notice of each such meeting shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, to each Member entitled to vote at such meeting, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

5. Proxies.

At all meetings of Members, each Voting Member may vote in person or by proxy. All proxies shall be in writing and shall be filed with the Secretary before or at the time of the meeting. Every proxy shall be revocable and shall automatically terminate upon conveyance by the Member of his Lot or eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Memberships held by a legal personal representative or by a court appointed receiver may be voted, in person or by proxy, by such

representative or receiver without the transfer of such Membership into the name of the trustee, except pursuant to a valid voting trust agreement.

6. Cumulative Voting.

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

7. Informal Action.

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

8. Irregularities.

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

9. Record Date.

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

ARTICLE III

BOARD OF DIRECTORS

1. Number and Term of Office.

Except for the initial Board (consisting of three members), the Board of Directors shall consist of five (5) Members, each of which shall be an Owner of a Lot or, if an Owner is a corporation, partnership, trust or other legal entity, the Director may be a

representative thereof. At the first annual meeting, the Members shall elect two (2) Directors for a term of three (3) years, two (2) Directors for a term of two (2) years and one (1) Director for a term of one (1) year; and at each annual meeting thereafter, the Members shall elect the number of directors as is appropriate to replace those Directors whose terms have expired and to maintain staggered terms for the Directors for a term of three (3) years each.

2. Organizational Meeting.

The organizational meeting of the Board of Directors and annual meetings thereafter shall be held at such place and at such time as shall be determined by the Directors.

3. Removal of Directors.

At any time after the first annual meeting of the Members, any one or more of the Directors may be removed from the Board with or without cause by the affirmative vote of the Voting Members casting not less than two-thirds of the total vote present at such meeting, and a successor may then and there be elected to fill the vacancy.

4. Vacancies on Board of Directors.

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

5. Disqualification and Resignation of Directors.

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

6. Regular Meetings.

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

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7. Special Meetings.

Special meetings of the Board of Directors may be called by the President of the Association, or by any two Directors, after not less than three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinafter provided) and purpose of the meeting.

8. Waiver of Notice.

Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him or the time and place thereof, except when a Director attends for the express purpose of objecting to lack of 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 such meeting.

9. Board of Directors' Quorum.

At all meetings of the Board of Directors, a majority of all the Directors shall constitute a quorum for the transaction of business, and every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. If at any meeting of the Board of Directors, there should be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

10. Fidelity Bonds.

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

**11. Powers and Duties.**

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

(a) To make assessments as authorized by the Declaration and to collect, use and expend the assessments to carry out the purposes and powers of the Association;

(b) To employ, dismiss and control a manager, an independent contractor, or such other personnel, including attorneys, accountants, contractors and other professionals as they deem necessary, prescribe their duties, and delegate such powers as they deem advisable to the manager (and any such employees or other personnel who may be the employees of a managing agent);

(c) To adopt Rules and Regulations governing the use of the Common Areas and facilities, and the personal conduct of the Members and their guests thereon and to establish penalties for the infraction thereof;

(d) To exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the Membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(e) To maintain, repair and make necessary improvements to the Common Areas;

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

(g) To pay taxes and assessments which are liens against any part of the Project, other than individual Apartments, and to assess the same against the Lots subject to such liens;

(h) To pay the cost of all power, water, sewer and other utility services rendered to the Project and not metered and billed to individual Lots;

(i) To select the officers of the Association; and

(j) To suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days for infraction of Rules and Regulations.

## 12. Informal Action

Any action required to be taken at a meeting of the Directors, or any other action which may be taken at such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the Directors.

## ARTICLE IV

### OFFICERS

#### 1. Enumeration and Election of Officers.

The principal officers of the Association shall be a president, a vice president, a secretary and a treasurer. Each officer shall be an Owner of a Lot or, if an Owner is a corporation, partnership, trust or other legal entity, the officer may be a representative thereof. Notwithstanding the foregoing, as long as there is a Class "B" Membership, each officer need not be an Owner of a Lot. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

#### 2. Term.

The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

#### 3. Special Appointments.

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

#### 4. Resignation and Removal.

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

5. Multiple Offices.

The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 3 of this Article.

6. The President.

The president shall be the chief executive officer of the Association; shall preside at all meetings of the Member and of the Board of Directors; shall have executive powers and general supervision over the affairs of the Association; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

7. The Vice President.

The vice president shall perform all of the duties of the president in his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him from time to time by the Board of Directors.

8. The Secretary.

The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

9. The Treasurer.

The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy to each of the Members. The treasurer shall be allowed to delegate the collection, deposit and disbursement of monies by establishing a reasonable method of accounting which shall be reviewed by the Board of Directors on a monthly basis.



10. Initial Officers.

The initial officers of the association shall be:

Garth Wieger - President  
Jeanie Bishop - Vice President  
Linda Victor - Secretary/Treasurer

who shall serve until their successors are appointed and qualified.

ARTICLE V

FISCAL MANAGEMENT

1. Depositories.

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

2. Determination of Assessments.

The Board shall cause to be prepared an estimated annual budget for each fiscal year of the Association. Such budget shall take into account the estimated common expenses for the Project ("Common Expenses") and cash requirements for the year. The estimated annual budget shall not include those utility expenses which are the obligation of the individual Owners. The annual budget shall also take into account the estimated net available cash income for the year from the operation or use of any of the Common Areas. The annual budget shall also provide for a reserve for contingencies for the year and an adequate reserve for maintenance, repairs and replacements of those Common Areas that must be replaced on a periodic basis, as determined by the Board. To the extent that the assessments and other cash income collected from the Owners during the preceding year shall be more or less than the expenditures for such preceding year, the surplus or deficit, as the case may be, shall be taken into account in determining the annual budget.

3. Amount.

Each Lot shall pay its pro-rata share of the total annual assessment in the proportion required by the Declaration. Declarant shall pay twenty-five percent (25%) of the annual

assessments for each Lot which Declarant owns in four (4) equal quarterly installments in the same manner established for payment of the annual assessment amount by other Lot Owners, except that Declarant shall pay and be liable for the full assessment amount for any Lots owned by Declarant which are rented, leased or otherwise occupied.

4. Budget.

The estimated annual budget for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Owner not later than thirty (30) days before the beginning of such year. On or before the first day of the first, fourth, seventh, and tenth month of each year covered by the annual budget, each Owner shall pay one-fourth (1/4) of the annual assessment for his Lot. As used herein, proportionate shares of each Owner and his Lot shall be in accordance with his respective ownership interest in the Common Areas as set forth in the Declaration. (Such general assessments and utility assessments may hereinafter be referred to collectively as regular quarterly assessment(s)).

5. Statement of Assessment.

The Board may cause to be sent to each Owner on or before the first day of each of the first, fourth, seventh and tenth months a statement of the regular quarterly Assessment(s) of such Owner and his Lot for such quarter, but the failure to send or to receive such quarterly statement shall not relieve any Owner of his obligation to pay said quarterly Assessment(s) on or before the first day of each quarter. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new quarterly Assessments for any year or shall be delayed in doing so, each Owner shall continue to pay each quarter the amount of his prior respective quarterly Assessment(s).

6. Additional Assessments.

In addition to the foregoing regular quarterly Assessments, the Board may levy additional monthly or quarterly Assessments to meet Common Expenses if such Assessments become necessary or desirable during the fiscal year, provided such supplemental Assessments are first approved by Owners representing at least two-thirds (2/3) of the votes of each class of membership who are voting in person or by proxy at a meeting duly called for such purposes, may also levy Special Assessments as authorized by and in accordance with the Declaration. Such Assessments shall be payable upon such notice as the Board may determine.

7. Obligation.

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

8. Notice of Assessment.

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

9. Nonpayment of Assessments/Assessment Default.

Any Assessment which is not paid within fifteen (15) days after the assessment first became due shall be deemed delinquent. Whenever an Assessment is delinquent, the Board may, at its option, invoke any or all of the sanctions provided for herein or in the Declaration, or any other reasonable sanction in order to compel its prompt payment.

(a) Interest. If any Assessment is not paid within thirty (30) days after it becomes due and payable, interest at the rate of twelve percent (12%) per annum, or the prevailing FHA/VA interest rate for new home loans (at the time of delinquency), whichever is higher, but in no event exceeding the maximum rate allowed by law, shall be assessed on the amount owing from the date of delinquency until such time as it is paid.

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

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

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

(e) Enforcement of Lien. The Board of Directors may proceed as authorized by Section 10 of this Article V or the requisite provisions of the Declaration to institute an action at law for a money judgement or other proceeding to recover the amount of the delinquent Assessment.

10. Lien.

It shall be the duty of every Owner to pay his Lot's respective Assessment(s) in the manner herein provided. Such Assessments, together with any interest thereon and costs of collection thereof, as provided for in the Declaration, shall be a continuing lien upon the Lot against which and for which such Assessment is made. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies as provided for in the Declaration, these Bylaws or otherwise available at law or in equity for the collection of all unpaid Assessments and any interest thereon and costs of collection thereof.

11. Recordation.

Any lien upon a Lot shall become effective upon recording notice thereof in the office of the County Recorder, Maricopa County, Arizona.

12. Suit.

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

13. Records and Statements of Account.

The Board, under the direction of the treasurer, shall cause to be kept detailed and accurate records in chronological order of the receipts and itemized expenditures affecting the Common Areas and the Project, in accordance with generally accepted accounting practice. All records shall be available for examination by the Owners at convenient hours designated by the Board. The Board shall, upon receipt of ten (10) days notice to it or the Association, furnish to each Owner a statement of his account

setting forth the amount of any unpaid Assessments or other charges due and owing from such Owner.

14. Discharge of Liens.

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

15. Fiscal Year.

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

16. Contracts.

Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the president or vice president and countersigned by the secretary.

ARTICLE VI

FORECLOSURE

The Association shall have the power to bid in at any foreclosure or trustee's sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

ARTICLE VII

AMENDMENTS OF THE BYLAWS

These Bylaws may be amended at any regular or special meeting of the Directors; provided, however, that the Federal Housing Administration and the Veterans Administration shall have the right to veto any amendments while there is a Class "B" Membership. In addition, any proposed amendment which would affect the percentage interests of Owners must have the prior written approval of all holders of first mortgages on the Lots.

ARTICLE VIII

CONSTRUCTION

1. Conflicts.

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. If any provision of these Bylaws is less restrictive than the Declaration or the Articles of Incorporation when Dealing with the same subject, the more restrictive provisions of the Declaration and Articles of Incorporation shall be applicable in the same manner as if included in the provisions of these Bylaws.

2. Disputes.

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

3. FHLMC, FNMA FHA/VA.

Notwithstanding anything to the contrary herein, to the extent that these Bylaws shall be contrary to or inconsistent with provisions of the Declaration, Federal National Mortgage Association, Federal Housing Administration and Veterans Administration, if any may be applicable to the Association, these Bylaws shall be considered superseded by such provisions, rules and/or regulations.

ARTICLE IX

LIABILITY SURVIVES TERMINATION OF MEMBERSHIP

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

ARTICLE X

LIMITATION OF LIABILITY

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

ARTICLE XI

FEES AND DUES

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

ADOPTED By the Board of Directors of CANDLEWOOD HOMEOWNERS' ASSOCIATION, at Scottsdale, Arizona, this 18<sup>th</sup> day of June, 1990.

  
  
