

**BYLAWS
OF
HEARTHSTONE VILLAS AT SUPERSTITION SPRINGS
HOMEOWNERS ASSOCIATION**

ARTICLE 1

GENERAL PROVISIONS

1.1 Principal Office. The principal office of this corporation 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 the Arizona statutes governing nonprofit corporations, but meetings of members and directors may be held at such other place within the State of Arizona as may be designated by the Board of Directors.

1.2 Defined Terms. Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions for Hearthstone Villas at Superstition Springs at Recorder's No. _____, records of Maricopa County, Arizona as amended from time to time.

1.3 Conflicting Provisions. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

1.4 Corporate Seal. The Association may have a seal in a form approved by the Board.

1.5 Designation of Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

1.6 Books and Records. The books, records and papers of the Association shall be available for inspection by any Member during reasonable business hours. The Project Documents shall be available for inspection by any Member during reasonable business hours at the principal office of the Association, where copies may be purchased at a reasonable cost.

1.7 Amendment.

1.7.1 These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members having more than 50% of the votes entitled to be cast by the Members present in person or by proxy.

1.7.2 The Declarant, so long as the Declarant owns any Lot, and thereafter, the Board, without a vote of the Members and without the consent of any First Mortgagee, may amend these Bylaws in order to conform these Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant or the Board.

1.7.3 So long as the Declarant owns any Lot, any amendment to these Bylaws must be approved in writing by the Declarant.

1.7.4 So long as there is a Class B membership in the Association, the Veterans Administration or the Federal Housing Administration shall have the right to veto any amendment to these Bylaws.

1.8 Indemnification. To the extent it has the power to do so under the Arizona Nonprofit Corporation Act, A.R.S. Section 10-1001, *et seq.*, the Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a member, director, officer, employee or agent of the Association or is or was serving at the request of the Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted, or failed to act, in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification of any such person shall be made in accordance with the procedures set forth in the Arizona Nonprofit Corporation Act.

ARTICLE 2

MEETINGS OF MEMBERS

2.1 Annual Meeting. An annual meeting of the Members of the Association shall be held at least once every twelve (12) months at such time and place as is determined by the Board.

2.2 Special Meetings. Special meetings of the Members may be called at any time by the president or by the Board or upon written request signed by Members having at least one-fourth (1/4) of the total authorized votes in the Association.

2.3 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of each notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote thereat 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. When a meeting is adjourned to another time or place, notice 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. If the adjournment is for more than thirty (30) days, a notice of the adjourned meetings shall be given to each Member entitled to vote at the meeting. By attending a meeting, a Member waives any right that the Member may have had to object to the meeting on the basis that the property notice of the meeting was not given in accordance with these Bylaws or the statutes of the State of Arizona.

2.4 Quorum. Except as otherwise provided in the Articles, the Declaration or these Bylaws, the presence in person or by proxy of Members entitle to cast one-tenth (1/10th) of the total authorized votes in the Association shall constitute a quorum at all meetings of the Members. If a quorum shall not be present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present.

2.5 Proxies. At all meetings of the Members a vote may be cast in person or by proxy. A proxy shall be duly executed in writing by the Member. All proxies must be filed with the Secretary prior to the commencement of the meeting for which the proxy is given. The proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of a notice of revocation signed by the Member who granted the proxy. No proxy shall be valid after twenty-five months from the date of its execution.

ARTICLE 3

BOARD OF DIRECTORS

3.1 Number. The affairs of this Association shall be managed by a Board of at least two (2) directors. So long as there is a Class B membership in the Association, the directors need not be Members of the Association. After the termination of the Class B membership, all directors must be Members of the Association. The Board may increase the number of directors on the Board but the number of directors must always be an odd number and shall not exceed nine (9) directors.

3.2 Term of Office. the initial members of the Board shall hold office until the first annual meeting of the Members and until their successors are elected and qualified. Commencing with the first annual meeting of the Members, all directors shall be elected for a term of one (1) year.

3.3 Removal. At any annual or special meeting of the Members duly called, any one or more of the members of the board of directors may be removed from the Board with or without cause by Members having more than fifty (50%) of the votes entitled to be cast by the Members present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thereby created.

3.4 Compensation. No director shall receive compensation for any service the director may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

3.5 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written consent of all the directors. Any such written consent shall be filed with the minutes of the proceedings of the Board.

3.6 Vacancies. Except for vacancies on the Board caused by the removal of a director in accordance with the provisions of Section 3.3 of these Bylaws, any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors through less than a quorum or by a sole remaining director, and any director so chosen shall hold office until the next election of the directors when a successor is elected and qualified. Any newly created directorship shall be deemed a vacancy. When one or more directors resigns from the Board, effective at a future time, a majority of the directors then in office, including those who have so resigned, may fill such vacancy, the vote on the vacancy to take effect when such resignation becomes effective. If by reason of death, resignation or otherwise, the Association has no directors in office, any Member may call a special meeting of the Members for the purpose of electing the Board of Directors.

3.7 Meetings.

3.7.1 Regular or special meetings of the Board may be held by means of conference telephone or other similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation at such meeting shall constitute presence in person at the meeting.

3.7.2 Regular meetings of the Board may be held with or without notice at such time and place as is determined from time to time by the Board.

3.7.3 Special meetings of the Board may be called by the President on three (3) business days notice to each director, given in writing, by hand delivery, mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

3.7.4 Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

3.8 Quorum. A majority of the directors shall constitute a quorum of the transaction of business. 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.

3.9 Powers and Duties. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by the Project Documents required to be exercised or done by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Members that may hereafter be adopted, the Board shall have the following powers and duties:

3.9.1 Open bank accounts on behalf of the Association and designate the signatories thereon;

3.9.2 Make, or contract for the making, of repairs, additions to, improvements to or alterations of the Common Area, in accordance with the Project Documents, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

3.9.3 In the exercise of its discretion, enforce by legal means the provisions of the Project Documents;

3.9.4 Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the Common Area and provide services for the Members, and, where appropriate, provide for the compensation of such personnel and for the purpose of equipment, supplies and material to be used by such personnel in the performance of their duties;

3.9.5 Provide for the operation, care, upkeep and maintenance of all of the Common Area and borrow money on behalf of the Association when required in connection with the operation, upkeep and maintenance for the Common Area; provided, however, the consent of Members having at least two-thirds (2/3) of the total votes in the Association shall be obtained either in writing or at a meeting called and held for such purpose in accordance with the provisions of these Bylaws in order for the Association to borrow in excess of \$5,000;

3.9.6 Prepare and adopt an annual budget for the Association prior to the commencement of each fiscal year;

3.9.7 Adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of the Members and their family members, guests, lessees and invitees thereon;

3.9.8 Suspend the voting rights and the right to use of the Common Area of a Member during any period in which such Member shall be in default in the payment of any Assessment or other amounts due under the terms of the Project Documents for a period of fifteen (15) days and for a period not to exceed sixty (60) days for any infraction of the Project Documents.

3.9.9 Exercise for the Association all powers, duties and authority vested in or delegated to the Association not reserved to the membership by other provisions of the Project Documents.

3.9.10 Declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board.

3.9.11 Employ, hire and dismiss such employees as they deem necessary and to prescribe their duties and their compensation.

3.9.12 Cause to be kept a complete record of all its acts and corporate affairs;

3.9.13 Supervise all officers, agents and employees of the Association and see that their duties are properly performed;

3.9.14 Levy, collect and enforce the payment of assessments in accordance with the provisions of the Declaration;

3.9.15 Issue, or cause an appropriate officer to issue upon demand to any person, a certificate setting forth whether or not any Assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an Assessment has been paid, such certificate shall be conclusive evidence of such payment;

3.9.16 Procure and maintain adequate property, liability and other insurance as required by the Declaration;

3.9.17 Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

3.9.18 Cause the Common Area to be maintained, as more fully set forth in the Declaration.

3.9.19 After notice and an opportunity to be heard, impose fines on Owners and Residents for violations of the Declaration, the Association Rules or the Architectural Rules.

3.10 Managing Agent. The Board may employ for the Association and the Project a managing agent at a compensation established by the Board. The Managing Agent shall perform such duties and services as the Board shall authorize, including, but not limited to, all of the duties listed in the Project Documents except for such duties and services that under the Project Documents may not be delegated to the Managing Agent. The Board may delegate to the Managing Agent all of the powers granted to the Board or the officers of the Association by the Project Documents other than the power to: (I) adopt the annual budget, any amendment thereto or to levy Assessments; (ii) adopt, repeal or amend Association Rules; (iii) designate signatories on Association bank accounts; (iv) borrow money on behalf of the Association; (v) acquire real property.

ARTICLE 4

OFFICERS AND THEIR DUTIES

4.1 Enumeration of Officers. The principal officers of the Association shall be the president, vice president, the secretary, and the treasurer all of whom shall be elected by the Board. The president must be a member of the Board. Any other officers may, but need not, be members of the Board.

4.2 Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

4.3 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.

4.4 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.

4.5 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.

4.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

4.7 Multiple Offices. Any two or more offices may be held simultaneously by the same person except the offices of President and Secretary.

4.8 Powers and Duties. To the extent such powers and duties are not assigned or delegated to a managing agent pursuant to Section 3.10 of these Bylaws, the powers and duties of the officers shall be as follows:

4.8.1 President. The president shall be the chief executive officer of the Association; shall preside at all meetings of the Board or the Members; shall see that orders and resolutions of the Board are carried into effect; and have general and active management of the business of the Association;

4.8.2 Vice-president. The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board;

4.8.3 Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; 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;

4.8.4 Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds for appropriate Association purposes as set forth in the Project Documents; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual

meeting, and deliver a copy of each to the Members; and, in general, perform all the duties incident to the officer of treasurer.

ARTICLE 5

ARCHITECTURAL COMMITTEE

5.1 Committee Composition. The Architectural Committee shall consist of at least three (3) members. None of such members shall be required to be an architect or to meet any other particular qualifications for membership. A member need not be, but may be, a member of the Board or an officer of the Association. The Board may increase the number of members on the Architectural Committee but the number of members must always be an odd number.

5.2 Terms of Office. The term of office for members of the Architectural Committee shall be a period of one year, or until the appointment of a successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Members who have resigned, been removed or whose terms have expired may be reappointed.

5.3 Appointment and Removal. So long as the Declarant owns any Lot, the Declarant shall have the right to appoint and remove the members of the Architectural Committee. When the Declarant no longer owns any Lot, the Board shall appoint and remove all members of the Architectural Committee, except that no member may be removed from the Architectural Committee by the Board unless the removal is approved by the vote or written consent of more than fifty percent (50%) of all of the members of the Board.

5.4 Resignations. Any member of the Architectural Committee may at any time resign from the Committee by giving written notice thereof to the Board.

5.5 Vacancies. Vacancies on the Architectural Committee, however caused, shall be filled by the Declarant until the Declarant no longer owns any Lot, and thereafter by the Board. A vacancy or vacancies on the Architectural Committee shall be deemed to exist in case of the death, resignation or removal of any member.

5.6 Duties. It shall be the duty of the Architectural Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by the Declaration.

5.7 Meetings and Compensation. The Architectural Committee shall meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the Committee, at a meeting or otherwise, shall constitute the act of the Committee unless the unanimous decision of the Committee is required by any other provision of the Declaration. The Committee shall keep and maintain a written record of all actions taken by it at such meeting or otherwise.

CERTIFICATION

I hereby certify that the foregoing Bylaws were duly adopted by the Board of Directors of the Association on the ____ day of _____, 1996.

Secretary

**HEARTHSTONE VILLAS AT SUPERSTITION SPRINGS
HOMEOWNERS ASSOCIATION**

INDEX TO BYLAWS

ARTICLE I

GENERAL PROVISIONS

1.1	Principal Office	1
1.2	Defined Terms	1
1.3	Conflicting Provisions	1
1.4	Corporate Seal	1
1.5	Designation of Fiscal Year	1
1.6	Books and Records	1
1.7	Amendment	2
1.8	Indemnification	2

ARTICLE 2

MEETINGS OF MEMBERS

2.1	Annual Meeting	3
2.2	Special Meetings	3
2.3	Notice of Meetings	3
2.4	Quorum	3
2.5	Proxies	4

ARTICLE 3

BOARD OF DIRECTORS

3.1	Number	4
3.2	Term of Office	4
3.3	Removal	4
3.4	Compensation	4
3.5	Action Taken Without a Meeting	4
3.6	Vacancies	4

3.7	Meetings	5
3.8	Quorum	5
3.9	Powers and Duties	6
3.10	Managing Agent	8

ARTICLE 4

OFFICERS AND THEIR DUTIES

4.1	Enumeration of Officers	8
4.2	Election of Officers	8
4.3	Term	8
4.4	Special Appointments	8
4.5	Resignation and Removal	9
4.6	Vacancies	9
4.7	Multiple Offices	9
4.8	Powers and Duties	9

ARTICLE 5

ARCHITECTURAL COMMITTEE

5.1	Committee Composition	10
5.2	Terms of Office	10
5.3	Appointment and Removal	10
5.4	Resignations	10
5.5	Vacancies	10
5.6	Duties	11
5.7	Meetings and Compensation	11