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Docket #(s): W-20477A-06-0558

Exhibit #: S-1, A-1

Arizona Corporation Commission

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MEMORANDUM

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To: Docket Control

From: Ernest G. Johnson *EGJ*
Director
Utilities Division

2006 DEC -8 1A 8:25

AZ CORP COMMISSION
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Date: December 8, 2006

Re: STAFF REPORT FOR MINGUS PANORAMA ESTATES HOMEOWNERS ASSOCIATION, AN ARIZONA NON-PROFIT CORPORATION, APPLICATION FOR ADJUDICATION NOT A PUBLIC SERVICE CORPORATION, DOCKET NO. W-20477A-06-0558

Attached is the Staff Report for Mingus Panorama Estates Home Owners Association's application for adjudication not a public service corporation. Staff recommends the Commission approve the application with conditions.

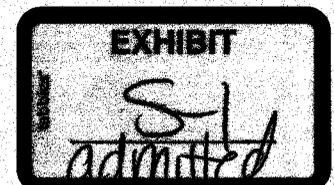
EGJ:RXL:tdp

Originator: Reg Lopez

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Service List for: Mingus Panorama Estates Homeowners Association
Docket No. W-20477A-06-0558

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**MINGUS PANORAMA ESTATES HOMEOWNERS ASSOCIATION
AN ARIZONA NON-PROFIT CORPORATION**

DOCKET NO. W-20477A-06-0558

**APPLICATION FOR ADJUDICATION
NOT A PUBLIC SERVICE CORPORATION**

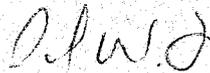
DECEMBER 2006

STAFF ACKNOWLEDGEMENT

The Staff Report for Mingus Panorama Estates Homeowners Association, Docket No. W-20477A-06-0558 was the responsibility of Reg Lopez for the review and analysis of the application. Del Smith was responsible for Staff's Engineering Report.



Reg Lopez
Public Utilities Consumer Analyst II



Del Smith
Engineering Supervisor

EXECUTIVE SUMMARY
MINGUS PANORAMA ESTATES HOMEOWNERS ASSOCIATION
DOCKET NO. W-20477A-06-0558

On September 11, 2006, Mingus Panorama Estates Homeowners Association ("Mingus Panorama" or "Association"), an Arizona Non-Profit Corporation, filed an application for Adjudication Not A Public Service Corporation with the Arizona Corporation Commission ("Commission" or "Staff").

Mingus Panorama is a non-profit association which was established to provide potable water to a proposed subdivision consisting of no more than sixty nine (69) residential lots and several common areas. The subdivision will be a private community in an unincorporated area within Yavapai County, located approximately 1.5 miles east of Cottonwood, Arizona. Mingus Panorama is requesting a determination that it is not a public service corporation.

The criteria to determine that a water provider is not a public service corporation within the meaning of Article XV; Section 2 of the Arizona Constitution was reviewed by the Arizona Supreme Court in Natural Gas Service v. Serv-U Cooperative, Inc. The court provided an eight point review criteria for the Commission to review. Subsequently the Commission issued a policy directive for the evaluation of applications for adjudication not a public service corporation on May 7, 1987, in Decision No. 55568 which consisted of a seven (7) review criteria.

Staff recommends the Commission approve Mingus Panorama's application for adjudication not a public service company subject to the following conditions:

1. That Mingus Panorama file with Docket Control the recorded Codes, Covenants & Restrictions ("CC&R's") for the Association as presented in the application.
2. That Mingus Panorama file with Docket Control, as a compliance item in this docket, a copy of the executed agreement which conveys ownership of the water system to the Association as stated in Article 2.2 of the Association's CC&R's.
3. That Mingus Panorama file with Docket Control, as a compliance item in this docket, revised Bylaws which mirror the wording in Article 5.7.1 and 5.7.2 of the CC&R's which states that "every customer is a member/owner with equal voting rights and that each member is or will be a customer".
4. That Mingus Panorama file with Docket Control, as a compliance item in this docket, a copy of the revised Bylaws which mirror the required criteria found in 2.1 and 2.2 of the CC&R's which states that "the service area involved encompasses a fixed territory which is not within the service area of a municipal utility or public service corporation".

Staff further recommends that the Commission's decision granting this adjudication not a public service company to Mingus Panorama be considered null and void after due process should Mingus Panorama fail to file the required documentation within 18 months of any decision in this matter.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
COMPLIANCE TO DIRECTIVE 1 AND 2	2
NON-COMPLIANCE TO DIRECTIVE 3	3
NON-COMPLIANCE TO DIRECTIVE 4	3
NON-COMPLIANCE TO DIRECTIVE 5	3
COMPLIANCE TO DIRECTIVE 6	3
COMPLIANCE TO DIRECTIVE 7	4
ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR")	4
WASTEWATER TREATMENT	4
SUMMARY	4
RECOMMENDATION	4

ATTACHMENT

ENGINEERING REPORT	ATTACHMENT A
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Introduction

On September 11, 2006, Mingus Panorama Estates Homeowners Association ("Mingus Panorama") an Arizona Non-Profit Corporation filed an Application for Adjudication Not A Public Service Corporation with the Arizona Corporation Commission ("Commission").

Mingus Panorama is a non-profit association which was established July 27, 2006, and intends to provide potable water to a proposed private subdivision consisting of no more than 69 residential lots and several common areas. Mingus Panorama will be located approximately 1.5 miles east of Cottonwood, Arizona.

Background

Mingus Panorama was formed for the purpose of representing homeowners who will be residing in an area known as Mingus Panorama Estates subdivision. Mingus Panorama is seeking Commission adjudication that its future water service to the 69 residential lots will not make it a public service corporation for purposes of utility regulation by the Commission.

Mingus Panorama will be serving its members/customers within a 79.72 acre parcel in Yavapai County, located approximately 1.5 miles east of Cottonwood, Arizona. Mingus Panorama has provided engineering plans for the proposed water system (see application's Exhibit J). Mingus Panorama will address its wastewater via an on-site septic system (also Exhibit J). The respective Covenants, Conditions and Restrictions ("CC&R's") section 2.6 addresses the leach field location.

The criteria to determine that a provider is not a public service corporation within the meaning of Article XV; Section 2 of the Arizona Constitution, was reviewed by the Arizona Supreme Court in *Natural Gas Service v. Serv-U Cooperative, Inc.* The Court provided an eight review criteria for the Commission to review.

1. What the corporation actually does.
2. Whether the service is dedicated to public use.
3. That the articles of incorporation evidence authorization and purposes.
4. Whether the corporation is dealing with the service of a commodity in which the public has been generally held to have an interest.
5. Whether the corporation is monopolizing or intending to monopolize a territory with a public service commodity.
6. Whether the corporation is accepting of substantially all requests for service.

7. That service is under contract and reserving the right to discriminate is not always controlling.
8. Whether the corporation will have actual or potential competition with other corporations whose business is clothed with the public interest.

The Commission issued a directive for the evaluation of applications for adjudication not a public service corporation on May 7, 1987, in Decision No. 55568. The Utilities Division Staff ("Staff") was directed to ensure that all such applications complied with the following seven criteria.

1. Adjudication applications must be submitted by non-profit homeowners associations.
2. The application for adjudication not a public service corporation is a bonafide request by a majority of the membership of the association through a petition signed by 51 percent or more of the then existing members.
3. That all such associations making such application have complete ownership of the system and necessary assets. COMPLIANCE
ITEM
4. That every customer is a member/owner with equal voting rights and that each member is or will be a customer.
5. That the service area involved encompasses a fixed territory, which is not within the service area of a municipal utility or public service corporation; or if in such territory, that municipal utility or public service corporation is unable to serve.
6. That there is a prohibition against further sub-division evidenced by deed restrictions, zoning, water restrictions or other enforceable governmental regulations.
7. That the membership is restricted to a fixed number of customers, actual or potential.

Compliance to Directive 1 and 2

Mingus Panorama incorporated as a non-profit corporation on July 27, 2006, thus complies with Directive 1.

The developer is the current owner of Mingus Panorama; ownership is under the name of Mingus Panorama Estates Homeowners Association. The developer has not sold any lots in the development; therefore, there are no customers/owners to support or oppose the application. Currently, the developer is acting on behalf of the eventual customers/members as director of the association. Ms. Clara Mak, President of Mingus Panorama, by way of a Certified Resolution dated August 30, 2006, certified that pursuant to action by unanimous written consent of

directors adopted a resolution which approved and supported this application for adjudication. Thus, the application complies with Directive 2.

Non-Compliance to Directive 3

Article 2.2 of the CC&R's for the Association indicates that "Upon completion of construction of the Water System, Declarant for and in consideration of the Association agreeing to provide water service to the Project, shall assign and transfer the Water System to the Association". The Association does not yet have a water system constructed consistent with state regulations for public water systems. Staff recommends that Mingus Panorama file with Docket Control an executed agreement which conveys ownership of the water system to the Association within 18 months of any decision in this matter.

Non-Compliance to Directive 4

Mingus Panorama intends to have two types of membership, with those being Types A and B. The descriptive nature of these memberships is found in Articles 5.7.1 and 5.7.2. of the CC&R's. The Type A is specifically for Water System Matters and meets the required criteria in that every customer is a member/owner with equal voting rights and that each member is or will be an owner. Notwithstanding, Staff is unable to locate this in the Bylaws which exactly mirrors the wording in Article 5.7.1 and 5.7.2 of the CC&R's. Staff therefore recommends the Association be required to amend the proposed Bylaws to make the aforementioned inclusion to the Bylaws which mirror the required criteria. Staff further recommends that the changes be filed with the Commission's Docket Control with the required inclusion within 18 months of any decision in this matter.

Non-Compliance to Directive 5

Articles 2.1 and 2.2 of the CC&R's reflect compliance to this directive but fails to reflect this in Mingus Panorama's Bylaws. Staff therefore recommends the Bylaws be revised to make the required changes which would mirror the required criteria which states that "the service area involved encompasses a fixed territory which is not within the service area of a municipal utility or public service corporation". Staff further recommends that the changes be filed with the Commission's Docket Control with the required inclusion within 18 months of any decision in this matter.

Compliance to Directive 6

The Association prohibits further subdivision of the existing lots as evidenced by Article 3.23 of the Association's CC&R's thus meeting the requirement to this directive.

Compliance to Directive 7

Compliance to Directive 7 is reflected in Item C in the Recitals of the Association's CC&R's which states "Regarding the Domestic Water System, said described Property shall consist of sixty-nine (69) customers, fixed or potential".

Arizona Department of Water Resources ("ADWR")

Mingus Panorama is not within ADWR's Active Management Area and will require a Water Adequacy Report.

Wastewater Treatment

Mingus Panorama's Engineering Plans in Exhibit J and Article 2.6 of the CC&R's indicate the subdivision's wastewater will be addressed via an on-site septic system.

Summary

Mingus Panorama has thus filed proposed CC&R's and Bylaws that comply with four (4) of the Commission's seven (7) criteria for adjudication. Mingus Panorama must thus file documentation to ensure compliance with the remaining criteria within 18 months of any decision in this matter as noted in the *Summary* and *Recommendation* sections of this report. The Association is a non-profit corporation with a resolution from the director/declarant/developer of the Association to request adjudication.

Recommendation

Staff recommends the Commission approve the Mingus Panorama Estates Homeowners Association's application for adjudication not a public service company subject to the following conditions:

1. That Mingus Panorama file with Docket Control the recorded Codes, Covenants & Restrictions ("CC&R's") for the Association as presented in the application.
2. That Mingus Panorama file with Docket Control, as a compliance item in this docket, a copy of the executed agreement which conveys ownership of the water system to the Association as stated in Article 2.2 Association's CC&R's.
3. That Mingus Panorama file with Docket Control, as a compliance item in this docket, revised Bylaws which mirrors the wording in Article 5.7.1 and 5.7.2 of the CC&R's which states that "every customer is a member/owner with equal voting rights and that each member is or will be a customer".

4. That Mingus Panorama file with Docket Control, as a compliance item in this docket, a copy of the revised Bylaws which mirror the required criteria found in 2.1 and 2.2 of the CC&R's which states that "the service area involved encompasses a fixed territory which is not within the service area of a municipal utility or public service corporation".

Staff further recommends that the Commission's decision granting this adjudication not a public service company to Mingus Panorama be considered null and void after due process should Mingus Panorama fail to file the required documentation within 18 months of any decision in this matter.

MEMORANDUM

DATE: November 6, 2006

TO: Reg Lopez
Public Utilities Consumer Analyst
Utilities Division

FROM: Del Smith *DS*
Utilities Engineer Supervisor
Utilities Division

RE: Application of Mingus Panaorama Estates Homeowners Association for an
Adjudication Not A Public Service Corporation
(Docket No. W- 20477A-06-0558)

Introduction

Mingus Panorama Estates Homeowners Association (the "Association") filed the reference application on September 1, 2006. The Mingus Panorama Estates Subdivision ("MPE") is a 69 lot residential community that covers approximately 80 acres and is located in northeast Yavapai County in an unincorporated area within the Town of Cornville. More specifically, the Subdivision and proposed adjudication area are located in the southeast corner of Section 35 of Township 16 North, Range 4 East.

The Proposed MPE Water System

MPE is not located within or adjacent to the certificated service area of any public service corporation or municipal domestic water service provider.¹ Oak Creek Public Service, LLC, a public service corporation regulated by the Arizona Corporation Commission ("ACC") is located approximately three miles south of MPE. Water service to MPE lots will be provided by a domestic water system to be owned, operated and maintained by the Association. Murphy Engineering of Show Low, Arizona designed the contemplated domestic water system which will serve MPE and the developer will construct the water system. The proposed MPE system will consist of a well with an expected production rate of 35-45 gallons per minute ("GPM"), booster pumps, pressure tank, water treatment system, chlorination system, 51,300 gallon storage tank and a distribution system to serve 69 residential lots. Also, the system has been designed to accommodate fire flow at 500 GPM for one hour.² Staff concludes that the proposed system will have adequate capacity to serve MPE.

¹ See Application at Page 3, Lines 12 through 14.

² System information contained in Exhibit 1 attached to Applicant's Responses dated October 5, 2006.

Contract Wastewater Operations, LLC³ has been selected to be the certified operator of the MPE system.

Arizona Department of Environmental Quality ("ADEQ") Compliance

The proposed system is not in operation therefore ADEQ compliance is not available at this time.

The proposed MPE system includes water treatment equipment that will enable the system to deliver water that complies with the new arsenic standard of 10 micrograms per liter.

An application dated July 26, 2006, was filed with ADEQ for an Approval to Construct Drinking Water Facilities.

Arizona Department of Water Resources ("ADWR") Compliance

MPE does not lie within an Active Management Area.

An application for an Analysis of Adequate Water Supply was filed with ADWR on August 8, 2006.

ACC Compliance

ACC compliance is not applicable at this time.

Conclusions

1. Water service to MPE lots will be provided by a domestic water system to be owned, operated and maintained by the Association. A certified operator has been selected to operate the proposed system.
2. Staff concludes that the proposed system will have adequate capacity to serve MPE.

Recommendations

If MPE is found to be a Public Service Corporation, Staff recommends that the Association file the Water Adequacy Report issued by ADWR for MPE within 18 months of the effective date of the Decision in this matter. Staff further recommends that the Water Adequacy Report be filed with Docket Control, as a compliance item in this docket.

If MPE is found to be a Public Service Corporation, Staff further recommends that the Association file the Approval of Construction ("AOC") issued by ADEQ for the MPE water facilities within 18 months of the effective date of the Decision in this matter. Staff further recommends that the AOC be filed with Docket Control, as a compliance item in this docket.

³ ADEQ Operator Certification #06736.

1 FENNEMORE CRAIG, P.C.
2 Jay L. Shapiro (No. 014650)
3 Patrick J. Black (No. 017141)
4 3003 N. Central Ave., Suite 2600
5 Phoenix, Arizona 85012
6 Attorneys for Mingus Panorama Estates Homeowners Association

6 IN THE MATTER OF THE
7 APPLICATION OF MINGUS
8 PANORAMA ESTATES HOMEOWNERS
9 ASSOCIATION FOR AN
ADJUDICATION OF "NOT A PUBLIC
SERVICE CORPORATION" STATUS

DOCKET NO. W-20477A-06-0558

**MINGUS PANORAMA ESTATE
HOMEOWNERS ASSOCIATION'S
RESPONSE TO STAFF REPORT**

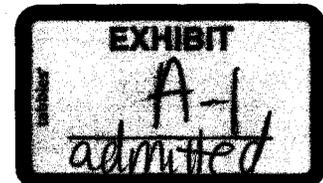
10 Mingus Panorama Estates Homeowners Association (the "Association"), by and
11 through undersigned counsel, submits this Response to the Staff Report dated
12 December 8, 2006 ("Staff Report") in the above-captioned matter. The Association
13 appreciates and concurs with Staff's recommendation for approval subject to four specific
14 conditions ("Conditions").

15 Proposed Condition No. 3 and No. 4 both require revisions to the Association's
16 Bylaws that mirror language found in the Codes, Covenants and Restrictions ("CC&Rs")
17 which require that:

18 1. Every customer is a member/owner with equal voting rights and that each
19 member is or will be a customer; and

20 2. The service area involved encompass a fixed territory which is not within
21 the service area of a municipality or public service corporation.

22 Attached hereto as Exhibit 1 is a copy of the Association's Revision of the Bylaws
23 reflecting the required changes as proposed in Condition No. 3 and No. 4. New
24 Section 4.2 and subsections 4.2.1 and 4.2.2, which are identical to Article 5.7.1 and 5.7.2
25 in the CC&Rs, address Non-compliance with Directive 4, as more fully set forth in the
26 Staff Report. New Sections 2.2 and 2.3, which are identical to Articles 2.1 and 2.2 of the



1 CC&Rs respectively, address Non-compliance with Directives 5, as more fully set forth in
2 the Staff Report. Attached hereto as Exhibit 2 is a copy of the Unanimous Written
3 Consent of the Directors in Lieu of a Meeting, which adopts Resolution No. 1 – Revision
4 of Bylaws of the Association, dated December 18, 2006.

5 The Association respectfully submits that the Revisions to the Bylaws complies
6 with Directives 4 and 5, and that Proposed Condition No. 3 and No. 4 are no longer
7 necessary.

8 RESPECTFULLY SUBMITTED this 29th day of December, 2006.

9 FENNEMORE CRAIG, P.C.

10

11

By: 

12

Jay L. Shapiro

13

Patrick J. Black

14

Attorneys for Mingus Panorama Estates
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15

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ORIGINAL and 13 copies filed
this 29th day of December, 2006 to:

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Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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COPY hand-delivered
this 29th day of December, 2006 to:

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Yvette Kinsey
Administrative Law Judge
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Kevin Torrey
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1200 West Washington
Phoenix, Arizona 85007

COPY sent via regular mail
this 29th day of December, 2006 to:

Reginald Lopez
Utilities Division
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701-1347

By: *Amalia Sanjoe*

Exhibit 1

**REVISION OF THE BYLAWS
OF
MINGUS PANORAMA ESTATES HOMEOWNERS ASSOCIATION**

**Article I
Name and Location of Association**

Section 1.1 Name. The name of the Association is Mingus Panorama Estates Homeowners Association.

Section 1.2 Principal Office. The principal office of the Association in the State of Arizona is currently located at 350 Shadow Rock Drive, Sedona, Arizona 86336. The Association may change the location of its principal office as the Board of Directors may determine or as the affairs of the Association may require.

**Article II
Reference to Declaration; Property Subject to Declaration;
Domestic Water System**

Section 2.1 Reference to Declaration. Reference is made to the certain Declaration of Covenants, Conditions, Restrictions and Easements for Mingus Panorama Estates Homeowners Association recorded on _____, 2006 as Instrument No. _____ in the Official Records of Yavapai County, Arizona, (the "Declaration"). Unless otherwise defined in these Bylaws, all capitalized words and phrases shall have the meanings set forth in the Declaration.

Section 2.2 Property Subject to the Declaration. The Declaration establishes a general plan for the development and use of the Project and in order to protect and enhance the value and desirability of the Project. All of the Property within the Project shall be held, sold and conveyed subject to the Declaration. There will be a total of sixty-nine (69) Lots in the Project, and no additional Lots will be added to the Project. By acceptance of a deed or by acquiring any interest in any of the Property subject to the Declaration, each Person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns to all of the provisions, obligations, limitations, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by the Declaration and any amendments thereto. In addition, each such Person by so doing thereby acknowledges that the Declaration sets forth a general scheme for the development and use of the Property and hereby evidences his or its intent that all the provisions, obligations, limitations, restrictions, covenants, conditions, rules, and regulations contained in the Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, lessees and transferees thereof. Furthermore, each such Person fully understands and acknowledges that the Declaration shall be mutually beneficial, restrictive and enforceable by the Association and all Owners. Declarant, its successors, assigns and

grantees, covenants and agrees that the Lots and the membership in the Association and the other rights created by the Declaration shall not be separated or separately conveyed, and each shall be deemed to be conveyed or encumbered with its respective Lot even though the description in the instrument of conveyance or encumbrance may refer only to the Lot.

Section 2.3 Domestic Water System. Declarant shall, at its cost, construct and install a water delivery system, including all production, pumping, treatment, storage, transmission, distribution, pressure and metering facilities, for the Project, and fire hydrants to provide both domestic water and fire protection water service to the Owners, Lessees, Residents and Common Area (the "Water System"). The Project consists of acreage, which is not in the service area of a municipality utility or public service corporation. The Domestic Water System will supply water exclusively for domestic purposes; no water will be sold or used for any commercial purpose whatsoever. Upon completion of construction of the Water System, Declarant for and in consideration of the Association agreeing to provide water service to the Project, shall assign and transfer the Water System to the Association. The Association shall operate the Domestic Water System in accordance with all laws, rules and regulations promulgated by the applicable governmental authorities. The Association shall contract with certified persons or companies to manage, operate, and maintain the Domestic Water System. The cost of owning, maintaining and operating the Domestic Water System shall be paid for by Water Assessments as set forth in Section 6.6 of the Declaration, and through charges to an Owner, Lessee, or Resident, being the customers for water usage and related services. Each Owner of a Lot, by having a membership in the Association, is or will be a customer of the Domestic Water System, known as the "Mingus Panorama Estates Water System".

Article III Purpose

Section 3.1 Purpose. The primary purpose of the Association is to serve as the governing body for the Owners of Lots and to fulfill such obligations and exercise such rights as are given by statute and the Project Documents, as they may hereafter be amended.

Article IV Membership

Section 4.1 Qualification. Membership in the Association shall be limited to Owners of Lots.

Section 4.2 Classes of Members. The Association shall have two classes of voting membership.

4.2.1 Class A. Class A members shall be all Owners of Lots, with the exception of the Declarant until the termination of the Class B membership. Each Class

A member shall be entitled to one (1) vote for each Lot owned on each occasion that a vote of the Association membership is properly called for under the Project Documentation, excepting such votes that pertain to a Domestic Water System Matter, and in such votes pertaining to a Domestic Water System Matter, Class A members shall be entitled to only one (1) vote regardless of the number of Lots owned by a Class A member.

4.2.2 Class B. The Class B member shall be the Declarant, its successors or assigns. The Class B member shall be entitled to five (5) votes for each Lot owned on each occasion that a vote of the Association membership is properly called for under the Project Documents, excepting such votes that pertain to a Domestic Water System Matter, and in such votes pertaining to a Domestic Water System Matter, the Class B member shall be entitled to only one (1) vote regardless of the number of Lots owned by the Class B member. The Class B membership shall automatically cease to exist when the Declarant, its successors or assigns no longer owns any Lot within the Project.

Section 4.3 Good Standing. If a Member otherwise entitled to vote is delinquent in the payment of periodic or special assessments, fines, penalties, interest, late charges, transfer fees, refinance fees, costs of collection, lien fees, attorneys' fees or other monies owed to the Association or is not in compliance with the terms of the Association's Project Documents, the Board of Directors may, in its sole discretion, certify that such Member is not in good standing and such Member's right to vote shall be suspended until the delinquency, breach or violation is paid in full, cured or corrected.

Section 4.4. Transfer of Membership. Membership in the Association is inextricably and irrevocably connected with ownership of a Lot and may not be transferred independently of such ownership.

Article V Meetings of Members

Section 5.1 Annual Meeting. An annual meeting of the Members of the Association shall be held at least once every twelve (12) months at a date and time determined by the Board of Directors for the purpose of electing or announcing the results of the election of Directors and transacting such other business as may properly come before the meeting.

Section 5.2 Special Meetings. Special meetings of the Members may be called by the President, the Board of Directors, or by the written request signed by Members having at least one-fourth (1/4th) of the total authorized votes in the Association. The close of business on the thirtieth (30th) day before delivery of the demand or demands for a special meeting shall be the record date for the purpose of determining whether the demand for the special meeting has been signed by Members having at least one-fourth (1/4th) of the total authorized votes in the Association.

Section 5.3 Record Date. For any meeting of the Members, the Board of Directors may fix a date not more than fifty (50) nor less than ten (10) days before the date of such meeting, as a record date for the determination of the Members of record entitled to vote at such meeting. If a record date has not been fixed in advance of a meeting as provided herein, the time of commencement of the meeting shall be deemed the record date.

Section 5.4 Place of Meeting. Meetings of the Members shall be held in Yavapai County, Arizona, at a suitable place designated by the Board of Directors.

Section 5.5 Notice of Meetings. Written notice stating the place, day and hour of the annual meeting of Members or a special meeting of Members shall be hand delivered or delivered by first-class US Mail to all Members, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the Secretary. The notice of the meeting shall be deemed to be delivered when left with a person of suitable age and discretion at the address that appears on the records of the Association or when deposited, postage prepaid, in the United States Mail and addressed to the Member at the address that appears on the records of the Association. In the case of special meetings, the purpose for which the special meeting is called, including the general nature of any proposed amendment to the Project Documents, changes in Assessment that require approval of the Members and any proposal to remove a director of the Association, shall be stated in the notice and no business shall be transacted at such special meeting except as stated in the notice. A Member's attendance at a meeting waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter at the time it is presented.

Section 5.6 Quorum. Except as otherwise provided in the Project Documents, the presence in person, by absentee ballot, or by proxy, if allowable, at a properly noticed meeting of Members entitled 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 until a quorum shall be present.

Section 5.7 Proxies. Prior to the Transition Date, at any meeting of Members, any Member entitled to vote may vote by proxy executed in writing by the Member or by his or her duly authorized attorney-in-fact. Proxies may be granted in favor of only another Member, the granting Member's attorney, the lessee of a granting Member's Lot, the Secretary of the Association or the Board of Directors. Proxies shall be duly executed in writing and shall be valid only for the particular meeting designated therein or any adjournment thereof. All proxies must be filed with the Secretary prior to the commencement of the meeting for which they are given. Proxies shall be deemed revoked only upon the appearance in person of the Member granting a proxy at the meeting for which the proxy was granted or upon the actual receipt by the person

presiding over the meeting of a notice of revocation signed by the Member who granted the proxy. After the Transition Date, in accordance with §33-1812, no vote may be cast pursuant to a proxy.

Section 5.8 Absentee Ballots. The Association shall provide for votes to be cast in person and by absentee ballot and may provide for voting by some other form of delivery. Any action taken at an annual, regular or special meeting of the Members shall comply with all of the following if absentee ballots are used: the absentee ballot (i) shall set forth each proposed action; (ii) shall provide an opportunity to vote for or against each proposed action; (iii) is valid for only on specified election or meeting of the Members and expires automatically after the completion of the election or meeting; (iv) specifies the time and the date by which the ballot must be delivered to the Board of Directors in order to be counted, which shall be at least seven (7) days after the date that the Board delivers the unvoted absentee ballot to the Member; and (v) does not authorize another person to cast votes on behalf of the Member. Votes cast by absentee ballot or other form of delivery are valid for the purpose of establishing a quorum.

Section 5.09 Manner of Acting. A majority of the votes entitled to be cast on a matter to be voted upon by the Members present, by absentee ballot, or represented by proxy, if permissible, at a meeting at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by statute, the Declaration or these Bylaws.

Section 5.10 Minutes. Minutes shall be taken at all meetings of Members. Copies of the minutes shall be available for inspection at the office of the Association by Members and Directors at all reasonable times.

Section 5.11 Non-cumulative Voting. All voting shall be done on a non-cumulative basis.

Article VI Board of Directors

Section 6.1 Powers and Duties. The affairs of the Association shall be managed by its Board of Directors. 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 that are not required by the Declaration, statute or these Bylaws to be exercised or done by the Members. In addition to the powers and duties granted and imposed by statute and the Project Documents, the powers and duties of the Board of Directors shall include, but are not limited to, the following:

- (A) Open bank accounts on behalf of the Association and designate the signatories thereon;

- (B) To make, or contract for the making of repairs, additions to, improvements to or alterations of the Common Area and Areas of Association Obligation, 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.
- (C) To own, maintain and otherwise manage all of the Common Area and Areas of Association Obligation; to pay all taxes and assessments, if any, which may properly be levied against the Common Area and Areas of Association Obligation; to repair, rehabilitate, and restore the Common Area and Areas of Association Obligation; and to insure the Common Area and Areas of Association Obligation against such risks as the Board of Directors shall determine in accordance with the Project Documents;
- (D) To own, maintain, manage, lease, sell or otherwise dispose of any personal and real property acquired by the Association in lieu of foreclosure or trustee's sale or through attachment, foreclosure, Sheriff's sale, Trustee's sale, tax sale, redemption or any other judicial, quasi-judicial, bankruptcy or regulatory action and all facilities, structures, buildings, fixtures, landscaping and other improvements located thereon; to pay all taxes and assessments, if any, which may properly be levied against such property; to repair, rehabilitate, and restore such property; and to insure such property against such risks as the Board of Directors shall determine;
- (E) To purchase, lease, acquire, own, maintain, manage, sell or otherwise dispose of Association Property; to pay all taxes and assessments, if any, which may properly be levied against Association Property; and to insure Association Property against such risks as the Board of Directors shall determine;
- (F) To do all things necessary to carry out and enforce the terms and provisions of the Project Documents and to do all things and acts, including the payment of all maintenance, operating and other costs, which in the sole discretion of its Board of Directors shall be deemed to be in the best interest of the Members of the Association or for the peace, comfort, safety, or general welfare of the Members of the Association, all in accordance with the Project Documents;
- (G) To enter into agreements with third parties authorizing such parties to carry on any activities which might legally be carried on by the Association and delegated by the Association to third parties;
- (H) To engage the services of a manager or managing agent who shall manage and operate the Property for all of the Members upon such terms,

for such compensation and with such authority as the Board of Directors may approve;

- (I) To appoint committees of the Board of Directors and to delegate to such committees the authority to carry out certain duties of the Board of Directors, to the extent permitted by statute and the Project Documents law;
- (J) To estimate the amount of the annual budget; to provide the manner and time of assessing and collecting from the Owners the Assessments provided for in the Project Documents;
- (K) To promulgate such rules and regulations pertaining to the use and occupancy of the Property and the personal conduct of the Members and their family members, guests, lessees and invitees thereon as may be deemed proper and which are consistent with the Declaration;
- (L) To enforce, by suit or otherwise, the terms and provisions of the Project Documents;
- (M) To establish and maintain working capital, reserve and contingency accounts in an amount to be determined by the Board of Directors;
- (N) To lend or invest its working capital and reserves with or without security;
- (O) To obtain, for the benefit of all of the Property, all water, sewage, gas and electric services and refuse collection, and to grant easements when necessary for utilities, sewer facilities and CATV over the Property;
- (P) Levy and collect Assessments as provided in the Declaration;
- (Q) To establish, levy, collect and enforce by any lawful means a schedule of fines, penalties, transfer fees, refinance fees, administrative charges, late charges, interest, and costs of collection;
- (R) To do all other acts and things required by applicable law or statute or authorized in the Declaration but not explicitly set out above;
- (S) In general to do and perform such acts and things and to transact such business in connection with the foregoing objects and purposes as may be necessary or appropriate.

Section 6.2 Number and Qualifications of Directors. The number of Directors of the Association shall not be less than three (3) nor more than seven (7) as determined by the Board of Directors. If the number of Directors is reduced, all Directors whose terms have not yet expired and who are in good standing shall be

allowed to serve the balance of their terms. Until the termination of the Class B Membership, the directors need not be Members of the Association. After the termination of the Class B Membership, all Directors must be Members in good standing of the Association in accordance with the provisions of Section 4.3 of these Bylaws, but need not be residents of the State of Arizona. If an Owner is a corporation, partnership or trust, an officer, partner, trustee or beneficiary of such owner may serve as a Director. If a Director shall fail to meet the qualifications of good standing or Membership at any time during his or her term, he or she will thereupon cease to be a Director and his or her place on the Board shall be deemed vacant.

Section 6.3 Terms and Term Limitation. Directors shall be elected to and shall serve staggered two-year terms as follows: One-half of the number of Directors (or as close to one-half as is possible if there are an uneven number of Directors) shall be elected at each annual meeting, or each year if voting is conducted by mail, for two-year terms. All elections and appointments of Directors under these Bylaws shall be made in a manner to preserve the staggering of terms contemplated hereby. No Director shall serve more than three (3) consecutive terms, or portions thereof.

Section 6.4 Regular Meetings. A regular annual meeting of the Board of Directors shall be held without other notice than this bylaw, immediately after, and at the same place as, the annual meeting of Members. The Board of Directors may provide by resolution the time and place for additional regular meetings of the Board.

Section 6.5 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any convenient place and time as the place and time for holding any special meeting of the Board of Directors called by them.

Section 6.6 Teleconference Meetings. Meetings of the Board of Directors may be held by telephone conference or other similar communications 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.

Section 6.7 Notice. Notice of any special meeting of the Board of Directors shall be given to Directors at least three (3) days prior thereto by written notice delivered personally or sent by mail or facsimile to each Director at his or her address or facsimile number as shown on the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited, postage prepaid, in the United States Mail in a sealed envelope so addressed. If notice is given by facsimile, such notice shall be deemed to be delivered when the notice is transmitted to a telecopier to which the sender has reason to believe the Director has access. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where 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. Neither the business to be transacted at, nor the purpose

of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by statute or by these Bylaws.

Section 6.8 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; but if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 6.9 Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is required by law or by the Project Documents.

Section 6.10 Attendance at Meetings. If any Director fails to attend three (3) or more successive meetings of the Board, including special meetings of which such Director has been given notice as provided in Section 6.7 of these Bylaws, or misses four (4) or more meetings out of six (6) successive meetings of the Board, including special meetings of which such Director has been given notice as provided in Section 6.7 of these Bylaws, such Director shall, unless otherwise determined by two-thirds (2/3rds) of the Directors present at a meeting at which a quorum is present, be automatically removed as a Director.

Section 6.11 Removal. At any annual or special meeting of the Members duly called, any one or more of the Directors may be removed from the Board with or without cause by Members having more than two-thirds (2/3rds) 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 by a majority of the Members in attendance at the meeting. A Director so elected shall be selected for the full unexpired term of the Director removed. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting prior to the vote for removal.

Section 6.12 Vacancies. Except as provided in Section 6.11 of these Bylaws, any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors shall be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum, at the next regular or special meeting of the Board. A Director appointed to fill a vacancy shall be appointed for the full unexpired term of his or her predecessor in office.

Section 6.13 Compensation. Directors shall not receive any compensation for their services as such. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties. Nothing herein contained shall be construed to preclude a Director from serving the Association in any other capacity and receiving compensation therefor.

Section 6.14 Open Meetings. After the termination of the Class B Membership, notice of the time and place of all meetings of the Directors shall be given

to all Members by mail, hand delivery, posting in a conspicuous place, publishing in a newsletter of general circulation to all Members, or by any other reasonable means as determined by the Board of Directors. Except as otherwise provided herein or by statute, all meetings of the Directors shall be open to all Members of the Association and Members shall be permitted to attend and listen to the deliberations and proceedings; provided, however, that Members who are not Directors may not participate in any deliberation of discussion unless expressly authorized to do so by a vote of majority of the Directors present. The foregoing notwithstanding, any meeting or portion of a meeting of the Board of Directors may be closed if, and only if, the closed meeting or portion thereof is limited to consideration of the following:

- (A) Employment or personnel matters for employees of the Board of Directors or the Association;
- (B) Legal advice from an attorney for the Board of Directors or the Association;
- (C) Pending or contemplated litigation; or
- (D) Pending or contemplated matters relating to enforcement of the Association's Project Documents.

Section 6.15 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.

Article VII Officers and Executive Director or Managing Agent

Section 7.1 Officers. The officers of the Association shall be a President, one (1) or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority to perform the duties prescribed, from time to time, by the Board of Directors. All officers of the Association must be Members in good standing of the Association. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 7.2 Election and Term of Office. 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 or her successor shall have been duly elected and qualified.

Section 7.3 Removal or Disqualification. 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.

Section 7.4 Vacancies. 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.

Section 7.5 Powers and Duties. To the extent such powers and duties are not assigned or delegated to a Managing Agent pursuant to Section 7.7 of these Bylaws, the powers and duties of the officers shall be as follows:

7.5.1 President. The President shall be the principal executive officer of the Association and shall, in general, supervise and control all of the business and affairs of the Association. The President shall preside at all meetings of the Members and of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Association authorized by the Board of Directors, any deeds, leases, mortgages, bonds, contracts, or other instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by the Declaration, these Bylaws or by statute to some other officer or agent of the Association.

7.5.2 Vice President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (or in the event there be more than one (1) Vice President, the Vice Presidents in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be delegated or assigned by the President or by the Board of Directors.

7.5.3 Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws; and, in general, perform all the duties to the office of Treasurer and such other duties as from time to time may be delegated or assigned by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give, at the Association's expense, a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

7.5.4 Secretary. The Secretary shall keep the minutes of the meetings of the Members and of the Board of Directors in one (1) or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the Association records; keep a register of the post-office addresses of each Member which shall be furnished to the Secretary by such Member; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be delegated or assigned by the President or by the Board of Directors.

Section 7.6 Compensation. No officer shall receive any compensation from the corporation for acting as such. However, any officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties. Nothing contained herein shall be construed to preclude an officer from serving the corporation in any other capacity, and receiving compensation therefor.

Section 7.7 Managing Agent. The Board of Directors may hire a Managing Agent at a compensation established by the Board of Directors. The Managing Agent may either be an employee of the Association, an independent professional management company, or an independent contractor. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize. The Board of Directors may, but is not obligated to, delegate to the Managing Agent all of the powers granted to the Board of Directors or the officers of the Association by these Bylaws; provided, however, that the following powers may not be delegated to the Managing Agent:

- (A) To adopt the annual budget, any amendment thereto or to levy Assessments;
- (B) To adopt, repeal or amend Association Rules;
- (C) To designate signatories on Association bank accounts;
- (D) To borrow or lend money on behalf of the Association.

Section 7.8 Management Agreement. Any contract with the Managing Agent must provide that it may be terminated with or without cause and without payment of any penalty or termination fee on no more than thirty (30) days written notice. The term of any such contract may not exceed one (1) year.

Article VIII Committees of the Board

Section 8.1 Committees of Directors. The Board of Directors shall establish an Architectural Committee and a Water System Committee, as provided in the Declaration. The Board of Directors may, by resolution adopted by a majority of the Directors in office, designate and appoint other standing or *ad hoc* committees, which

committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Association, except that no such committee shall have the authority of the Board of Directors, in reference to amending, altering or repealing these Bylaws; electing, appointing or removing any Member of any such committee or any Director or officer of the Association; amending the Articles of Incorporation; authorizing the sale, lease, exchange or mortgage of the property and assets of the Association; authorizing the voluntary dissolution of the Association or revoking proceedings therefor; adopting a plan for the distribution of the assets of the Association; or amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed by the Declaration or by law.

Section 8.2 Architectural Committee.

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

8.2.2 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 Design Guidelines, and to perform other duties imposed upon it by the Declaration.

8.2.3 The Architectural Committee may adopt, amend and repeal, by unanimous vote or written consent, Design Guidelines. The Design Guidelines shall interpret and implement the Declaration by setting forth the standards and procedures for Architectural Committee review and the guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features which are required to be used within the Property.

8.2.4 The approval by the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under the Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or other matter subsequently submitted for approval.

Section 8.3 Water System Committee.

8.3.1 The Water System Committee shall consist of at least three (3) Members of the Association. None of the committee members shall be required to be an hydrologist or to meet any other particular qualifications for membership. A

committee member may, but need not, be an officer or Director of the Association. The Board of Directors may increase the number of members on the Water System Committee but the number of members must always be an odd number.

8.3.2 It shall be the duty of the Water System Committee to consider and act upon any and all of the Domestic Water System Matters as defined in the Declaration, and to perform such other acts as provided in the Declaration.

Section 8.4 Proceedings of Committees. The provisions of these Bylaws, governing meetings, action without meetings and notice, waiver of notice, quorum and voting requirements of the Board also shall apply to committees and their members.

Section 8.5 Alternate Members. The Board may designate one or more directors as alternate members of any committee who may replace any absent member at any meeting of the committee.

Section 8.6 Compensation. Members of committees shall not be entitled to compensation for their services, unless approved by a majority of all of the Directors. However, any member of a committee may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Article IX Budget and Annual Assessments

Section 9.1 Annual Budget. No later than thirty (30) days prior to the beginning of each fiscal year, the Board shall cause to be prepared an estimated annual budget for the upcoming fiscal year of the Association. Such budget shall take into account the estimated Common Expenses and cash requirements for the year. To the extent that Assessment and other cash income collected from the Members 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.

Common Expenses shall include, but shall not be limited to the following:

- (A) All expenses of the Board of Directors incurred for the administration of the Association;
- (B) Management fees;
- (C) All expenses for the operation, maintenance, repair, and replacement of the Association's Common Areas and Areas of Association Obligation;
- (D) Rent for equipment and facilities;
- (E) Taxes on Association property;

- (F) Insurance premiums on all policies of insurance obtained by the Board of Directors or the Association's Managing Agent;
- (G) Security expenses;
- (H) Working capital reserves;
- (I) General operating reserves;
- (J) Repair and replacement reserves;
- (K) Reserve for deficits accrued in prior years;
- (L) Utility expenses;
- (M) Fees payable to attorneys, accountants, bookkeepers, architects, engineers, construction managers and consultants;
- (N) All costs of carrying out the powers and duties of the Association; and
- (O) All other amounts that the Board of Directors may deem necessary or the Membership determines appropriate for the operation, administration, and maintenance of the Association.

Section 9.2 Regular Assessments. 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 Member before the beginning of the fiscal year. The Board shall then determine the amount of the Annual Assessment against each Lot and shall send written notice of the Annual Assessments to every Member. The Board shall not levy an Annual Assessment that is more than twenty percent (20%) greater than the immediately preceding fiscal year's Annual Assessment without the approval of a majority of the Members of the Association.

9.2.1 The Board shall give notice of the Annual Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment Period, but the failure to give such notice shall not affect the validity of the Annual Assessment established by the Board nor relieve any Owner from its obligation to pay the Annual Assessment. If the Board determines during any Assessment Period that the funds budgeted for that Assessment Period are, or will, become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessment by Members, it may, subject to the twenty percent (20%) limit set forth in Section 9.2 of these Bylaws, increase the Annual Assessment for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board.

9.2.2 In the event the Board shall determine that the amount collected or to be collected through Regular Assessments is in excess of the Association's needs for the current year and reserves appropriate for future years, the Board in its discretion may refund to the Members who paid such Assessments all or a portion of such excess, reduce the amount of the Regular Assessments or abate collection of Regular Assessments as it deems appropriate.

Section 9.3 Collection of Assessments and Other Charges. The Association shall collect Assessments, fees, charges, fines and penalties, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, fees, charges, fines or penalties, whether or not suit is filed, as provided in the Declaration.

Article X Negotiable Instruments and Securities

Section 10.1 Signatures on Checks, Etc. All checks, drafts, orders for payment of money, and negotiable instruments shall be signed by an officer or officers, employee or employees, or the Managing Agent of the Association as the Board of Directors may from time to time, by standing resolution or special order, prescribe.

Section 10.2 Signatures on Certificates and Securities. Endorsements or transfers of bonds or other securities will be signed by the president or any vice president and by the treasurer or an assistant treasurer or the secretary or an assistant secretary of the Association unless the Board of Directors prescribes otherwise.

Section 10.3 Securities. An officer or officers of the Association will from time to time be designated by the Board of Directors to have power to control and direct the disposition of any bonds or other securities or property of the Association deposited in the custody of any trust company, bank, or custodian.

Article XI Records

Section 11.1 Records. The manager, managing agent, and Board of Directors will keep records of all actions of the manager, managing agent, and Board of Directors, as well as minutes of the meetings of the Board of Directors, minutes of the meetings of the Members and financial records and books of account for the Association, including a record of all receipts and disbursements. A separate account will also be kept for each Member containing, among other things, the amount of each Assessment, the date when due, amounts paid thereon, the balance remaining due, and any other fees, charges, fines and penalties, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, fees, charges, fines or penalties, whether or not suit is filed.

Section 11.2 Access to Records. The Association shall make the financial and other records of the Association reasonably available for examination and copying by a Member and his or her authorized agents. The Association may charge a reasonable fee for the time and costs of copying Association records. Association records may be withheld from disclosure to the extent that the portion withheld relates to any of the following:

- (A) Personnel matters or medical records;
- (B) Communication between an attorney for the Association and the Association;
- (C) Pending or contemplated litigation;
- (D) Pending or contemplated matters relating to enforcement of the Association's Project Documents; or
- (E) Meeting minutes or other records of a session of a meeting of the Board of Directors that is not required to be open to all Members pursuant to statute or Section 6.14 of these Bylaws.

Section 11.3 Obligation of Association to Disclose Information. Except for a sale of a Lot from the Declarant to a purchaser, the Association shall furnish to a purchaser, after receipt of a written notice of a pending sale that contains the name and address of the purchaser, a copy of the Project Documents and any other information that may be required by applicable law within the time period prescribed by such law. The Association may charge the Member a reasonable fee to compensate the Association for any costs incurred in the preparation of a statement furnished by the Association pursuant to this Section 11.3. The Association shall make available to any interested party the amount of any such fee established from time to time by the Association.

Article XII Fiscal Year

Section 12.1 Fiscal Year. The fiscal year of the corporation shall be from the first day of July through the last day of the succeeding June.

Article XIII Miscellaneous

Section 13.1 Notices. All notices required or permitted to be sent to the Board of Directors will be sent by first-class mail, postage prepaid, in care of the manager or managing agent, or if there is no managing agent, to the office of the Association as set forth herein, or to such other address as the Board may, from time to time, designate.

All notices required or permitted to be sent to any Member will be sent first-class U.S. mail, postage prepaid, to such address as the Member may have designated in writing to the Board of Directors. All notices will be deemed to have been given when mailed, except notice of change of address which will be deemed to have been given when received.

Section 13.2 Waiver. No restriction, condition, obligation, or provision contained in these Bylaws will be deemed to have been abrogated or waived by reason of any failure to enforce it, irrespective of the number of violations and failures to enforce that may occur.

Section 13.3 Invalidity. If any provision or provisions of these Bylaws is or are declared invalid, the invalidity will in no way impair or affect the validity, enforceability, or effect of the remaining provisions of these Bylaws.

Article XIV Conflicts

Section 14.1 Conflicts. In case of a conflict between these Bylaws and the Articles of Incorporation, the Articles shall control. In case of a conflict with these Bylaws and the Declaration, 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 the Articles of Incorporation shall be applicable in the same manner as if included in the provisions of these Bylaws.

Article XV Amendment

Section 15.1 Amendment.

15.1.1 Until the Class B Membership has terminated, these Bylaws may be amended at any time by the Board without a vote of the Members. After the Class B Membership has terminated, 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.

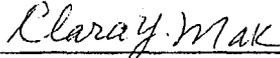
15.1.2 The Declarant, so long as there is a Class B Membership, and thereafter the Board, without a vote of the Members and without the consent of any First Mortgagee, may amend these Bylaws in order to conform these Bylaws to the requirements or guidelines of the Federal National Mortgage Association, 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.

15.1.3 So long as the Declarant owns any Lot or any other property within the Project, any amendment to these Bylaws must be approved in writing by the Declarant.

**Article XVI
Dissolution**

Section 16.1 Dissolution. If there are Members entitled to vote on dissolution, the Board of Directors shall adopt a resolution recommending that the corporation be dissolved and directing that the question of such dissolution be submitted to a vote at a meeting of those Members, which may be either an annual or a special meeting. Written notice stating that the purpose, or one of the purposes, of such meeting is to consider the advisability of dissolving the corporation shall be given to each Member entitled to vote at such meeting of Members. A resolution to dissolve the corporation may be adopted only by act of the Members. If there are no Members, or no Members entitled to vote on dissolution, the dissolution of the corporation may be authorized by act of the Board of Directors. Voluntary dissolution shall comply in all respects with Arizona Revised Statutes §10-2045.

IN WITNESS WHEREOF, these Bylaws of the Mingus Panorama Estates Homeowners Association are adopted as set forth above.



Clara Y. Mak, President

SECRETARY'S CERTIFICATE

The undersigned does hereby certify that:

He is the duly elected Secretary of Mingus Panorama Estates Homeowners Association, an Arizona nonprofit corporation; and

The Bylaws of Mingus Panorama Estates Homeowners Association were originally adopted by the Board of Directors on August 15, 2006.

The Revision of Bylaws of Mingus Panorama Estates Homeowners Association was adopted by the Board of Directors on December 18, 2006.



Kurt Wuersch, Secretary

Exhibit 2

**MINGUS PANORAMA ESTATES HOMEOWNERS ASSOCIATION
UNANIMOUS WRITTEN CONSENT OF THE
DIRECTORS IN LIEU OF A SPECIAL MEETING**

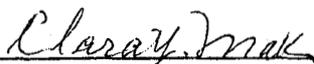
The undersigned, being all of the Directors of Mingus Panorama Estates Homeowners Association, a not-for-profit corporation organized under the laws of Arizona, herein "Association", hereby take the following director action by unanimous consent, effective as of December 18, 2006, in lieu of holding an special meeting of the directors.

**RESOLUTION #1 – REVISION OF BYLAWS OF THE
ASSOCIATION**

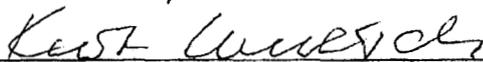
RESOLVED, the Revision of the Bylaws of the Association presented are hereby adopted by all of the Directors of the Association, and such Revision of Bylaws be and hereby are adopted as the Bylaws of the Association.

FURTHER RESOLVED, that the Secretary of the Association is hereby authorized and directed to insert the Revision of the Bylaws of the Association in the Association's minute book.

IN WITNESS WHEREOF, each director has executed this Consent effective as of December 18, 2006.



Clara Y. Mak



Kurt Wuersch