

AMENDMENT AND RESTATEMENT OF BY-LAWS

FOR

SUN CITY GRAND COMMUNITY ASSOCIATION, INC.

WHEREAS, Del Webb Home Construction, Inc., an Arizona corporation (“Declarant”) previously formed Sun City Grand Community Association, Inc., an Arizona non-profit corporation (the “Association”), to serve as the homeowners’ association for the master planned community known as Sun City Grand; and

WHEREAS, Declarant caused By-Laws to be adopted for the Association, which have been amended from time to time; and

WHEREAS, Declarant, as the Class “B” Member, reserved the right to unilaterally amend the By-Laws until termination of the Class “B” Control Period; and

WHEREAS, the Board of Directors of the Association has requested that Declarant amend the By-Laws and Declarant deems it to be in the best interest of the Association to amend the By-Laws; and

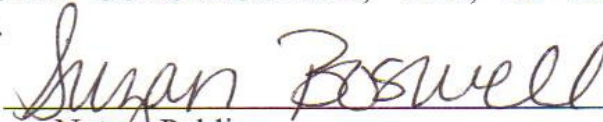
NOW THEREFORE, effective as of this 28th day of July 2006 the By-Laws are hereby amended and restated in their entirety and the Amended and Restated By-Laws set forth on Exhibit A attached hereto shall supercede and replace the By-Laws currently in effect for the Association.

DEL WEBB HOME CONSTRUCTION,
INC., an Arizona corporation

By: 
Name: SAMUEL C. COLGAN
Title: VP LAND DEVELOPMENT

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 28th day of July, 2006, by Samuel C. Colgan VP Land Development, of DEL WEBB HOME CONSTRUCTION, INC., an Arizona corporation, on behalf of the corporation.


Notary Public

My Commission Expires:
May 21, 2009

The Sun City Grand Community Association, Inc. does hereby consent to the Amended and Restated By-Laws attached hereto effective as of this 28th day of July, 2006.

SUN CITY GRAND COMMUNITY ASSOCIATION, INC., an Arizona non-profit corporation

By: [Signature]
Name: HARVEY NOTEBOOM
Title: PRESIDENT - BOARD OF DIRECTORS

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 28th day of July, 2006, by Harvey Noteboom, the President of the Board of Directors, of SUN CITY GRAND COMMUNITY ASSOCIATION, INC., an Arizona non-profit corporation, on behalf of the corporation.

By: [Signature: Meda Cates]
Notary Public

My Commission Expires:
6-28-09

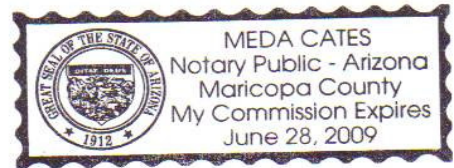


EXHIBIT A

[See Attached]

**AMENDED AND RESTATED BY-LAWS
OF
SUN CITY GRAND COMMUNITY ASSOCIATION, INC.**

**AMENDED AND RESTATED BY-LAWS
OF
SUN CITY GRAND COMMUNITY ASSOCIATION, INC.**

**Article I
Name Principal Office and Definitions**

1.1 Name. The name of the Association shall be Sun City Grand Community Association, Inc. (“Association”).

1.2 Principal Office. The principal office of the Association shall be located in Maricopa County Arizona. The Association may have such other offices as the Board may determine or as the affairs of the Association may require.

1.3 Definitions. The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for Sun City Grand filed in the Office of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time (“Declaration”), unless the context indicates otherwise.

**Article II
Association: Membership, Meetings, Quorum, Voting**

2.1 Membership. The Association shall have two classes of membership, Class “A” and Class “B,” as set forth in the Declaration. The provisions pertaining to membership in the Declaration are incorporated herein by this reference.

2.2 Place of Meetings. Meetings of the Association shall be held within Sun City Grand or at such other suitable place within Maricopa County, Arizona as may be designated by the Board.

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

2.4 Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Class “A” Members holding at least 10% of the voting power of the Association. In the case of a special meeting held for the purpose of removing directors a meeting shall be called and held as provided in Section 3.6.

2.5 Notice of Meetings. The Secretary of the Association shall cause written notice stating the place, day, and hour of any meeting of the Association to be delivered by hand delivery or United States mail, postage prepaid, to each Member, or by facsimile, computer, fiber optics, cable, or other similar communication devices or such other manner which is reasonably calculated, as determined in the discretion of the Board, to provide personal notice to the

Members entitled to notice. Such notice shall be delivered not less than 10 nor more than 50 days before the date of such meeting by or at the direction of the President or the Secretary or the officers or Persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No other business shall be transacted at a special meeting except as stated in the notice.

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

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

2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may, without further notice, adjourn the meeting to a date not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

2.8 Voting. Members shall have such voting rights as set forth in the Declaration. Such voting rights provisions are incorporated herein by this reference. Members may vote at a meeting by voice vote or ballot or may vote by mail or other means as determined by the Board, without the necessity of a meeting, as determined by the Board; provided, however, meetings shall be held when required by the Declaration, these By-Laws, or Arizona law. Votes for the election of directors shall be cast by secret written ballot. Elections for directors may be conducted by mail. All votes of the Members at meetings shall be subject to the quorum requirements of Section 2.10 of these By-Laws.

2.9 Majority. As used in these By-Laws, the term "majority" shall mean those votes, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number; unless otherwise provided in these Bylaws.

2.10 Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence, in person, 10% of the Class “A” Members of the Association and, for so long as the Class “B” Membership exists, the presence of a duly appointed representative of the Class “B” Members, shall constitute a quorum at all meetings of the Association. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum; provided, unless otherwise specifically set forth in the Governing Documents, any action for which a vote of the Members at a meeting is required must be approved by at least a majority of the votes required to constitute a quorum.

2.11 Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall ensure that minutes of the meeting are kept and that all resolutions adopted at the meeting, as well as all transactions occurring at the meeting, are recorded in a minute book.

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

2.13 Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote, if written consent specifically authorizing the proposed action is signed by all Members entitled to vote thereon at such meeting. All such consents shall be signed and dated within 60 days after receipt of the earliest dated consent, and delivered to the Association at its principal place of business in the State of Arizona. Such consents shall be filed with the minutes of the Association.

Article III **Board of Directors**

A. Composition and Selection.

3.1 Governing Body Composition. The affairs of the Association shall be managed by a Board of Directors which shall serve as the corporate policy-making body the Association. Each Director shall have one equal vote. Except with respect to directors appointed by the Class “B” Member, the directors shall be Members or Age-Qualified Occupants; provided, however, no more than one representative from a particular Lot may serve on the Board at the same time. All directors shall complete, prior to commencing service on the Board, such training requirements as established by the Board.

In the case of a Member which is not a natural person, any officer, director, partner or trustee of such Member shall be presumed to be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member. No Member may have

more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

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

3.3 Directors Appointed by the Class "B" Member. The directors which the Class "B" Member is entitled to appoint pursuant to Section 3.5 of these By-Laws shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

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

Nominations for election to the Board shall be made in accordance with policies and procedures established, from time to time, by the Board. These policies shall be established no later than 90 days prior to the final voting date of any election. Such policies and procedures may include, but are not limited to, requiring a specified number of signatures as a precondition to appearing on the ballot or permitting nominations through an Election Committee. Except with respect to "write-in candidates", nominations shall be made no later than 35 days prior to the final day of any election.

In the event the established procedures for developing a slate of candidates does not, within 35 days prior to the day of the election, provide a number of qualified candidates equal to the positions to be filled, the Board shall provide as many nominations as required to complete a number equal to the positions to be filled.

3.5 Election and Term of Office. Annual elections for directors shall be held in the first three months of each calendar year. Directors elected at such annual elections shall take office on April 1 of that year. Each director shall be entitled to serve a two-year term, provided that directors shall serve until their successor is elected or appointed as the case may be and take office. Directors may serve up to three consecutive terms.

As part of the transition of the Association from the Class "B" Control Period, the Declarant shall appoint four Class "A" Member directors in late 2005. Two shall serve until April 1, 2007, and two shall serve until April 1, 2008. As of January 27, 2005, the members have already elected three Class "A" Member directors to serve, two of which are serving through April 1, 2006, and one of which will serve until April 1, 2005. As each term expires, a successor shall be elected for a full two year term, except as set forth below for the initial terms of Directors #6 and #7 to commence the staggering of terms.

Director #1 [current homeowner member]: Is serving from April 1, 2004 through April 1, 2006. At the annual election in the first three months of 2006, this seat will be up for election.

Director #2 [current homeowner member]: Is serving from April 1 2004 through April 1, 2006. At the annual election in the first three months of 2006, this seat will be up for election.

Director #3 [current homeowner member]: Is serving a term that will expire on April 1, 2005. At the annual election in the first three months of 2005, this seat will be up for election.

Director #4: Will be appointed by Declarant in 2005 to serve through April 1, 2007. At the annual election in the first three months of 2007, this seat will be up for election.

Director #5: Will be appointed in 2005 to serve through April 1, 2007. At the annual election in the first three months of 2007, this seat will be up for election.

Director #6: Will be appointed in 2005 to serve through April 1, 2008. At the annual election in the first three months of 2008, this seat will be up for election.

Director #7: Will be appointed in 2005 to serve through April 1, 2008. At the annual election in the first three months of 2008, this seat will be up for election.

Each Lot shall be entitled to cast one vote with respect to each vacancy to be filled from each slate on which the Member is entitled to vote. There shall be no cumulative voting. The candidate(s) receiving the most votes for each vacancy to be filled on each slate shall be elected. The Class "A" Directors shall be elected by the Class "A" Members.

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

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

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

B. Meetings.

3.7 Organizational Meetings. Each Board shall hold an organizational meeting within 30 days after newly-elected or newly-appointed directors take office.

3.8 Regular Meetings. Regular meetings of the Board may be held at such time and place as the Board shall determine, but at least one such meeting shall be held each quarter. Notice of time and place of the meeting shall be posted in a prominent place within Sun City Grand and communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9 Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by any two directors. The notice shall specify the time and place of the meeting and the nature, of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile computer, fiber optics, or any such other communication device. All such notices shall be given at the director's telephone, facsimile, or e-mail number or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board also shall be posted in a prominent place within Sun City Grand at least three days prior to such meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least seven business days before the time set for the meeting. Notices given by personal delivery, telephone, facsimile, or other device shall be delivered, telephoned, or transmitted at least 72 hours before the time set for the meeting.

3.10 Waiver of Notice. The transaction of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held and noticed if: (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

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

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

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

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

- (a) Legal advice from an attorney for the Board or the Association;
- (b) Pending or contemplated litigation;
- (c) Personal, health or financial information about an individual member of the Association, an individual employee of the Association or an individual employee of a contractor of the Association; or
- (d) Matters relating to the job performance of, compensation of, health records of, or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direction of the Association.

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

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

C. Powers and Duties

3.17 Statement of Operational Policy. The primary duty of the Board of Directors shall be to establish the operational policies of the Association and to exercise its powers and duties in a manner which ensures that such policies are carried forth. The Board is not responsible for nor authorized to perform day-to-day operations of the Association. The day-to-day operations of the Association shall be carried out by the management agent or agents retained by the Association or, if no management agent is so retained, by such Persons designated or employed by the Board to perform management functions, under the supervision of the officers of the Association.

Subject to the Board's responsibilities concerning operational policies, it shall be the policy of the Association, in the interest of the efficient operation of the Association, that the Board refrain from unreasonably interfering with the performance of delegated functions by the management agent or other entities to whom authority and responsibility have been delegated. In the performance of its duties and responsibilities, the Board shall act as a unified body and no individual member of the Board shall be authorized to speak or act on behalf of the Board unless specifically authorized to do so in writing by the Board.

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

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

- (a) adopting annual budgets which establish each Owner's share of the Common Expenses and Neighborhood Expenses, if any;
- (b) levying assessments against the Members to fund the Common Expenses and Neighborhood Expenses, if any and establishing policies governing collection of assessments;
- (c) establishing policies for the operation, care, upkeep, and maintenance of the Area of Common Responsibility and, ultimately, ensuring that such policies are carried forth;

- (d) retaining the services of a managing agent or agents or, in the alternative, designating, hiring, and dismissing such other personnel as are necessary to perform the powers, responsibilities, and day-to-day operations of the Association;
- (e) approving a bank depository to receive funds on behalf of the Association and directing that all such funds be so deposited and applied towards the operation of the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;
- (f) adopting rules and regulations, including the Use Restrictions, and amendments thereto and approving sanctions for infractions thereof;
- (g) opening of bank accounts on behalf of the Association and designating the signatories required;
- (h) establishing policies and guidelines by which the Association shall make or contract for the making of repairs, additions, and improvements to or alterations of the Area of Common Responsibility in accordance with the Declaration and these By-Laws;
- (i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules adopted by the Board and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Association; provided, the Board shall not be obligated to take any action to enforce any covenant, restriction, or rule which the Board reasonably determines is, or is likely to be, inconsistent with applicable law, or if the Board reasonably determines that the Association's position is not strong enough to take such enforcement action, or if the Board otherwise determines, in its business judgment, that such enforcement action would be inappropriate;
- (j) ensuring that property, liability, and commercial crime insurance as required in the Declaration, are carried by the Association, that the cost thereof is paid, and that claims are filed and adjusted, as appropriate;
- (k) providing for the payment of all taxes and/or assessments which are or could become a lien on the Common Area or a portion thereof;
- (l) providing for the payment of the cost of all services rendered to the Association or its Members and not chargeable directly to specific Members;
- (m) providing that books with detailed accounts of the receipts and expenditures are kept on behalf of the Association and are made available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot;
- (n) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of

the Declaration, the Articles, the By-Laws, rules and all other books, records, and financial statements of the Association are made available to any prospective purchaser of a Lot, any Owner and the holders, insurers, and guarantors of any Mortgage on any Lot;

- (o) establishing policies and guidelines under which utility suppliers are permitted the use portions of the Common Area reasonably necessary to the ongoing development or operations of the Properties;
- (p) indemnifying a director officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is permitted or required by Arizona law, the Declaration, the Articles, and these By-Laws; and
- (q) providing for assistance in the resolution of disputes between Members and others without litigation, as set forth in the Declaration.

3.20 Right of Class “B” Member to Disapprove Actions. The Class “B” Member may exercise its right to disapprove (i) at any time within 10 days following the meeting at which such action was proposed, or (ii) in the case of any action taken by written consent in lieu of a meeting or action taken by an officer without a meeting, at any time within 10 days following receipt of written notice of the action taken, or (iii) at any time within such longer period of time as may be specifically provided in the Governing Documents for the exercise of the Declarant’s disapproval right (if any) with respect to the same subject matter. This right to disapprove is in addition to, and not in lieu of, any right of Declarant to approve or disapprove specific actions of the Association, the officers of the Association, the Board, any Neighborhood Association or any committee.

- (a) The Class “B” Member shall be given prior written notice of all meetings and proposed actions to be approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee thereof. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address of the Class “B” Member has registered with the Secretary of the Association. The notice shall specify the time and place of the meeting and shall set forth with reasonable particularity the agenda for such meeting.
- (b) The Class “B” Member shall be given the opportunity at any such meeting to, from the floor, join in or have its representatives or agents join in discussion of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Class “B” Member, its representatives or agents may make its concerns, thoughts, and suggestions known to the Members, the Board and/or the members of the subject committee.
- (c) No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the Class “B” Member has not disapproved the action, policy or program prior to expiration of the time period set forth in subsection (d) below.

- (d) The Class “B” Member may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, or action taken by an officer without a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these By-Laws. The Class “B” Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.21 Management. The Association may, but shall not be required to employ a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board shall delegate to the management agent such powers as are necessary to perform its assigned duties; provided, the Board may not delegate policy making authority. Subject to the Board's responsibility to ensure compliance with policies established by the Board, upon delegation of powers to a managing agent, the Board shall not interfere with the day-to-day management of Association affairs by the management agent.

During the Class “B” Control Period, at the request of the Declarant, the management agent shall be terminated by the Association, in accordance with the management agreement. In addition, the management agent may be terminated at any time by the Association, in accordance with the management agreement, if such action is requested by a majority of the Board and a majority of the Class “A” Members present in person at a special meeting called for such purpose; provided, any meeting to vote on the termination of the management agent shall be called by a majority vote of the Board in favor of termination.

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

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

- (a) accrual accounting as defined by generally accepted accounting principles, shall be employed; provided, however any shortage shall be calculated as provided in Section 10.2 of the Declaration;
- (b) accounting and controls should conform to generally accepted accounting principles;

- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the management agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (e) any financial or other interest which the management agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board; and
- (f) the following financial and related information shall be regularly prepared and made reasonably available for examination by all Members:
 - (i) a capital expenditures budget and a Common Expense budget for the Association (which includes the budget for each of the Neighborhoods, if any) for each fiscal year of the Association. The Budget shall be made available for examination in the manner provided in the Declaration.
 - (ii) an annual report ("Financial Statement") in accordance with generally accepted accounting principles. Within 120 days after the close of the Association's fiscal year, a summary of the Financial Statement or a written notice that a copy of the Financial Statement is available at the business office of the Association or another suitable location within Sun City Grand shall be posted in one or more prominent places within Sun City Grand. If requested, one copy of the Financial Statement may be distributed personally, by mail, or such other manner as is reasonably designed to provide delivery to a Member, without charge. The Financial Statement shall consist of:
 - (A) a balance sheet as of the end of the fiscal year;
 - (B) an income statement for the fiscal year; and
 - (C) a statement of changes in financial position for the fiscal year.

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

- (iii) The following shall be done at least quarterly:
 - (A) a current reconciliation of the Association's operating accounts;
 - (B) a current reconciliation of the Association's reserve accounts;

(C) a review of the current year's actual reserves, revenues and expenses compared to the current year's Budget;

(D) a review of the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts;

(E) a review of an income and expense statement for the Association's operating and reserve accounts; and

(F) a review of the delinquency report listing all Members who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent.

3.23 Borrowing. The Association, acting through its Board, shall have the power to borrow money for any legal purpose provided, the Board shall obtain the approval by vote or written consent of a majority of the Class "A" Members and the Class "B" Member, if any, if the proposed borrowing is for the purpose of making discretionary capital improvements or purchasing additional capital assets and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for that fiscal year. During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent of at least a majority of the Class "A" Members.

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

3.25 Enforcement.

- (a) Notice. Prior to imposition of any sanction including, but not limited to, monetary fines and/or suspension of Association privileges provided in the Declaration, or other self-help or suit to enjoin any violation of the Declaration, By-Laws, Articles, or rules and regulations of the Association and/or to recover monetary damages, the alleged violator shall be served with written notice setting forth (a) the nature of the alleged violation, (b) the proposed sanction to be imposed, (c) a statement that the alleged violator may present a written request for a hearing to the Association within 15 days of delivery of the notice stating the fine is now imposed; and (d) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received by the Association within such time period. Proof of proper notice shall be placed in the Association's corporate records. Proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is so entered. The notice requirement shall be deemed satisfied if the alleged violator requests a hearing.

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

- (b) Hearing. If a hearing is requested within the allotted 15-day period, the hearing shall be held before the covenants or ARC committee, as applicable, if any, or if none, before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. A written statement of the results of the hearing and the sanction, if any imposed shall be recorded in the corporate records.
- (c) Appeal. If a hearing is held before the covenants committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the Association within 15 days after the hearing date.

Article IV **Officers**

4.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The officers of the Association need not be members of the Board and need not be Members or Age-Qualified Occupants. The Board may 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 and perform the duties prescribed by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election and Term of Office. The officers of the Association shall be elected by the Board at an organizational meeting of the Board taking place pursuant to Section 3.7. Each officer shall serve a one year term; provided, each officer's term shall automatically renew unless at least two-thirds (2/3) of the directors vote not to renew.

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

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

- (a) President. The President shall be the chief executive officer of the Association and shall exercise general supervision and direction of the affairs of the

Association. The President shall have the authority to directly administer all matters not expressly delegated or assigned to a managing agent or agents or others.

- (b) Vice-President. The Vice-President shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.
- (c) Secretary. The Secretary shall be responsible for ensuring that the minutes of all meetings of the Association, the Board, and the committees of the Board are kept, and shall have charge of such books and papers the Board may direct. In the Secretary's absence any officer directed by the Board shall perform all duties incident to the office of Secretary.
- (d) Treasurer. The Treasurer shall have responsibility for ensuring the preparation of the Budget as provided for in the Declaration and these By-Laws by the management agent or agents retained by the Association or, if no managing agent is so retained, such persons retained by the Board to perform management functions.

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

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

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

Article V **Committees**

5.1 Committees of the Board. Committees comprised solely of Members of the Board may be appointed to exercise the authority of the Board. Such committees shall be appointed upon the approval of at least a majority of the directors. Notwithstanding the above, no such committee may exercise the authority of the Board in reference to (a) submission to the Members of any matter requiring an act of the Members; (b) filling vacancies on the Board or on any committee of the Board; (c) adoption, amendment, or repeal of the By-Laws; or (d) fixing

compensation of directors. The Board may, with or without cause, dissolve any such committee or remove any director from the committee at any time.

5.2 Other Committees. No committee or committee member shall be authorized to perform or interfere with the day-to-day operations of the Association except in accordance with authority expressly granted under the provisions of the Governing Documents. Any such committee may perform such tasks and functions as the Board may designate by resolution; provided, no committee or committee member may exercise any power or authority which could not otherwise be exercised by the Board in accordance with these By-Laws. The role of committees established pursuant to this Section shall be to advise the Board with respect to establishing operational policy or to assist the officers in the performance of their respective functions. No committee or committee member shall be authorized to perform or interfere with the day-to-day operations of the Association except in accordance with authority expressly granted under the provisions of the Governing Documents.

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

5.3 Covenants Committee. In addition to any other committees which the Board may establish pursuant to Section 5.2, the Board may appoint a covenants committee consisting of at least three and no more than seven members. Acting in accordance with the provisions of the Declaration, the By-Laws, and resolutions the Board may adopt, the covenants committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings pursuant to Section 3.25 of these By-Laws.

Article VI **Miscellaneous**

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

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

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

6.4 Books and Records.

- (a) Inspection by Members and Mortgagees. Subject to the exceptions set forth below, the Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Lot, any member, or the duly authorized agent of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot; the Declaration, By-Laws; and Articles, any amendments to the foregoing the rules of the Association, the membership register, all financial records of the Association, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within Sun City Grand as the Board shall designate.
- (b) Rules for Inspection. The Board shall establish reasonable rules with respect to:
 - (i) notice to be given to the custodian of the records;
 - (ii) hours and days of the week when such an inspection may be made; and
 - (iii) payment of the cost of reproducing and delivering copies of documents requested.
- (c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association in furtherance of such director's duties as a director.
- (d) Exceptions To Inspection Requirement. Notwithstanding any provision to the contrary, the Board shall not be required to make available for inspection any portion of any book or record which relates to any of the following:
 - (i) personnel matters or a person's medical records;
 - (ii) communication between an attorney for the Association and the Association;
 - (iii) pending or contemplated litigation;
 - (iv) pending or contemplated matters relating to enforcement of the Governing Documents; or
 - (v) meeting minutes or other records of a session of a Board or Association meeting that is not required by law to be open to all Members.

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

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

- (a) if to a Class “A” Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or
- (b) if to the Association, the Board, any officer of the Association, or the management agent, at the principal office of the Association or the management agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or
- (c) if to the Declarant or the Class “B” Member, at the principal office of the Declarant or Class “B” Member, or at such other address as is designated in writing and filed with the Secretary of the Association.

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

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

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

6.7 Amendment

- (a) By Class “B” Member. Until termination of the Class “B” Control Period, the Class “B” Member may unilaterally amend these By-Laws. Thereafter, the Class “B” Member may unilaterally amend these By-Laws if such amendment is (i)

necessary to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private Insurance company to guarantee or insure Mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of these By-Laws. However, any such amendment shall not adversely affect the title to any Lot unless the affected Owner shall consent thereto in writing. So long as the Class "B" membership exists, the Class "B" Member may unilaterally amend these By-Laws for any other purpose provided the amendment has no material adverse effect upon the right of any Owner.

- (b) By Member. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof of Members representing at least 51% of the Class "A" votes in the Association, and the consent of the Class "B" Member, if any. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.
- (c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon date of execution of the same in the manner provided in these By-Laws, unless a later date is specified therein. Any procedural challenge to an amendment must be made within six months of the effective date of such amendment or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws:

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

Notwithstanding any provision herein to the contrary, no amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the assignee of such right or privilege for as long as the Declarant owns any property described on Exhibits "A" or "B" to the Declaration.

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