

BYLAWS OF
VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC.

TABLE OF CONTENTS

	Page
ARTICLE I: NAME	1
ARTICLE II: NATURE AND APPLICABILITY	1
1. Applicability to Owners and Others	1
2. Purpose of the Association	1
3. Duty to Maintain and Preserve Property	2
4. Replacement of Earlier Bylaws	2
ARTICLE III: DEFINITIONS	2
1. "Apartment"	2
2. "Articles"	2
3. "Assessments"	2
4. "Association"	3
5. "Board"	3
6. "Bylaws"	3
7. "Covenants"	3
8. "Declaration"	3
9. "Members"	3
10. "Owner"	3
11. "Property"	3
12. "Rules"	4
ARTICLE IV: SUPREMACY OF THE DECLARATION	4
ARTICLE V: ADMINISTRATION	4
ARTICLE VI: MEMBERSHIP	4
1. Eligibility	4
2. Delinquencies	5
3. Voting in Person or by Proxy	5
4. Qualifications for Election to the Board	5
5. Transfer of Membership	5

TABLE OF CONTENTS--Continued.

	Page
ARTICLE VII: MEETINGS	5
1. Date of Annual Meeting	5
2. Special Meetings	6
3. Notice of Meetings	6
4. Presiding Officer	6
5. Quorum	6
6. Meetings of the Board	7
7. Conduct of Meetings	7
8. Right of Members to Attend Board Meetings	7
 ARTICLE VIII: THE BOARD OF DIRECTORS	 7
1. Composition, Term of Office, and Relection	7
2. Nominations	8
3. Election to the Board; Vacancies	8
4. Quorum	8
5. Powers	8
6. Temporary Assistants	10
7. Handling Cases of Delinquency and/or Breach	10
8. Removal by Recall	10
9. Compensation Prohibited; Reimbursement Allowed	11
10. Action Taken without a Meeting	11
11. Waiver of Notice of Meeting	11
12. Nonliability of Board Members	11
 ARTICLE IX: OFFICERS AND THEIR DUTIES	 12
1. Enumeration of Officers	12
2. Election and Term of Office	12
3. Removal from Office and Filling Vacancies	12
4. The Chairman and Duties	12
5. The Vice Chairman and Duties	13
6. The Secretary and Duties	13
7. The Treasurer and Duties	13
 ARTICLE X: COMMITTEES	 14
1. Advisory Nature	14
2. Standing Committees and Term of Service	14
a. The Finance Committee	14
b. The Nominating Committee	14
c. The Architectural Committee	14
3. Other Committees	15
4. Committee Minutes and Committee Reports	15

TABLE OF CONTENTS--Continued.

	Page
ARTICLE XI: FINANCES	15
1. Annual Assessments	15
2. Use of Annual Assessments	15
3. Levying a Special Assessment	15
4. Annual Financial Reports and Availability of Association Documents	16
5. Fiscal Year	
ARTICLE XII: RULES AND PROCEDURES	16
1. Issuance of rules; Penalties	16
2. Procedure for Changing the Rules	16
3. Copies of Association Documents Provided for All Members	16
ARTICLE XIII: USE OF INCOME	17
ARTICLE XIV: INTERPRETATION	17
ARTICLE XV: SEVERABILITY	17
ARTICLE XVI: AMENDMENT	18
CERTIFICATION	18

**RESTATED MASTER DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS FOR
VILLA CATALINA APARTMENT HOMES**

This Restated MASTER DECLARATION of Covenants, Conditions, and Restrictions for VILLA CATALINA APARTMENT HOMES, formerly known as Villa Catalina Cooperatives, is made by VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC., an Arizona nonprofit corporation, upon the written consent of seventy-five percent (75%) of its members; for itself and any successor in interest whatsoever, and is effective the 13th day of June, 1990.

The content of this Restated Master Declaration is based upon the express Covenants and other provisions stated in the Deed of each Owner in VILLA CATALINA APARTMENT HOMES, the implied powers and policies of said Covenants and other provisions, and the traditions and practices which have been established over the last thirty (30) years of operation.

W I T N E S S E T H :

WHEREAS, each Owner in VILLA CATALINA APARTMENT HOMES holds title to the Apartment designated in his or her Deed with exclusive right to occupy and use said Apartment and its appurtenances and shares an Undivided Percentage Interest in the General Common Elements;

WHEREAS, the original Declaration of Covenants, Conditions, and Restrictions for Villa Catalina Cooperatives (originally known as Villa Catalina Unit One and Villa Catalina Unit Two, but subsequently consolidated into a single unit for operation and management) was recorded on March 24, 1958, in Book 1244, beginning on page 512, in the public records in the Office of the Pima County Recorder, State of Arizona;

WHEREAS, the legal description of the real property known as Villa Catalina Unit One, as incorporated into the original Deeds of individual owners, was recorded on March 24, 1958 in Book 1244, beginning at page 512, in the public records in the Office of the Pima County Recorder, State of Arizona;

WHEREAS, the legal description of the real property known as Villa Catalina Unit Two, as incorporated into the original Deeds of individual Owners, was recorded on August 23, 1960, in Book 1659, beginning at page 276, in the public records in the Office of the Pima County Recorder, State of Arizona;

WHEREAS, the Property affected by this Declaration is described in Exhibit A attached hereto and incorporated herein by this reference (and for convenient reference is also shown on the Plat attached hereto);

WHEREAS, VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC., an Arizona nonprofit corporation, is the successor to the rights of the original declarant;

WHEREAS, the one and only Amendment to said Declaration was recorded on December 11, 1986, in Book 7929, beginning at page 1534, in the public records in the Office of the Pima County Recorder, State of Arizona;

WHEREAS, pursuant to said single Amendment to the original Declaration, said Declaration may be amended by the affirmative written consent of seventy-five percent (75%) of the Owners;

WHEREAS, this document, upon recordation, supersedes and revokes the previous Declaration, together with the single Amendment thereto, and substitutes in place thereof, the following Master Declaration of Covenants, Conditions, and Restrictions for VILLA CATALINA APARTMENT HOMES;

WHEREAS, this Restated Declaration shall become effective upon its recording in the public records in the Office of the Pima County Recorder, State of Arizona;

WHEREAS, the ASSOCIATION desires and intends by filing this Restated Master Declaration, to impose upon the Property known as VILLA CATALINA APARTMENT HOMES, mutually beneficial Covenants, Conditions, and Restrictions establishing a general plan for the use, enjoyment, and improvement of the Property, subject to which Covenants, Conditions, and Restrictions the respective individual Owners will sell and convey interests in the Property to various subsequent purchasers;

NOW, THEREFORE, pursuant to the authority granted by and the procedure provided for in the above-mentioned Amendment, the ASSOCIATION hereby declares that, effective on the date on which this Restated Master Declaration of Covenants, Conditions, and Restrictions for VILLA CATALINA APARTMENT HOMES is recorded in the public records in the Office of the Pima County Recorder, State of Arizona, the Property is and shall be held, conveyed, encumbered, leased, and used subject to the following covenants, conditions, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges, and liens; all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of the Property. The covenants, conditions, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges, and liens set forth herein shall run with the Property; shall be binding upon all persons having or acquiring any interests in the Property or any part thereof; shall inure to the benefit of every portion of the Property and any interests therein; and shall inure to the benefit of and be binding upon this ASSOCIATION, its successors in interest, each Owner and his or her respective successors in interest, and may be enforced by the ASSOCIATION or its successors in interest, by any Owner or his or her successors in interest, or by any entity having an interest in their enforcement.

VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC.
521 North Country Club Road
Tucson, Arizona 85716

BYLAWS

ARTICLE I. NAME

The name of the Association shall be VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC.

ARTICLE II. NATURE AND APPLICABILITY

Section 1: Applicability to Owners and Others: This document shall be the Bylaws of VILLA CATALINA HOMEOWNERS' ASSOCIATION, a nonprofit Corporation organized under the laws of the State of Arizona. The provisions of these Bylaws shall be applicable to VILLA CATALINA APARTMENT HOMES (hereinafter referred to as VILLA CATALINA) and to all present and future Owners therein. The acquisition of an Apartment will signify that the Bylaws are accepted, ratified, and will be adhered to by the Owner. Any other persons who might use the Property in any manner are also subject to these Bylaws and any Rules and Procedures promulgated hereunder.

Section 2: Purpose of the Association: The Association has been formed to provide (a) for the maintenance, management, care, and preservation of the buildings, grounds, and improvements thereon which comprise VILLA CATALINA and (b) for the benefit of and the good relationship between all the Owners and residents in VILLA CATALINA.

Section 3: Duty to Maintain and Preserve the Property:

As provided in the Declaration of Covenants, Conditions, and Restrictions, it shall be the duty of the Association to maintain, preserve, and care for the exterior and General Common Areas of VILLA CATALINA; and it shall be the duty of the Owner to maintain, preserve, and care for the interior of his or her Exclusive Use Common Element and, where applicable, his or her Limited Use Common Element.

Section 4: Replacement of Earlier Bylaws: These Bylaws shall supersede and replace all earlier Bylaws and all Amendments to them.

ARTICLE III. DEFINITIONS

In addition to, and in conjunction with, the fuller definitions provided in Article I of the Declaration of Covenants, Conditions, and Restrictions for VILLA CATALINA, the following definitions shall be used to construe these Bylaws.

Section 1: "Apartment". "Apartment" shall mean and refer to that portion of the Property, situated within a Building, which is designated for the exclusive occupancy and use by the holder of a properly executed and recorded Deed. Each Apartment, consisting of one or more rooms, shall consist of the space (air space) enclosed and bounded by the horizontal and vertical boundaries shown for it on the Plat. The term "Apartment" shall also include those rights and interests cited in Article I, Section 1 of the Declaration of Covenants, Conditions, and Restrictions for VILLA CATALINA APARTMENT HOMES.

Section 2: "Articles": "Articles" shall mean those certain Articles of Incorporation for VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC.

Section 3: "Assessments": "Assessments" shall mean and refer to those charges which each Owner agrees to pay

in the form of "Annual Assessments" for the operation, maintenance, and improvement of the Common Elements and "Special Assessments" for capital improvements and other purposes.

Section 4: "Association": "Association" shall mean VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC., also known as "VILLA CATALINA."

Section 5: "Board": "Board" shall mean the Board of Directors of the VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC.

Section 6: "Bylaws": "Bylaws" shall mean these Bylaws.

Section 7: "Covenants": "Covenants" shall mean that certain Declaration of Covenants, Conditions, and Restrictions for VILLA CATALINA.

Section 8: "Declaration": "Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions for VILLA CATALINA.

Section 9: "Members": "Members" shall mean all Owners in VILLA CATALINA who are automatically members of the Association.

Section 10: "Owner": "Owner" shall mean and refer to the holder of a Deed granting said holder the exclusive right to occupy and use the Apartment and its appurtenances as designated therein, together with membership in the Association and the right to use the General Common Elements.

Section 11: "Property": "Property" shall mean all real and personal property designated as "Common Elements" or Association property by the Declaration and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 12: "Rules": "Rules" shall mean any rules and procedures drawn up and adopted from time to time by the Board together with any amendments thereto.

ARTICLE IV. SUPREMACY OF THE DECLARATION

Nothing in these Bylaws is intended to conflict with or supersede in any way the Declaration or the Articles of VILLA CATALINA. If any question or dispute arises concerning a conflict of meaning between these Bylaws and the Declaration or the Articles, then the conflict or dispute shall be resolved in favor of the Declaration first, and then the Articles.

ARTICLE V. ADMINISTRATION

The Association shall have the responsibility for managing, maintaining, and administering the Property, determining and approving an annual budget, establishing and collecting assessments, and enforcing the Declaration together with such other responsibilities as are set forth in these Bylaws. In general, the Association shall be the representative of each Owner for every problem which affects commonly held property or more than one (1) Apartment.

ARTICLE VI. MEMBERSHIP

Section 1: Eligibility: Each Owner in VILLA CATALINA shall be a member of the Association with full voting rights, except as said voting rights may be abridged under Section 2 below. Membership shall be limited to one (1) for each Apartment. If any individual owns more than one (1) Apartment that Owner shall have as many votes as the number of Apartments owned. Persons or entities holding an interest in an Apartment merely as security for the performance of an obligation shall not be eligible for membership. Membership shall be determined by the deeds as recorded in the Office of the Pima County Recorder.

Section 2: Delinquencies: A member who is delinquent in paying such assessments as have been fixed by the Board or who otherwise violates conditions and restrictions set forth in the Declaration may have his or her voting rights and his or her right to use the common recreational facilities suspended until that delinquency or violation has been corrected or until such rights have been restored by a majority vote of all eligible members. In case of noncontinuing infractions, suspension of the above-mentioned rights shall not exceed sixty (60) days.

Section 3: Voting in Person or by Proxy: Members may exercise their voting rights in person, by proxy, or by power of attorney at any annual or special meeting of the Association. However, the proxy or power of attorney must be filed with the Secretary in advance and must be certified by the Secretary at or prior to any such meeting. The right to vote may not be severed or separated from the ownership of an Apartment.

Section 4: Qualifications for Election to the Board: Membership within the terms stated in Section 1 above shall be the basic qualification for election to the Board of Directors, with the exception that a resident who is a relative of a nonresident Owner and who holds such Owner's power of attorney shall also be eligible for election to the Board.

Section 5: Transfer of Membership: Membership shall be transferred from one Owner to another upon the completed sale of an Apartment. Any other mode of transfer shall be permitted only as provided by the laws of the State of Arizona.

ARTICLE VII. MEETINGS

Section 1: Date of Annual Meeting: The annual meeting of the Association shall be held at 10:00 A.M. on the first Monday in December at the site selected by the Board of Directors.

Section 2: Special Meetings: A special meeting of the Association may be called by the Chairman of the Board on his or her own initiative, upon the written request of a majority of the members of the Board, or upon a petition signed by forty percent (40%) of the eligible members of the Association.

Section 3: Notice of Meetings: Notices giving the date, hour, location, and agenda for the annual meeting shall be mailed or delivered by the Secretary to all members not later than thirty (30) days in advance of such meeting. Notices for a special meeting of the Association shall be mailed or delivered by the Secretary to all members not less than ten (10) nor more than thirty (30) days in advance of such meeting and shall clearly state the purpose of the meeting as well as the date, hour, and location.

Section 4: Presiding Officer: The Chairman or the Vice Chairman of the Association shall preside at Board and Association meetings. However, if at any meeting of the Board or of the Association, both the Chairman and the Vice Chairman are absent, a temporary Chairman shall be chosen by majority vote from among the eligible members present to preside at such meeting of the Board or of the Association.

Section 5: Quorum: A quorum at any annual or any special meeting of the Association, except for a special meeting called to vote on a proposed special assessment, shall consist of fifty-one percent (51%) of the eligible members, including proxies. However, for a special meeting called to vote on a proposed special assessment, the quorum shall consist of sixty percent (60%) of the eligible members, including proxies. If the required quorum is not present at such annual or special meeting, another meeting may be called subject to the same notice requirements, but the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days after the preceding meeting.

Section 6: Meetings of the Board: A meeting of the Board of Directors shall be held immediately following each annual meeting of the Association. At this meeting the Board shall elect its Officers and shall set up a schedule for its regular meetings. In addition, the Chairman may call a special meeting of the Board at any time and must call a special meeting upon the written request of any three (3) Directors. At least two (2) days before each regular or special meeting, a notice, preferably in writing, shall be given each member of the Board. In the event of an emergency, however, the Chairman may take appropriate action after consulting with as many Board members as he or she is able to reach.

Section 7: Conduct of Meetings: All annual and special meetings shall be conducted in an orderly manner. When questions of procedure and the like shall arise, they shall be resolved by reference to Robert's "Rules of Order."

Section 8: Right of Members to Attend Board Meetings: All Board meetings shall be open to any member of the Association, except for those meetings, or parts of meetings, dealing with personnel or other matters as permitted by applicable law. At such meetings, however, visiting members may participate in the proceedings only when asked to do so, or when a portion of the meeting has been specifically set aside for such participation.

ARTICLE VIII. THE BOARD OF DIRECTORS

Section 1: Composition, Term of Office, and Reelection: The Board of Directors shall consist of seven (7) members of VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC. Directors shall serve a two (2) year term, with four (4) Directors being chosen one year and three (3) the next. However, for the first election, which shall be held as soon as possible after the ratification of these Bylaws, all Directors shall be chosen at the same time. As determined by lot, three (3) of the initial Directors shall serve but one (1) year. All terms of office shall begin on January

1st, and each Director shall be eligible for reelection. The Directors shall hold office until their successors have been elected and qualified. Until new Directors have been elected and installed the Directors holding office under the previous Bylaws shall continue in office.

Section 2: Nominations: Prior to each annual meeting of the Association, the Chairman of the Board shall appoint a Nominating Committee to select a slate of nominees for the Board. The slate of nominees shall be published concurrently with the call for the annual meeting. Nominations for the Board may also be made from the floor at the annual meeting.

Section 3: Election to the Board; Vacancies: Election to the Board shall be by written ballot, including proxies, cast by eligible members. A plurality of votes cast shall be required for election. Vacancies on the Board arising from death or resignation shall be filled until the next election by a majority vote of the remaining Board members.

Section 4: Quorum: The quorum needed for the Board to meet and transact business shall be four (4) members of the Board's total membership. Every act and decision of the Board, provided the meeting is duly called and the required quorum is present, shall be official.

Section 5: Powers: The Board shall have all the powers of an Arizona nonprofit corporation, subject only to such limitations, if any, upon the exercise of such powers as are expressly set forth in the Association's Declaration, Articles of Incorporation, or these Bylaws. The Board shall have the power to do any and all lawful things which may be authorized, required, or permitted to be done by the Association under and by virtue of said Declaration, Articles, and Bylaws and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association. Without in any way limiting the generality of any of the foregoing provisions, the Board by majority vote shall have the power and authority at any time to do the following:

- a. to adopt an annual budget for the Association.
- b. to establish, levy, and collect annual assessments or maintenance charges and, when necessary, special assessments.
- c. to establish and maintain reserve funds for capital expenditures and contingencies.
- d. to procure and maintain comprehensive liability and all-risk property insurance as well as such other types and amounts of other insurance as the Board in its business judgment deems appropriate.
- e. to file annual state and federal income tax returns for the Association.
- f. to pay out of the annual assessments and/or reserve funds specified amounts for:
 - (1) real estate taxes and assessments,
 - (2) all public utilities, except for the Owner's telephone and cable television,
 - (3) insurance premiums on the Common Elements and structure,
 - (4) repair and replacement of common facilities and equipment,
 - (5) maintenance of buildings and grounds, and
 - (6) other expenses as budgeted and approved.
- g. to provide for and establish the duties for an on-site manager or to contract with a management company to provide the necessary management services.
- h. to select, hire, supervise, pay, and dismiss employees.

- i. to contract for services.
- j. to render semi-annual and annual financial reports to all Association members.
- k. to draw up, publish, and enforce Association policies, rules, and procedures.
- l. to organize and elect from its members the Officers authorized in Article IX, Section 1, below.
- m. to process such easements as have been authorized by the Association.

Section 6: Temporary Assistants: The Board shall have the power to authorize the Chairman to appoint one or more temporary assistants, to approve the person or persons appointed, and to specify his, her, or their duties.

Section 7: Handling Cases of Delinquency and/or Breach: The Board shall handle most cases of delinquency and/or breach of any provision of the Master Declaration, the Bylaws, or the Rules. In doing so, the Board shall follow the policies and procedures set down in Article XI of the Declaration of Covenants, Conditions, and Restrictions which have been designed to provide fairness and due process for all parties.

Section 8: Removal by Recall: Any member of the Board may be removed, with or without cause, by a majority vote of the members of the Association via a recall election. To recall one or more members of the Board, a recall petition signed by at least thirty percent (30%) of all eligible members of the Association must be presented to the Chairman of the Board. Within fourteen (14) days of receiving such a recall petition, the Chairman shall call a special meeting of the Association. If at such a meeting, a majority of the votes are cast in favor of recall, then the designated member (or members) of the Board is (are) recalled. If one (1) or two (2) members of the Board are recalled, then the remaining Board members shall by majority vote choose the

new member (or members) to fill out the term (or terms) of the recalled person (or persons). But if three or more members of the Board are recalled, then the membership of the Association shall nominate and elect their replacements by plurality vote at the same meeting at which the recalls occurred.

Section 9: Compensation Prohibited; Reimbursement

Allowed: Members of the Board shall receive no compensation for their services as Directors. However, at the discretion of the Board, any Director may be reimbursed for actual expenses incurred in the performance of his or her duties.

Section 10: 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 a majority of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Board.

Section 11: Waiver of Notice of Meeting:

Any member of the Board may, at any time either before or after any meeting, waive notice of any meeting of the Board. Such waiver shall be deemed equivalent for all purposes to the giving of notice of such meeting. Attendance by a Director at any such meeting shall constitute a waiver of notice of such meeting except where a Director attends for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all members of the Board are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

Section 12: Nonliability of Board Members:

No member of the Board shall be personally liable to any Owner for any damage, loss, or prejudice suffered or claimed on account of an act or omission of the Association or its representatives or employees, provided that such Board member has, upon the basis of such information as he or she may have possessed, acted in good faith and in accordance with his or her best business judgment.

ARTICLE IX. OFFICERS AND THEIR DUTIES

Section 1: Enumeration of Officers: The Officers of the Association shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board may elect such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 2: Election and Term of Office: The Officers of this Association shall be elected annually by the Board at its meeting which immediately follows the regular annual meeting. Each Officer shall hold office for one (1) year unless he or she shall sooner die, resign, be removed, or be otherwise disqualified to serve, and shall be eligible for reelection.

Section 3: Removal from Office and Filling Vacancies: Upon an affirmative vote of a majority of the members of the Board, any Officer may be removed, with or without cause. The removed Officer's successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose. A vacancy in any Office shall be filled by election by the Board. The Officer elected to such vacancy shall serve for the remainder of the term of the Officer he or she replaces.

Section 4: The Chairman and Duties: The Chairman shall be the chief executive officer of the Board and of the Association. He or she shall (a) preside at all meetings of the Board and of the Association at which he or she is present, (b) appoint members to all Committees, both standing and temporary, (c) appoint and describe the duties of such temporary assistants as the Board may authorize and approve, (d) serve as the official agent or representative of the Association, and, as such, sign all legal documents and/or contracts on behalf of the Association, and (e) have all of the general powers and duties which are usually vested in the Office of Chairman of a corporation.

Section 5: The Vice Chairman and Duties: The Vice Chairman shall (a) exercise the powers and duties of the Chairman in the absence of the Chairman, and (b) be an ex officio member of all standing Committees.

Section 6: The Secretary and Duties: The Secretary shall (a) keep, or oversee the keeping of, records of all meetings and proceedings of both the Board and the Association, (b) keep on file copies of all reports and other documents of the Board and of the Association, (c) receive, certify, and record all proxies and/or powers of attorney, (d) publish and circulate to all members notices of Association meetings, notify Directors of Board meetings, and post on community bulletin boards notices of Board meetings for the information of all other members of the Association, (e) maintain membership rosters, and (f) perform all other duties normally associated with this office. In the Secretary's absence, the Chairman shall appoint some other Board member or any member of the Association to serve as Secretary pro tem for that meeting.

Section 7: The Treasurer and Duties: The Treasurer shall oversee and be responsible for all the financial matters of the Association. If the Association employs and defines the specific responsibilities of a Manager or a management firm, the person or persons keeping the financial records shall report to and be responsible to the Treasurer. General duties of the Treasurer shall include, but shall not be limited, to: (a) maintaining all financial records of the Association, (b) collecting, issuing receipts for, and depositing all funds in such accounts as the Board may direct, (c) paying bills as authorized by the Board or in accordance with authorized procedures, (d) preparing budgets for submission to the Board, (e) submitting all account records for professional audit or review as directed by the Board, and (f) serving as an ex officio member of the Finance Committee.

ARTICLE X. COMMITTEES

Section 1: Advisory Nature: All Committees shall be advisory, and their reports and recommendations shall be made to the Board for its action.

Section 2: Standing Committees and Term of Service: There shall be the three (3) following standing Committees whose members shall be appointed by the Chairman to serve for one (1) year and who shall be eligible for reappointment.

- a. **The Finance Committee:** The Finance Committee, together with the Treasurer who shall be an ex officio member, shall (1) present to the Board an annual operating budget to include funds for maintenance, contingencies, and reserves, (2) oversee all the Association's financial matters, and (3) make such additional financial recommendations as the Board may request or the Committee may deem appropriate. After the Board has adopted or modified the Committee's proposed budget, the Board shall send a copy of it to every member of the Association.
- b. **The Nominating Committee:** The Nominating Committee shall, prior to November 1st of each year, prepare and present to the Board a slate of candidates in sufficient number to fill all Board positions. The Secretary shall send this slate of candidates to every member of the Association in advance of the annual meeting as provided in Article VII, Section 3 above.
- c. **The Architectural Committee:** The Architectural Committee, as provided by Article IV of the Declaration of Covenants, Conditions, and Restrictions, shall carefully examine and make written recommendations to the Board regarding any and all proposed plans for any structural or decorative changes in the buildings, grounds, or physical facilities of

VILLA CATALINA. The concern of the Committee shall focus on the quality of the proposed changes and their overall harmony with the existing structures and decor.

Section 3: Other Committees: There shall be such other Committees as the Board may authorize, whether permanent or temporary.

Section 4: Committee Minutes and Committee Reports: Each Committee shall keep minutes of its meetings and shall submit its reports and recommendations, preferably in writing, to the Board. Such reports and recommendations shall be kept on file by the Secretary.

ARTICLE XI. FINANCES

Section 1: Annual Assessments: The Association shall be financed by assessments fixed on an annual basis by the Board. Such assessments, expressed in terms of a single sum, and based on each Owner's Percentage Share in the Common Elements, shall be payable in advance on a monthly basis on the first day of each month. However, the Board may also permit advance quarterly, semi-annual, or annual payments.

Section 2: Use of Annual Assessments: The annual assessments shall be used to meet operating expenses, to provide for capital repairs, replacements, and improvements, and to pay for such other expenses as the Board determines to be necessary and appropriate and in accord with approved budgetary procedures.

Section 3: Levying a Special Assessment: The Board shall also have the power, with the assent of two-thirds of the Members voting in person or by proxy at a Special Meeting of the Association, to levy a special or extraordinary assessment upon each member with payment made on a monthly, quarterly, semi-annual, or annual basis. Such funds shall

be used only for the specific purpose or purposes for which they were levied.

Section 4: Annual Financial Reports and Availability of Association Documents: The Board, as a common expense, shall obtain an annual financial report of all matters pertaining to the operation of the Association. The books, records, and papers of the Association shall at all times, during reasonable hours, be subject to inspection by any member at the principal office of the Association, and copies of them may be purchased at a reasonable cost. Any Owner may at any reasonable time, at his or her own expense, request an audit or inspection to be made of the books and records of the Association pertaining to the Property.

Section 5: Fiscal Year: The fiscal year of the Association shall run from January 1st through December 31st.

ARTICLE XII. RULES AND PROCEDURES

Section 1: Issuance of Rules; Penalties: The Board shall establish and publish such Rules and Procedures as it may from time to time deem necessary (a) for the operation, use, preservation, and maintenance of the common facilities and (b) for the conduct of residents and their guests. In addition, the Board shall have the right to impose fines or other appropriate penalties for violation of the Rules.

Section 2: Procedure for Changing the Rules: Any member may at any time propose revisions, additions, or deletions to the Rules and Procedures. Such proposals shall be made in writing and addressed to the Board. As soon thereafter as possible the Board shall inform the member who made the proposal or proposals of the action it intends to take.

Section 3: Copies of Association Documents Provided for All Members: All members and prospective members of the Association shall be provided with one (1) copy of each of the following: The Declaration, the Articles, the Bylaws,

the current Rules and Procedures, and the Association's most recent financial statements. They shall also be provided with any Amendments or other changes made to these documents.

ARTICLE XIII. USE OF INCOME

No part of the net earnings of the Association shall be used (except to provide for the management, maintenance, and care of the Property and except as a rebate of excess assessments) to the benefit of any Officer, Director, Member, or other private individual. Nevertheless, the Association shall be empowered to pay said person or persons reasonable compensation for services rendered in furtherance of its corporate purposes.

ARTICLE XIV. INTERPRETATION

The provisions of these Bylaws shall be liberally construed in order to accomplish their purpose of creating a uniform plan for the development and operation of VILLA CATALINA. The failure to seek enforcement of any provision hereof, by any or all parties entitled to enforce the same, shall not constitute a waiver of the right to enforce said provision or any other provisions hereof. These Bylaws shall be enforceable in the same manner and to the same extent as the Covenants are enforceable.

ARTICLE XV. SEVERABILITY

The provisions of these Bylaws shall be deemed independent and severable, and the invalidity or unenforceability of any single provision or portion hereof shall not affect the validity or enforceability of any other provision hereof.

ARTICLE XVI. AMENDMENT

These Bylaws may be amended by a majority vote of all of the eligible members of the Association, whether present in person or by proxy, at any annual or special meeting of the Association provided that proper notice shall have been given as required under Article VII, Section 3 above.

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The foregoing Bylaws have been adopted by the affirmative written consent of a majority of all the members of the VILLA CATALINA HOMEOWNERS' ASSOCIATION, INC., on this 20th day of June, 1990.

Certified for the Association by:

Colgan Mumma

Chairman

Mary J. Kelley

Secretary