

**BY-LAWS
OF
BLOSSOM ROCK RESIDENTIAL ASSOCIATION, INC.**

Section 1. Name, Principal Office, Definitions.

1.1. Name. The name of the corporation is Blossom Rock Residential Association, Inc. (the "Association").

1.2. Principal Office. The Association's principal office shall be located in Maricopa County, Arizona. The Association may have such other offices as the Board may determine or as the Association's affairs 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 the recorded Declaration of Covenants, Conditions, Restrictions and Easements for Blossom Rock Residential Community (as amended from time to time, the "Residential Declaration").

Section 2. Membership: Owner Meetings, Quorum, Voting, Proxies

2.1. Membership. The Residential Association initially has two classes of membership: the Owner Membership, which is comprised of all Owners, including Builders, and the Residential Declarant Membership, which consists solely of Residential Declarant. Provisions of the Residential Declaration pertaining to Membership are incorporated by this reference.

2.2. Owner Meetings.

2.2.1. The first Owner meeting, whether a regular or special meeting, shall be held within one year after the Association's incorporation.

2.2.2. The Association shall hold Owner meetings at the Association's principal office or at such other suitable place within Arizona the Board may designate.

2.2.3. The Board shall schedule regular annual Owner meetings to occur within 90 days before or after the close of the Association's fiscal year, on such date and at such time and place within Arizona as the Board shall determine.

2.2.4. The President may call special Owner meetings. In addition, the President or the Secretary shall call a special Owner meeting if so directed by Board resolution or upon a petition signed by Owners representing at least 10% of the total Owner Memberships in the Association.

2.3. Notice of Owner Meetings. The President, the Secretary, or the officers or other persons calling a meeting of the Owners shall cause written notice of such meeting to be given to each Owner stating the place, day, and time of the meeting, as well as the purpose or purposes

for which the meeting is called. No business shall be transacted at a special Owner meeting except as stated in the notice. Such notice shall be given by such means as permitted under Section 9.5 below, at least 10 but not more than 50 days before the date of such meeting.

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

2.5. Adjournment of Meetings. If any Owner meeting cannot be held because a quorum is not present, the Owners representing a majority of the votes present at such meeting may adjourn the meeting to a time at least five but not more than 60 days from the scheduled date of the original meeting. 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 those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Board shall provide notice to the Owners of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

Owners present at a duly called or held Owner meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of enough Owners to leave less than a quorum, provided at least a majority of the votes required to constitute a quorum must approve any action taken.

2.6. Voting. Owners shall have such voting rights as are set forth in the Residential Declaration, which provisions are specifically incorporated by this reference. Owners shall be entitled personally to cast the votes attributable to their respective Residential Properties on any issue requiring a vote of the Owners under the Residential Documents.

2.7. Absentee Ballots. On any matter to be voted on by the Owners, each Owner may vote in person or by absentee ballot, subject to the limitations of Arizona law (including without limitation A.R.S. § 33-1812) and subject to any specific provision to the contrary in the Residential Declaration or these By-Laws.

Every absentee ballot shall be in writing, shall identify the name and address of the Owner, the Property for which it is given, signed by the Owner, dated, and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the absentee ballot specifically provides otherwise, an absentee ballot shall be presumed to cover all votes that the Owner giving such absentee ballot is entitled to cast, and in the event of any conflict between two or more absentee ballots purporting to cover the same voting rights, the later dated absentee ballot shall prevail, or if dated as of the same date, both shall be deemed invalid.

2.8. Quorum. Except as these By-Laws or the Residential Declaration otherwise provide, the presence of Owners representing 10% of the total votes in the Association shall constitute a quorum at all Owner meetings.

2.9. Conduct of Meetings. The President or a Board-approved designee shall preside over all Owner meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are kept with the Association's books.

2.10. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Owners may be taken without a meeting, without prior notice, and without a vote if Owners representing at least the minimum number of votes necessary to authorize such action at a meeting, if all Owners entitled to vote on such matter were present and voted, sign a written consent specifically authorizing the proposed action. Such consents shall be signed within 60 days after receipt of the earliest dated consent, dated, and delivered to the Association. Such consents shall be filed with the Association's minutes and shall have the same force and effect as a vote of the Owners at a meeting.

Section 3. Board of Directors: Selection, Meetings, Powers

3.1. Board; Qualifications. Except as otherwise expressly provided in the Residential Declaration or these By-Laws, the Board shall govern the affairs of the Association. Each director shall have one vote. Except with respect to directors appointed by Residential Declarant, directors shall be Owners or residents (provided that, in the case of an Owner that is not a natural person, any officer, director, partner, or other legal representative of such Owner is eligible to serve as a director) and each director must represent a different Residential Property. For purposes of this Section 3.1, a "resident" is any person 18 years of age or older whose principal residence is within the Residential Community.

3.2. Number of Directors. The Board shall consist of three to five directors, as provided in Section 3.3 below.

3.3. Selection of Directors; Term of Office.

3.3.1. The initial Board shall consist of the three directors identified in the Articles, who shall serve until their successors are appointed or elected as provided in this Section.

3.3.2. Residential Declarant may appoint, remove, and replace Board members until termination of the Residential Declarant Control Period; provided that, during such period, the Owners shall be entitled to elect a minority of the total number of directors (a director elected by the Owners being referred to as an "Owner Director") according to the following provisions:

- (i) Within 30 days after the date on which Owners other than Builders first own 25% or more of the Residential Properties permitted by the Master Plan or whenever Residential Declarant earlier determines, the President

shall call for an election in which the Owners shall be entitled to elect one of the three directors. The remaining directors shall be appointees of Residential Declarant. Such Owner Director's term shall expire on the date of the second annual meeting following his or her election. Upon expiration of such term, and thereafter upon the expiration of each successor's term, a successor director shall be elected by the Owners for a two-year term.

- (ii) Within 30 days after the date on which Owners other than Builders first own 50% or more of the Residential Properties permitted by the Master Plan or whenever Residential Declarant earlier determines, the Board shall be increased to five directors and the President shall call for an election in which the Owners shall be entitled to elect an additional director. The Owner Director elected pursuant to subsection (i) above shall continue to serve and Residential Declarant shall appoint the remaining three directors. The term of the Owner Director elected pursuant to this subsection shall expire on the date of the second annual meeting following his or her election. Upon expiration of such director's term, and thereafter upon the expiration of each successor's term, a successor director shall be elected by the Owners for a two-year term.

3.3.3. Upon termination of the Residential Declarant Control Period, the directors shall be selected according to the following provisions:

- (i) Within 90 days after termination of the Residential Declarant Control Period, the President shall call for an election in which the Owners shall be entitled to elect two additional directors. The Owner Directors elected pursuant to Subsections 3.3.2(i) and 3.3.2(ii) above shall continue to serve and Residential Declarant shall appoint the remaining director. The Owner Directors elected pursuant to this subsection shall serve until the first annual meeting following the termination of the Residential Declarant Control Period.
- (ii) Until termination of the Residential Declarant Membership, Residential Declarant shall be entitled to appoint, remove, and replace the fifth director. Upon termination of the Residential Declarant Membership, the director appointed by Residential Declarant shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which time the Owners shall be entitled to elect a director to fill such position, for a term of two years.
- (iii) Upon expiration of the term of office of each Owner Director, the Owners entitled to elect such director shall be entitled to elect a successor to serve a term of two years. Owner Directors shall hold office until their respective successors have been elected. Directors may serve any number of consecutive terms.

Notwithstanding any other provision of these By-Laws to the contrary, (a) Residential Declarant may at any time relinquish (permanently or temporarily) its right to appoint, remove, and replace any one or more directors, by giving notice of such relinquishment to the President of the Association, in which case the applicable director seat(s) shall be filled by an election by the Owners, and (b) if necessary to establish staggered terms for the directors, the Board may, for one time only, provide that two directors be elected to serve one term of three years.

The following table illustrates the foregoing transition of control over selection of directors (assuming Residential Declarant does not relinquish any of its rights regarding appointment of directors):

TRANSITION OF CONTROL OF BOARD OF DIRECTORS				
Initial Board	After 25% of Permitted Residential Properties Conveyed	After 50% of Permitted Residential Properties Conveyed	90 Days After Termination of Residential Declarant Control Period	After Termination of Residential Declarant Membership
Residential Declarant	Owner	Owner	Owner	Owner
Residential Declarant	Residential Declarant	Owner	Owner	Owner
Residential Declarant	Residential Declarant	Residential Declarant	Owner	Owner
		Residential Declarant	Owner	Owner
		Residential Declarant	Residential Declarant	Owner

3.4. Nomination of Candidates. Prior to each election of a director, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate. The Board also may appoint a nominating committee to make nominations for election to the Board. All candidates shall have a reasonable opportunity to communicate their qualifications to the Owners and to solicit votes.

3.5. Election Procedures. At each election, voting shall be by ballot delivered by mail, electronically, or at a meeting, as the Board determines. Each eligible Owner may cast all votes allocated to his or her Residential Property for each position to be filled from any slate of candidates on which such Owner is entitled to vote. Under no circumstances shall cumulative voting be permitted in any election of directors.

3.6. Removal of Directors and Vacancies.

3.6.1. Any Owner Director may be removed, with or without cause, by a majority vote of those Owners voting on the matter at a meeting of the members. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director by Owners, such Owners shall elect a successor for the remainder of the term of such director. For purposes of calling for removal of any Owner Director, the following apply:

3.6.1.1. On receipt of a petition that calls for removal of an Owner Director and that is signed by the number of persons prescribed by A.R.S. § 33-1813, the Board shall call and provide written notice of a special meeting of the Owners as prescribed by Section 2.3.

3.6.1.2. The special meeting of the Owners shall be called, noticed and held within thirty (30) days after receipt of the petition.

3.6.1.3. For purposes of a special meeting of the Owners called pursuant to this Section 3.6.1, a quorum is present if the number of Owners who are eligible to vote at the time the person attends the meeting equal to at least twenty percent (20%) of the votes of the Association or the number of persons who are eligible to vote in the Association at the time the person attends the meeting equal to at least one thousand (1,000) votes, whichever is less, is present at the meeting in person or as otherwise permitted by law.

3.6.1.4. A petition that calls for the removal of the same Owner Director shall not be submitted more than once during each term of office for that Owner Director.

3.6.2. At any meeting of the Board at which a quorum is present, a majority of the directors may remove any Owner Director who (i) has three consecutive unexcused absences from Board meetings; (ii) is more than 30 days delinquent (or resides in a Residential Property owned by an Owner who is so delinquent) in the payment of any Fee, Assessment or other charge due the Association; or (iii) fails to cure a violation of the Residential Documents pertaining to his or her Residential Property after being given notice from the Board or its designee and a reasonable opportunity to cure such violation. In such case, the Board may appoint a successor to fill the vacancy for the remainder of the Owner Director's term, subject to the requirements of Section 3.1.

3.6.3. Residential Declarant shall appoint a successor to fill any vacancy on the Board resulting from the death, disability, removal or resignation of a director appointed by Residential Declarant. In the event of the death, disability, or resignation of an Owner Director, the Board may declare a vacancy and appoint a successor to fill the vacancy for the remainder of the Owner Director's term, subject to the requirements of Section 3.1.

3.7. Board Meetings.

3.7.1. The Board shall hold an organizational meeting within 30 days following each annual Owner meeting at such time and place as the Board shall fix for the purpose of electing officers and providing for such other functions as deemed appropriate.

3.7.2. The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall meet at least four times during each fiscal year with at least one meeting per quarter.

3.7.3. The Board shall hold special meetings when called by written notice by the President, Vice President, or any two directors, or upon a petition signed by Owners representing at least 10% of the total Owner Memberships in the Association.

3.8. Notice of Meetings; Waiver of Notice. The Secretary or the President shall give notice of each Board meeting to each director. Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. Subject to the requirements of Section 3.12, actions at any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each director 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.

3.9. Telephonic Participation in Meetings. Members of the Board may participate in a Board meeting by telephone or other communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence at such meeting.

3.10. Quorum of Board. At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless Arizona law, these By-Laws, or the Residential Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the departure of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, the President or a majority of the directors present 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 the Board may transact, without further notice, any business it might have transacted at the original meeting.

3.11. Conduct of Meetings. The President or any designee the Board approves by resolution shall preside over all Board meetings. The Secretary shall ensure that minutes of the

meetings are kept and that all resolutions and all transactions occurring at such meetings are included in the Association's records.

3.12. Open Meetings; Executive Session.

3.12.1. Subject to the provisions of Sections 3.12.2 and 3.13 below, all Board meetings shall be open to all Owners, but only directors may participate in any discussion or deliberation unless an Owner is expressly authorized to participate by a vote of a majority of a quorum of the Board or by applicable law. In such case, the President may limit the time any such individual may speak. Notwithstanding the foregoing, at any Board meeting, the Board shall give any representative of Residential Declarant the opportunity to be heard on any proposed action, policy, or program, or any other matter deemed relevant by Residential Declarant.

3.12.2. Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to consider any of the matters specified in Section 33-1804(A)(1)-(4) of the Arizona Revised Statutes. The Board also shall meet in executive session to discuss an Owner's appeal of any violation cited or penalty imposed by the Association, and the Owner shall be entitled to attend such executive session; provided, however, that on request of the affected Owner that the discussion be conducted in an open session, such discussion shall be conducted in open session.

3.13. Action Without a Formal Meeting. Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if all the directors sign a written consent setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote. The Board shall post a notice of any Board action taken pursuant to this Section in a prominent place within the Residential Community (or by electronic communication pursuant to Section 9.5 below) within three (3) business days after obtaining all written consents to an action.

3.14. Powers. The Board shall have the power to administer the Association's affairs, perform the Association's responsibilities, and exercise the Association's rights as set forth in the Residential Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Residential Documents or Arizona law require to be done and exercised by the Owners.

3.15. Duties. Subject to and in accordance with the provisions of the Residential Declaration, the Board's duties shall include, without limitation:

- (i) preparing and adopting the Budget;
- (ii) levying and collecting Fees and Assessments;
- (iii) providing for the operation, maintenance, repair and improvement of the Area of Residential Responsibility;
- (iv) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment,

- supplies, and materials to be used by such personnel in the performance of their duties;
- (v) opening bank accounts on the Association's behalf and designating the signatories required;
 - (vi) depositing all funds received on the Association's behalf in a bank depository which it shall approve and using such funds to operate the Association; however, in the Board's business judgment any reserve funds may be deposited in depositories other than banks;
 - (vii) making and amending the Residential Standards;
 - (viii) enforcing by legal means the provisions of the Residential Documents;
 - (ix) obtaining and carrying property and liability insurance and fidelity bonds, paying the cost thereof, and filing and adjusting claims, as appropriate;
 - (x) contracting for and paying the cost of all services rendered to the Association;
 - (xi) keeping a detailed accounting of the Association's receipts and expenditures;
 - (xii) making available to any prospective purchaser of a Residential Property, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Residential Property, current copies of the Residential Documents and such other books and records of the Association as required under Section 33-1806 of the Arizona Revised Statutes;
 - (xiii) permitting utility suppliers to use portions of the Areas of Residential Responsibility reasonably necessary to the ongoing development or operation of the Residential Community;
 - (xiv) indemnifying, defending and holding harmless the Board Representatives to the extent required by Arizona law, the Residential Declaration, the Articles and these By-Laws; and
 - (xv) carrying out all other duties imposed by law, the Residential Declaration and these By-Laws.

3.16. Conflicts of Interest. Unless otherwise approved by a majority of the other directors, no Owner Director may transact business with the Association or any Association contractor during his or her term as director or within two years after the term expires. An Owner Director (including a former director during the foregoing two-year period) shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members and/or rescission of any contract between such director (or former director) and the Association or Association contractor.

Section 4. Officers.

4.1. Officers. The Association's officers shall include a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not, be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and Assistant Treasurers, as it shall

deem desirable, such officers to have such authority and perform such duties as the Board prescribes. 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 Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Owners, to serve for a term of one year or until their successors are elected.

4.3. Removal and Vacancies. The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties. The Association's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Treasurer shall have primary responsibility for preparing the Budget and for giving notice of the Budget in accordance with the Residential Declaration.

4.5. Resignation. Any officer may resign at any time by giving 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 a later time specified therein. Unless the resignation specifies otherwise, acceptance of such resignation shall not be necessary to make it effective.

Section 5. Committees.

5.1 General. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. Appointment of a committee and delegation of responsibility to such committee shall not relieve the Board of ultimate responsibility for such matters.

5.2 Covenants Committee. In addition to any other committees that the Board may establish, the Board may appoint a Covenants Committee consisting of Owners who are not officers, directors, or employees of the Association, or the spouse, parent, sibling, or child of any officer, director, or employee. Acting in accordance with the provisions of the Residential Documents, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 8 of these By-Laws. The Covenants Committee shall have no responsibility for seeking out violations of the Residential Documents.

5.3 Neighborhood Committee. The Owners within any Neighborhood may elect a Neighborhood Committee to determine the nature and extent of services, if any, which it desires the Association to provide to the Neighborhood, over and above those services which the Association provides to all Residential Properties in the Residential Community. A

Neighborhood Committee, if elected, shall consist of Owners of Residential Properties in the Neighborhood.

5.4 Procedures. Unless the Board specifies otherwise, or unless otherwise required by Applicable Law, (a) each Committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11, (b) meetings of each Committee shall be open to all Owners, except that a Neighborhood Committee meeting need not be open to Owners of Residential Properties located outside the applicable Neighborhood, and (c) members of a Committee may act by unanimous written consent in lieu of a meeting.

Section 6. Liability and Indemnification.

To the fullest extent permitted by Applicable Law, the Association shall indemnify, defend and hold harmless all Board Representatives as set forth in Section 4.3 of the Residential Declaration.

Section 7. Management and Accounting.

7.1. Compensation of Directors and Officers. The Association shall not compensate directors and officers for acting as such. The Association may reimburse any director or officer for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors.

7.2. Right of Residential Declarant to Disapprove Actions. Until expiration of the Residential Declarant Membership, Residential Declarant shall have the right to disapprove any action, policy, or program of the Association, the Board and any committee which, in Residential Declarant's sole judgment, would tend to impair rights of Residential Declarant under the Residential Declaration or these By-Laws, interfere with development or construction of any portion of the Residential Community, or diminish the level of services the Association provides. Residential Declarant, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was approved, or in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following Residential Declarant's receipt of notice of the approved action. The foregoing right of Residential Declarant to disapprove actions does not include the right to require any action of any committee, the Board, or the Association. Residential Declarant shall not use its right to disapprove to reduce the level of services the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

7.3. Manager. The Board may employ a professional management agent (the "Manager") at such compensation as the Board may establish, to perform such services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the Manager's assigned duties but shall not delegate policymaking authority or ultimate responsibility for those duties set forth in Section 3.15 above. The Board may employ Residential Declarant or any Residential Declarant Party as Manager, and may employ as Manager the same Person so employed by any other Association(s). The Board may delegate to one of the directors the authority to act on its behalf on all matters relating to the duties of the

Manager which might arise between Board meetings. The Manager shall not accept remuneration 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. The Manager (unless it is a Residential Declarant Party) shall promptly disclose to the Board any financial or other interest which it (or any of its owners, officers and directors) may have in any firm providing goods or services to the Association.

7.4. Accounts and Reports.

7.4.1. The Board shall ensure that its accounting and controls conform to generally accepted accounting principles and that its cash accounts are not commingled with any other accounts.

7.4.2. Commencing at the end of the quarter in which the sale of the first Residential Property is closed, financial reports shall be prepared for the Association at least quarterly containing:

- (i) an income statement reflecting all income and expense activity for the preceding period;
- (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
- (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (iv) a balance sheet as of the last day of the preceding period; and
- (v) a delinquency report listing all Owners who are delinquent in paying any Fee, Assessment or other charge at the time of the report (any Fee, Assessment or other charge or any installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution).

7.4.3. An annual report consisting of at least the following shall be made available for Owners' review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines.

7.5. Borrowing. The Association shall have the power to borrow money for any legal purpose. Before the expiration of the Residential Declarant Membership, no Mortgage or lien shall be placed on any portion of any Area of Residential Responsibility without the affirmative vote or written consent, or any combination thereof, of Owners representing at least 51% of the total votes in the Association. However, if the proposed borrowing is for the purpose of making

discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, would exceed 20% of the expenses in the Budget for the pending fiscal year, then the Board must first secure the affirmative vote or written consent of Owners representing at least 50% of the Memberships.

7.6. Right to Contract. The Association shall have the right to contract with any Person for the performance of various duties and functions, subject to Board approval and subject to the provisions of the Residential Documents. This right shall include, without limitation, the right to enter into common management, operational, cost-sharing or other agreements with condominiums and other owners or residents associations, including other Associations, within and outside the Residential Community.

7.7. Execution of Contracts, Checks, Etc. All Association agreements, contracts, deeds, leases, checks, and other instruments shall be executed by at least two officers or by such other person or persons as the Board may designate by resolution.

Section 8. Enforcement Procedures.

Where the Residential Declaration expressly requires a hearing as provided in these By-Laws with respect to a violation of any Residential Document, and subject to the requirements of A.R.S. § 33-1803 for violations arising from the condition of the Owner's property, the terms of this Section 8 shall apply.

8.1 Notice and Response. The Board shall give the alleged violator a notice describing the nature of the alleged violation and the proposed sanction to be imposed, and stating that the alleged violator shall have 10 days to present a written request for a hearing to the Board and that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within 10 days of the notice.

The alleged violator shall respond to the notice of the alleged violation in writing within such 10-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such 10-day period the Board may, but shall not be obligated to, waive the sanction.

Prior to the effectiveness of sanctions imposed pursuant to this Section, proof of proper notice shall be placed in the minutes of the Board. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner in which the notice was given, is entered by the officer, director, or agent who gave such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

8.2 Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meetings of the Board shall contain a written statement of the results of the hearing and the sanction, if any, to be imposed.

If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-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.

8.3 If the Board establishes a Covenants Committee, then some or all of the functions of the Board under this Section 8 may be performed by the Covenants Committee, as specified by the Board; provided that in such case, the violator shall have the right to appeal the decision to the Board. To exercise this right, the violator must give a notice of appeal to the President or Secretary within 10 days after the date of the hearing before the Covenants Committee.

Section 9. Miscellaneous.

9.1. Fiscal Year. The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

9.2. 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 or the Residential Documents.

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

9.4. Books and Records.

9.4.1. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a First Mortgage, any Owner, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Residential Property: the Residential Documents, the books of account, and the minutes of meetings of the Owners, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Residential Community as the Board shall designate. In addition, the Association shall comply with the requirements of Section 33-1806 of the Arizona Revised Statutes with respect to Association records and information to be provided to prospective purchasers upon request.

9.4.2. The Board may establish rules with respect to notice to be given to the custodian of the records, hours and days of the week when such an inspection may be made, payment of the cost of reproducing documents requested, and similar matters.

9.4.3. Subject to a director's duty of loyalty and confidentiality, every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties owned or controlled by the Association. A director's right of inspection includes the right to make a copy of relevant documents at the Association's

expense. The Board may adopt a policy regulating a director's use and disclosure of Association's books, records, documents, and information, including sanctions for violating such policy that may include removal from the Board.

9.5. Notices. Except as otherwise provided in the Residential Declaration or these By-Laws or by law, all notices, demands, bills, statements, or other communications under the Residential Declaration or these By-Laws shall be in writing and may be delivered in person, by courier, or by United States mail, certified, return receipt requested. Notices shall be delivered or sent to the intended recipient as follows:

If to an Owner: at the address the Owner has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Residential Property of such Owner

If to the Board: at the address of the principal office of the Association, or at such other address as the Association shall designate by notice in writing to the Owners pursuant to this Section

If to the Residential Declarant: at the address Residential Declarant has designated in writing and filed with the Secretary or, if no such address has been designated, at the principal office for Residential Declarant as it appears in the Arizona Corporation Commission's records

Notice shall be deemed to have been duly given and effective two (2) business days after deposit with the U.S. Postal Service, if sent by United States mail, when actually delivered to the required address, if delivered personally or by courier.

If and when the Association has implemented an intranet network allowing electronic communication among Owners and between Owners and the Association, notices of regular and special meetings of the Owners, the Board or any committee may be given by means of electronic communication through such intranet network, in each case at the email address the Owner has designated in writing and filed with the Secretary.

9.6. Amendment.

9.6.1. By Residential Declarant. Until the first conveyance of any Residential Property to any Person other than a Residential Declarant Party, Residential Declarant may unilaterally amend these By-Laws for any purpose. Thereafter, Residential Declarant may unilaterally amend these By-Laws at any time and from time to time if such amendment is reasonably necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable a title insurance company to issue title insurance coverage on any Residential Property; (iii) to enable an institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on a Residential

Property; (iv) to satisfy the requirements of any local, state, or federal governmental agency; or (v) as necessary to clarify or correct technical, typographical or scrivener's errors. Notwithstanding the foregoing, or any other provision of the Residential Documents, until the end of the Development and Sale Period, Residential Declarant may amend these By-Laws in any manner that has no material adverse impact on any Owner.

9.6.2. By Owners. After the end of the Development and Sale Period, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing at least 67% of the Memberships, or by the Board upon the approval of at least 67% of the directors. 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. No amendment may remove, revoke, or modify any right or privilege of Residential Declarant without the written consent of Residential Declarant or the assignee of such right or privilege.

9.6.3. Validity of Amendments. Any procedural challenge to an amendment must be made within six months of its adoption, 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.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Blossom Rock Eastmark Residential Association, Inc., an Arizona non-profit corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted by unanimous consent of the Board on the 8th day of November, 2022.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 8th day of November, 2022.



Kim Duffy, Secretary