

BY-LAWS
OF
STARLIGHT PINES HOMEOWNERS ASSOCIATION

ARTICLE I

Name

Section 1: The name of the Corporation shall be STARLIGHT PINES HOMEOWNERS ASSOCIATION.

ARTICLE II

Membership

Section 1: Reference to Declaration of Covenants.

Reference is made to that certain Declaration of Covenants, Assessments, Charges, Liens, Reservations and Easements recorded on April 3, 1984, in Docket 971, pages 851 through 876, inclusive, Records of Coconino County, Arizona (hereinafter called the "Declarations"). The Declaration, as amended and supplemented from time to time as therein provided, is incorporated herein by reference. There are six (6) separate units of land to be developed within the property described in the Declarations, and each unit shall elect one member of the Board of Directors.

Section 2: Qualification for Membership; Voting Authorized.

Every Owner (as said term is defined in the Declaration) of a Lot (as said term is defined for voting purposes, in the Declaration) shall be a member of the Corporation (hereinafter called the "Association"). Each Owner shall be entitled to cast one vote for each Lot (as said term is defined, for voting purposes, in the Declaration) to which such Owner holds record legal title.

Section 3: Corporate Owner.

If the Owner of any Lot is a partnership, corporation, association or other entity, then such Owner shall designate, in writing to the Secretary of the Association, a representative who shall have the sole power to vote on behalf of such Owner. If the Owner fails to designate a representative as aforesaid, any vote purportedly cast by said Owner shall be void. The representative may be changed upon written notice from the Owner to the Secretary of the Association at any time, except within the thirty days preceding an election.

Section 4: Owner Consisting of More than One Person.

If the Owner of any Lot consists of more than one person or entity, the membership as to each such Lot shall be deemed a single membership. Such persons or entities shall either designate, in writing to the Secretary of the Association, one of themselves (or a representative, if a corporation or other entity is designated) who shall have the sole power to vote on behalf of the Owner, or all such persons who comprise the Owner shall sign the ballot on which the vote is cast. Any person designated to vote on behalf of the Owner as aforesaid may be changed upon written notice from the Owner to the Secretary of the Association at any time, except within the thirty days preceding an election. If any vote purportedly cast on behalf of an Owner (who consists of more than one person or entity) is not cast by the persons designated above, then any such vote shall be void.

Section 5: Termination of Membership.

An Owner's membership in the Association automatically shall cease when such Owner ceases, for any reason whatsoever, to hold record legal title to his Lot. Thus, upon recordation of a deed or other instrument (excluding a contract or agreement for sale) transferring legal title to a Lot, the person or entity disposing of or transferring the record legal title shall cease to be an Owner and have no voting rights hereunder; the person or entity acquiring the record legal title shall be the Owner entitled to vote.

Section 6: Membership List.

Membership in the Association shall be officially evidenced by a list of the names and last known addresses of the Owners of Lots within the Property, which list shall be kept and maintained by the Secretary of the Association, in writing, of any change of his address.

ARTICLE III

Elections by the Membership

Section 1: Annual Elections.

The annual election for the members shall be held on the second Monday of June of each year. This provision shall mean that all ballots shall be deposited in the mail by the member and postmarked on or before twelve o'clock midnight of said date each year.

Section 2: Special Elections.

Special elections for the members may be held at such times as may be fixed by the Board of Directors whenever called in writing by the President, the Vice-President, a majority of the Board of Directors, or twenty-five (25%) of the members.

Section 3: Notices.

The Members of the Association shall be notified by written notice mailed to the last known address of each member. The Secretary of the Association shall mail said notices at least sixty (60), but not less than forty-five (45) days before the date of the annual election. The notices shall state the final date on which votes may be cast in said election. ~~Special meetings may be called and noticed in like manner, but any such~~ notice shall designate the purpose of the election. ~~In all cases, the date of mailing of the notices shall be considered the~~ effective date such notices were given. Notices shall be given only to members appearing as such on the official list of members as of sixty (60) days prior to the date the notices are mailed to the members.

Section 4: Members Entitled to Vote.

At any election for the members, only those members who appear on the Association's official list of members sixty (60) days prior to the election shall be entitled to vote; and only those persons designated under Sections 2, 3, and 4 of Article II shall be entitled to cast the vote on behalf of the members at any such election.

Section 5: Voting.

Members shall cast their votes (one vote for each Lot owned by any such member) on the ballot sent to the member with the notice of election. In order for the votes to be valid, the member must (a) describe on the ballot each Lot for which he is casting a vote, (b) sign the ballot and (c) enclose the ballot in the envelope (which was sent to the member along with the notice and ballot) and mail it. (The postmark on the envelope shall be no later than 12:00 midnight on the last day of the election indicated in the notice). Except as otherwise set forth in the Declaration, or the Articles of Incorporation, or elsewhere in these By-Laws, a majority of the votes cast shall be necessary to pass or adopt any proposition or matter submitted to the members in an election. The envelopes containing the ballots shall be addressed to the office of the Association for the purpose of tabulating the votes. The President and Secretary will report ~~the results of the election~~ to the Board of the Association within seven (7) days (excluding Saturday, Sundays and holidays) after the last date on which the ballots were permitted to be mailed to the Secretary of the Association.

ARTICLE IV

Directors

Section 1: Management.

The control and management of the property, affairs and business of the Association shall be vested in a Board of

Directors of not less than three (3) nor more than six (6) members. The number of Directors shall be set each year by vote of the members.

Section 2: Election of Directors by Members.

The members shall be entitled to one vote per Lot as provided for in Article III hereof. Notice of the election by the members shall be given by the Secretary as set forth in Article III hereof. A ballot, a return envelope for the ballot and a brochure or information sheet on each candidate for a position on the Board to be filled by election of the members, shall be sent to the members, along with the notice. The candidates (i.e., the number of candidates required to fill the positions open for election by the members) with the highest number of votes shall be elected to the Board. For example, if one position is open for election by the members, the candidate with the highest number of votes shall be deemed elected; or, if two positions are open, the two candidates with the highest number of votes shall be deemed elected. If there is a tie vote among candidates for any position open for election by the members, a second election involving the candidate tied for that position shall be held within the next twenty (20) days following the first election, and the candidate with the highest number of votes at the second election shall be deemed elected to the Board.

Section 3: Nominations of Directors to be Elected by the Members.

A nominating committee, appointed by the Board of Directors, shall nominate one candidate for each position on the Board open for election by the members. The members may nominate as many additional candidates as they desire by submitting to the Secretary of the Association for each such candidate, a petition bearing the signatures of ten percent (10%) of members concurring in the nomination. All nominating petitions shall be submitted to the Secretary no later than sixty (60) days prior to the regular annual election.

Section 4: Term.

The term of each director shall be for one (1) year, commencing the day prior to the date of the regular annual meeting of the Board of Directors, or until his successor is elected and qualified. There shall be no limitations on the number of terms to which a director may be elected.

Section 5: Quorum.

A quorum for the transaction of business at any meeting of the directors shall consist of a majority of the directors then in office.

Section 6: Regular Meetings.

The regular annual meeting of the Board of Directors shall be held at Pine, Arizona, or at such other place within the State of Arizona as shall be determined by the Board, on the second Monday of June of each year. Additional regular meetings of the directors may be held without notice at regular intervals at such places and at such times as the Board of Directors from time to time by resolution may provide.

Section 7: Special Meetings.

Special meetings of the Board of Directors shall be held at such times and places as may be designated by the Board of Directors whenever such meetings are called orally or in writing by the President, Vice-President or a majority of the Board. Notices of special meetings shall be given to each director, orally or in writing, at least 48 hours before the time fixed for the meeting. Such notice shall advise each director as to the time, place, and general purpose of the meeting, and shall be delivered personally, or by telephone or telegram, or mail, postage prepaid, to each director at his last known address as it appears on the books and records of the Association. By unanimous consent of the directors, special meetings of the Board may be held at any time without call or notice or waiver of call and notice.

Section 8: Vacancies.

In the event of the death, resignation or termination of a director who was elected by the members, the Board shall elect the successor, who shall serve for the unexpired portion of the term of the vacant office being filled, or until the successor is elected and duly qualified.

Section 9: Expenses.

No director shall receive compensation for any service they may render to the Association. However, any director may be reimbursed for their actual expenses incurred in the performance of their duties, as approved by a majority of the Board of Directors.

ARTICLE V

Officers

Section 1: Designation of Officers.

The directors shall elect the officers of the Association at the annual meeting of the directors, provided, however, that elections of additional officers may be held at any other meeting of the Board of Directors specifically called for

such purpose. The officers of the corporation shall consist of a President, Vice-President, Secretary and Treasurer, who shall be members of the Board of Directors. In addition, the Board of Directors may appoint an executive secretary and one or more assistant secretaries, assistant treasurers or other assistant officers, who need not be members of the Association or of the Board of Directors, and who shall have such authority to perform such duties as may be prescribed by the Board of Directors or the President.

Section 2: Duties of Certain Officers.

(a) President. The President shall be the chief executive of the corporation. He shall preside at all meetings of the directors; shall be ex-officio a member of all standing or special committees; shall have general charge of the activities of the Association; shall sign on behalf of the Association all contracts and other written instruments to be executed by the Association; and shall see that all resolutions of the Board are carried into effect. They shall do and perform such other acts and duties as may be required of them by the Board of Directors, but their authority shall be subject to the control and direction of the Board of Directors at all times.

(b) Vice-President. The Vice-President, in the absence or disability of the President, shall perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

(c) Secretary. The Secretary shall record the minutes of all proceedings of each meeting of the Board in a book to be kept for that purpose; shall give or cause to be given notice of all elections for the members and meetings of the Board of Directors; shall keep an accurate list of all members of the Association and their addresses; shall take care of all correspondence under the supervision of the President; and shall perform such other duties as may be prescribed by the Board of Directors or the President. An Assistant Secretary, or Executive Secretary, if appointed, shall, in the event of the Secretary's absence or inability to act, perform the duties and functions of the Secretary.

(d) Treasurer. The Treasurer shall have the custody of the Association's funds and shall keep full and accurate accounts of receipts and disbursements, and shall deposit all moneys and do other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors. They shall disburse the funds of the Association as may be ordered by the Board, demanding proper vouchers for such disbursements and shall render to the President and the directors, as the Board may require, an account of all their transactions as Treasurer and a report of the financial condition of the Association. The Treasurer may be required to furnish a surety bond in the amount determined by the

Board, the premium of which shall be paid by the Association. An Assistant-Treasurer, if appointed, shall, in the event of the Treasurer's absence or inability to act, perform the duties and functions of the Treasurer.

Section 3: Other Employees.

The Board of Directors may engage the services of such other employees, including, but not limited to, an Executive Secretary and/or ~~Managing Director~~, as may from time to time be deemed necessary or advisable for the objects and purposes of the Association.

Section 4: Committees.

The Board of Directors may appoint an executive committee of such number of persons and with such powers in the management and direction of the affairs of the Association as shall be deemed proper by the Board of Directors. The President shall, with the approval of the Board of Directors, appoint such standing or special committees, councils or boards of such size as the President or Board of Directors may deem necessary to properly carry on the activities and effect the objects and purposes of the Association. Such committees shall perform such duties as the President or the Board of Directors may direct.

Section 5: Removal of Officers; Vacancies.

All officers, agents and employees shall be subject to removal at any time by the affirmative vote of the majority of the members of the Board of Directors then in office. Any vacancy caused by removal, resignation, death or for any other reason whatsoever may be filled by the Board of Directors as the Board may deem appropriate.

Section 6: Compensation.

The President, Vice-President, Secretary and Treasurer shall not receive any compensation for their services rendered to the Association. However, said officers may be reimbursed for their actual expenses incurred in the performance of their duties. The Board of Directors may fix and pay such compensation for other officers or employees of the Association as the Board deems proper.

ARTICLE VI

Amendments

Section 1:

The Board of Directors shall have the power to make, amend, and repeal the By-Laws of the Association by vote of a majority of all the directors present at any regular or special

meeting of the Board, provided that written notice of intention to make, amend or repeal the By-Laws in whole or in part shall have been given at the last preceding meeting or in the notice of the meeting, or without any such notice by vote of two-thirds (2/3) of all the directors. After thirty percent (30%) of the lots in the property have been sold, the members shall also have the right to make, amend or repeal the By-Laws, in whole or in part, at the annual election for member of the affirmative vote of a simply majority of the votes cast provided a notice signed by ten percent (10%) of the members setting forth the proposed change or amendment is filed with the Board of Directors sixty (60) days in advance of the election so that the proposed amendment can be placed in the members' ballots.

DATED this _____ day of _____, 198__.

