

BYLAWS OF
THE CAREFREE MOUNTAIN
ESTATES COMMUNITY ASSOCIATION

ARTICLE I

GENERAL

1.1 Name. The name of the homeowners association is The Carefree Mountain Estates Community Association (hereinafter the "Community Association").

1.2 Office. The principal office of the Community Association shall be at 6991 East Camelback Road, Suite B-111, Scottsdale, Arizona 85251. The Community Association may also have offices at such other places within and without the State of Arizona as the Board of Directors may from time to time determine or the business of the Community Association may require.

1.3 References to Articles. Any reference made herein to the Articles will be deemed to refer to the Community Association's Articles of Incorporation and all amendments thereto which are on file with the Arizona Corporation Commission at any given time, together with any and all certificates theretofore filed by the Community Association with the Arizona Corporation Commission pursuant to Arizona Revised Statutes §10-1029.

1.4 Declarant's Control of Community Association. Notwithstanding anything in the Declaration (as defined in Section 2.2 hereof) to the contrary, Declarant shall maintain absolute control over the Community Association, including appointment of the President and the Members of the Board, until the Transition Date (as defined in Section 4.5 hereof). Until the Transition Date, only Declarant will be entitled to cast any vote with respect to the election of directors to the Board, removal of directors or any other matter requiring the approval of the Members except a vote of the Members with respect to certain provisions of the Declaration as set forth in Section 14 thereof.

ARTICLE II

DEFINITIONS

2.1 Property. "Property" shall mean that parcel of real property together with all buildings, improvements, and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto as more particularly described on Exhibit A attached hereto and incorporated herein by reference.

2.2 Declaration. "Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions applicable to the Property described therein recorded in the Office of the County Recorder of Maricopa County, Arizona, on January 8, 1993, Document No. 9312236, as the same may be amended from time to time' in accordance with the terms thereof.

2.3 Declarant. "Declarant" shall mean R.J.L. Properties, Inc. or any successor thereto.

2.4 Other Definitions. All other definitions and terms used herein shall have the same meaning given them in the Declaration.

ARTICLE III

MEETINGS OF MEMBERS, MEMBERSHIP AND VOTING RIGHTS

3.1 Place of Meeting. All meetings of Members shall be held at such reasonable place as may be fixed from time to time by the Board of Directors, the President or the Secretary of the Community Association, as shall be stated in the Notice of Meeting or in a duly executed Waiver of Notice; provided, however, that such meetings shall be held within Maricopa County, Arizona.

3.2 Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Community Association and each subsequent annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 7:00 o'clock p.m., or at such other reasonable date and time (not more than sixty (60) days before or after such date) as shall be designated from time to time by the Board of Directors and stated in the Notice of Meeting. At the annual meeting of the Members, the same shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

3.3 Special Meetings. Special meetings of the Members may be called at any time by the President or the Board of Directors or shall be called by the President or the Secretary upon the written request of a majority of the Board of Directors or upon the written request of a majority of the Members.

3.4 Notice for Meetings Requiring Action by the Membership and Vote Constituting a Quorum. Written notice of any meeting called for the purpose of taking action by the membership should be sent out not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first meeting called, sixty percent (60%) of the membership entitled to vote, whether present or by proxy, would constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements. The required quorum at the subsequent meeting would be reduced to one-half (1/2) of Members from the previous meeting. This procedure shall be continued until a quorum is

achieved at a subsequent meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

3.5 Approval by Members. Unless otherwise specifically provided in the Declaration, the Articles or these Bylaws, any provision of the Declaration, the Articles or these Bylaws which requires the vote or assent of the Members of the Community Association shall be deemed satisfied by the following:

(a) The vote in person or by proxy of the specified percentage of Members at a meeting duly called and noticed pursuant to the provisions of the Articles or these Bylaws dealing with annual or special meetings of the Members;

(b) Written consents signed by the specified percentage of Members if provided in these Bylaws and permitted by law; or

(c) If no percentage of Members is otherwise specified, then the vote or written assent by a Majority of Members shall be required.

3.6 Membership and Voting Rights.

(a) There shall be one membership in the Community Association with one membership vote for each Lot. An Owner shall be entitled to one membership in the Community Association for each Lot he owns so long as he is the Owner of the Lot. If the Owner of a Lot is other than one individual, the Owner shall specify in writing to the Community Association the individual who is the Member of the Community Association for the Lot. In the absence of such written specification, Assessments shall nevertheless be charged against the Lot and Owner thereof, but there shall be no right to vote the membership. The Member must be an individual who is an Owner or, if the Owner is or includes a Person other than an individual, an individual who is a partner, if the Owner is or includes a partnership; or an officer of the corporation, if the Owner is or includes a corporation; or a beneficiary of the trust, if the Owner is or includes a trust; or an owner of the entity, if the Owner is or includes a Person other than an individual, a partnership, a corporation or a trust. The Member, as so specified, shall be the only Person entitled to vote for the Owner of the Lot at Community Association meetings and elections. An Owner may change the individual who is the Member for his Lot, provided each such individual is eligible to be a Member hereunder, in such manner and with such frequency, and subject to such reasonable processing fees, as the Board from time to time may permit.

(b) A membership in the Community Association shall not be transferred, pledged or alienated in any way except as expressly provided herein. A membership shall automatically be transferred to the new Owner (subject to the provisions of subparagraph 3.6(a) above) upon the transfer of the Lot to which it appertains (and then only to such transferee), whether by sale, intestate

succession, testamentary disposition, foreclosure of a Mortgage or other legal process transferring fee simple title to such Lot.

3.7 Membership Book. The Secretary of the Community Association shall maintain a membership book reflecting the names of the Members. Upon the transfer of any Lot, it shall be the obligation of the new owner to present to the Secretary his or her address along with evidence (a photostatic or machine copy of a recorded document) indicating such purchase and the Secretary shall enter on the membership book the name or names and address or addresses of the new owner or owners accordingly. The Board of Directors may fix a time not exceeding twenty (20) days preceding the date of any meeting as a record date for the determination of Members entitled to notice of, and to vote at, any such meeting, unless evidence is received pursuant to Section 3.8 of this Article. In the event that no such record date is fixed by the Board of Directors, the record date for such determination of Members entitled to notice and to vote at any such meeting shall be the fifteenth (15th) day preceding the date of such meeting.

3.8 Eligibility to Vote. All Members should be current and in good standing with the Community Association to be allowed to vote. For purposes of determining the right to vote at any meeting of the Members, the information set forth in the membership book shall be deemed conclusive except that, if any Member presents evidence as to the incorrectness of the information in the membership book, the Secretary shall correct the membership book pursuant to the direction of the majority of Members attending or represented at the meeting, and the right to vote shall be determined from the membership book as corrected.

3.9 Method of Voting. Unless demanded by a majority of the Members present in person or so directed by the Chairman of the meeting, the vote on any question need not be by ballot. Upon demand by a Majority of Members present for a vote by ballot on any question or at the direction of the Chairman that a vote by ballot be taken on any question, such ballot shall indicate the Lot number and be signed by the person voting.

3.10 Majority Required. When a quorum is present at any meeting, the vote of a majority present, whether in person or represented by proxy, shall decide any question brought before such meeting, unless the questions is one upon which, by express provision of the statutes, the Articles of Incorporation, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

3.11 Pledge of Voting Rights. Notwithstanding the provisions of Section 3.6 hereof, in the event that an Owner has granted an irrevocable proxy or otherwise pledged the voting right appurtenant to his membership to a Mortgagee as additional security, only the vote of such Mortgagee will be recognized in regard to such special matters if a copy of such proxy or other instrument pledging such

vote has been filed with the Community Association prior to the vote. In the event that more than one such instrument has been filed prior to the vote, the Community Association shall recognize the rights of the first Mortgagee to so file, regardless of the priority of the Mortgage themselves.

3.12 Declarant's Voting Rights and Assignment Thereof. Notwithstanding anything to the contrary herein, Declarant shall be entitled to three (3) votes for each Lot owned by Declarant. If any lender to whom Declarant has assigned, or hereafter assigns, as security all or substantially all of its rights under the Declaration succeeds to the interests of Declarant's as provided in Section 2.17 of the Declaration shall not be terminated thereby, and such lender shall hold Declarant's memberships and voting rights on the same terms as they were held by Declarant pursuant hereto.

3.13 Waiver of Notice. Attendance of a Member at a meeting shall constitute waiver of notice of such meeting, except when such attendance at the meeting is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any Member may waive notice of any annual or special meeting of Members by executing a written notice of waiver either before or after the time of the meeting.

3.14 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his unit. No proxy shall be voted or acted upon after twenty-five (25) months from the date of its execution.

3.15 Action Without Meeting. Unless otherwise restricted by the Articles of Incorporation, the Declaration or these Bylaws, any action required or permitted to be taken at any meeting of the Members may be taken without a meeting, if all of the Members entitled to vote with respect to the subject matter of the meeting consent thereto in writing.

ARTICLE IV

BOARD OF DIRECTORS

4.1 Number and Qualification. The Community Association shall be governed by a Board of Directors (the "Board"), consisting of not less than three (3) Members. The number of directors serving from time to time shall be fixed by the Board. Except for directors elected by Declarant, each director shall be a Member or the spouse of a Member. If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant.

4.2 Term of Office. At the first annual meeting, the Members shall elect one (1) director for a term of one (1) year, one (1)

director for a term of two (2) years and one (1) director for a term of three (3) years. At each annual meeting thereafter, the Members shall elect a director for a term of three (3) years.

4.3 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nomination Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two (2) or more Members of the Community Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

4.4 Election. At an election pursuant to Section 4.3 above, the Members or their proxies may cast as many votes as they are entitled under Section 3.6 hereof. The candidates receiving the highest number of votes shall be deemed elected to the Board of Directors.

4.5 Removal. Declarant shall have the absolute power and right to appoint and remove the Members of the Board of Directors until the Transition Date (as hereinafter defined). After that date, the Members of the Community Association shall have the power and right to appoint and remove the Members of the Board as provided herein. The Transition Date shall be the first to occur of (a) the date on which at least 90% of the completed residences have been conveyed to purchasers other than Declarant, or (b) the date on which Declarant requires the Members to assume control of the Community Association as provided in the next sentence. Declarant voluntarily may (but shall not be required to) require the Members to assume control of the Community Association at any time. After the Transition Date, all or any Members of the Board may be removed from office at any time by action of the Members, as provided below. Upon the presentation to the President of a petition duly executed by not less than twenty-five percent (25%) of the Members in favor of the removal from office, a meeting of the Community Association shall be promptly held to determine whether such Member or Members of the Board should be removed from office. Upon the affirmative vote of two-thirds (2/3) of the Members to remove such Member or Members of the Board from office, such Member or Members shall be deemed removed from office. Any vacancy on the Board created by the removal of a Member of the Board as herein provided shall be filled by an election of all of the Members in the manner provided in these Bylaws for the election of directors.

4.6 Vacancies. Vacancies or newly created directorships resulting from an increase in the authorized number of directors may be filled in the manner provided by Arizona Revised Statutes, §10-1019, as amended from time to time.

4.7 Compensation. No directors shall receive compensation for any service he may render to the Community Association as director. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties. This provision shall not preclude any director from serving the Community Association in any other capacity and receiving compensation therefor. A Member of a special or standing committee may be allowed like reimbursement for actual expenses incurred in the performance of his duties.

ARTICLE V

MEETINGS OF DIRECTORS

5.1 Place of Meetings. The Board of Directors of the Community Association may hold meetings, both regular or special, either within or without the State of Arizona.

5.2 Annual Meetings. The annual meeting of each newly elected Board of Directors shall immediately follow the annual meeting of Members in the same place as the annual meeting of Members, and no notice of such meeting to the newly elected directors shall be necessary in order to legally hold the meeting, provided a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in the notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver by all of the directors.

5.3 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly or at the discretion of the Board of Directors without notice, at such place and hour as may be affixed from time to time by resolution of the Board of Directors.

5.4 Special Meetings. Special meetings of the Board of Directors may be called by the President or the Secretary on one day's notice to each director, if notice is delivered personally or by telephone, telegraph or other similar means of communication, or upon seven (7) days' notice to each director if mailed, postage prepaid. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two directors.

5.5 Quorum. A majority of the number of directors then serving shall constitute a quorum. The concurrence of a majority of those present, if a quorum, shall be sufficient to conduct the business of the Board of Directors, except as may be otherwise specifically provided by statute, the Declaration or the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors then present may adjourn the meeting to another time or place, without notice other than announcement at the meeting, until a quorum shall be present.

5.6 Telephonic Meeting. One or more directors may participate in a meeting of the directors by means of a conference telephone conversation or any similar communications equipment by means of which all persons participating in the meeting may hear each other, and participation in a meeting pursuant to this Section 5.6 shall constitute attendance in person at such meeting.

5.7 Action Without Meeting. Unless otherwise restricted by the Articles of Incorporation, the Declaration or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof, may be taken without a meeting, if all of the directors or committee thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

5.8 Waiver of Notice. Attendance of a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.1 Powers. The business and affairs of the Community Association shall be managed by its Board of Directors, which may exercise all such powers of the Community Association and do all such lawful acts as are not, by statute, the Articles of Incorporation, the Declaration or these Bylaws, directed or required to be exercised or done by the Members, including the powers to:

(a) Adopt, amend, publish and repeal rules and regulations governing the use of the common area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right of a Member to use all or any part of the Common Area during any period in which such Member shall be in default in the payment of any assessment levied by the Community Association. Such rights may also be suspended after notice and hearing, for a period of sixty (60) days, or infraction for published rules and regulations;

(c) Exercise for the Community Association all powers, duties and authority vested in or delegated to this Community Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(d) Declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from two (2) consecutive regular meetings of the Board of Directors; and

(e) Employ a manager, an independent contractor or such other employees as it deems necessary, and to prescribe their duties.

6.2 Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or, when such statement is requested in writing by one-fourth (1/4) of the Members who are entitled to vote at any meeting;

(b) Supervise all officers, agents and employees of this Community Association, and to see that their duties are properly performed;

(c) Establish the annual budget and determine the amount of the annual Regular Assessment against each Lot at least thirty (30) days in advance of each annual meeting of the Members;

(d) Send written notice of each Special Assessment to every Owner subject thereto in accordance with the provisions of the Declaration;

(e) Enforce collection of Assessments in accordance with the provisions of the Declaration;

(f) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any Assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an Assessment has been paid, such certificate shall be conclusive evidence of such payment;

(g) Procure and maintain adequate liability and hazard insurance on the property owned by the Community Association, including all insurance required by the Declaration;

(h) Require that all officers, employees and agents of the Community Association handling or responsible for Community Association funds furnish adequate fidelity bonds, the premiums of which shall be paid by the Community Association;

(i) Cause the Common Area to be maintained as provided in the Declaration, the Articles of Incorporation and these Bylaws; and

(j) Establish additional duties as may be prescribed from time to time.

ARTICLE VII

OFFICERS AND DUTIES

7.1 Enumeration of Officers. The officers of this Community Association shall be a President, who shall at all times be a Member of the Board of Directors, a Secretary, and a Treasurer. There may be, in addition, one or more Vice Presidents and/or such subordinate officers as the Board of Directors may from time to time, by resolution, create. Any two (2) offices may be held by the same person except the offices of President and Secretary.

7.2 Election and Term. The officers of the Community Association shall be elected at the annual meeting of the Board of Directors, and each such officer shall hold office until his successor has been duly elected and qualified, or until his death, resignation or removal, whichever first occurs.

7.3 Special Appointments. The Board of Directors may elect such other officers as the affairs of the Community Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may, from time to time, determine.

7.4 Resignation and Removal. Any officer of the Community Association may be removed from office by a majority of the Board of Directors at any time, with or without cause. Any officer may resign at any time by giving written notice of his resignation to the President or the Secretary of the Community Association. Unless otherwise specified, such resignation shall take effect upon delivery thereof, and no acceptance thereof shall be necessary to make it effective.

7.5 Vacancies. A vacancy in any office may be filled by the Board of Directors in accordance with Section 7.2 hereof, and the officer so elected shall hold office until the next annual meeting of the Board of Directors, until his successor is duly elected and qualified, or until his death, resignation or removal.

7.6 Duties. The duties of the officers are as follows:

(a) President:

(i) To the extent not prohibited by law, or as otherwise herein expressly limited, including, but not limited to, Section 7.6.(a)(ii), the President of the Community Association shall be employed to exercise control over the affairs of the Community Association and to act on behalf of, and bind, the Community Association in every instance wherein the Community Association is required or permitted to take any action. The

action of the President shall at all times be subject to the review of the Board.

(ii) Notwithstanding anything in Paragraph 7.6(a)(i) to the contrary, the President shall not have the power to borrow any funds on behalf of the Community Association or make any expenditures on behalf of the Community Association which are, in the aggregate, more than the total amount of the Community Association's budget, or increase the amount of or levy any Assessment (except a Special Assessment applicable to fewer than all Members and Owners), without the prior approval of the Board.

(iii) The President may appoint such assistants as he deems necessary or appropriate. No compensation shall be paid to any assistant except as provided in the Community Association's budget or as otherwise approved by the Board.

(iv) Any right or power herein given or delegated to the President which cannot be exercised by the President, whether by reason of law or otherwise, shall be deemed to be a right or power to be exercised by the Board of Directors.

(b) Vice President(s): The Vice President(s), if any, shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board of Directors.

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and the Members; keep the corporate seal, if any, of the Community Association and affix it on all papers requiring said seal; keep appropriate current records showing the Members of the Community Association together with their addresses; and shall perform such other duties as required by the Board of Directors.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Community Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Community Association; keep proper books of account; cause notes of the annual audit of the Community Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meetings, and deliver a copy of each to the Members.

All officers shall perform additional duties as may be imposed by the Board of Directors from time to time.

ARTICLE VIII

COMMITTEES

The Board of Directors may from time to time, by resolution adopted by a majority of the whole Board of Director, designate one or more committees. The majority of the Members of any committee so created must be Members of the Board of Directors. Any such committee shall exercise such powers as may be assigned to it by the Board of Directors.

ARTICLE IX

BOOKS, RECORDS AND ACCOUNTING

(a) Accounting. The Community Association, at all times, shall keep, or cause to be kept, true and correct records of account in accordance with generally accepted accounting principles specifying in reasonable detail all expenses incurred and funds accumulated from Assessments or otherwise and shall have such books available for the inspection of all Owners and Members at reasonable times during regular business hours.

(b) Records. The Community Association shall, upon reasonable written request and during reasonable business hours, make available for inspection by each Owner and Member the books, records and financial statements of the Community Association together with current copies, as amended from time to time, of this Community Declaration and the Articles, Bylaws, Community Association Rules and Community Design Guidelines. Notwithstanding the foregoing, the Community Association shall not be required to make its books and records for the period prior to the Transition Date available for inspection except as required by law. The Declarant shall not be under any obligation to make its own books and records available for inspection by any Owner, Member or other person. The books and records of the Community Association may be audited or unaudited as the Board may from time to time determine.

ARTICLE X

MANAGING AGENT

All powers, duties and rights of the Community Association, the President and the Board of Directors, as provided by law and herein, may be delegated to a managing agent, under a management agreement; provided, however, that no such delegation shall relieve the Community Association of its obligation to perform any such delegated duty. Any agreements for professional management, and any other contract providing for services of Declarant or any other party, shall not exceed a term of three (3) years, which term may be renewed by agreement of the parties for successive one (1) year periods, and shall further provide for termination by either party with or without cause and without payment of a termination fee upon ninety (90) days' written notice.

ARTICLE XI

INDEMNIFICATION OF DIRECTORS, OFFICERS
EMPLOYEES, MEMBERS AD AGENTS

To the fullest extent permitted by law, every director, and every officer of the Community Association and Declarant (to the extent a claim may be brought against Declarant by reason of its appointment, removal or control over Members of the Board) shall be indemnified by the Community Association, and every other person serving as an employee or direct agent of the Community Association, or on behalf of the Community Association as a Member of a committee or otherwise, may, in the discretion of the Board, be indemnified by the Community Association, against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Community Association (or in the case of Declarant by reason of having appointed, removed or controlled or failed to control Members of the Board), or any settlement thereof, whether or not he is a director, officer or Member of any such committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that such officer, director, or other person, or Declarant, did not act, fail to act, or refuse to act willfully or with gross negligence of fraudulent or criminal intent in the performance of his duties. The foregoing rights of indemnification shall be in addition to any not exclusive of all other rights to which such person may be entitled at law or otherwise.

ARTICLE XII

ASSESSMENTS

As provided in the Declaration, each Owner and Member, by acceptance of a deed or other conveyance of an interest in a Lot or by acceptance of his membership, is deemed to covenant and agree to pay assessments to the Community Association upon such terms and conditions as set forth in the Declaration.

ARTICLE XIII

AFFILIATED TRANSACTIONS

13.1 Affiliated Transactions. No contract or transaction between the Community Association and one or more of its directors, officers or Members, or between the Community Association and any other entity in which one or more of the directors, officers or Members of the Community Association are directors, officers or Members of such other entity, or have a financial interest therein, shall be void or voidable solely for this reason, or solely because the director, officer or Member is present at or participates in

the meeting of the Board of Directors which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, provided:

(a) The facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors, in good faith, authorizes the contract or transaction by the affirmative vote or written consent of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) The facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote or written consent of the Members; or

(c) The contract or transaction is fair to the Community Association at the time it is authorized, approved or ratified by the Board of Directors or its Members.

13.2 Interested Directors. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors thereof which authorize the contract or transaction.

ARTICLE XIV

FISCAL YEAR

The fiscal year of the Community Association shall be determined by a resolution of the Board of Directors.

ARTICLE XV

AMENDMENTS TO BYLAWS

The power to alter, amend or appeal these Bylaws or to adopt new bylaws shall be vested in the Board of Directors, subject to approval of two-thirds (2/3) of all of the Members.

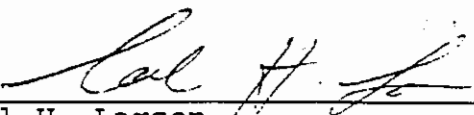
ARTICLE XVI

MISCELLANEOUS

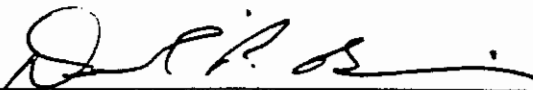
16.1 Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

16.2 Compliance. These Bylaws are set forth to comply with the requirements of all applicable Arizona statutes.


IN WITNESS WHEREOF, we, being the initial Board of Directors of The Carefree Mountain Estates Community Association, have adopted these Bylaws this 15th day of January, 1993.



Carl H. Larson



David P. Blouin



Larry B. Gordon