

AMENDED AND RESTATED BYLAWS

OF

THE SHORES AT RAINBOW LAKE COMMUNITY ASSOCIATION

ARTICLE 1

GENERAL PROVISIONS

1.0. Defined Terms. Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for The Shores At Rainbow Lake recorded with the County Recorder of Navajo County, Arizona as Document No. 2001-17716.

1.1. Conflicting Provisions. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

1.2. Corporate Seal. The Association shall have a seal in a form approved by the Board.

1.3. Designation of Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

1.4. Books and Records. The books, records and papers of the Association shall be available for inspection by any Member during reasonable business hours, except to the extent that such books and records may be withheld from disclosure pursuant to Arizona law. The Project Documents shall be available for inspection by any Member during reasonable business hours at the principal office of the Association, where copies may be purchased at reasonable cost.

1.5. Amendment. These Bylaws may be amended by an affirmative vote of a majority (more than 50%) of the Members who are voting in person or by absentee ballot at an annual or special meeting of the Members duly called for such purpose.

1.6. Membership. Membership in the Association shall be limited to Owners of record of a Lot or Parcel within the Project. Each Owner shall remain a Member until he or she no longer owns a Lot or Parcel.

1.7. Management Agreement. The Board shall have the express authorization, right and power to enter into one or more management agreements with third parties in order to

facilitate efficient operation of the Common Area and the Project. It shall be the primary purpose of such management agreements to provide for the administration, management, repair and maintenance of said real property. The terms of said management agreements shall be as determined by the Board to be in the best interests of the Association, and shall be subject to the Project Documents.

ARTICLE 2

MEETINGS OF MEMBERS

2.0. Annual Meeting. An annual meeting of the Members shall be held within 120 days of the end of the Association's fiscal year and at least once every fourteen (14) months at such time and place as is determined by the Board.

2.1. Special Meetings. Special meetings of the Members may be called at any time by the president or by the Board, or shall be called by the Board upon written petition signed by Members having at least one-tenth (1/10) of the total authorized votes in the membership of the Association. Such petition shall state the purpose or purposes of such proposed meeting. No business shall be transacted at a special meeting except as stated in the notice.

2.2. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of each notice, postage prepaid, at least fifteen (15), but no more than fifty (50) days before such meeting to each Member entitled to vote thereat addressed to the Member's address last appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. By attending a meeting, a Member waives any right he may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the statutes of the State of Arizona.

2.3. Quorum. Except as otherwise provided in the Articles, the Declaration or these Bylaws, the presence in person or by absentee ballot of Members entitled to cast one-tenth (1/10th) of the total authorized votes in the Association shall constitute a quorum at all meetings of the Members. If a quorum shall not be present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

2.4. Ballots. All issues presented at any meeting for a vote by the membership shall be voted upon by written ballot, and Members shall have the opportunity to vote in person at the meeting or by absentee ballot.

ARTICLE 3

BOARD OF DIRECTORS

3.0. Number and Qualification. The affairs of this Association shall be managed by a Board of five (5) directors. Each Director must be an Member. If the Member is a partnership, corporation or other legal entity under Arizona law, then one of the Member's partners, directors, or officers may be a Director. No more than one Member from each Lot may serve as a Director at any one time.

3.1. Term of Office. All directors shall be elected for staggered terms of two (2) years. The term of a director shall begin on January 1 of the year following their election and shall end on December 31 of the next year thereafter. At each annual meeting of the Members, directors shall be elected to replace the outgoing directors whose terms shall expire on December 31 of that year. No Board member can serve for more than four (4) consecutive years.

3.2. Removal. Any one or more of the members of the Board may be removed from the Board with or without cause pursuant to Arizona law, and a successor may then be elected to fill the vacancy thereby created until the expiration of the term of the vacated position.

3.3. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

3.4. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written consent of all the directors. Such written consent may be obtained via electronic mail ("e-mail"). Any such written consent shall be filed with the minutes of the proceedings of the Board.

3.5. Vacancies. A director may resign by delivering written notice of resignation to any director or officer of the Association. Vacancies on the Board caused by any reason other than the removal of a director in accordance with the provisions of Section 3.2 of these Bylaws shall be filled by a majority vote of the remaining directors at the first regular or special meeting of the Board held after the occurrence of such vacancy, even though the directors present at such meeting may constitute less than a quorum. Each person so elected shall serve the unexpired portion of the prior director's term.

3.6. Regular Meetings. Regular meetings of the Board may be held at such time and place that shall be determined from time to time by the Board. Such meetings shall be held at least once during each fiscal year.

3.7. Special Meetings. Special meetings of the Board may be called by the President on three business days notice to each director, given in writing, by hand delivery, mail or e-mail,

which notice shall state the time, place and purpose of the meeting. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two directors. Notice of Board meetings also shall be given to the Members in accordance with the requirements of Arizona law.

3.8. Quorum. A majority of the directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board. Directors may participate in Board meetings through the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting, including, but not limited to, telephone conference or video conference. A director participating in a meeting by this means is deemed to be present in person at the meeting.

3.9. Powers and Duties. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by the Project Documents required to be exercised or done by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Members that may hereafter be adopted, the Board shall have the following powers and duties:

- (a) Open bank accounts on behalf of Association and designate the signatories thereon;
- (b) Make, or contract for the making, of repairs, additions to, improvements to or alterations of the Common Area, in accordance with the Project Documents, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;
- (c) In the exercise of its discretion, enforce by legal means the provisions of the Project Documents;
- (d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the Common Area and provide services for the Members, and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties;
- (e) Provide for the operation, care, upkeep and maintenance of all of the Common Area and borrow money on behalf of the Association when required in connection with any one instance relating to the operation, upkeep and maintenance for the Common Area; provided however, the consent of Members having at least two-thirds (2/3) of the total votes in the Association shall be obtained either in writing or at a meeting called and held for such purpose in accordance with the provisions of these Bylaws in order for the Association to borrow in excess of \$5,000;

(f) Prepare and adopt an annual budget for the Association prior to the commencement of each fiscal year;

(g) Adopt and publish rules and regulations governing the use of any area of the Project and the Improvements and facilities thereon and the personal conduct of the Members and their family members, guests, lessees and invitees thereon and establish penalties for the infraction thereof;

(h) Suspend the voting rights and the right to use of the Common Area of a Member during any period in which such Member shall be in default in the payment of any Assessment or other amounts due under the terms of the Project Documents for a period of fifteen (15) days and for a period not to exceed sixty (60) days for any infraction of the Project Documents;

(i) Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of the Project Documents;

(j) Declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(k) Employ, hire and dismiss such employees as they deem necessary and to prescribe their duties and their compensation;

(l) In conformance with federal and state law, hire or employ and dismiss a manager, whether as an independent contractor or as an employee, to perform such services and duties as the Board may direct including, but without limitation, any of the duties granted to the officers of the Association in these Bylaws or any duties of the Board set forth in this Section;

(m) 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 at any special meeting when such statement is requested in writing by any Member entitled to vote;

(n) Supervise all officers, agents and employees of the Association and see that their duties are properly performed;

(o) As more fully provided in the Declaration to:

(i) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each fiscal year,

(ii) send written notice of each Assessment to every Owner subject thereto,

(iii) record within a reasonable time, a notice and claim of lien against any Lot for which Assessments are not paid, and may foreclose the same within a reasonable time, at the discretion of the Board, or bring an action at law against the Owner personally obligated to pay the same;

(p) Issue, or cause an appropriate officer to issue upon demand to 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;

(q) Procure and maintain adequate property, liability and other insurance as required by the Declaration;

(r) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(s) Cause the Common Area to be maintained, as more fully set forth in the Declaration.

(t) Provide for the preservation of the adjoining Rainbow Lake by removing the weeds from our shoreline by the most effective and affordable means available (chemical/ weed harvesting, etc) for our property owners. Represent the Association in the community with others groups having similar interest to preserve, maintain and enhance the special amenity that is Rainbow Lake in a manner that is consistent with the historical practice of the Association.

ARTICLE 4

OFFICERS AND THEIR DUTIES

4.0. Enumeration of Officers. The principal officers of the Association shall be the president, the vice-president, the secretary, and the treasurer all of whom shall be elected by the Board. The president must be a member of the Board. Any other officers may, but need not, be members of the Board.

4.1. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

4.2. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

4.3. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority,

and perform such duties as the Board may, from time to time, determine.

4.4. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

4.6. Multiple Offices. Any two or more offices may be held simultaneously by the same person except the President may not hold any other office..

4.7. Powers and Duties. To the extent such powers and duties are not assigned or delegated to a manager pursuant to Section 3.9(l) of these Bylaws the powers and duties of the officers shall be as follows:

(a) President. The president shall be the chief executive officer of the Association; shall preside at all meetings of the Board or the Members; shall see that orders and resolutions of the Board are carried into effect; and have general and active management of the business of the Association;

(b) Vice-President. The vice-president 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;

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

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds for appropriate Association purposes as set forth in the Project Documents; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members; and, in general, perform all the duties incident to the office of treasurer.

ARTICLE 5

INDEMNIFICATION

5.0. Directors and Officers; Third Party Actions. The Association shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a member, director, officer, employee or agent of the Association or is or was serving at the request of the Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he engaged in an act or omission in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person acted or failed to act other than in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was lawful.

5.1. Directors and Officers; Derivative Actions. The Association shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a Member, director, officer, employee or agent of the Association or is or was serving at the request of the Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorney fees, but excluding judgments and fines, and, except as hereinafter set forth, amounts paid in settlement, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he engaged in an act or omission in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association and except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. The court in which any such action or suit was brought may determine upon application that, in view of all circumstances of the case, indemnity for the amounts so paid in settlement and for the expenses, including attorney fees, actually and reasonably paid in connection with such application, to the extent the court deems proper.

5.2. Employees and Agents. To the extent that a member, director, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any

action, suit or proceeding referred to in Sections 5.0 and 5.1 of these Bylaws or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorney fees, actually and reasonably incurred by him in connection therewith.

5.3. Procedure for Effecting Indemnification. Any indemnification under Section 5.0 or 5.1 of these Bylaws, unless ordered by a court, shall be made by the Association only as authorized in the specific case upon a determination that indemnification of a member, director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 5.0 or 5.1 of these Bylaws. Such determination shall be made by any of the following:

(a) By the Board by a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding;

(b) If such a quorum is not obtainable, in a written opinion of independent legal counsel appointed by a majority of the disinterested directors for that purpose;

(c) If there are no disinterested directors, by the court or other body before which the action, suit or proceeding was brought or any court of competent jurisdiction upon the approval of or application by any person seeking indemnification, in which case indemnification may include the expenses, including attorney fees, actually and reasonably paid in connection with such application;

(d) By act of the Members.

5.4. Advancing Expenses. Expenses, including attorney fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of the action, suit or proceeding as authorized in the manner provided in Section 5.3 of these Bylaws upon receipt of an undertaking by or on behalf of the member, director, officer, employee or agent to repay the amount unless it is ultimately determined that he is entitled to be indemnified by the Association as authorized in this Article.

5.5. Scope of Article. The indemnification provided by this Article is not exclusive of any other rights to which those indemnified may be entitled under any agreement, vote of Members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a member, director, officer, employee or agent of the Association and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE 6

ARCHITECTURAL CONTROL

6.0. Committee Composition. The Architectural Committee shall consist of three (3) members. None of such members shall be required to be an architect or to meet any other particular qualifications for membership. A member need not be, but may be, a member of the Board or an officer of the Association. The Board may increase the number of members on the Architectural Committee but the number of members must always be an odd number.

6.1. Terms of Office. The term of office for members of the Architectural Committee shall be a period of one year, or until the appointment of a successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Members who have resigned, been removed or whose terms have expired may be reappointed.

6.2. Appointment and Removal. The right to appoint and remove all members of the Architectural Committee at any time, shall be and is hereby vested solely in the Board.

6.3. Resignations. Any member of the Architectural Committee may at any time resign from the Committee by giving written notice thereof to the Board.

6.4. Vacancies. Vacancies on the Architectural Committee, however caused, shall be filled by the Board. A vacancy or vacancies on the Architectural Committee shall be deemed to exist in case of the death, resignation or removal of any member.

6.5. Duties. It shall be the duty of the Architectural Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by the Declaration.

6.6. Meetings and Compensation. The Architectural Committee shall meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the Committee, at a meeting or otherwise, shall constitute the act of the Committee unless the unanimous decision of the Committee is required by any other provision of the Declaration. The Committee shall keep and maintain a written record of all actions taken by it at such meeting or otherwise. Members of the Architectural Committee shall not be entitled to compensation for their services. However, any member of the Architectural Committee may be reimbursed for his actual expenses incurred in the performance of his duties, so long as prior approval of the reimbursement is received from the Board before any such expenses are incurred.

6.7. Architectural Committee Rules. The Architectural Committee may adopt, amend and repeal, by unanimous vote or written consent, rules and regulations. Said rules shall interpret and implement the Declaration by setting forth the standards and procedures for Architectural Committee review and the guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features which are required to be used within the Property.

6.8. Waiver. The approval by the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under the Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or other matter subsequently submitted for approval.

6.9. Time for Approval. In the event Architectural Committee fails to approve or disapprove application for approval within forty-five (45) days after application, together with supporting plans and specifications, have been submitted to it, approval will not be required and this Article will be deemed to have been complied with.

CERTIFICATION

I hereby certify that the foregoing Amended and Restated Bylaws of the Shores at Rainbow Lake Community Association were properly adopted by the required percentage of the Members, in accordance with the provisions of the Bylaws on November 8, 2008.

DATED this 31st day of December, 2008.

Shores at Rainbow Lake Community Association

By: Paul G. Ahler
Its: President

STATE OF ARIZONA)
) ss.
County of Navajo)

On this 31 day of December, 2008, before me personally appeared Paul G. Ahler, whose identity was proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to this document, and who acknowledged that he/she signed the above/attached document.

Amy L Lackey
Notary Public
commission exp 4/28/09

Notary Seal:

