

BYLAWS OF LA ESPERANZA TOWNHOME ASSOCIATION, INC.

ARTICLE I - DEFINITIONS

Section 1.01 Definitions

Refer to CC & R's Article I for Definitions as capitalized herein.

ARTICLE II - VOTING

Section 2.01 - Voting Rights

The Association shall have one class of voting Membership - Class A Membership.

There shall be one (1) vote for each Owner. When more than one (1) Person holds an interest in any Dwelling Unit; all such persons shall be Members. The vote for such Dwelling Unit shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Dwelling Unit.

Section 2.02 – Absentee Ballots

Votes may be cast by Homeowners by absentee ballot provided that absentee ballot is filed with the Secretary of the Association on or before the appointed time of the meeting for which the vote is intended. Once cast, the vote cannot be changed.

ARTICLE III - ADMINISTRATION

Section 3.01 - Governance

The Association is governed by the Board of Directors (Board) which is elected by the Owners annually. The Board is charged with operating the Association and enforcing all governing documents of the Association including but not limited to; the Articles of Incorporation, The Bylaws of La Esperanza Townhome Association, Inc., The Amended and Restated Declaration of Covenants, Conditions and Restrictions of La Esperanza Town Homes, and Rules and Regulations of La Esperanza Town Homes. Board Members must be Members in good standing of the Association (no delinquent Maintenance Fees or Assessments or compliance issues) and must be in residence at least 9 months out of the year.

Section 3.02 - Meeting of Owners

There shall be one (1) annual meeting per calendar year. The annual meeting shall be in January. The Board of Directors is responsible for setting a time and place for Association meetings that is convenient for the majority of Homeowners. A meeting notice is required to be sent to all Association Members at least 10 days and not more than 30 days prior to any Association meeting. Elections of Directors and Officers will take place at the annual meeting in January. The Board of Directors from time to time may deem it necessary to change a meeting date, however, at least 10 days notice must be given in writing to Association Members and the new date must be scheduled as close as possible to the dates prescribed by this document.

Section 3.03 - Special Meeting of Owners

A special meeting of the Owners may be called at any reasonable time and place by written notice of the Board of Directors or by the Owners having one-fifth (1/5) of the total votes and delivered notice to all other Owners not less than ten (10) days nor more than thirty (30) days prior to the date fixed for said meeting specifying the date, time and place thereof, and the nature of the business to be undertaken. No business shall be transacted at a special meeting except as stated in said notice unless by consent of a majority of Owners present, either in person or by absentee ballot.

Section 3.04 - Notice of Meeting

It shall be the duty of the Secretary of the Association to mail or deliver a notice of each annual or special meeting within the time period specified above stating the purpose thereof as well as the date, time and place where it is to be held to each Owner of record. The mailing or delivery of such notice to each Owner shall be considered notice served.

Section 3.05 - Quorum and Adjourned Meeting

A quorum shall constitute the majority of Homeowners entitled to vote, either in person or by absentee ballot, at any meeting of the Membership. If any meeting cannot be held because a quorum is not present, either in person or absentee ballot, the Owners present, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called. Meetings to review Maintenance Fees or special Assessments require a minimum of 2/3 of the Membership entitled to vote either in person or by absentee ballot.

Section 3.06 - Order of Business

The order of business at all regular meetings of the Association and Board Meetings shall be as follows:

- A. Call to Order
- B. Roll Call
- C. Proof of notice of meeting
- D. Reading of minutes of preceding meeting
- E. Approval of minutes of preceding meeting

- F. Report of officers
- G. Report of committees
- H. Election of Directors (January meeting only)
- I. Unfinished business
- J. New business
- K. Open Forum for all Members
- L. Adjournment

ARTICLE IV - BOARD OF DIRECTORS

Section 4.01 - Number and Qualifications

The affairs of the Association shall be conducted by a Board of Directors, comprised of an odd number of not more than seven (7) persons, nor less than three (3) persons. Directors must be resident Owners of the Association and in residence at least nine (9) months of the year. Directors must be Members in good standing of the Association (no delinquent Maintenance Fees, Assessments or non-compliance issues).

Section 4.02 - Election and Term of Office

Subject to the requirements of Section 4.01 of these Bylaws, the Directors will be elected at the regular annual meeting of the Association in January by a vote of a majority of Owners present either in person or by absentee ballot for a term until the next regular annual meeting. Directors may be re-elected indefinitely, but in no instance shall there be more than one (1) Board Member from each Lot. Elections of Directors are held by secret ballot. Any Association Member who is current on all Maintenance Fees and Assessments and whose Lot is in compliance with all of the governing documents of the Association can seek election to the Board of Directors. Notice of intent to be considered for election should be given to the current Secretary of the Association prior to the annual meeting. Ballots are prepared by the current Secretary and should list the names of all Members seeking election. The Membership will then be asked to vote "yes" or "no" for an odd number of no more than seven (7) names on the ballot. The secret ballots are to be either mailed or brought in person to the January Association meeting and the sitting Board will appoint two (2) Members in attendance, and not on the ballot, at the January meeting to serve as tellers who will count and certify the ballots and election results.

Section 4.03 – Nominating Committee

The Board of Directors prior to a regular annual meeting may appoint a nominating committee to obtain a list of names of Owners who desire to serve on the Board.

Section 4.04 - Vacancies

Vacancies in the Board of Directors caused by any reason other than the removal of a Director by vote of the Owners shall be filled by vote of the majority of the remaining Directors, even though they constitute less than a quorum; and

each person so elected shall be a Director until a successor is elected at the next regular annual meeting of the Association.

Section 4.05 - Removal of Directors

At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the Owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

Section 4.06 - Organization Meeting

The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the whole Board shall be present.

Section 4.07 - Regular Meetings

Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meeting of the Board of Directors shall be given to each Director, personally, by mail or telephone at least three (3) days prior to the date set for such meeting.

Section 4.08 - Special Meetings

Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally, by mail or telephone, which notice shall state the date, time, place and purpose of the meetings. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors. Notwithstanding the forgoing, a majority of the Directors may waive the three (3) days' notice requirement for calling a special meeting and convene a special meeting at such date, time and place as agreed upon by the majority of the Directors.

Section 4.09 - Board of Directors' Quorum

At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting, from time to time. At any such adjourned meeting, providing a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 4.10 - Powers and Authority of Board

The Board of Directors shall have all of the power and authority necessary and will exercise all power and authority necessary to carry out the Association's duties, power and obligations as provided in the CC&Rs.

Section 4.11 - Management

The Board shall control, maintain, manage and improve the common Property as provided in these Bylaws, the Articles and the Declaration (CC&Rs). Such right and power of control and management shall be exclusive. In managing the common Property, the Association hereby accepts all responsibility for the control, maintenance, safety and liability of such common Property, including, but not limited to, collecting and paying taxes on Common Areas, which shall be assessed by the County Assessor. Any agreement for professional management of the Subdivision, or any other contract providing for services of the developer shall not exceed one (1) year. Any such agreement shall provide for termination by either party without cause and without payment of a termination fee on ninety (90) days' or less written notice. Contracts with a professional management company can only be entered into pursuant to Article IV, Section 5 of the Declaration (CC&Rs). The Board may perform other acts as are reasonably necessary to carry out the purpose and intent of the Association or to effect the work of the Association.

Section 4.12 – Taxes

Owners shall pay all real estate and personal Property taxes which may be assessed against their respective Dwelling Units. The Association shall pay all taxes levied upon any Property conveyed, leased or otherwise transferred to the Association, to the extent not assessed to Owners.

Section 4.13 – Annual Maintenance Fees, Assessments

The Board of Directors shall levy and collect Maintenance Fees and Assessments pursuant to the provisions of these Bylaws and Article VIII of the Declaration (CC&Rs). The fees/Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Members and their guests, for the improvement and maintenance of the Common Areas and for all purposes set forth in the Articles, Bylaws and Declaration (CC&Rs). The Board of Directors of the Association shall provide that Association Maintenance Fees, charges or Assessments shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Common Areas and common Property owned by the Association that must be replaced on a periodic basis. All such fees, charges and Assessments imposed by the Association shall be paid on a periodic basis in regular installments rather than by special Assessments.

Section 4.14 - Rules and Regulations

The Board of Directors shall have the power to adopt and publish Rules and Regulations governing the use of the common Property, with ratification by the Members, and such Rules and Regulations shall be binding upon the Members of the Association in accordance with Articles XI & XII of the Declaration. The Rules and Regulations may be amended in whole or in part by a majority vote of the Board of Directors at a special meeting of the Board of Directors duly constituted for such purpose. All amendments to the Rules and Regulations must be published to the Membership.

Section 4.15 - Damage and Destruction

In the case of damage by fire or other casualty to the common Property or exteriors of Dwelling Units:

A. Destruction – Insurance Proceeds

If insurance proceeds do not exceed the sum of TWENTY-FIVE THOUSAND AND NO/100 (\$25,000.00) DOLLARS, and cost of repairing or rebuilding does not exceed the amount of available insurance proceeds by more than FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS, such insurance proceeds shall be paid to the Association, which thereupon shall contract to repair or rebuild the damaged Property; and if the insurance proceeds are insufficient to pay all of the costs of repairing or rebuilding the damaged Property, the Board shall levy a special Assessment as provided for in Section 4.13 of these Bylaws to make good any deficiency.

B. Reconstruction

If insurance proceeds exceed TWENTY-FIVE THOUSAND AND NO/100 (\$25,000.00) DOLLARS or the cost of repairing or rebuilding exceeds available insurance proceeds by more than FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS, then:

1. The insurance proceeds arising out of damages to said Property shall be paid to such bank or other trust company as may be designated by the Board, to be held in trust for the benefit of Owners and their Mortgagees, as their respective interests shall appear. The Board is authorized to enter, on behalf of the Owners, into an agreement with such insurance trustee relating to its powers, duties and compensation, on such terms as the Board may approve consistent herewith.
2. The Board shall obtain firm bids from two (2) or more licensed contractors, to rebuild any portions of said Property in accordance with the original plans and specifications with respect thereto and shall, as soon as possible thereafter, select the best bid which need not be the lowest bid.

3. Upon acceptance of a bid, the Board shall levy a special Assessment or special Assessments on the Owners pursuant to these Bylaws and the Declaration to make up any deficiency between the total insurance proceeds and the contract price of repairing or rebuilding the damaged Property and such Assessment or Assessments and all insurance proceeds, whether or not subject to liens of Mortgagees, shall be paid to said insurance trustee to be used for such rebuilding. If two (2) or more Assessments are levied, such Assessments may be made due on such dates as the Board may designate over a period not to exceed twenty (20) years and the Board may borrow money to pay the aforesaid deficiency, and may secure such borrowing by an assignment of the Association's right to collect such Assessments, or by a pledge of any personal Property held by it in trust for the Owners, or by both.

Section 4.16 - Personal Liability

No Member of the Board or any committee of the Association or any officer or employee of the Association shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Association, the Board, or any representative or employee of the Association, or any Committee, or any officer of the Association, provided that such person has, upon the basis of such information as may be possessed by him or her, acted in good faith, without willful or intentional misconduct.

ARTICLE V-OFFICERS

Section 5.01 – Designation

The principal officers of the Association shall be a President, a Secretary and a Treasurer, all of whom shall be Directors. Any number of offices, except the offices of President and Secretary, may be held by the same person, unless the Articles or these Bylaws otherwise provide.

Section 5.02 - Election of Officers

The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. Officers of the Association must be resident Owners of the Association and in residence at least nine (9) months of the year.

The elected Board of Directors will meet no later than ten (10) days following the annual meeting to elect officers and organize for the coming year. Officers are elected by a majority vote of the Members of the Board of Directors.

Section 5.03 - Removal of Officers

Upon an affirmative vote of a majority of the Members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 5.04 – President

The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and the Board of Directors. He or she shall have all of the general powers and duties which are usually vested in the office of President of a corporation, including, but not limited to, the power to appoint committees from among the Owners from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5.06 - Secretary

The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; the Secretary shall have charge of such books and papers as the Board of Directors shall direct, and shall in general perform all duties incident to the office of Secretary.

Section 5.07 – Treasurer

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association and reporting on these matters unless such function is delegated by the Board of Directors to a trust company, a bank or a professional Property management company.

The Treasurer shall be responsible for the deposit of all monies and other valuable effects which he or she personally collects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors. All funds of the Association over which the Treasurer has direct control shall only be withdrawn upon his or her signature once he or she has determined that the request for withdraw or disbursement conforms to proper authorization from the Board of Directors, the Declaration (CC&Rs) and these Bylaws. The Board may designate a second signature of one other Member of the Board for disbursement of Association funds only in the absence of the Treasurer.

Section 5.08 - Accounting

A. Treasurer

The Board, through the Treasurer, shall keep books with detailed accounts affecting the administration of the Common Area specifying the maintenance, repair and replacement expenses thereof and any other expenses incurred along with Assessments and other payments received.

B. Permanent Records

The Secretary shall serve as the custodian of permanent records for the Association. Copies of all contracts, financial reports, meeting minutes, communications, correspondence and all pertinent records that become part of the permanent records of the Association should be submitted to the Secretary to be safely filed for permanent keeping.

C. Availability of Records to Association Members

Upon request to any Member of the Board, the books, vouchers, banking records, contracts, meeting minutes and all other permanent Association records shall during reasonable days and hours be made available for examination to any of the Members of the Association.

D. Required Financial Reports

At the annual meeting, the Board shall make available to the Members of the Association a complete financial report pertaining to the Association's financial condition and a 5-year cost projection.

E. Audit

The Board may appoint a special committee of 3 or more Members of the Association or contract with a private accounting firm to audit the financial accounting and banking records of the Association.

ARTICLE VI – MORTGAGES

Section 6.01 - Mortgage Protection

First Mortgagees are hereby granted the right to jointly, or singly pay taxes or other charges which are in default and which may or have become a charge against any Common Areas or other common Property owned by the Association, and such first Mortgagees may, jointly or singly, pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Areas or common Property and any first Mortgagees making such payments shall be owed immediate reimbursement therefore from the Association.

Nothing in these Bylaws shall in any manner be deemed to give an Owner, or any other party, priority over any rights of a first Mortgagee of a Dwelling Unit pursuant to the terms of such first Mortgagee's Mortgage in the case of a distribution to a Owner of insurance proceeds or condemnation awards for losses to or a taking of Common Areas or other common Property owned by the Association.

Each first Mortgagee shall, upon notice to the Association, be entitled to a written notification from the Association of any default in the performance by the Owner of a Dwelling Unit encumbered by the Mortgage in favor of such Mortgagee or

any obligation under these Bylaws or under the Declaration (CC&Rs), Articles of Incorporation, Rules and Regulation of the Association which is not cured within sixty (60) days.

Section 6.02 - Notice to Association

An Owner who Mortgages his Dwelling Unit shall notify the Association through the management agent, if any, or the President or the Board of Directors in the event there is no management agent, giving the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Dwelling Units".

Section 6.03 - Notice of Unpaid Maintenance Fees or Assessments

The Association shall, at the request of a Mortgagee of Dwelling Unit, report any unpaid Maintenance Fees or Assessments due from an Owner.

ARTICLE VII – AMENDMENTS

Section 7.01 - Articles of Incorporation and Bylaws

These By-Laws may be amended in whole or in part by a 2/3 majority vote of the Lot Owners at a special meeting of the Association duly constituted for such purpose. All amendments must be made available to Association members upon request.

ARTICLE VIII - GENERAL PROVISIONS

Section 8.01 – Conflict

In the event of any conflict or inconsistency between the provisions of these Bylaws and the Amended & Restated Declaration of Covenants, Conditions and Restrictions of La Esperanza Town Homes recorded in the Office of the County Recorder of Pima County, Arizona in Docket 13228 at pages 1040 through 1091 inclusive together with any amendments thereto, or with the Rules, Regulations and Requirements of the Federal Home Loan Mortgage Corporation, the terms and provisions of the Declaration and the Rules, Regulations and Requirements of the Federal Home Loan Mortgage Corporation shall prevail and supersede such conflicting or inconsistent provisions of these Bylaws. Neither the Association nor the Board of Directors, nor any agent or employee shall be authorized or empowered to take any action inconsistent with the provisions of the above-referenced Declaration of Covenants, Conditions and Restrictions.

Section 8.02 - Singular Includes Plural

Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall include the masculine, feminine and neuter.

Section 8.03 - Captions

All captions and titles used in these Bylaws are intended solely for the convenience or reference purposes only and in no way define, limit or describe the true intent and meaning of the provision hereof.

IN WITNESS WHEREOF, the Association, a non-profit Arizona corporation has hereunto caused its corporate name to be signed, its corporate seal affixed, and the same to be attested by the signature of its duly authorized officers and Directors this 31st day of July 2011.

LA ESPERANZA TOWNHOME ASSOCIATION, INC.

Chet Seponosky, President

Chet Seponosky

James Lemas, Treasurer

James Lemas

Wanda Barbes, Secretary

Wanda Barbes

Kathleen Viggiano, Member at Large

Kathleen Viggiano

Nancy Bagalini, Member at Large

Nancy K Bagalini