

**BYLAWS
OF
KARMA SUBDIVISION ASSOCIATION, INC.**
(an Arizona nonprofit corporation)

Pursuant to the provisions of Arizona Revised Statutes, A.R.S. §10-3101, et seq. and A.R.S. §33-1801, et seq., the above Arizona nonprofit corporation hereby adopts the following bylaws ("Bylaws"):

ARTICLE I
Definitions

Words used in these Bylaws that are not defined herein shall be given their normal, commonly understood definitions. Capitalized terms that are not defined herein shall have the same meaning as set forth in the Declaration unless the context indicates otherwise.

"Association" means Karma Subdivision Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

"Covered Property" means that certain real property described in the Declaration.

"Declaration" means the Declaration of Covenants, Conditions, Restrictions, and Easements for Karma Subdivision applicable to the Covered Property and recorded in the Office of the Maricopa County Recorder, State of Arizona, as it may be amended from time to time.

"Member" means a person entitled to membership in the Association as provided in the Declaration.

ARTICLE II
Location

The principal office and street address of the initial place of business of the Association shall be located at 4312 E. Colter Street, Phoenix, Arizona 85018, but meetings of Members and directors may be held at such places within the State of Arizona as may be designated from time to time by the Board of Directors.

ARTICLE III
Membership, Meetings, Voting, Proxies, Quorum

3.1 **Membership.** The Association shall have two classes of Members, Class A and Class B, as more fully set forth in the Declaration. The provisions of the Declaration pertaining to Members are incorporated by this reference.

3.2 **Annual Meetings.** The Association shall hold its first meeting, whether a regular or special meeting, within one (1) year after the date of the Association's incorporation. The Board shall set the date and time of subsequent regular annual meetings. Annual meetings may be conducted

electronically (i.e., via the Internet, intranet, or teleconference) if, and to the extent, permitted by law, including by future enactments.

3.3 **Special Meetings.** The President may call special meetings. It shall also be the President's duty to call a special meeting if so directed by Board resolution, by request of the Class B Members or, after termination of the Declarant Control Period, upon a petition signed by at least ten percent (10%) of the total Class A Members of the Association.

3.4 **Notice of Meetings.** Written notice of each meeting of the Members shall be given to Members by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days, and no more than fifty (50) days, before such meeting to each Member entitled to vote at the meeting. Such notice shall be 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. All notices shall specify the place, day, time and purpose of the meeting, including such purposes as are required to be set forth and disclosed pursuant to A.R.S. §33-1804. Notice may also be given by any other lawful means. Notwithstanding anything in this Article to the contrary, any special meeting called in connection with the removal of a director or directors by the Members shall comply with call and notice provisions of A.R.S. §33-1813 (A).

3.5 **Waiver of Notice.** Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Each such waiver shall be signed by the Member, delivered to the Association for inclusion in the minutes or filing with the corporate records. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection for lack of proper notice is raised before the business is put to a vote.

3.6 **Voting.**

(a) Members' voting rights shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein by this reference. Votes by the Members may be cast in person or by written ballot. Any action taken at an annual, regular, or special meeting of the Members shall comply with all of the following if ballots are used:

- (i) the ballot shall set forth each proposed action;
- (ii) the ballot shall provide an opportunity to vote for or against each proposed action;
- (iii) the ballot shall state that it is valid for only one specified election or meeting of the Members and expires automatically after the completion of the election or meeting;

(iv) the ballot specifies the time and date by which the ballot must be delivered to the Board in order to be counted, which shall be at least seven days after the date that the Board delivers the unvoted ballot to the Member;

(v) the ballot does not authorize another Person to cast votes on behalf of the Member;

(vi) the completed ballot shall contain the name, the address and either the actual or electronic signature of the person voting, except that if the condominium documents permit secret ballots, only the envelope shall contain the name, the address and either the actual or electronic signature of the voter; and

(vii) ballots, envelopes and related materials, including sign-in sheets if used, shall be retained in electronic or paper format and made available for unit owner inspection for at least one year after completion of the election.

(viii) Votes cast by ballot or other form of delivery, including fax or email delivery, are valid for the purpose of establishing a quorum.

(b) This Article shall be construed consistent with state law, as may change from time to time, and Members may also take action by written consent to the extent permitted by Arizona law. Declarant shall have the right to disapprove any action of the Association or Members, as and to the extent provided herein and in the Declaration. In addition, no such action by the Members may conflict with any reserved right, privilege, power or immunity of Declarant.

3.7 **Proxies.**

(a) Pursuant to A.R.S. §33-1812, after termination of the Declarant Control Period, voting of the Members by proxy shall be prohibited; provided, however, that during the Declarant Control Period, Declarant may in writing permit voting by proxy should Declarant, in its discretion, wish to permit such voting.

(b) Should voting by proxy be permitted by Declarant, as stated, every proxy shall be written and specify the Lot for which it is given, signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Secretary prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast; and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

(c) Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Lot for which it was given, or (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, from the date of the proxy, unless a shorter period is specified in the proxy or is mandated by law.

3.8 **Majority.** As used in these Bylaws, the term “majority vote” shall mean the affirmative vote or written consent of more than fifty percent (50%) of the Members or Owners, as the context may indicate.

3.9 **Quorum.** Except as otherwise provided in these Bylaws or in the Declaration, the presence of Class A Members representing four (4) of the total Class A Member votes in the Association shall constitute a quorum at all Association Member meetings. However, if the Class B Members exist and any Class B Member or its proxy is not present, a quorum shall not exist.

3.10 **Conduct of Meetings.** The President, or the Vice President or the Managing Agent in the absence of the President, or other person designated by the President, shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

3.11 **Member Action Without a Meeting.** Except as provided by law, any action required or permitted to be taken and that requires Member approval may be taken without a meeting, by written consent, as evidenced by one or more written consents describing the action taken, signed by Members representing a majority of the voting power of the Membership, as defined by law (or such other percentage as may be required hereunder or in the Articles or Declaration for the action taken hereunder), and filed with the minutes or corporate records. Action taken by written consent is effective when the last Member (of the number required for the action) signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

Except as provided by law, any vote of the Members may also be taken without a meeting, provided such vote is in compliance with state law.

This Article shall be construed consistently with state law, as same may from time to time change

ARTICLE IV

Board of Directors

A. COMPOSITION AND SELECTION.

4.1 **Governing Body; Composition.** The Association’s affairs shall be managed by a Board of Directors which shall serve as the Association’s corporate policy-making body. Each director shall have one equal vote. Except with respect to those directors appointed by the Class B Member during the Declarant Control Period, directors shall be Class A Members; provided, no more than one (1) representative from a particular Lot or Dwelling Unit may serve on the Board at the same time. Any Member who is delinquent in the payment of any assessment or other charge due the Association, or who is otherwise deemed by the Board to be in violation of the Governing Documents, shall not be eligible to serve on the Board. All directors shall complete, prior to commencing service on the Board, such training requirements as the Board establishes. Directors shall be at least 18 years of age. In the case of a Member which is not a natural person, any officer, director, partner, or trustee of such Member shall be presumed to be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member. No Member may have more than one (1) such representative on the Board at a time, except in the case of directors appointed by the Class B Member.

4.2 **Number of Directors.** The number of directors in the Association shall be not less than three (3) nor more than five (5). The initial Board shall consist of one (1) director as identified in the Articles.

4.3 **Director Appointed by the Class B Member.** The director(s) which the Class B Member is entitled to appoint pursuant to the Declaration and these Bylaws shall be appointed or removed by the Class B Member acting in its sole discretion and shall serve at the pleasure of the Class B Member.

4.4 **Nominations and Declarations of Candidacy.**

(a) Prior to each election of directors after the expiration of the Declarant Control Period, the Board shall prescribe the opening and closing dates of a reasonable filing period in which all eligible persons who have an interest in serving as a director may file as a candidate for such positions. The Board shall establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient, and cost-effective manner.

(b) Nominations for election to the Board also may be made by a nominating committee. The nominating committee shall consist of three or more Persons and a chairperson, who shall be a Board member. The remaining members of the nominating committee shall be Members.

(c) The nominating committee may make as many nominations for election to the Board as it shall in its discretion determine. In making its nominations, the nominating committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates. Each candidate shall be given a reasonable, equal opportunity to communicate his or her qualifications and to solicit votes.

(d) The above nomination procedures shall not apply to directors appointed by the Class B Member.

4.5 **Election and Term of Office.**

(a) Annual elections for directors may be conducted by mail or, if permitted by Arizona law, electronically, or held at the Association's annual meeting. Each Member shall be entitled to cast one vote with respect to each position to be filled. There shall be no cumulative voting. The candidate(s) receiving the most votes for each position to be filled shall be elected.

(b) Directors elected at such annual elections shall take office immediately. Except as otherwise specifically provided in these Bylaws, each director shall serve a two (2) year term; provided, directors shall hold office until their respective successors are elected (or appointed as the case may be) and take office. Until termination of the Declarant Control Period, the Class B Member may appoint all directors.

(c) Notwithstanding the above or any other provision of these Bylaws, within one hundred and twenty (120) days after the termination of the Declarant Control Period, the Association shall hold an election at which the Class A Members shall be entitled to elect all directors. (Those directors

elected by the Class A Members are referred to as “Class A Directors.”) The two (2) Class A Directors receiving the most votes in such election shall serve a term which expires when the directors elected at the second succeeding annual election take office. The remaining Class A Director(s) shall serve a term which expires when the directors elected at the next succeeding annual election (calculated as if elections were held annually) take office. After expiration of each such term, all Class A Directors shall serve two-year terms.

4.6 Removal of Directors and Vacancies.

(a) Subject to the requirements of A.R.S. § 33-1813, any Class A Director may be removed, with or without cause, by the vote of Class A Members holding a majority of the votes entitled to be cast for the election of such director at any Association meeting at which a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class A Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

(b) Any Class A Director who has three consecutive unexcused absences from Board meetings, who is more than thirty (30) days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, or who is otherwise deemed by the Board to be in violation of the Governing Documents, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

(c) Any director appointed by the Class B Member may be removed only by the Class B Member, acting in its discretion.

(d) In the event of the death, disability, or resignation of a director elected by the Class A Members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Class A Members entitled to fill such directorship may elect a successor for the remainder of the term.

(e) Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of any initial director set forth in the Articles of Incorporation, or of a director appointed by, or elected as a representative of, Declarant.

B. MEETINGS.

4.7 Regular Meetings. The first Board meeting following each annual meeting of the Members shall be held within ten (10) days thereafter or at such time and place as the Board shall fix. All other regular Board meetings may be held at such time and place as a majority of the directors shall determine.

4.8 Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two (2) directors.

4.9 **Notice to Board Members.** No notice need be given of regular meetings of the Board. Notice of the time and place of any special meeting of the Board shall be given at least forty-eight (48) hours prior thereto. Notice shall be given in accordance with and shall be deemed to be effective at the time and in the manner described in A.R.S. §10-3822. Any director may waive notice of any meeting and any adjournment thereof at any time before, during, or after it is held. Except as provided in the next sentence below, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at or participation of a director in a meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting (or promptly upon his/her arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

4.10 **Participation in Meetings.** One (1) or more directors may participate in and vote during any regular or special Board meeting by telephone conference call, video conference, or similar audio or video communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Those directors so participating shall be deemed present at such meeting.

4.11 **Quorum of Board.** At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date of the original meeting. If a quorum is present at the reconvened meeting, any business which might have been transacted at the meeting originally called may be transacted without further notice.

4.12 **Conduct of Meetings.** The President shall preside over all Board meetings. The Secretary shall keep a minute book of Board meetings and shall record all Board resolutions and all transactions and proceedings occurring at such meetings. The meeting agenda shall be made available to all Members attending each Board meeting.

4.13 **Open Meetings: Executive Session.**

(a) Except in an emergency, notice of Board meetings shall be posted or noticed as required by law, and if not otherwise required or permitted, posting or notice shall occur at least forty-eight (48) hours in advance of the meeting at a conspicuous place within the Covered Property which the Board establishes for the posting or noticing of notices relating to the Association. Subject to the provisions hereof, or provisions of law which may otherwise permit, all Board meetings shall be open to all Members; and Members other than directors may participate in any discussion or deliberation subject to reasonable regulations of the Board. In such case, the Board may reasonably limit the time any such individual may speak.

(b) Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a

sensitive nature, such as pending or threatened litigation, personnel matters, etc., all as may be permitted by A.R.S. §33-1804 or any successor statute.

4.14 **Action Without a Formal Meeting.** Any action to be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. POWERS AND DUTIES.

4.15 **Powers.** The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on behalf of the Association all acts and things except those the Governing Documents or Arizona law require to be done and exercised exclusively by the Members generally.

4.16 **Duties.** The Board's duties shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses;

(b) levying and collecting assessments from the Owners;

(c) providing for the operation, care, upkeep, and maintenance of the Common Areas and other areas of Association responsibility;

(d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's best judgment, in depositories other than banks;

(f) subject to the Declaration, making and amending Association Rules and Design Guidelines;

(g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Areas in accordance with the Declaration and these Bylaws;

(h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;

- (i) obtaining and carrying property and liability insurance (and fidelity bonds, if reasonably necessary), and paying the cost thereof, and filing and adjusting claims, as appropriate;
- (j) paying the cost of all services rendered to the Association;
- (k) keeping books with detailed accounts of the Association's receipts and expenditures;
- (l) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration; and
- (m) provide for an annual financial audit, review or compilation of the Association once every five (5) years or as otherwise requested by a majority of the Members.

4.17 **Compensation.** The Association shall not compensate any director for acting as such unless approved by the Class B Member or Class A Members representing a majority of the total Class A votes in the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known in an open meeting of the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

4.18 **Right of Class B Member to Disapprove Actions.** So long as the Class B Member exists, the Class B Member shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the sole judgment of the Class B Member, would tend to impair rights of Declarant under the Declaration or these Bylaws, interfere with development or construction of any portion of the Covered Property, diminish the level of services being provided by the Association or otherwise conflict with the plans, goals and objectives of the Class B Member as it determines in its sole discretion.

4.19 **Right of Class B Member to Notice.** The Association, the Board, and each committee shall give the Class B Member written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting). Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary, which notice complies as to Board meetings with all provisions hereof, and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth with reasonable particularity the agenda to be followed at such meeting.

4.20 **Class B Member Opportunity to be Heard.** The Association, the Board, and each committee shall give the Class B Member the opportunity at any meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the

requirements set forth herein have been met. The Class B Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within ten (10) days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within ten (10) days following receipt of written notice of the proposed action. The Class B Member shall not use its right to disapprove or reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations, nor may any right of disapproval be exercised to the extent such exercise would violate a specific prohibition or limitation established by law.

4.21 **Management.**

(a) The Board may employ a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the management agent's assigned duties, but shall not delegate policy-making authority or authority with respect to adoption of budgets. Declarant or its affiliate may be employed as a management agent.

(b) The Association shall not be bound, either directly or indirectly, by any management contract executed during the Declarant Control Period unless such contract contains a right of termination that the Association may exercise, with or without cause and without penalty, at any time after termination of the Declarant Control Period upon not more than ninety (90) days' written notice, or such shorter period as may be required by law.

4.22 **Borrowing.** The Association may borrow money for any legal purpose; provided, the Board shall obtain any required Member approval in the same manner provided in the Declaration for Assessments. After the termination of the Declarant Control Period, no mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least a majority vote of the Class A Members.

4.23 **Right to Contract.** The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or the Association and other owners or residents associations, within and outside the Covered Property. Any common management agreement shall require the consent of a majority of the Board.

4.24 **Enforcement.** The Association may impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) **Notice.** The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) business days (or such other time required by law) within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) business days of the notice, or such longer period as may be required by law. If a timely request for a hearing is not

made, the sanction stated in the notice shall be imposed; provided the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) business day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted ten (10) business day period, the hearing shall be held before the Board in executive session, unless the alleged violator requests that the meeting be held in open session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Section, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the dispute resolution procedures set forth in the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Lot for purposes of exercising this power of self-help shall not be deemed as trespass.

ARTICLE V

Officers

5.1 Officers. The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among Board members. Other officers may, but need not be, Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable. Any such officers shall have such authority and perform such duties as the Board prescribes. The same person may hold any two (2) or more offices, except the offices of President and Secretary.

5.2 Election and Term of Office. The Board shall elect the Association's officers at the first regular Board meeting following each annual meeting of the Members, to serve until their successors are elected, but elections of officers may be held at any other meeting of the Board.

5.3 Removal and Vacancies. The Board may remove any officer, with or without cause, whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

5.4 **Powers and Duties.** The officers of the Association shall each have such powers and duties as may specifically be conferred or imposed by the Board; provided, the Board may not confer or impose powers or duties which may not otherwise be exercised by the Board. In the exercise of delegated responsibilities, officers shall not directly or unreasonably interfere with the day-to-day operations of the Association's management agent, if any, or such Persons designated or employed by the Board to perform management functions. By way of example, and not limitation, the officers shall have the following powers and duties:

(a) **President.** The President shall be the chief executive officer of the Association and shall exercise general supervision and direction of the Association's affairs. The President shall have the authority to directly administer all matters not expressly delegated or assigned to a management agent or others.

(b) **Vice President.** The Vice President shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.

(c) **Secretary.** The Secretary shall be responsible for ensuring that the minutes of all meetings of the Association, the Board, and the committees of the Board are kept, and shall have charge of such books and papers as the Board may direct. In the Secretary's absence, any officer directed by the Board shall perform all duties incident to the office of secretary.

(d) **Treasurer.** The Treasurer shall have primary responsibility for preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

5.5 **Resignation.** 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 the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

5.6 **Agreements, Contracts, Deeds, Leases, and Instruments.** Prior to the expiration of the Declarant Control Period, one (1) officer or such other person as the Board may designate shall execute the Association's agreements, contracts, deeds, leases, and other instruments. After the expiration of the Declarant Control Period, at least two (2) officers or such other person(s) as the Board may designate shall execute the Association's agreements, contracts, deeds, leases, and other instruments.

5.7 **Compensation.** Compensation of officers shall be subject to the same limitations as compensation of directors.

ARTICLE VI

Committees

6.1 **General.** The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall

operate in accordance with the terms of such resolution. Committees of the Board shall include any required by the Declaration.

6.2 **Committee Participation.** A Member who has been found by the Board to be in violation of the terms of the Declaration, whether by non-payment of Assessments or otherwise, including by reason of violating applicable covenants, rules or regulations concerning improvements on such Member's property, may not remain a member of a committee of the Association if such violation remains uncured. Should such person be a committee member at the time such violation has been found to exist, then such person shall be deemed removed as a committee member ten (10) days after the date the Board determines that such uncured violation exists, unless the Board also determines that, in the case of a non-monetary default, said Member is reasonably and diligently attempting to cure such default. The provisions of this paragraph shall not apply to Declarant or to persons appointed to any committee by Declarant.

ARTICLE VII

Miscellaneous

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

7.2 **Standards of Conduct.** In performing his or her duties, each director and officer shall act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director or officer reasonably believes to be in the best interests of the Association. A director or officer acting in accordance with such standards acts in accordance with the business judgment rule and shall be insulated from personal liability to the extent permitted under Arizona law and as otherwise provided by the Governing Documents. Board determinations of the meaning, scope, and application of Governing Documents provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

7.3 **Parliamentary Rules.** Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Arizona law or the Governing Documents.

7.4 **Conflicts.** If there are conflicts among the provisions of Arizona law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of Arizona law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

7.5 **Books and Records.**

(a) **Inspection by Members and Mortgagees.** The Board shall make available for inspection and copying by any holder, insurer or guarantor of a First Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Governing Documents, the Members register, books of account, the minutes of meetings of the Members, the Board, and committees, and financial and other records, subject to the provisions of law permitting certain records to be withheld from disclosure. The

Board shall provide for such inspection to take place at the Association's office or at such other place as the Board shall designate in accordance with law.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to (i) notice to be given to the custodian of the records; (ii) hours and days of the week when such an inspection may be made; and (iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. A director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

7.6 **Notices.** Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot or Dwelling Unit of such Member;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

ARTICLE VIII

Sale of Lot by Owner/Member

Each Member selling a Lot is required immediately upon execution of a contract therefor to notify the Association, in writing, of the name and address of the purchaser thereof, as well as the scheduled closing date for the sale. The Association shall, upon receipt of such information, and in addition to any other requirement at law, comply with the provisions of A.R.S. §33-1806 dealing with the provision of materials and notices to each new Owner or purchaser. The provisions of this Article shall not apply to a sale pursuant to a public report or which is otherwise exempt pursuant to A.R.S. §33-1806(F).

ARTICLE IX

Amendment

9.1 **By Class B Member.** Prior to termination of the Declarant Control Period, the Class B Member may unilaterally amend these Bylaws. Thereafter, the Class B Member may unilaterally amend these Bylaws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to

enable any reputable title insurance company to issue title insurance coverage on the Lots; or (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Lots. So long as the Class B Members exist, the Class B Member may unilaterally amend these Bylaws for any other purpose, provided the amendment has no material adverse effect upon any right of any Member and is otherwise permitted by law. Amendments by the Class B Member may be made without a meeting and without notice, as no other Members may vote thereon.

9.2 **By Members Generally.** Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination hereof, of a majority vote of the Class A Members, and the consent of Declarant so long as it is a Class A or Class B Member. In addition, the approval requirements set forth in the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Karma Subdivision Association, Inc., an Arizona nonprofit corporation; and

That the foregoing Bylaws constitute the original bylaws of said Association, as duly adopted at a meeting of the Board thereof held on the 2nd day of June, 2021.

IN WITNESS WHEREOF, I have hereunto subscribed my name on the 2nd day of June, 2021.

Secretary