

**SECOND AMENDED AND RESTATED**  
**BYLAWS**  
**OF**  
**THE DESERT MOUNTAIN MASTER ASSOCIATION**

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OF  
THE DESERT MOUNTAIN MASTER ASSOCIATION

ARTICLE I

Identity

Section 1. The Master Association. The Bylaws shall govern the operation of the Desert Mountain Master Association (the "Master Association"), an Arizona non-profit corporation.

Section 2. Terms. The words used in these Bylaws shall be given their normal, commonly understood definitions. Unless otherwise defined in the Bylaws, capitalized terms used herein shall have the same meanings as in the Second Amended and Restated Master Declaration of Covenants, Conditions, Restrictions, Assessments, Changes, Servitudes, Liens, Reservations and Easements for Desert Mountain recorded June 21, 2011, as Instrument Number 2011-0517763, official records of Maricopa County, Arizona, and as thereafter amended or supplemented from time to time (the "Declaration"), which by this reference is incorporated herein. Any amendments or supplements to the Declaration shall automatically be incorporated herein, and all references to the Declaration shall be deemed to include any such amendments or supplements.

Section 3. Priority of Declaration. The provisions of the Declaration and the Articles shall have priority over the Bylaws, and any provisions of the Bylaws which are contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of such inconsistency.

Section 4. Principal Office. The principal office of the Master Association shall be located initially in the City of Scottsdale.

ARTICLE II

Membership

Section 1. Members. Membership in the Master Association shall be as set forth in the Declaration, the Articles and these Bylaws.

Section 2. Annual Meetings. Annual meetings of the Members shall be held each year and within at least fourteen (14) months from the prior annual meeting. Annual meetings shall be held on such dates and times as shall be designated by the Board of Directors.

Section 3. Location of Meetings. Meetings of the Members shall be held within the Property or at a meeting place as close thereto as reasonably possible. Unless unusual conditions exist, meetings of Members shall not be held outside Maricopa County, Arizona.

Section 4. Special Meetings. A special meeting of the Members shall be promptly scheduled by the Board in response to:

(a) the President,

(b) the vote of the Board itself, or

(c) a written request for a special meeting signed by Members representing at least ten percent (10%) of the total voting power of the Members entitled to vote on the matter to be considered at the special meeting.

Section 5. Notice of Meetings. Notice of annual and special meetings of the Members shall be given by the Board to Members, the Club, and the Developer, not less than ten (10) nor more than fifty (50) days before the date of the meeting by mail, e-mail, or any wire or wireless communication. The notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose for which the meeting is called. Any Member may waive notice of any meeting before, during or after the meeting.

Section 6. Voting. Each Owner shall have one vote per Membership for all matters on which Owners or Members have a right to vote. The voting rights of the Members shall be as provided in the Declaration.

Section 7. Quorum. A quorum of Members for annual and special meetings shall be constituted by twenty-five percent (25%) of the Members represented in person or by absentee ballot. Unless the vote of a greater number is required by these Bylaws, the Articles, the Declaration or applicable law, the affirmative vote of the Members holding more than fifty percent (50%) of the total votes entitled to be cast by the Members who are present (in person or by absentee ballot) at a meeting at which a quorum of Members is present shall be binding as the act of the Members. A meeting of Members shall not be organized and no business of the Master Association shall be transacted at any meeting of Members, unless a quorum of Members is present at the meeting either in person or by absentee ballot.

Section 8. Method of Voting. All issues presented at any annual or special meeting for a vote by the Members shall be voted upon in writing. Members shall have the opportunity to vote in person at the meeting or by absentee ballot. The Board shall also have the discretion to allow Members to vote by some other form of delivery. Written ballots shall only be in the form selected and made available by the Board. Except for the ballot for the election of directors, the form of written ballot shall provide Owners with the opportunity to vote for or against each matter or group of matters to be acted upon.

Section 9. Order of Business. Unless otherwise determined by the Board of Directors, the order of business at annual and special meetings of the Members will be as follows:

- (a) Verification of quorum.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers and/or management agent, if any.
- (e) Reports of committees, if any.
- (f) Appointment of inspectors of election, when required.
- (g) Election of members of the Board, when required.
- (h) Unfinished business.
- (i) New business.
- (j) Open forum for Members' comments and questions.
- (k) Adjournment.

### ARTICLE III

#### Board of Directors

Section 1. Number and Qualification. The business, property and affairs of the Master Association shall be managed, controlled and conducted by a Board of Directors. Each Director must be a Member of the Master Association who is not sixty-one (61) or more days delinquent in the payment of Assessments. The number of Directors may be altered from time to time by resolution of a majority vote of the Board, but only within the limits prescribed by the Articles. In the event of any increase in the number of Directors in advance of the annual meeting, each additional Director shall be elected by the then members of the Board and hold office until his successor is duly elected at the next annual meeting of the Members.

Section 2. Powers and Duties. Subject to any restrictions set forth in the Declaration, the Board shall have the powers and duties necessary for the administration of the affairs of the Master Association and may do all such acts and things as are not by law or otherwise directed to be exercised and done by the Members or the President. The powers of the Board shall include, but not be limited to, all of the rights and duties of the Board as set forth elsewhere in the Bylaws, the Articles and the Declaration and shall, subject to the restrictions set forth in the

Declaration, also include the power to promulgate such rules and regulations pertaining to the rights and duties of Members of the Master Association, and all other matters, as may be deemed proper and which are consistent with the foregoing. The Board may delegate to one or more committees and to officers, employees or agents of the Master Association, such duties and powers, all as appears to the Board to be in the best interests of the Master Association and to the extent permitted by law; provided, however, that no such delegation shall relieve the Board of its obligation to perform any such delegated duty.

Section 3. Election and Term of Office. The nomination of Members to run for election to the Board may be made by a nominating committee appointed by the Board, or by any other reasonable method determined by the Board. If the Board does not appoint a nominating committee, or if no other method of nomination is determined by the Board, nominations may be made by self-nomination. Voting for the election of Directors shall be by secret written ballot. Directors shall serve for staggered terms of three (3) years. The Board of Directors shall be classified so that the term of approximately one-third (1/3) of the entire number of Directors shall expire annually. Notwithstanding the foregoing, the Board may cause some Directors to be elected for a one-year term or a two-year term to re-create staggered terms. In such case, the Directors elected with the least amount of votes will receive the shortest terms.

(a) Directors may only serve two (2) consecutive elected terms. After serving two (2) consecutive elected terms, a Member will only be eligible to serve on the Board again (whether via appointment to fill a vacancy or re-election at an annual meeting) after two (2) election cycles have passed (the "Ineligibility Period"). A Director first appointed to fill a vacancy on the Board may only be elected to serve two (2) consecutive full elected terms after the appointed term expires before the Ineligibility Period if the appointment term was for one (1) year or less. If the Director's initial appointment term was for more than one (1) year, then the Director may only be elected to one full term before the Ineligibility Period.

Section 4. Resignation. A Director shall serve until removed, until his successor is duly elected and qualified, until he resigns, or until he is disqualified, whichever occurs first. Any Director may resign at any time by giving written notice to the Board, the President or the Secretary. The resignation of a Director 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 a resignation shall not be necessary to make it effective.

Section 5. Vacancies. Vacancies on the Board caused by any reason, other than a vacancy resulting from a removal by a vote of the Members, may be filled by vote of the majority of the remaining Directors even though less than a quorum, or by the remaining Director if there be only one. Unless otherwise determined by the Board, each individual so appointed shall fulfill the remaining term of the Director he is replacing. In the event no Director remains to fill vacancies on the Board, the vacancies shall be filled by a vote of the Members at a duly held annual or special meeting. Any vacancy on the Board caused by the removal of a Director by a vote of the Members shall be filled by a vote of the Members at a duly held annual or special meeting.

Section 6. Compensation. No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director for services performed by him for the Master Association in any other capacity. Directors and officers, however, may be reimbursed for any actual expenses incurred in connection with their duties as such officers or Directors.

Section 7. Regular Meetings. Regular meetings of the Board may be held at such times as shall be determined, from time to time, by a majority of the Directors, but at least two such meetings shall be held during each fiscal year. The meeting place shall ordinarily be within the Property itself, unless, in the judgment of the Board, a larger meeting room is required than exists within the Property in which case the meeting room shall be located as close as reasonably possible to the Property. Notice to Directors of regular meetings shall be delivered to each Director not less than four (4) days prior to the meeting. Notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting. Notice to Members of regular meetings of the Board of Directors shall be given at least forty-eight (48) hours in advance of the meeting by newsletter, posting notice at a prominent place or places within the Master Common Areas, or any other reasonable means as determined by the board of Directors.

Section 8. Special Meetings. Special meetings of the Board may be called by the President. Special meetings of the Board shall also be called by the President upon the written request of at least two of the Directors other than the President. Notice to Directors of special meetings shall be delivered to each Director by mail, telephone, e-mail, or facsimile. Notice to Directors of special meetings shall be given not less than seventy-two (72) hours prior to the special meeting unless emergency circumstances necessitate a meeting before seventy-two (72) hours notice can be given. Notice of any such meeting need not be given to any Director who signed a waiver of notice or a written consent to holding of the meeting. Notice to Members of regular meetings of the Board of Directors shall be given at least forty-eight (48) hours in advance of the meeting by newsletter, posting notice at a prominent place or places within the Master Common Areas, or any other reasonable means as determined by the board of Directors, unless emergency circumstances necessitate a meeting before forty-eight (48) hours notice can be given. Notice to Directors and Members of special meetings shall state the time, place and purpose of the meeting. Special meetings of the Board shall ordinarily be held within the Property, itself, unless in the judgment of the Board, a larger room is required than exists within the Property in which case the meeting room shall be located as close as reasonably possible to the Property.

Section 9. Waiver of Notice. Before, at, or after any meeting of the Board, any Director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be deemed to be a waiver of notice by him, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 10. Meetings Open to Members. Unless the Board is permitted by Arizona law to hold a closed Board meeting or a closed executive session for portions of a Board meeting, all



meetings of the Board of Directors shall be open to the Members. The Board of Directors may meet in closed session to discuss the following:

- (a) Legal advice from an attorney for the Board or the Master Association;
- (b) Pending or contemplated litigation;
- (c) Personal, health, or financial information about an individual Member of the Master Association, an individual employee of the Master Association, or an individual employee of a contractor for the Master Association; and
- (d) Matters relating to job performance of, compensation of, health records of, or specific complaints against an individual employee of the Master Association, or an individual employee of a contractor of the Master Association who works under the direction of the Master Association.

At any open meeting of the Directors, Members or the Member's representative (designated in writing) so desiring shall be permitted to speak at an appropriate time during the Board's deliberations and proceedings. The Board may place reasonable time restrictions on those persons speaking during the meeting but shall permit a Member or Member's designated representative to speak before the Board takes formal action on an item under discussion in addition to any other opportunities to speak. The Board shall provide for a reasonable number of persons to speak on each side of an issue.

Section 11. Quorum. A majority of the Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, a majority of those Directors present may adjourn the meeting from time to time. No business of the Board shall be transacted at any meeting of the Board unless a quorum is present. Every act or decision done or made by a majority of the Directors at a duly held meeting at which a quorum is present shall be regarded as the act of the Board unless the Articles, the Bylaws or the Declaration otherwise specifically requires the affirmative vote of a different number of Directors on a specific matter.

Section 12. Telephonic Participation. Unless otherwise prohibited by statute or resolution of the Board, meetings of the Board, whether regular or special, may be held by means of a conference telephone call or similar communications equipment arrangement which allows all persons participating in the meeting to hear each other. Participation in any such meeting shall constitute presence in person at the meeting.

Section 13. Director Proxies. At any meeting of the Board of Directors, a Board member may vote in person or by proxy pursuant to Arizona Revised Statutes §10-3824, as may be amended.

Section 14. Action Taken Without a Meeting. The Directors shall have the right, pursuant to Arizona law, including, but not limited to, Arizona Revised Statutes §10-3821, as amended from time to time, to take any action in the absence of a meeting which they could take

at a meeting by obtaining from the Directors a unanimous written consent to resolutions specifying the action. Any action so approved shall have the same effect as though taken at a meeting of the Directors. If the Board resolves by unanimous consent to take action, the unanimous written consent shall be attached to the minutes of the Board's next meeting and an explanation of the action taken shall be given to the Members by some reasonable method determined by the Board (which may include posting on the Master Association's website and/or posting at a prominent place or places within the Master Common Areas) within three (3) days after the written consents of all Members of the Board have been obtained.

## ARTICLE IV

### Officers

Section 1. Designation and Qualification. The principal officers of the Master Association shall be a President, a Secretary, a Treasurer and, if deemed necessary by the Board, one or more Vice Presidents. The Directors may appoint an Assistant Secretary and an Assistant Treasurer, and such other officers as in their judgment may be necessary. Any individual holding the office of President must be a Director. Individuals holding offices other than that of President need not be Directors but all officers must be Members. Any one individual may hold two or more offices at the same time, except that no one individual shall simultaneously hold the offices of President and Treasurer.

Section 2. Election and Term of Officers. The officers of the Association will be elected annually by the Board of Directors at the first meeting of the Board of Directors after the annual meeting of the Members. If the election of officers will not be held at such meeting, such election will be held as soon thereafter as is convenient. New offices may be created and filled at any meeting of the Board of Directors.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected.

Section 4. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. The resignation of an officer 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 a resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office may be filled by vote of a majority of the Board. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. President. The President shall be the chief executive officer of the Master Association. He shall preside at all meetings of the Members of the Master Association and of the Board. He shall have all of the general powers and duties that are normally vested in the

office of the President of a corporation. The President shall also have such other powers as provided for in the Declaration.

Section 7. Vice President. The Vice President, if a Vice President is chosen (or the most senior Vice President, if there shall be more than one), shall take the place of the President and perform his duties whenever the President shall be absent, unable to act or refuses to act. If neither the President nor a Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. A Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

Section 8. Secretary. The Secretary shall be responsible for the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members; he shall have responsibility for the Membership books and such other books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of the Secretary.

Section 9. Treasurer. The Treasurer shall have the responsibility for the Master Association's funds and securities and shall be responsible for assuring that full and accurate accounts are kept of all receipts and disbursements in books belonging to the Master Association. He shall be responsible for overseeing the deposit of all moneys and other valuable effects in the name, and to the credit, of the Master Association in such depositories as may from time to time be designated by the Board.

Section 10. Compensation. No compensation shall be paid to officers for their services as officers. No remuneration shall be paid to an officer for services performed by him for the Master Association in any other capacity, unless, before the services are undertaken, a resolution authorizing such remuneration shall have been adopted by the Board in accordance with the provisions of the Declaration, the Articles, the Bylaws and applicable law.

## ARTICLE V

### Committees

Section 1. General. The Board may establish and appoint committees from time to time as the Board decides is appropriate to assist in the conduct of the affairs of the Master Association. Committee members may, but need not, be Master Association Members. Committee Members serve at the Board's discretion for such periods as the Board may designate by resolution or committee charter; provided, however, any committee member, including the committee chair, may be removed by the vote of the majority of the Directors. Each committee shall operate in accordance with the terms of such committee's charter.

Section 2. Master Design Committee. There shall be a Master Design Committee as provided for in the Declaration. The Master Design Committee shall be appointed in the manner provided for in the Declaration and shall have such duties and powers as provided for in the Declaration.

Section 3. Committees of the Board. The Board may by resolution appoint committees of the Board comprised of Directors, which committees shall have the powers and authority designated in the resolution or charter establishing them.

## ARTICLE VI

### Budgets and Financial Statements

Section 1. Budgets. An operating budget for each fiscal year shall be prepared by the Board and made available to all Members of the Master Association.

Section 2. Annual Audit. No less than annually, the Board of Directors shall cause an independent audit of the Association's books and records, inclusive of all accounts of the Association, including all reserve accounts, if any to be completed by a CPA in accordance with generally accepted accounting principles by a licensee of the Arizona State Board of Accountancy. The audit shall be completed no later than one hundred eighty (180) days after the end of the Master Association's fiscal year and shall be made available upon request to the Members within thirty (30) days after its completion.

Section 3. Review of Financial Statements and Reports. The Board shall, as often as is reasonably prudent:

(a) Cause a current reconciliation of the Master Association's balance sheet and operating statement, including a schedule of assessments received, to be made and review the same.

(b) Cause a current reconciliation of the Master Association's operating accounts and reserve accounts to be made and review the same.

(c) Review the current fiscal year's actual reserve revenues and expenses compared to the current fiscal year's budget.

(d) Review an income and expense statement for the Master Association's operating and reserve accounts.

Section 4. Expenditures From Reserve Account. Expenditure of funds from the Master Association's reserve account shall be in accordance with a policy of reasonable rules adopted by the Board of Directors.

## ARTICLE VII

### Enforcement

Section 1. Power of Board. Subject to the restrictions set forth in the Declaration, in addition to the Board's enforcement rights provided in the Declaration and applicable law, after giving the Owner notice and an opportunity to be heard, the Board shall have the power to impose reasonable fines against the Owner (excluding the Club and the Developer) for violation of the Declaration, the Articles, the Bylaws, Master Design Guidelines, or Association Rules. In the event that any Occupant, guest or invitee of an Owner violates the Declaration, the Articles, the Bylaws, or a rule or regulation of the Master Association and a fine is imposed, the fine may first be assessed against the Person occupying the Lot or Parcel; provided, however, if the fine is not paid by that Person within the time period set by the Board, the Owner shall pay the fine upon notice from the Master Association. The failure of the Board to enforce any provision of the Declaration, the Articles, the Bylaws, or any rule or regulation of the Master Association shall not be deemed a waiver of the right of the Board to do so thereafter.

Section 2. Covenants Committee. The Board may delegate all or a portion of its authority pursuant to this Article VII to a committee which the Board may designate (the "Covenants Committee"); provided, however, that no such delegation shall relieve the Board of its obligation to perform any such delegated duty.

Section 3. Suspension of Owner's Rights. Notwithstanding any other provision of the Declaration and these Bylaws, the Board may adopt a rule automatically suspending the rights of an Owner to vote and an Owner's right to use the Common Areas for the period during which any Assessment owed to the Master Association is delinquent.

Section 4. Notice and Opportunity to be Heard. Prior to imposition of a fine for a violation of the Declaration, the Articles, the Bylaws, Master Design Guidelines, or Association Rules, the Association shall give the alleged violator and the Owner, if the alleged violator is other than the Owner, notice of the violation and a reasonable opportunity to be heard.

Section 5. Appeal. In the event the initial hearing is held before the Covenants Committee, the alleged violator and the Owner, if the alleged violator is other than the Owner, may, in writing, appeal the decision to the Board following the hearing, subject to any rules and procedures adopted by the Board. The Board shall have the right, but not the obligation, in its sole discretion to hear the appeal from the Covenants Committee decision. If the decision of the Covenants Committee is not appealed or if Board opts not to hear the appeal, the decision of the Covenants Committee shall be final. If the Board hears the appeal, the Board's decision will be final.

Section 6. Additional Enforcement Rights. In addition to the enforcement rights set forth in these Bylaws, the Master Association shall have all other enforcement rights as provided in the Declaration and by law. Pursuing one enforcement remedy shall in no way limit any and/or all other legal remedies that the Master Association may pursue.

Section 7. Limitation on Enforcement Power. Notwithstanding the foregoing, the Master Association shall not have the power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Lot or Parcel on account of the Owner's failure to comply with the provisions of the Declaration, the Articles, the Bylaws, the Master Design Guidelines, or Association Rules concerning the operation of the Master Common Area; provided, however, that the Master Association shall have such power in the event it obtains a judgment by a court of competent jurisdiction or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments duly levied by the Master Association.

## ARTICLE VIII

### Miscellaneous

Section 1. Books and Accounts. All books and records of the Association may be inspected by any Member, or his agent or attorney, at any reasonable time upon ten (10) business days notice. The following are not subject to inspection by any party other than the Board of Directors and the management agent(s):

(a) Privileged communication between an attorney for the Association and the Association, including, but not limited to, legal advice from an attorney for the Board or the Association;

(b) Pending litigation;

(c) Meeting minutes or other records of a closed, executive meeting of the Board held in accordance with Arizona law;

(d) Personal, health or financial information about an individual Member of the Association, an individual employee of the Association, or an individual employee of a contractor for the Association;

(e) Records relating to job performance of, compensation of, health records of, or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direction of the Association; and

(f) Financial and other records of the Association if disclosure would violate any state or federal law.

Every Director of the Master Association shall have the absolute right at any reasonable time to inspect all books, records and documents of the Master Association and the physical properties owned or controlled by the Master Association. The right of inspection by a Director includes the right to make copies of documents.

Section 2. Execution of Corporate Documents. With the prior authorization of the Board, all notes, checks and contracts or other obligations shall be executed on behalf of the Master Association by such one or more Directors or officers of the Master Association as said Board shall designate.

Section 3. Fiscal Year. The fiscal year of the Master Association shall be the calendar year unless otherwise determined by the Board.

Section 4. Venue. The proper venue for any dispute arising in connection with these Bylaws shall be Maricopa County, Arizona.

Section 5. Notice. The address of the Master Association for purposes of any notice required or permitted under the Bylaws or the Declaration shall be address of record for the Association on file with the Maricopa County Recorder's office.

Section 6. Gender. Masculine, feminine and neuter references herein shall each include the others as the context requires.

## ARTICLE IX

### Amendment of the Bylaws

#### Section 1. Amendment.

(a) The amendment of the Bylaws shall require:

(1) The affirmative vote of a majority of all of the Members except Developer, and

(2) The affirmative vote of Developer so long as Developer owns any property subject to Assessments pursuant to the Master Declaration.

(b) Notwithstanding the foregoing, the percentage of the voting power of the Members or of Members other than Developer necessary to amend a specific clause or provision in the Bylaws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

Section 2. Inconsistency Resulting from Purported Amendment. The Bylaws shall not be amended to contain any provisions that would be contrary to or inconsistent with the Declaration or the Articles, and any provision or purported amendment or modification to the Bylaws which is contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of such inconsistency.

### CERTIFICATION

The President of the Association hereby certifies that the Second Amended and Restated Bylaws of The Desert Mountain Master Association was approved by the affirmative vote of Developer and the affirmative vote of a bare majority of all of the Members except Developer.

DATED this 28 day of September, 2011.

DESERT MOUNTAIN MASTER ASSOCIATION

By: Valerie Souce

Its: President