

**BYLAWS  
OF  
SCOTTSDALE EAST HOMES, INC.**

As Amended March 18, 2006

These Bylaws supersede any and all previous copies of our Bylaws.

**ARTICLE 1**

**NAME AND LOCATION**

- 1.1** The name of this Corporation is Scottsdale East Homes, Inc. Its principal office is located at 8210 East Garfield Street, Scottsdale, Arizona 85257.
- 1.2** This Corporation consists of four (4) sections identified as:
- |            |  |
|------------|--|
| Judson     | 8211 East Garfield Street, Scottsdale, Arizona 85257 |
| Kingsley   | 8210 East Garfield Street, Scottsdale, Arizona 85257 |
| London     | 8221 East Garfield Street, Scottsdale, Arizona 85257 |
| Manchester | 8220 East Garfield Street, Scottsdale, Arizona 85257 |

**ARTICLE 2**

**PURPOSE**

- 2.1** The purpose of this Corporation is to provide its members with housing and community facilities, on a not for profit basis consistent with the provisions set forth in its Articles of Incorporation.

**ARTICLE 3**

**MEMBERSHIP**

- 3.1 Eligibility** – Any natural person or Trust approved by the Board of Directors shall be eligible for one (1) Membership.

The policy of Scottsdale East Homes, Inc. is to provide equal housing opportunity for all persons regardless of race, color, religion (creed), sex or national origin and to abide by the provisions of Executive Order 11063, which prohibits discriminatory practices in housing and related activities.

### **3.2 Application for Membership**

- a. Application for membership shall be presented on a form prescribed by the Board of Directors, and all such applications shall be acted upon promptly by the Board of Directors or its authorized agent.
- b. Application for membership from a Trust must name the “proposed occupant” of the Unit for which the application is submitted. The named proposed occupant must be approved by the Board of Directors in accordance with the SEH policies in effect at the time of application the same as any natural person applicant for Membership. Approval of a Trust membership is contingent upon the proposed occupant occupying the Unit, and only such proposed occupant and his or her immediate family shall be entitled to occupy the unit. All references to “Member” hereinafter in these Bylaws includes any proposed occupants of Trust memberships approved as provided for in this paragraph.

### **3.3 Members** – The Members of the Corporation shall consist of such persons as have:

- a. Been approved for Membership by the Board of Directors.
- b. Entered into an Occupancy Agreement as hereinafter described.
- c. Not been terminated as a Member pursuant to the terms of these Bylaws or the Occupancy Agreement.

### **3.4 Occupancy Agreement** – Upon being approved for Membership by the Board of Directors, each new Member, together with the Corporation, shall execute an Occupancy Agreement in the form and content attached to these Bylaws as Exhibit A.

### **3.5 Transfer of Membership** – Except as provided herein, Membership shall not be transferable.

- #### **3.5.1 Death of a Member** – Upon the death of a Member, his Membership in the Corporation may pass by will, intestate distribution, joint tenancy or community property ownership to any eligible party, as defined in Section 3.1, provided that party assumes and agrees in writing to perform the terms of the Occupancy Agreement within sixty (60) days after the Member’s death, pays all amounts due thereunder, and otherwise independently qualifies to become a Member of the Corporation. If the deceased Member was a “proposed occupant” designated by a Trust, the Trust must designate a new proposed occupant of the unit within thirty (30) days from the date of death, and the proposed occupant must assume and agree in writing to perform the terms of the Occupancy Agreement within sixty (60) days after the Member’s death, pay all amounts due thereunder, and otherwise independently qualify to become a Member of the Corporation. If a Member dies and his obligation is not assumed in accordance with the foregoing, then the Corporation shall have the option

to purchase the Membership from the deceased Member's Estate, or Trust, for its transfer value as defined in Section 3.7, less the following amounts (the determination of such amounts by the Corporation to be conclusive). Upon payment by the Corporation of the transfer value, less the following amounts, the deceased Member's Membership shall be deemed cancelled.

- a. Any amounts due the Corporation under the Occupancy Agreement.
- b. The cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for occupancy.
- c. Legal and other expenses incurred by the Corporation in connection with the default of such Membership and the resale of the Membership.
- d. Any other amounts to which the Corporation is entitled by virtue of any of the remedies available to the Corporation under the Occupancy Agreement.

**3.5.2 Corporation's Right of First Refusal** – If a Member desires to withdraw from membership, the Member shall notify the Corporation in writing of such intention and of the minimum price which the Member will accept for transfer of his Membership, including the value of the Occupancy Agreement and any improvements to the occupant's premises. The Corporation shall have the exclusive right, but not the obligation, to purchase the Membership and all rights of the Member at that price for a period of fifteen (15) days. If the Corporation does not take action by the end of fifteen (15) days, or if within that time the Corporation declines, in writing, to take action, the Member shall be free to sell the Membership at that price or any greater price to any person who has been fully approved by the Corporation as a prospective Member and occupant. The Corporation shall at all times have, without obligation, the Right of First Refusal to purchase at any price less than the price previously offered to the Corporation, all according to the terms set forth above, except that subsequent lower offers shall be acted upon within three (3) working days.

**3.5.3 Procedure Where Corporation Does Not Exercise Option** – If the Corporation waives in writing its right to purchase the Membership under the foregoing Right of First Refusal, or if the Corporation fails to exercise such rights within the 15 or subsequent 3 day periods, the Member may sell the Membership to any person who has been fully approved by the Corporation to become a Member and occupant.

**3.5.4 Dissolution of a Trust:** Dissolution of a Trust has the same effect on the Trust's SEH membership as the "Death of a Member" as explained in Section 3.5.1, and will be treated accordingly.

**3.6 Termination of a Member for Cause** – In the event the Corporation has, pursuant to the provisions of the Occupancy Agreement, terminated the rights of a Member under said Occupancy Agreement and utilized all avenues, including an action in court for eviction, and performed the requirements of that action, the Member shall be required, in addition to any other requirements to which the Member is subject under the terms of the Occupancy Agreement, to deliver to the Corporation the Member's Occupancy Agreement endorsed in such a manner as may be required by the Corporation. The Corporation shall thereupon, at its election, either (1) repurchase said occupancy at the lesser of its transfer value as herein defined or the amount the retiring Member originally paid for the acquisition for the Membership, whichever is the lesser, or (2) proceed with reasonable diligence to effect a sale of the Member's rights, to a purchaser and at a sale price reasonably acceptable to the Corporation. The retiring Member shall be entitled to receive the amount of the purchase price received under either of the above elections, less, however, in each and every instance the following amounts (the determination of such amounts by the Corporation to be conclusive).

- a. Any amounts due the Corporation under the terms of the Occupancy Agreement.
- b. The cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant.
- c. Legal and other expenses incurred by the Corporation in connection with the default of such Member and the resale of his Membership. In the event the retiring Member for any reason should fail for a period of ten (10) days after demand to deliver to the Corporation his endorsed Occupancy Agreement, said Occupancy Agreement shall forthwith be deemed to be cancelled and may be reissued by the Corporation to a new purchaser.
- d. Any other amounts to which the Corporation is entitled by virtue of any of the remedies available to the Corporation under the Occupancy Agreement.

**3.7 Transfer Value** – The term "transfer value" wherever used throughout these Bylaws shall mean the median of the sale prices of a minimum of three (3) Memberships involving comparable units. Sales occurring within the preceding twelve (12) months shall be used as comparable whenever possible. If fewer than three (3) comparable sales have occurred within the preceding twelve (12)

months, the three (3) most recent sales shall be used for the purpose of calculating transfer value.

## ARTICLE 4

### MEETINGS OF MEMBERS

- 4.1 Place of Meetings** – Meetings of the Membership shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the Membership as may be designated by the Board of Directors.
- 4.2 Monthly Membership Meetings** – The monthly Membership meetings shall conform to Section 4.1 above and shall be calendared by the Board of Directors one year in advance for the third (3<sup>rd</sup>) Wednesday of each month, except June, July, August and December.
- 4.3 Annual Meeting** – The Corporation shall hold its Annual Meeting between March 1<sup>st</sup> and April 1<sup>st</sup> of each year with the exact date each year being set by the Board of Directors. Notice to the Membership of this meeting will be as stated in Paragraph 4.6 of this Article. Voting for the election of members of the Board of Directors and to fill vacancies on the Board as contemplated by Section 5.3 of these Bylaws shall be conducted as provided in Section 4.10 hereof. The results of the vote will be announced at the Annual Meeting and newly elected members of the Board of Directors will be sworn in at that time. The Members may also transact at that time such other non-voting business as may properly come before the meeting.
- 4.4 Special Meetings** – It shall be the duty of the President to call a Special Meeting of the Members as directed by Resolution of the Board of Directors, or upon a petition signed by twenty percent (20%) of the membership eligible to vote having been presented to the Secretary of the Board. The notice of any Special Meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a Special Meeting except as stated in the notice, unless by consent of four-fifths (4/5<sup>th</sup>) of the Members present. A Special Meeting must be held within a time convenient to the Members, but not to exceed sixty (60) days after any of the aforementioned conditions are met.
- 4.5 Determination of Membership** – For the purpose of voting at any Annual or Special Meeting of the Members, the Members entitled to vote shall be determined based upon the membership roll on the books of the Corporation at that date which is forty (40) days prior to the date on which each such meeting is first noticed to occur, and shall not be affected by any postponement or continuance of such meeting.
- 4.6 Notice of Meetings** – It shall be the duty of the Board of Directors to see that the Secretary of the Board of Directors or other designee mails a notice of each

Annual or Special Meeting in agenda form stating the purpose thereof as well as the time and place where it is to be held, to each Member of record at the Member's address as it appears on the Membership records of the Corporation. If no such address appears, notice is to be sent to the Member's last known place of address, at least ten (10) days but not more than forty (40) days prior to such meetings. The mailing of a notice in the manner provided in this Section shall be deemed to be adequate notice for all purposes.

**4.7 Quorum** – A vote of at least twenty-five percent (25%) of the members eligible to vote, as defined in Section 4.9 of, and determined in accordance with, Section 4.5, shall be requisite for, and shall constitute a quorum for, the transaction of all business on which the Members of the Corporation are entitled to vote.

**4.8 Adjourned Meetings** – If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours and not more than thirty (30) days from the time the original meeting was called, and those who attend such adjourned meeting, although less than a majority of the Membership, shall nevertheless constitute a quorum for the purpose of said meeting, provided at least twenty (20%) of the members eligible to vote is present.

#### **4.9 Voting**

**4.9.1 Balloting** – All voting for Directors, for changes in the Bylaws or Occupancy Agreement, or for expenditures requiring the Membership's approval, will be done by mail-in ballot processed in accordance with the procedures defined in Section 4.10.

**4.9.2 Voting Rules** - In conjunction with every Annual or Special Meeting of the Members, each unit shall have the right to cast one (1) and only one (1) vote on each question. Under no circumstances shall more than one (1) vote per unit be permitted on any issue or at any time. No Member shall be eligible to vote or to be elected to the Board of Directors who is shown on the accounting books of the Corporation to be more than thirty (30) days delinquent in payments due the Corporation under terms of the Occupancy Agreement. The vote of a simple majority of those voting shall decide any questions for which such meeting is held, provided a quorum of voting members have cast ballots in accordance with Section 4.7. If the question is one upon which, by express provision of statute, the Articles of Incorporation or these Bylaws, a different vote is required, then such express provision shall govern or control.

**4.10 Voting Procedures** – The Secretary of the Board of Directors shall take all reasonable steps necessary to oversee the election process and to assure a fair election. The actual voting process shall be administered by an independent

outside company which will be responsible for all of the following steps in the voting process:

- A. Correlating and mailing ballots in a proper form to all Members.
- B. Receiving completed ballots back from Members by return mail.
- C. Counting the ballots, including determining which if any of the ballots cannot, for any reason, be counted due to errors or incompleteness. The independent outside company's determination in that regard shall be final and conclusive as to any ballot. And
- D. Providing the sealed results in writing to the Secretary of the Board of Directors on the day of the meeting held to announce same.

The Secretary will open the sealed envelope and announce the results, in front of the membership attending the Annual or Special Meeting held for that purpose.

**4.11 Order of Business** – The order of business at all Annual Meetings of the membership shall be as follows:

- A. Call to Order
- B. Pledge of Allegiance
- C. Proof of Quorum
- D. Roll Call
- E. Proof of Notice of Meeting or Waiver of Notice
- F. Reading of Minutes of preceding Annual Meeting
- G. Treasurer's Report
- H. Announcement of New Directors
- I. Oath of New Directors
- J. Report of General Manager and Committees
- K. Unfinished Business
- L. New Business
- M. Adjournment

## **ARTICLE 5**

### **DIRECTORS**

**5.1 Number and Qualification** – The Board of Directors for the Corporation shall be composed of five (5) persons, all of whom must be Members in good standing with Scottsdale East Homes, Inc. A Member or resident of SEH may not be an employee of SEH, nor do any paid work for SEH. Neither may an employee become a member or resident of SEH.

**5.2 Powers and Duties** – The Board of Directors shall have the power and responsibilities necessary for the administration of the affairs of the Corporation and may do all such acts and duties that are not, by law, or by these Bylaws, directed to be exercised and done by the Members. No Board

Member shall serve on any committee. The Board of Directors shall not be empowered to remove a director from their office. The power of the Board of Directors shall include, but not be limited to:

- 5.2.1** Accepting or rejecting all applications for Membership and admission to occupancy of a dwelling unit in the cooperative housing project, either directly or through an authorized agent.
- 5.2.2** Establishing monthly carrying charges prescribed in the Occupancy Agreement, based on the annual operating budget formally adopted by such Board.
- 5.2.3** Authorizing, in its discretion, patronage funds from residual receipts when and as reflected in the annual report.
- 5.2.4** Promulgating such rules and regulations pertaining to use which are consistent with these Bylaws and to enforce such rules and regulations in the manner set forth in the Occupancy Agreement.
- 5.2.5** Requiring approval of a majority of the Directors for any expenditure in excess of amounts previously recorded, or Board approved, for services, materials or contract agreements. In the case of any emergency where the expense cannot be absorbed in the annual budget (emergency being defined as acts of God, fire, flood, plumbing or sewer breakage), and when such emergency expenditures are up to and including ten thousand dollars (\$10,000), and the entire board is unavailable to vote, at least two (2) Directors must approve and may initiate action on behalf of the Board; for such expenditures over ten thousand dollars (\$10,000) a minimum of three (3) Directors must approve and initiate action on behalf of the Board. .
- 5.2.6** Enforcing the provisions of these Bylaws and the Occupancy Agreement.
- 5.2.7** Terminating Membership rights and occupancy rights for cause.
- 5.2.8** Delegating certain duties to the General Manager.

**5.3 Election and Term of Office** – The term of office of a Director is for 2 years. At the expiration of the initial term of office of each Director, the Director's successor shall be elected by a simple majority of the votes cast in conjunction with the Annual Meeting as defined in Section 4.9.2. The term of each Director shall begin on the date of election. Directors shall continue to hold office until their successors have been elected and hold their first meeting. A member elected



to replace a board member who resigns, is deceased, or is removed from office, will be elected only to complete the term of office of the board member he or she is replacing.

- 5.4 Vacancies** – If a Vacancy on the Board of Directors occurs, the Board shall call a Special Meeting of the membership for the purpose of electing a new Board Member. Voting shall be handled in accordance with Sections 4.9 and 4.10. The notice calling for the Special Meeting must be given no more thirty (30) days from the date the vacancy was created.
- 5.5 Removal of Directors from the Board** – Upon presentation to the Secretary of the Board of a petition signed by twenty percent (20%) of the Members eligible to vote requesting that a vote be taken, any one or more of the members of the Board of Directors may be removed, with or without cause, by vote of a majority of the entire membership of the Corporation. Any Director whose removal is proposed by the petition shall be given an opportunity to be heard at an open meeting no more than ten (10) days following the presentation of the petition and prior to the voting process. The voting process will then be initiated, in accordance with Section 4.9, within ten (10) days following said general meeting. Petitioner and the targeted board member will each be allowed to insert position statements, not to exceed a half page each, in the envelopes containing the ballots mailed to the members. The voting results will be announced at a Special Meeting held for this purpose within ten (10) days after the completion of the voting process. The term of any Director who becomes more than thirty (30) days delinquent in payment of his carrying charges, or of other amounts owed to the Corporation, shall be automatically terminated and the vacancy shall be filled according to Section 5.4. If a Board Member resigns (for other than health reasons) or is removed by the membership, they cannot run for or be elected to the Board for a period of six (6) years from the date of resignation or removal.
- 5.6 Compensation** – No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director or the Director’s family for services performed by the Director for the, Corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the entire Board before the services are undertaken.
- 5.7 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 legally to constitute such meeting, providing a majority of the whole Board shall be present.
- 5.8 Regular Board Meetings** – Regular Board Meetings 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 four (4) such meetings shall be held during each fiscal year. Notice of Regular Meetings shall be given to the Members personally, by mail, telephone,

fax or email or by poster, at least five (5) days prior to the day noticed for such meeting.

- 5.9 Executive Board Meetings** – Executive Meetings of the Board of Directors may be called by the President on at least three (3) days notice to each Director, given personally or by mail, telephone, fax, or email, which notice shall state the time, place (as herein provided) and purpose of the meeting. Executive Meetings of the Board of Directors shall be called by the President or Secretary in like manner and like notice on the written request of at least three (3) Directors.
- 5.10 Waiver of Notice** – Before or at any Executive Meeting of the Board of Directors, 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 a waiver of notice by such Director of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meetings.
- 5.11 Quorum** – At all meetings of the Board of Directors, a majority of the Directors, but in any case not less than three (3) Directors shall constitute a quorum for the transaction of business and the acts of the majority of the Directors present shall be the acts of the Board of Directors. A meeting to transact business shall not be held until a quorum is present.
- 5.12 Fidelity Bonds** – The Board of Directors shall require that all officers and employees of the Corporation handling or responsible for corporate or trust funds furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Corporation and shall include Errors and Omissions policies for all Board Members.

## **ARTICLE 6**

### **OFFICERS**

- 6.1 Designation** – The principal officers of the Corporation shall be President, Vice President, Secretary, Treasurer, and Member-At-Large, all of whom shall be elected by and from the Board of Directors.
- 6.2 Election of Officers** – The officers of the Corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.
- 6.3 Removal of Officers** – The Board of Directors shall not be empowered to remove a director from their office. Upon an affirmative, unanimous vote of the Board of Directors, a Resolution may be presented for a Special Election to remove an Officer from the Board. Procedures are defined in 5.4 and 5.5.

- 6.4 President** – The President shall be the Chief Executive Officer of the Corporation. The President shall preside at all meetings of the Members of the Board of Directors. The President shall have the general powers and duties which are usually vested in the office of the President of a Corporation.
- 6.5 Vice President** – The Vice-President shall take the place of the President and perform the President’s duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board of Directors shall appoint some other Member of the Board to do so on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed by the Board of Directors.
- 6.6 Secretary** – The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Corporation. The Secretary shall have custody of the Seal of the Corporation. The Secretary shall have charge of such other books and papers as the Board of Directors may direct and shall, in general, perform all the duties incident to the office of the Secretary.
- 6.7 Treasurer** – The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for overseeing the keeping of full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. The Treasurer shall be responsible for overseeing the deposit of all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors.
- 6.8 Member-At-Large** – The duties of the Member-At-Large are defined by the entire Board in accordance with the requirements existing at that time.

## ARTICLE 7

### COMMITTEES

- 7.1 Standing Committees of the Board of Directors** – There shall be four (4) standing committees of the Corporation. The Board of Directors shall appoint a chairperson of the committee and ask for volunteer Members to complete the group. The Members must be in good standing. There will be no fewer than three (3) Members and no more than ten (10) Members on any standing committee. Any such committee shall be advisory only and shall not have the power to exercise any authority of the Board of Directors.
- a. Finance Committee
  - b. Welcoming Committee
  - c. Beautification and Landscape Committee
  - d. Recreation, Fitness and Activities Committee

- 7.2 Ad Hoc Committees of the Board of Directors** – The Board may appoint ad hoc committees consisting of Members in good standing to perform such tasks as the Board deems necessary or desirable. Any such committees shall be advisory only and shall not have the power to exercise any authority of the Board of Directors.

## **ARTICLE 8**

### **AMENDMENTS**

- 8.1** These bylaws may be amended by two-thirds (2/3) vote of the members present and voting at any Special or Annual Meeting, provided that a quorum as prescribed in Article 4 herein is present at any such meeting. Amendments may be proposed by a Resolution from the Board of Directors or by petition signed by at least twenty percent (20%) of the members eligible to vote, provided, however, that the petition is received by the Board at least ten (10) days prior to the mailing of the notice of the meeting. A statement containing the exact wording of any proposed amendment shall accompany the notice of any Special or Annual Meeting at which such proposed amendment will be voted upon. Any Book of Resolution item shall be acted upon at the next Annual meeting as stated in Article 12.

## **ARTICLE 9**

### **CORPORATE SEAL**

- 9.1** The Board of Directors shall provide a suitable corporate seal containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Board. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer of the Board.

## **ARTICLE 10**

### **FISCAL MANAGEMENT**

- 10.1 Fiscal Year** – The fiscal year of the Corporation shall begin on the first day of January of every year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate.
- 10.2 Books and Accounts** – Books and accounts of the Corporation shall be kept under the direction of the Treasurer and in accordance with Generally Accepted Accounting Principals and these Bylaws.
- 10.3 Auditing** – At the closing of each fiscal year, the books and records of the Corporation shall be audited by a Certified Public Accountant whose report will be prepared and certified by Generally Accepted Accounting Principals. Based on

such report, the Corporation will furnish its members with a statement of income and expenses of the Corporation for each fiscal year.

**10.4 Inspection of Books** – Financial reports such as the annual budget and the year end audit of the Corporation shall be available at the principal office of the Corporation for inspection by any Member at any reasonable time during normal business hours.

**10.5 Execution of Corporate Documents** – With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the Corporation by either the President or Vice-President. All checks must be executed on behalf of the Corporation by at least two (2) Directors.

## ARTICLE 11

### FISCAL RESPONSIBILITY

**11.1 Financial Reserves** – It is the responsibility of the Board of Directors to maintain reserve funds for replacement and repair of structural elements and mechanical equipment of the Corporation. These funds must be deposited or invested in FDIC or SPIC insured accounts. Disbursements totaling in excess of thirty percent (30%) of the total balance of both reserve accounts, as defined in Section 11.2, as of the close of the preceding annual period, may not be made during any Fiscal Year without the consent of a simple majority of the members eligible to vote.

**11.2 Reserve Requirements** – The Corporation shall maintain two (2) reserve accounts at all times.

**11.2.1 General Reserve Fund**– This General Reserve Fund shall have a minimum of \$283,000.00 on deposit. Any monies used from this reserve, must be with unanimous Board approval voted in an open meeting. and within the guidelines of Section 11.1. Any and all funds used must be replaced as part of the next annual budgeting process.

**11.2.2 Replacement Reserve Fund** – This fund shall be for the replacement of existing physical assets, i.e.: roofing, major electrical wiring, major plumbing, AC/heating units, sewer, paving, painting of buildings, etc., and shall maintain a balance equal to a minimum of twenty-five (25%) of the current annual carrying charges due from members, as required by the Occupancy Agreement. The actual balance, however, will vary based upon the needs of approved capital improvement projects. Any funds used from this reserve must be with unanimous Board approval voted in an open meeting and within the guidelines of Section 11.1. Any and all funds used must be replaced forthwith, through continuing monthly

deposits of eight percent (8%) of the monthly amount due from members, as required by the Occupancy Agreements.

- 11.3 General Operating Account** – This account is maintained for the purpose of income and expenses within the guidelines of the Corporation’s pre-approved annual budget. All income received and expenses dispensed will move through this account and a monthly report of these items will be composed. A review of this account as well as the reconciliation of the bank statement, must be done by the Treasurer at the closing of the books each month.
- 11.4 Property Tax Account** – The Property Tax Account is maintained for the purpose of holding funds for payment of property taxes of the Corporation. One-twelfth (1/12) of the budgeted annual taxes will be transferred from the General Operating Account, each month, to this account to accumulate for the semi-annual payment to Maricopa County.
- 11.5 Selling of the Property** – The real estate of the Corporation may not be sold, converted or rented in part or in its entirety without the consent of two-thirds (2/3) of the membership eligible to vote.
- 11.6 Financing Prohibited** – Members are prohibited from financing or pledging their Membership in the Corporation or their Occupancy Agreement, including but not limited to, using them as a security or collateral. The Corporation shall not recognize any secured party as a Member of the Corporation as a result of any foreclosure, bankruptcy or other similar action.

**ARTICLE 12**

**BOOK OF RESOLUTIONS**

The Secretary of the Board of Directors shall maintain a Book of Resolutions for the purpose of documenting changes proposed by the Board, or by a petition signed by at least 20% of the members eligible to vote, to the SEH Bylaws or Occupancy Agreement. This book shall be reviewed each year, no fewer than 90 days prior to the annual meeting. The purpose of reviewing the proposed changes to either document, is to place an amendment, reflecting changes proposed by either the Board or by an appropriately submitted petition from the Membership, on the ballot of the next Annual Meeting for a vote of the entire membership. All proposed Amendments to either the Bylaws or the Occupancy Agreement must be first recorded in the Book of Resolutions. Any changes proposed by the Board of Directors or the Membership shall be submitted to the Secretary of the Board using the format attached hereto as Appendix B. Copies of the form to be used are available from either the Board Secretary or the SEH office secretary.

APPENDIX B

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**SCOTTSDALE EAST HOMES, INC.  
BOOK OF RESOLUTIONS**

Document Affected:  Bylaws  Occupancy Agreement  
Article No.: \_\_\_\_\_ Section No.: \_\_\_\_\_  
Proposed by: \_\_\_\_\_ Unit No. \_\_\_\_\_  
Date Proposed: \_\_\_\_\_  
Proposal: (Use reverse side if needed)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Reviewed by: \_\_\_\_\_ Date of Review: \_\_\_\_\_  
Action taken by Board:  Cancel  Further Study  Proceed  
Amendment Prepared: Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_  
Board Action on Amendment:  Approved  Rejected  
Submitted to Membership:  Letter  Bulletin Board  Other \_\_\_\_\_  
Action Taken by Membership at annual meeting:  Passed  Failed  
Other Pertinent Remarks: \_\_\_\_\_  
\_\_\_\_\_  
Remarks entered by: \_\_\_\_\_ Date: \_\_\_\_\_