

**2016 AMENDED AND RESTATED BYLAWS  
OF  
SUN LAKES HOMEOWNERS ASSOCIATION NO. 2, INC.**

**ARTICLE 1**

**PURPOSE AND DEFINITIONS**

1.1 **Purpose.** These Amended and Restated Bylaws (hereafter, “Bylaws”) shall provide for the governance and operation of Sun Lakes Homeowners Association No. 2, Inc. (hereafter, the “Association”), an Arizona nonprofit corporation formed under the laws of the State of Arizona (see A.R.S. Titles 10 and 33) for the purpose of operating, maintaining and preserving facilities for social, recreational, educational, civic, cultural and charitable endeavors of the Association Membership. Organized as an Active Adult Community (see the HOPA Act of 1995 under HUD), the CC&Rs provide that the Association must require that at least eighty percent (80%) of the units in Sun Lakes No. 2 be occupied by at least one person fifty-five (55) years of age or older and that all units shall be occupied by at least one person forty (40) years of age or older. No person who has not yet reached his or her nineteenth (19th) birthday shall reside permanently at Sun Lakes No. 2. The Board, in its sole discretion, has the right and power under the CC&Rs to determine when a person resides “permanently” within Sun Lakes No. 2.

1.2 **Definitions.**

1.2.1 “Assessment”: An annual or special assessment levied by the Association pursuant to the Governing Documents.

1.2.2 “Associate Member”: A Non-Member Occupant who pays a fee and receives a photo ID Associate Member card, for the privilege of using the Association’s Facilities under the terms and conditions adopted by the Board of Directors from time to time.

1.2.3 “Association”: Sun Lakes Homeowners Association No. 2, Inc., an Arizona nonprofit corporation.

1.2.4 “Association Facilities” or “Association Property”: The buildings, land, equipment and all property owned by the Association for the use and benefit of the Members.

1.2.5 “Association Office”: The business office of the Association.

1.2.6 “Board of Directors (Board)”: The Board of Directors of the Association.

1.2.7 “Board Policies”: Rules adopted by the Board to govern the day-to-day operations of the Association.

1.2.8 “Capital Contribution Fee”: A fee collected from the purchaser of property in Sun Lakes No. 2.

1.2.9 “Capital Improvement Fund”: Money set aside for funding new, modified or expanded Association equipment, facilities or other capital assets.

1.2.10 “Capital Reserve Replacement Fund”: Money set aside for funding the replacement of Association equipment, facilities or other capital assets.

1.2.11 “CC&Rs”: The Declarations of Covenants, Conditions and Restrictions for Sun Lakes No. 2 as recorded with the County Recorder of Maricopa County, Arizona, as may be amended from time to time.

1.2.12 “Committees”: Three (3) or more Association Members approved by the Board of Directors, working under a Charter or Board instructions, to perform a specific task or tasks for the Board..

1.2.13 “Director”: Member(s) of the Board of Directors.

1.2.14 “Fee(s)”: Monetary consideration, other than Assessments, payable for the use of certain Association Facilities and Services as established by the Board of Directors.

1.2.15 “Fines”: Monetary considerations, except those associated with Assessments and Fees, payable by the applicable Member, for an infraction of the Governing Documents by a Member, Associate Member, Non-Member Occupant, Guest, Renter or Visitor as established by the Board of Directors.

1.2.16 “General Manager”: The person or entity employed or appointed by the Board of Directors to administer the day-to-day operation of the Association.

1.2.17 “Governing Documents”: The CC&Rs, the Association’s Articles of Incorporation, these Bylaws, Board Policies and the rules of the Association, as amended or supplemented from time to time.

1.2.18 “Guest”: An individual who is staying in the Residence of a Member or Renter and who is in possession of a Guest Card.

1.2.19 “Guest Card”: A permit allowing a Guest to use the Association Facilities unaccompanied for thirty days (30) or less in any one calendar year.

1.2.20 “Owner (Homeowner)”: Shall mean and refer to the record owner, whether one or more persons or entities of equitable or beneficial title (or legal title if same has merged) of any lot in Sun Lakes HOA 2.

1.2.21 “Long Term Debt”: Debt incurred for which scheduled repayment exceeds one (1) year.

1.2.22 “Lot”: A parcel of land designated as a lot on a subdivision plat, or any amendment or supplement thereto, as recorded by Sun Lakes Marketing Limited Partnership, covering all or any part of Sun Lakes No. 2.

1.2.23 “Majority of Members”: Voting Members casting more than fifty percent (50%) of the votes cast by Voting Members with respect to any matter submitted to a vote of the Members.

1.2.24 “Member”: Owner (Homeowner).

1.2.25 “Member in Good Standing”: A Member whose voting and / or Association Facilities use rights have not been suspended by the Board of Directors for failure to keep Assessment and Fee payments current or for a violation of the Governing Documents.

1.2.26 “Non-Member Occupant”: An individual nineteen years or older who occupies a Residence for more than thirty days (30) in any calendar year and is not a Member of the Association.

1.2.27 “Owner /Member Card”: A photo ID card issued to a resident Owner.

1.2.28 “Petition”: A formal written document requesting a right, benefit or action that is signed by Voting Members of the Association.

1.2.29 “Project”: An anticipated series of expenditures that are planned, defined and linked by a single or common purpose or linked by planned integrated design, engineering, and/or construction.

1.2.30 “Quorum”: The minimum number of individuals who must be present at any meeting of the Board, Committees or Members for the valid transaction of Association business.

1.2.31 “Renter”: A Person who occupies a Residence during a period of time when the Owner of the Residence is not also occupying the Residence.

1.2.32 “Renter Card”: A permit allowing a Renter to use the Association Facilities unaccompanied.

1.2.33 “Residence”: A building or portion of a building (such as a townhouse) situated on a Lot in Sun Lakes No. 2 and designed and intended for independent ownership and for use as living quarters.

1.2.34 “Resident Card”: A Photo Identification Card issued to allow use of the Association Facilities.

1.2.35 “Sealed Bid”: A bid from a provider of goods or services that is sealed in the traditional sense of paper in a sealed and tamperproof envelope or other secured packaging, or a properly secured electronic method of communication.

1.2.36 “Special Meeting”: A meeting of the Association called on a specific matter or issue that requires a vote of the Voting Members.

1.2.37 “Sun Lakes No. 2”: The Lots and Tracts in Units 10 through 26 of Sun Lakes as shown on the subdivision plats for such Units recorded with the County Recorder of Maricopa County, Arizona, as such plats may be amended from time to time.

1.2.38 “Transfer Fee”: The monetary fee paid to the Association for record investigation and account changes at the closing of a transfer of ownership of a Lot in Sun Lakes No. 2.

1.2.39 “Visitor”: An individual invited by a person in possession of a valid Owner/Member, Renter, Associate Member or Resident card to use the Association Facilities when accompanied by the inviter.

1.2.40 “Voting Member”: A Member in Good Standing, designated by the other Owner(s) of the same Lot to cast the vote for that Lot.

## ARTICLE 2

### MEMBERSHIP AND GOVERNANCE STRUCTURE

#### 2.1 Membership.

2.1.1 Provides the right to use the Association Facilities in accordance with the Governing Documents.

2.1.2 Membership and voting rights shall be extended to persons who are record Owners.

2.1.3 The record Owner’s name shall appear on a deed for a Lot in Sun Lakes No. 2. The deed for said Lot must be recorded with the County Recorder of Maricopa County, Arizona.

2.1.4 Membership and voting rights shall automatically terminate when a person ceases to be a record Owner.

2.1.5 No more than two (2) Owner/Member Cards, which allow membership privileges, will be issued per Lot. Should there be a single resident Owner of record for a given Lot, the resident Owner may declare in writing to the Association the name of a Non-Member Occupant, of that Lot, to receive a Resident Card.

#### 2.2 Governance Structure.

2.2.1 General. The affairs of the Association shall be directed by a Board of Directors and administered by a General Manager.

2.2.2 Board of Directors. The policy-making and decision-making body of the Association shall be known as the Board of Directors. The Board shall consist of Members in Good Standing elected by the membership or appointed by the Board in accordance with the provisions of these Bylaws. The purpose, duties, functions, responsibilities and limitations of the Board of Directors shall be provided in these Bylaws, as amended and approved from time to time by the Members.

2.2.3 General Manager. Responsibility for the day-to-day administration of the Association shall be vested in a General Manager, who may be an individual or an entity. The General Manager shall be employed or appointed by and serve at the pleasure of the Board.

## ARTICLE 3

### USE OF ASSOCIATION FACILITIES

#### 3.1 Policies and Rules.

3.1.1 The rights of Members, Associate Members, Non-Member Occupants, Guests, Visitors and Renters to use the Association Facilities shall be subject to the Governing Documents.

3.1.2 Except for Members who have delegated their right to use the Association Facilities to a Renter pursuant to Article 3.1.6, each Member in Good Standing shall have a right to use the Association Facilities.

3.1.3 In the case of a Lot which is owned and occupied by one (1) Member and is also occupied by one Non-Member Occupant, the two (2) of them shall have the right to use the Association Facilities if the one (1) Member-occupant is and remains, a Member in Good Standing. The Non-Member Occupant shall be issued a Resident Card in accordance with Article 2.1.5. Additional Non-Member Occupants may become Associate Members.

3.1.4 Guests and Visitors shall have a right to use the Association Facilities only upon payment of such Fees and under such conditions as may be established from time to time by the Board of Directors.

3.1.5 A Member(s) who permits his Residence to be used by a Renter(s) shall have the right to delegate to the Renter(s) the Member's right to use the Association Facilities by giving notice of such delegation to the General Manager. The notice to the General Manager from the Member(s) shall include the names and ages of the Renter(s), the time period during which the Renter will be occupying the Residence and the address at which the Member(s) can be contacted during the time that the Renter(s) is occupying the Residence. The Association will issue a maximum of two (2) Renters Cards per Lot at no additional cost. Additional cards may be issued for a Fee set by the Board. A Member(s) who surrenders the right to use the Association Facilities to a Renter(s) must surrender their Owner cards and shall not have a right to use the Association Facilities until the delegation of the member's right to the Renter(s) has been revoked by written notice to the General Manager. Notwithstanding the delegation to a Renter(s) of a Member's right to use the Association Facilities, a Renter(s) may be required to pay such fees as may be established from time to time by the Board of Directors for the use of certain Association Facilities (e.g., the golf course) and such fees may be different from the Assessments or fees charged to Members. The Member is ultimately responsible for the payment of all Fees and/or Fines incurred by a Renter.

### 3.2 **Suspension of Right to Use Association Facilities.**

3.2.1 If a Member fails to pay Assessments or Fees due to the Association under the Governing Documents within thirty (30) days after such payment is due, the Board of Directors shall automatically suspend the right of the Member and of all Associate Members, Non-Member Occupants and Renters of the Member's Residence to use the Association Facilities until such time as all delinquent Assessments and Fees due to the Association are paid in full. Upon suspension the Member shall cease to be a Member in Good Standing with all voting rights suspended.

3.2.2 If a Member, Associate Member, Non-Member Occupant, Renter, Visitor or Guest violates or fails to comply with any of the provisions of the Governing Documents, other than the provisions requiring the payment of Assessments to the Association, the General Manager shall automatically issue a notice of an alleged violation and a hearing. After such individual is given an opportunity to be heard with respect to the violation, the Board shall have the authority to rescind the alleged violation or suspend the individual's right to use any of the Association Facilities for periods of time and assess Fines. Any such hearing shall be conducted by the General Manager in accordance with such procedures as the Board may adopt from time to time. The Member is ultimately responsible for any Associate Member, Non-Member Occupant, Renter, Visitor or Guest violations and payment of any Fines as levied by the Board of Directors.

## ARTICLE 4

### ASSESSMENTS AND OTHER CHARGES

#### 4.1 **Annual Assessment.**

4.1.1 Subject to the limitations set forth in Article 4.1.2, the Board of Directors shall assess each Lot an equal annual Assessment in such amount as may be necessary for the Association to properly carry out all purposes of the Association as set forth in the Governing Documents and for the Association to pay all expenses and liabilities of the Association.

4.1.2 Without the affirmative vote of a Majority of Members, the Board of Directors may increase the annual Assessment no more than five percent (5%) per year. The annual Assessment increase may be rounded up to the next dollar.

4.1.3 The obligation of the Owner of a Lot to pay annual Assessments shall commence on the date the Lot is purchased.

4.1.4 At least one (1) calendar month prior to the beginning of the Association's fiscal year, the Board of Directors shall adopt a budget and determine the annual Assessment for the ensuing fiscal year. The budget shall set forth the estimated income and expenses for the ensuing fiscal year and shall specify the amounts to be allocated to the Capital Reserve Replacement Fund and

Capital Improvement Fund and the anticipated expenditures from the Capital Reserve Replacement Fund and Capital Improvement Fund.

4.2 **Special Assessment.** The Board of Directors shall have the authority to levy a special Assessment against each Lot to defray in whole or in part the costs of any construction, reconstruction, repair or replacement of any improvement to the Association Facilities or acquisition of additional Association Facilities provided that such special Assessment has been approved by a Majority of Members.

4.3 **Transfer Fee.** At the time of escrow or closing on a Lot, in Sun Lakes No. 2, the purchaser shall pay to the Association a Transfer Fee in such amount as established from time to time by the Board of Directors. The Lot property records will not be transferred until the Association receives this Fee and a copy of the recorded deed.

4.4 **Capital Contribution Fee.** At the time of escrow or closing on a Lot in Sun Lakes No. 2, the purchaser shall pay to the Association a Capital Contribution Fee in such amount as determined from time to time by the Board of Directors and which is deposited in the Capital Reserve Replacement Fund and the Capital Improvement Fund. Under certain special conditions, which shall be reviewed and approved at the discretion of the Board, and if applied for within 30 days of close of escrow, the purchaser may qualify for a refund of the Capital Contribution Fee if any of, but not limited to, the following special circumstances apply:

4.4.1 The purchaser is a pre-existing homeowner with Sun Lakes No. 2 being his/her place of principal residence, and is purchasing a replacement principal residence located within Sun Lakes No. 2. The homeowner must demonstrate intent to sell the original property.

4.4.2 The purchase or transfer of home ownership represents a transaction related to the settlement of estate planning

4.4.3 The transfer of a home is between family members (i.e., spouses; significant others that reside in the home; parent and child; siblings; and grandparent and grand child)

4.4.4 The home is transferred by the owner to his/her trust

## ARTICLE 5

### MEETINGS OF MEMBERS

5.1 **Attendance.** All meetings of the Association and Board of Directors are open to all Members of the Association or any person designated by a Member in writing as the Member's representative and all Members or designated representatives so desiring shall be permitted to attend and speak at an appropriate time during the 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 allow for a reasonable number of persons to speak on each side of an issue. The Board shall have the right to invite non-Members to attend meetings and to speak when requested to do so. The Board shall have the right to exclude any non-Members at any meeting of the Association.

#### 5.2 **Annual Meeting.**

5.2.1 The annual meeting of the Members of the Association shall be held on or before March 31 of each year on such a date, time and place as determined by the Board of Directors.

5.2.2 The agenda for the annual meeting shall be established and published at least six (6) weeks prior to the meeting by the Board of Directors. Additional discussion items may be added to the agenda by a Petition signed by at least twenty percent (20%) of the total authorized Voting Members (762) in the Association. Such a Petition must be submitted to the Board of Directors at least one (1) month prior to the annual meeting.

#### 5.3 **Annual Budget Meetings.**

5.3.1 Annual budget meetings shall be held each year between the end of the ninth month and end of the eleventh month of the fiscal year to review and discuss the next year's budgets with the Members. The date, time, place of annual budget meetings shall be determined by the Board of Directors and will be published at least two (2) weeks in advance of the meetings.

5.3.2 Copies of proposed budget(s) for the next fiscal year shall be available to the Members at Homeowner Services at least one (1) week prior to the budget meetings.

5.4 **Regular Meeting.**

5.4.1 If the time and place of an Association or Board meeting is fixed in advance on a regular schedule, the meeting is considered a regular meeting (e.g., a monthly Agenda Planning, a monthly Board, a regular Workshop or a standing Committee or Task Force).

5.4.2 Members shall be notified at least two (2) weeks in advance of a regular meeting and the notice shall include the time and place and a topic, if appropriate.

5.5 **General Board Meetings.** Any meeting of the Board that is not a regular meeting or a Special Meeting, the Members shall be given at least 48 hours advance notice. The notice shall contain the time, place and purpose of the meeting.

5.6 **Special Meetings.** A Special Meeting of the Members may be called at any time by the President, by a majority vote of the Board of Directors or upon a Petition signed by Voting Members having at least one-fourth (1/4) of the total authorized votes (952) in the Association. The notice of any Special Meeting of the Members shall specify the purpose of the meeting and the matters, which will be considered at the meeting. Any matter which is not set forth in the notice of the Special Meeting shall not be considered or voted upon at the meeting. A Special Meeting requested by Petition from the Voting Members, excluding a Petition to remove Board members, shall be completed within sixty-days (60) after the Petition has been submitted to the Board of Directors.

5.6.1 The annual election of Association Board members shall be a Special Meeting called by the Board of Directors.

5.7 **Notice of Special Meetings.** Written notice of each Special Meeting shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by mailing a copy of each notice by first class mail, postage prepaid, at least twenty-one (21) days but not more than thirty-five (35) days before such meeting to each Member entitled to vote at the meeting, addressed to the Member's address appearing on the records of the Association on the day before such records are transmitted to a mailing house or used to generate mailing labels. Special Meetings, except for removal of Board members, shall be divided into two sessions. The first session shall be called for the purpose of informing the membership on the subjects(s) to be voted on, or to meet the Board candidates, and shall be limited to a discussion by the Members on the subject(s), or candidates, requiring a vote. The second session will be for the purpose of voting ONLY. The second session, voting day and required return of Absentee Ballot day, shall be held at least two (2) weeks after the first session. Such notice of a Special Meeting shall specify the place, date, time and purpose of the information session and the voting session.

5.8 **Publication of Meeting Dates.** Publication in the Association newsletters, and postings on the website and bulletin boards, shall serve as sufficient notice of all Association, Board and Committee / Task Force meetings.

5.9 **Quorum.** The presence in person or by Absentee Ballot of Voting Members entitled to cast one-tenth (1/10) of the total authorized votes of the Association (381) shall constitute a quorum at all Special Meetings of the Voting Members except removal of Board members per Article 7.4 where the Quorum requirement shall be twenty percent (20%) of the authorized votes of the Association (762). If a quorum is not obtained at a Special Meeting, the meeting shall be canceled and the voting shall be voided.

## ARTICLE 6

### VOTING

6.1 **Voting Rights.**

6.1.1 One (1) vote per Lot may be cast by the Voting Member for that Lot.

6.1.2 Membership and voting rights in the Association shall automatically terminate when a Member ceases to be the owner of equitable or beneficial title of any Lot.

6.1.3 Voting Members shall vote in person or by Absentee Ballot.

6.1.4 Voting Members of Sun Lakes No. 2 Cottonwood units 10 through 19, 21 and 22 may, from time to time, vote on issues that are collectively, but not individually, unique to those units. Voting Members of Sun Lakes No. 2 Palo Verde units 20 and 23 through 26 may, from time to time, vote on issues that are collectively, but not individually, unique to those units.

## **6.2 General Voting Procedure.**

6.2.1 The voting process shall be supervised by an Election Committee, composed of not less than five (5) Members in Good Standing, who shall be appointed by the Board of Directors. No Member of the Election Committee shall be a member of the Board of Directors or a candidate for the Board of Directors.

6.2.2 A Voting Member voting in person shall be provided a ballot at the place and time designated by the notice of a Special Meeting (Article 5.7).

6.2.3 An Absentee Ballots shall automatically be included in the notice of a Special Meeting (Article 5.7). The Absentee Ballot and accompanying information shall contain, but is not limited to, candidate or issue qualifications or explanation, instructions for voting, the cutoff date and place, if not mailed, for return of the ballot, the date of ballot counting, a plain envelope with the word ABSENTEE BALLOT printed on the outside; and a return envelope, addressed to the Association Office, with the Unit and Lot number (the first six (6) digits of the Member number), Member name(s) and address printed on the outside upper left of the envelope. Absentee Ballots shall be returned by mail or delivered to a designated Ballot Box.

6.2.4 The Election Committee shall retain all ballots cast in person and returned Absentee Ballots in a secure manner, such as a locked ballot box, as received, until "ballot counting day". Ballots shall not be removed from the ballot box until that day and only by the Election Committee. All ballots shall be validated and counted by an Election Committee quorum and Member volunteers, only on that day. Any ballot received in an unsealed return envelope will be considered invalid. Absentee Ballots received after the cut-off date shall not be counted. Ballots received from members not in good standing shall not be counted.

6.2.5 The Board shall establish a policy for the validation and counting of ballots. The policy shall include at least a double counting, by Unit, of the ballots and shall include an audit by the Audit and Finance Committee of the validation and counting process.

6.2.6 Any Member may observe when ballots are being counted.

6.2.7 When all ballots have been counted and recorded, the ballots, Member list and return envelopes shall be placed in their respective ballot box and sealed. The boxes will remain sealed for no less than thirty days (30) in the custody of the General Manager. After thirty days (30), if no Petition protesting the voting process or requesting a recount has been filed, the ballot box will be opened and the ballots destroyed.

6.2.8 Any Petition protesting an election or voting process or requesting a recount shall be signed by at least ten percent (10%) of the Members of the Association (381) and shall be filed with the Board of Directors no later than fourteen (14) days after the date of ballot counting. For a Board election, a Candidate must file this Petition. For any other Special Meeting, any Voting Member may file this Petition. In the event of a protest or recount, the ballot boxes shall remain sealed until opened for resolution of the protest or recount by the Election Committee. Only one recount shall be made with respect to each election regardless of the number of Petitions filed with the Board of Directors.

6.2.9 Once a Member has voted in person, the Member cannot change their vote. An Absentee Ballot for a given Lot will be nullified if a Voting Member for that Lot votes in person.

6.2.10 The results of the vote shall be posted by unit within two (2) business days in such places as may be convenient to the Members.

## **6.3 Voting Procedure for Board of Directors.**

6.3.1 Board of Director ballots shall allow one (1) vote for each vacant Board seat and no more than one (1) vote for any candidate.

6.3.2 The cutoff date for receipt of ballots, i.e. voting day, for the annual Board election, shall be seven (7) days prior to the scheduled Annual Meeting of the Association.

6.3.3 A Board Policy shall be prepared for a comprehensive Candidate Application. The Election Committee shall establish a date of final submission of applications based on the timing of the election period and shall clarify with the candidate, any unclear information submitted on the Candidate Application. The candidates will be notified that this information will be published in the Association newsletters, website, bulletin boards or any other Association publication. The Board shall be notified of the names of all qualified candidates for the annual or non-annual Board election as per Article 7.2 and the names shall be posted in the

Homeowner Services office and such other places as may be convenient to the Members, at least two (2) weeks prior to the ballot mailing.

6.3.4 In an instance where the number of candidates is equal to the number of vacancies, no election shall be held if all vacancies being filled are for three (3)-year terms. These candidates shall be considered to be elected for a three (3)-year term. For an election that is held after an increase in the number of Directors on the Board or when a partial term(s) is being filled, and there are an equal number of candidates and Board vacancies in that year, the Board election shall not be held and those candidates shall be considered to be elected to the Board. The candidates shall decide among themselves who will serve which terms. If no or an insufficient number of candidates apply for impending vacancies, the Board shall proceed according to Article 7.5.

6.3.5 The candidate(s) receiving the highest number of votes, up to the number of Directors to be elected, shall be elected to the Board of Directors. Of those candidates elected to the Board, the candidate(s) receiving the highest number of votes shall fill the three (3)-year term opening(s) and the candidates receiving the lower number of votes, in descending order, shall fill the two (2)-year or lesser opening(s).

## ARTICLE 7

### BOARD OF DIRECTORS

7.1 **Number.** The affairs of the Association shall be directed by a Board of Directors composed of seven (7) Members in Good Standing who have staggered terms of office. Any change in the number of Board members resulting from a change in these bylaws shall be implemented at the next annual Board election. Only an increase or decrease of two (2) Board members at a time shall be allowed and shall only be implemented in the year after any previous increase or decrease in the number of Board members has been fully implemented to all three (3)-year terms. Directors shall be elected for a term of three (3) years except for the annual Board election following a change in the number of Board members or for a vacancy per Article 7.5. In that year candidates shall be elected for the three (3)-year term openings and shall also be elected, as necessary, for a two (2)-year and/or a one (1)-year term so as to result in a more even number of Board openings, per year, in future years. A Director may serve a second consecutive elected term, but a two(2)- year waiting period shall be required before a Director shall become a candidate for a third term. A term shall be any term to which a Director is elected to serve on the Board, be it a one (1) year term, a two (2) year term, or a three (3) year term. A Director appointed in accordance with Article 7.5 shall not be considered to be serving a term and shall be eligible to serve two consecutive elected terms.

#### 7.2 **Qualification and Election Process.**

7.2.1 To qualify as a candidate for the Board of Directors, an individual shall be a Member in Good Standing and:

- a) Have been a resident of Sun Lakes No. 2 for at least two (2) years
- b) Declare a high level of availability on a year-around basis for participation in the business affairs of the

Association

c) Submit a Candidate Application which includes a Questionnaire and a Petition of support for board candidacy signed by at least fifty (50) Voting Members eligible to vote

- d) Be willing to serve in any office to which the Board of Directors may elect him or her

7.2.2 The procedure for election of candidates to the Board of Directors shall conform to the procedure stated in Article 6.

7.2.3 If a candidate withdraws in writing to the Election Committee prior to the Election Day, any vote cast for that candidate shall be null and void. No candidate can be disqualified during the voting process.

#### 7.3 **Meetings.**

7.3.1 Meetings of the Board of Directors, except an Executive Meeting (see Article 7.3.4), are open to all Members of the Association who shall be allowed to speak at an appropriate time before the Board takes any formal action on an item under discussion. (see Article 5.1.1)

7.3.2 A majority of the Board of Directors present at any meeting of the Board shall constitute a Quorum of the Board.

7.3.3 A Regular Meeting of the Board of Directors shall be held once a month.



7.3.4 An Executive Meeting of the Board of Directors is a closed meeting as defined by the “Open meetings; exceptions”, in Arizona Revised Statutes and may be called by the President or any two (2) Directors. Written notice of the meeting shall be provided to each Director no less than forty-eight (48) hours prior to the meeting unless waived by all Directors.

7.3.5 An Emergency Meeting of the Board of Directors, per Arizona Revised Statutes, is a meeting where circumstances require action by the Board before any notice can be given and may be called by the President or any two (2) Directors.

7.3.6 Individual members of the Board of Directors, if less than a Quorum, may meet informally with management or other Directors and/or Committee members to remain abreast of day-to-day operational activities and such a meeting shall not constitute an official meeting of the Board of Directors.

7.2 **Removal From the Board.** The Voting Members may submit a Petition to the Board of Directors, signed by at least ten percent (10%) of the Voting Members (381) in the Association, asking for removal of any or all of the Directors, with or without cause, subject to an affirmative vote of the Majority of Members.

7.4.1 The Board shall mail notice of a Special Meeting for removal of Board member(s) and shall have all ballots returned and counted within thirty-days (30) after receipt of such a Petition.

7.4.2 If any Board member(s) is removed by a Special Meeting, the remaining Board shall initiate a new Special Meeting within two (2) weeks after the removal is confirmed, in accordance with Article 6, to replace the removed member(s).

7.4.3 The Board of Directors shall retain all documents and other records relating to the proposed removal of the member of the Board of Directors for at least one year after the date of the vote cutoff and shall permit Members to inspect those documents and records in accordance with Arizona Revised Statutes.

7.4.4 A Petition that calls for the removal of the same member of the Board of Directors shall not be submitted more than once during each term of office for that member.

7.4.5 If only one Director remains as a result of a Special Meeting to remove Board members, the remaining Director shall appoint one (1) additional Board member to serve until the replacement vote is completed. The one remaining Director shall become the President and the appointed Director shall become the Treasurer of the Association. The two (2) Board members shall immediately call a Special Meeting of the Members for the purpose of electing a full Board of Directors.

7.5 **Vacancies.** Except for vacancies on the Board of Directors caused by the removal of a Director in accordance with the provisions of Article 7.4, any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors or by a sole remaining Director. Any Director so chosen shall hold office until the next scheduled election for Directors when the vacancy will be filled to serve the term, or remaining portion of the term, of that vacancy. If by reason of death, resignation or otherwise, the Association has no Directors in office, any Member may call a Special Meeting of the Members for the purpose of electing the Board of Directors.

## ARTICLE 8

### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 **General Powers of the Board.** The Board of Directors shall act as the principal rules-making and decision-making body, and shall establish such policies as it deems proper and expedient in conformance with the Governing Documents and Arizona law, as the same may be amended from time to time. Such policies shall promote the objectives of the Association and shall protect the best interests and welfare of the Members. The Board of Directors shall have all of the powers and duties necessary for directing the affairs of the Association, including, but not limited to, the following:

8.1 Hold and administer the assets and provide oversight of the administration of the affairs of the Association

8.1.2 Establish operating policies, make rules within the authority as outlined in the Governing Documents; and publish same; establish penalties, including but not limited to Fines, probation and suspension of membership privileges for the infraction thereof. Additions to or changes in policies and rules shall be conspicuously posted on Association bulletin boards at each facility. A copy of all Association policies and rules shall be available for inspection by Members of the Association at the Homeowner Services office, and copies may be purchased at a reasonable fee.

8.1.3 Act for the Association on all matters not otherwise reserved to the Members or the General Manager by other provisions of the Governing Documents

8.1.4 Employ or appoint a General Manager who shall report to the Board of Directors

8.1.5 Levy annual and special assessments in accordance with the provisions of Article 4

8.1.6 Perfect and foreclose a lien against any property for which the annual and/or special assessments Fees are not paid within 180 days of the due dates, or bring an action at law against the Member personally obligated to pay the same. The Board shall have the authority to enter into compromised settlements of sums owed to the Association.

8.1.7 Establish Fees to be collected from the Members, Associate Members, Non-Member Occupants, Renters, Guests and Visitors for the use of the Association Facilities

8.1.8 Pay any taxes and assessments which are or could become a lien on the facilities of the Association

8.1.9 Ensure that goods and/or services for the grounds, facilities and interests of the Association are provided for and maintained in a timely and professional manner to ensure the continuing integrity and operation of the Association

8.1.10 Fill vacancies on the Board as provided in Article 7.5

8.1.11 Establish and maintain a Capital Reserve Replacement Fund

8.1.12 Establish and maintain a Capital Improvement Fund

8.1.13 Enter into reciprocal agreements with other Sun Lakes Homeowners' Associations

8.1.14 Provide for the purchase of services and/or equipment under the following conditions: any expenditure or Project of over \$3,000 shall be via a written contract. An invoice, accompanied by a purchase order signed by the appropriate manager and approved by the General Manager, shall be deemed to be a contract. Any expenditure or Project over \$10,000 shall require a minimum of three (3) Sealed Bids followed by a written contract. Any expenditure or Project over \$5,000, but less than \$10,000, shall require a minimum of three (3) unsealed competitive bids followed by a written contract. Any consideration of a deviation from the three (3)-bid requirements shall be fully documented (e.g., copies of request-for-bid letters and corresponding rejection letters; documentation justifying "single-source" purchases; etc.).

8.1.15 Exercise such other powers as may be granted to the Board of Directors by the Governing Documents or Arizona law.

8.2 **Duties of the Board of Directors**. It shall be the duty of the Board of Directors to:

8.2.1 Elect, from within the Board membership, persons to serve as President, Vice President, Secretary and Treasurer. After "ballot counting day" and before the Annual Meeting, the newly elected Board members and the current Board members continuing to serve the next year, shall meet, under the facilitation of the General Manager, to elect the new Officers of the Association. The new Officers will be announced at the Annual Meeting.

8.2.2 Maintain, update and improve all Association Facilities and Grounds to ensure esthetics, functionality, member appeal and cost-effective operation for the Association

8.2.3 Through the General Manager, direct policies regarding the oversight of all contractors and employees of this Association

8.2.4 Ensure that property, business and liability insurance is maintained on property owned by the Association. Maintain Directors' liability insurance and necessary bonds on behalf of the Board Members, Association employees and Board-appointed committee and task force members

8.2.5 Provide and update annually, Capital Asset Management plans for funding of the Capital Reserve Replacement Fund. Maintain a Capital Reserve Replacement Fund of no less than five hundred thousand dollars (\$500,000) at the end of each fiscal year and set a goal of achieving a Fund value of 80% of the total amount of asset replacement costs by the 2020 budget year.

8.2.6 Maintain a Capital Improvement Fund which is consistent with any annual and/or long-range plans

8.2.7 Ensure that the budgets for each fiscal year are available in the Homeowner Services office not less than ten (10) days before the beginning of the fiscal year. Copies may be purchased at a reasonable fee not to exceed fifteen cents per page

8.2.8 See that an independent audited financial report is prepared within one hundred twenty (120) days after the close of the fiscal year covering, but not limited to:

- a) A balance sheet as of the end of the fiscal year
- b) An operating (income) statement for the fiscal year
- c) A consolidated statement of cash flow for the fiscal year
- d) Statement of Capital Reserve Replacement Fund status
- e) Statement of Capital Improvement Fund status

Any Member requesting a copy of the annual audited report may be provided with a copy for a reasonable charge.

8.2.9 Approve annual budgets by a majority vote of the Board members. Annual budgets prepared for the Association shall include, but not necessarily be limited to, the following:

- a) Estimated revenue and expenses for each operation
- b) An itemized estimate for the major repair and maintenance requirements for the Association's Facilities and the methods of funding to pay the costs of any such repair or replacement
- c) A statement of the Capital Reserve Replacement Fund at the beginning of the fiscal year, the anticipated income to the Fund and the expenditures from the Fund during the fiscal year and a projection of the Fund balance at the end of the fiscal year
- d) A Statement of the Capital Improvement Fund at the beginning of the fiscal year, anticipated income from the Fund and the expenditures from the Fund during the fiscal year and the projection of the Fund balance at the end of the fiscal year
- e) A separate cash-flow projection, indicating the cash availability at the beginning of the fiscal year, and the corresponding impact of the profit and loss and capital-expenditure budgets of the ensuing fiscal year

8.3 **Limitations on Powers of Board of Directors.** The Board of Directors shall be prohibited from taking any of the following actions without the affirmative vote of a Majority of Members following a Special Meeting called for the specific purpose of giving the Board of Directors permission to take the action proposed:

8.3.1 Indebting the Association to a Long-term Debt in excess of five (5) percent (5%) of the Association's total revenue for the fiscal year preceding the year in which the debt is incurred

8.3.2 Selling or acquiring a real property, except when exercising a lien on a delinquent account or other charges

8.3.3 Using the Capital Improvement Fund for funding expansion and/or additions to facilities in excess of two and one-half (2 ½) percent of the Association's total revenue for any one project or in excess of four (4) percent of the Association's total revenue for the fiscal year preceding the year in which such expansion and/or addition is approved by the Board of Directors. In the case where a specific Capital Improvement project is approved by the Board of Directors and funded from the Capital Improvement Fund in a given year, but cannot be completed during that year, the project may continue into the subsequent year(s) using the previous year's approved funding without affecting the Capital Improvement Fund spending limits of any future year(s). The Capital Improvement Funds, subject to the spending limits indicated above, shall remain available if any facilities expansion and/or addition project is fully funded by an affirmative vote of the Majority of Members, with or without a Special Assessment. Any Special Assessment monies collected by the Association to fund a facilities expansion project shall not be included when calculating the total revenue of the Association

8.3.4 Entering into a contract for more than one year without a cancellation clause to terminate upon thirty (30) days written notice following the first year of the contract

8.3.5 Change the definition or action of the results of any vote by a Majority of Members

8.3.6 Any significant additions or deviation from a Project, approved by an affirmative vote of the Majority of Members, shall be treated as separate Projects

8.3.7 Establish or collect a Fee for use of specific Association Facilities, except for the Association Facilities used for Golf and the Association Facilities used for Food and Beverage.

8.4 **Indemnification of Directors of the Association.** To the extent that it has the power to do so under the Arizona Nonprofit Corporation Act, or any amendments or modifications thereto, the Association shall indemnify any person who, because of the fact that he or she is or was a director or officer of the Association, or a non-director/officer Owner that is or was acting under the direction

of the Association, is named as a party, or is threatened to be named as party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association. Such person shall be entitled to indemnification if his or her act or failure to act, was in good faith and in a manner that he or she reasonably believed to be in, and not opposed to, the best interests of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The indemnification provided hereby shall be for all expenses, actually or reasonably incurred in connection with such threatened, pending or contemplated action, suit or proceeding, including attorney's fees, amounts of judgments entered or fines assessed, and for amounts paid in settlement.

8.5 **Committees and Task Forces.** The Board of Directors may appoint such Committees and Task Forces, as the Board of Directors deems appropriate for the administration and operation of the Association. The purpose of all Committees and Task Forces shall be to assist the Board of Directors in the development of policies and to assist in the oversight and assessment of the administration and operation of the Association. All Committees and Task Forces shall report to the Board of Directors, shall serve at the pleasure of the Board of Directors and shall comply with the meeting requirements defined in Articles 5.4 and 5.5. Committee and Task Force members shall only be Association Members in Good Standing. Non-Members with special expertise may be approved by the Board to serve on a committee or Task Force as a non-voting consultant.

## ARTICLE 9

### OFFICERS

9.1 **General.** The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of who shall be elected from, and be a member of, the Board of Directors. The newly elected directors of the Board of Directors shall take office at the Annual Meeting of the Members following their election. No Board Member shall act independently from other Board Members.

9.2. **President.** The President shall preside at, and conduct, all meetings of the Board of Directors by a formal order of business. The President shall have general supervision over and direction of the affairs of the Association, in accordance with the Governing Documents, and shall have authority to administer all matters not otherwise expressly delegated to the General Manager. The President shall execute bonds, mortgages and other contracts and cause the corporate seal of the Association to be affixed to any instrument which requires it, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Association.

9.3 **Vice President.** The Vice President shall have such powers and perform such duties as the President or the Board of Directors may, from time to time, prescribe and shall perform such other duties as may be prescribed by these Bylaws. At the request of the President, or in case of the President's absence or inability to act, the Vice President shall perform the duties of the President and when so acting, shall have all the powers of, and be subject to all the restrictions upon the President.

9.4 **Secretary.** The Secretary shall be responsible for seeing that a record is kept of all of the proceedings of the meetings of the Members and the Board of Directors in one (1) or more books kept for that purpose and shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law. The Secretary shall be responsible for ensuring that the provisions of Article 10.5 and inspection of Association records and reports are carried out in a timely manner. Minutes of all Board Meetings shall be available in the Homeowner Services office and a summary of all changes in the Board Policies, which affect the Homeowners, shall be posted on the website, bulletin boards and published in Association newsletters.

#### 9.5 **Treasurer.**

9.5.1 The Treasurer shall oversee all funds and securities of the Association, official records, documents, ledgers and accounts involving the financial business of the Association. All financial records and documents shall be kept and maintained at the Association Office. The financial records of the Association shall be subject to an annual audit by a certified public accountant to be appointed by the Board of Directors and paid by the Association.

9.5.2 The Treasurer shall see that Association's funds are deposited in the accounts of the Association in such bank or banks and savings and loan institutions which are federally insured or other financial organizations with guaranteed capital retention. The Treasurer, through the General Manager, shall issue financial statements when required and perform such other duties as ordinarily pertain to that office.

9.6 **Bonding.** All Directors and Association employees who are in any way involved in the handling of Association funds shall be bonded in a sum to be determined by the Board unless the Association maintains employee dishonesty insurance.

9.7 **Removal.** Any officer may be removed from office by the majority vote of the Board of Directors at any regular or special meeting called for that purpose, whenever in the Board's judgment, the best interests of the Association will be served by the removal. Any officer proposed to be removed shall be entitled to at least three (3) days' notice in writing by mail of the meeting of the Board of Directors at which such removal is to be voted upon. The Director shall be entitled to appear before and be heard by the Board at such meeting. The removal of an officer shall not work to remove her/him as a member of the Board of Directors, unless also removed in accordance with Article 7.4.

9.8 **Vacancies.** In case an office becomes vacant by death, resignation, retirement, disqualification or any other cause, the majority of the remaining Directors may elect a member of the Board to fill such vacancies. The member so elected shall hold office until the next scheduled election.

9.9 **Multiple Offices.** A Director shall hold only one office at a time.

## ARTICLE 10

### GENERAL

10.1 **Amendment.** Amendment of these Bylaws may be proposed by a majority vote of the Board of Directors or by a Petition signed by Voting Members in Good Standing entitled to cast at least twenty-five percent (25%) of the total authorized votes (952) in the Association. Any amendment of these Bylaws, proposed by the Board or by a Petition, shall specifically state the section and paragraph proposed for amendment, the proposed new section or paragraph and the reason for the proposed change. A Special Meeting of the Members for the purpose of discussing the proposed amendment shall be conducted in accordance with Article 5 and voting on the proposed amendment shall be conducted as provided in Article 6. The Bylaws may be amended, revised, modified or revoked by affirmative vote of a Majority of Members.

10.2 **Conflict.** In the event of a conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation control. In the event of a conflict between the CC&Rs and these Bylaws, the CC&Rs shall control.

10.3 **Fiscal Year.** The fiscal year for the Association is a twelve (12) month period designated by the Board of Directors. The Board of Directors is expressly authorized to change the fiscal year from time to time in accordance with the provisions and regulations of the Internal Revenue Code of the United States of America.

10.4 **General Office and Principal Place of Business.** The general office for the transaction of business of the Association shall be as stated in the Articles of Incorporation. The Board of Directors is expressly authorized to change the address or the general office as required to effectively carry out the business of the Association.

10.5 **Inspection of Association Records.** Except for records, reports, minutes and other documents which Arizona law permits to be withheld from inspection by Members, the following records and reports are available for review by all Members at Homeowner Services during normal business hours:

a) For copies of records or reports, a nominal fee (cost of publication) will be charged as defined by the Board of Directors.

10.6 If any provision of these Bylaws shall be found invalid by operation of the law, it shall not affect the remaining provisions of the Bylaws.