

Article 1 -- GENERAL PROVISIONS

1.1 Defined Terms. Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions for ARROWHEAD RANCH PHASE V recorded on March 29, 1996 with the County Recorder of Maricopa County, Arizona, Document Number 96-0216983 (the "Declaration").

1.2 Conflicting Provisions. In the case of any conflict between the Articles and these Bylaws the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

1.3 Designation of Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

1.4 Books and Records. The books, records and papers of the Association shall be available for inspection by any Member during reasonable business hours. The Project Documents shall be available for inspection by any Member during reasonable business hours at the principal office of the Association, where copies may be purchased at reasonable cost.

1.5 Amendment.

- A. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members having a majority (more than 50%) of the votes entitled to be cast by the Members present in person or by proxy.
- B. So long as there is a Class B membership in the Association, the Declarant, without a vote of the Members and without the consent of any First Mortgagee, may amend these Bylaws in order to conform these Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, The Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant.
- C. So long as there is a Class B membership in the Association, any amendment of these Bylaws must to the extent required by applicable regulations of the Veterans Administration and Federal Housing, be approved by the Veterans Administration or the Federal Housing Administration.

1.6 Indemnification. To the extent it has the power to do so under the Arizona Nonprofit Corporation Act ACRES. Section 10- 100 1, at seq., the Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a member, director, officer, employee or agent of the Association or is or was serving at the request of the Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if his action or omission was made in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification of any such person shall be made in accordance with the procedures set forth in the Arizona Nonprofit Corporation Act.