

BY-LAWS
OF
ANTHEM COUNTRY CLUB COMMUNITY ASSOCIATION, INC.

Article I Name, Principal Office, and Definitions

1.1. Name. The name of the Association shall be Anthem Country Club Community Association, Inc. ("Association").

1.2. Principal Office. The principal office of the Association shall be located in Maricopa County, Arizona. The Association may have such other offices as the Board may determine or as the affairs of the Association may require.

1.3. Definitions. The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in the Declaration unless the context indicates otherwise.

Article II Association: Membership, Meetings, Quorum, Voting, Proxies

2.1. Membership. The Association shall have two classes of membership, Class "A" and Class "B," as set forth in the Declaration. The provisions pertaining to membership in the Declaration are incorporated herein by this reference.

2.2. Place of Meetings. Meetings of the Association shall be held within Anthem or at such other suitable place within Maricopa County, Arizona as may be designated by the Board.

2.3. Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one year after incorporation of the Association. Subsequent regular annual meetings shall be held each year on a date and at a time set by the Board. In the event that a quorum, as defined in Section 2.11, is not present at an annual meeting, the Association may hold the meeting for informational purposes; provided, however, the Association may not take any action at such meeting unless a quorum is present.

2.4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Class "A" Members holding at least 25% of the voting power of the Association.

2.5. Notice of Meetings. The Association's Secretary or its designee shall cause written notice stating the place, day, and hour of any meeting of the Association to be given in any manner permitted by Arizona law. If so permitted, notice may be posted in a conspicuous, prominent place within Anthem, delivered by hand delivery or sent to each Member by United States mail, (postage prepaid), by facsimile, computer, fiber optics, cable, other similar communication devices or such

other manner which is reasonably calculated, as determined in the discretion of the Board, to provide personal notice to the Members entitled to notice. Any notice shall be delivered not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or other officers or Persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No other business shall be transacted at a special meeting except as stated in the notice.

If posted, notice of a meeting shall be deemed delivered upon its posting. If mailed, notice shall be deemed delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the Association's records, with postage prepaid. If sent by facsimile, computer, fiber optics, cable, or such other similar communication device, notice shall be deemed delivered when transmitted to the Member at his or her address or number as it appears on the Association's records. The failure of any Member to receive actual notice of a meeting of the Members shall not affect the validity of any action taken at such meeting.

2.6. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Member shall be deemed a waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may, without further notice, adjourn the meeting to a date not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

2.8. Voting. Members shall have such voting rights as set forth in the Declaration. Such voting rights provisions are incorporated herein by this reference. Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, however, meetings shall be held when required by the Declaration, these By-Laws, or Arizona law. Votes for the election of directors shall be cast by secret written ballot. All votes of the Members at meetings shall be subject to the quorum requirements of Section 2.11.

2.9. Proxies. Members may vote in person or by proxy.

Each proxy shall be in writing, dated, signed, and filed with the Secretary prior to the meeting for which it is to be effective. Proxies shall be deemed delivered to the Secretary, if delivered by personal delivery, U.S. mail, or facsimile to the Secretary, any Board member, or the professional management agent, if any. Unless otherwise provided in the proxy, a proxy shall cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail. If dated as of the same date, both proxies shall be deemed invalid. No proxy shall be valid more than 25 months after its execution. The proxy of any Member shall be revocable and shall automatically cease upon conveyance of such Member's Lot.

2.10. Majority. As used in these By-Laws, the term "majority" shall mean those votes, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

2.11. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence, in person or by proxy, of 10% of the Class "A" Members of the Association and, for so long as the Class "B" Membership exists, the presence of a duly appointed representative of the Class "B" Member, shall constitute a quorum at all meetings of the Association. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum; provided, unless otherwise specifically set forth in the Governing Documents, any action for which a vote of the Members at a meeting is required must be approved by at least a majority of the votes required to constitute a quorum.

2.12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall ensure that minutes of the meeting are kept and that all resolutions adopted at the meeting, as well as all transactions occurring at the meeting, are recorded in a minute book.

2.13. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote, if written consent specifically authorizing the proposed action is signed by all Members entitled to vote thereon at such meeting. All such consents shall be signed and dated within 60 days after receipt of the earliest dated consent, and delivered to the Association at its principal place of business in Arizona. Such consents shall be filed with the minutes of the Association.

Article III Board of Directors

A. Composition and Selection

3.1. Governing Body; Composition. The Association's affairs shall be managed by a Board of Directors which shall serve as the Association's corporate policy-making body. Each director shall have one equal vote. Except with respect to directors appointed by the Class "B" Member, directors shall be Members; provided, no more than one representative from a particular Lot or Dwelling Unit may serve on the Board at the same time. Any Member who is delinquent in the payment of any assessment or other charge due the Association or the Council, or who is

otherwise deemed by the Board to be in violation of the Governing Documents, shall not be eligible to serve on the Board. All directors shall complete, prior to commencing service on the Board, such training requirements as the Board establishes.

Directors shall be at least 18 years of age. In the case of a Member which is a partnership, corporation, or other such legal entity, any officer, director, partner, or trustee of such Member shall be presumed to be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member. No Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors. The number of directors in the Association shall be three or five. The initial Board shall consist of three directors as identified in the Articles.

3.3. Directors Appointed by the Class "B" Member. The directors which the Class "B" Member is entitled to appoint pursuant to Section 3.5 of these By-Laws shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member.

3.4. Nominations and Declarations of Candidacy. Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has a bona-fide interest in serving as a director may file as a candidate for any position to be filled by Class "A" votes. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient, and cost-effective manner. Nominations also may be permitted from the floor.

Nominations for election to the Board may also be made by a nominating committee. The nominating committee, if any, shall consist of three or more Persons, including a chairperson, who shall be a Board member.

The nominating committee may make as many nominations for election to the Board as it shall in its discretion determine. In making its nominations, the nominating committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates.

Each candidate shall be given a reasonable, equal opportunity to communicate his or her qualifications to the Members and to solicit votes.

The nomination procedures shall not apply to directors appointed by the Class "B" Member or the Council, respectively.

3.5. Election and Term of Office. Annual elections for directors may be conducted by mail or, if permitted by Arizona law, electronically, or at the Association's annual meeting. The Secretary shall cause notice of the elections to be mailed or delivered to each Member at least 10 days prior to the closing date established by the Board for filing of ballots. Such notice shall be accompanied by a written ballot listing all candidates for each vacancy who have qualified in accordance with the procedures described in Section 3.4 above, and all candidates for each vacancy

nominated by the nominating committee, if any. The notice shall specify the name and address to which the ballots should be returned and the date by which they must be received in order to be counted, which date shall be the "election date."

On the election date, the Board or an election committee appointed by the Board shall open and count the ballots. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected.

Subject to completion of the training requirements established by the Board pursuant to Section 3.1, directors elected at such annual elections shall take office on April 1 of the following year. Except as otherwise specifically provided in these By-Laws, each director shall serve two-year terms; provided, directors shall hold office until their respective successors are elected (or appointed as the case may be) and take office. Directors may serve up to three consecutive terms.

Notwithstanding the above or any other provision of these By-Laws:

(a) Within 120 days after the time that Class "A" Members other than Builders own 25% of the Lots planned for development under the Master Plans for the Anthem Country Club Community, or whenever the Class "B" Member earlier determines, the Association shall hold an election at which Class "A" Members shall elect one of the three directors. (Directors elected by the Class "A" Members are referred to as "Class "A" Directors.") The Class "A" Director shall serve a term which expires when a successor Class "A" Director elected at the second succeeding annual election (calculated as if elections were held annually) takes office. Thereafter, each successor to the initial Class "A" Director shall serve a two-year term. The remaining two directors shall be appointees of the Class "B" Member.

(b) Within 120 days after the time that Class "A" Members other than Builders own 50% of the Lots planned for development under the Master Plans for the Anthem Country Club Community, or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors, two of whom shall be Class "A" Directors. One Class "A" Director shall continue to serve as described above. The other shall be elected by the Class "A" Members to serve a term which expires when a successor Class "A" Director elected at the second succeeding annual election (calculated as if elections were held annually) takes office or until the happening of the event described in subsection (c) below, whichever is earlier. If such director's term expires prior to the happening of the event described in subsection (c) below, a successor shall be elected for a like term. The remaining three directors shall be appointees of the Class "B" Member.

(c) Within 120 days after the termination of the Class "B" Control Period, the Association shall hold an election at which the Class "A" Members shall be entitled to elect four of the five directors.

The two Class "A" Directors receiving the most votes in the election shall serve a term which expires when the directors elected at the second succeeding annual election take office. The remaining Class "A" Directors shall serve a term which expires when the directors elected at the next succeeding annual election (calculated as if elections were held annually) take office. After

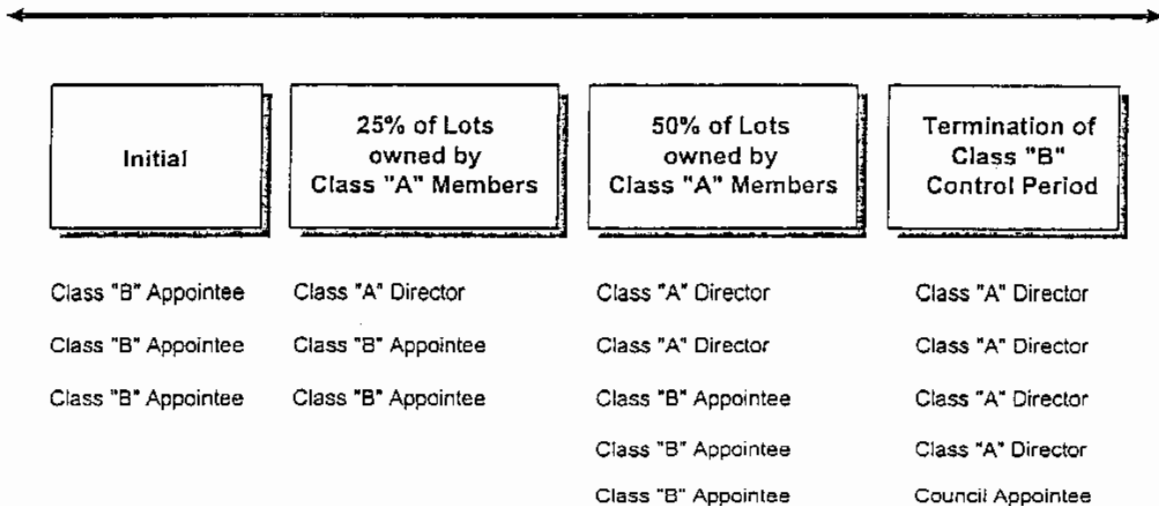
expiration of each term described in this subsection (c), all Class "A" Directors shall serve two-year terms.

(d) Each Class "A" Member shall be entitled to cast one vote with respect to each Class "A" Director vacancy to be filled. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected.

As provided for in the Community Covenant, the Association shall elect one or more members of the Council Board. Nominations and elections for Council Board members shall be governed by the procedures set forth in Sections 3.4 and 3.5, as applicable, for nomination and election to the Association's Board.

In order to facilitate communications between the Association and the Council, and to permit the Council to exercise its authority as contemplated by the Community Covenant, the Council shall be entitled to appoint one director after termination of the Class "B" Control Period. The Council appointed director shall also serve a two year term.

COMPOSITION OF BOARD OF ANTHEM COUNTRY CLUB COMMUNITY ASSOCIATION, INC.



3.6. Removal of Directors and Vacancies. Any Class "A" Director may be removed, with or without cause, by the vote of Class "A" Members holding two-thirds of the votes entitled to be cast for the election of such director at any meeting of the Association at which a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Class "A" Members

entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

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

Any director appointed by the Class "B" Member may be removed only by the Class "B" Member, acting in its discretion. Likewise, any Council appointed director may be removed only by the Council, in its discretion.

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

B. Meetings.

3.7. Organizational Meetings. Each Board shall hold an organizational meeting within 30 days after newly-elected or newly-appointed directors take office.

3.8. Regular Meetings. Regular meetings of the Board may be held at such time and place as the Board shall determine, but at least one such meeting shall be held each quarter. Notice of the time and place of the meeting shall be posted in a prominent place within the Anthem Country Club Community or within Anthem and communicated to directors not less than four days prior to the meeting; provided, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) facsimile, computer, fiber optics, or any such other communication device. All such notices shall be given at the director's telephone, facsimile, or e-mail number or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board also shall be posted in a prominent place within the Anthem Country Club Community or within Anthem at least three days prior to such meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least seven business days before the time set for the meeting.

Notices given by personal delivery, telephone, facsimile, or other device shall be delivered, telephoned, or transmitted at least 72 hours before the time set for the meeting.

3.10. Waiver of Notice. The transaction of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held and noticed if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

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

3.12. Compensation. No director shall receive any compensation from the Association for acting as such; provided however, any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

3.13. Conduct of Meetings. The President shall preside over all meetings of the Board, and the Secretary shall ensure that a minute book is kept of all meetings of the Board, recording all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings. Subject to the provisions of Sections 3.15 and 3.16, all meetings of the Board shall be open to all Members, but a Member other than a director may not participate in any discussion or deliberation unless permission to speak is authorized by a vote of the majority of a quorum of the Board. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss any or all of the following:

- (a) employment or personnel matters for employees of the Association;
- (b) legal advice from an attorney retained for the Board or the Association;

(c) pending or contemplated litigation; or

(d) pending or contemplated matters relating to enforcement of the Governing Documents.

3.15. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote. Written consent or consents shall be filed with the minutes of the proceedings of the Board. Within three days after all written consents to an action have been obtained, the Board shall post in a prominent place within the Anthem Country Club Community a notice of the action to be taken or actually taken by the Board; provided, the obligation to post notice shall not apply to any action pertaining to any subject matter which could be discussed in an executive session of the Board as set forth in Section 3.14. Failure to give notice shall not render the action to be taken or actually taken invalid.

3.16. Video and Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call, video conference, fiber optics, or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors so participating shall be deemed present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Board.

C. Powers and Duties.

3.17. Statement of Operational Policy. It shall be the policy of the Association, in the interest of the efficient operation of the Association, that the Board refrain from unreasonably interfering with the performance of delegated functions by the management agent or other entities to whom authority and responsibility have been delegated. In the performance of its duties and responsibilities, the Board shall act as a unified body and no individual member of the Board shall be authorized to speak or act on behalf of the Board unless specifically authorized to do so in writing by the Board.

3.18. Powers. The Board shall have such powers as are necessary and appropriate for the management of the Association's affairs and for ensuring that the duties and responsibilities of the Association as set forth in the Declaration, these By-Laws, the Articles, any Supplemental Declaration, and as provided by law, are fulfilled. The Board may do or cause to be done all acts and things as are not required by the Declaration, Articles, these By-Laws, or Arizona law to be done and exercised exclusively by Declarant or the membership generally. The Board may delegate powers to committees, officers, a management agent or agents, or employees of the Association and, if so delegated, such powers may be exercised without unreasonable interference by the Board.

3.19. Duties. The duties of the Board shall include, without limitation:

(a) adopting annual budgets which establish each Owner's share of the Common Expenses and Neighborhood Expenses;

(b) levying assessments against the Members to fund the Common Expenses, if any, and establishing policies governing collection of assessments; provided, to the extent required under the Community Covenant or the Declaration, the Association's right to invoice and collect assessments from the Members shall be assigned to the Council;

(c) establishing policies for the operation, care, upkeep, and maintenance of the Area of Common Responsibility and, ultimately, ensuring that such policies are carried forth;

(d) approving a bank depository to receive funds on behalf of the Association and directing that all such funds be so deposited and applied towards the operation of the Association; provided, any reserve fund may be deposited, in the directors' business judgment, in depositories other than banks;

(e) adopting rules and regulations, including the Use Restrictions, and amendments thereto and approving sanctions for infractions thereof;

(f) opening of bank accounts on behalf of the Association and designating the signatories required;

(g) establishing policies and guidelines by which the Association shall make or contract for the making of repairs, additions, and improvements to or alterations of the Area of Common Responsibility in accordance with the Declaration and these By-Laws;

(h) enforcing the Declaration's provisions, these By-Laws, and the rules adopted by the Board and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Association; provided, the Board's obligations in this regard shall be conditioned as provided in Section 7.4 of the Declaration;

(i) ensuring that property, liability, and commercial crime insurance, as required in the Declaration, are carried by the Association, that the cost thereof is paid, and that claims are filed and adjusted, as appropriate;

(j) providing for the payment of all taxes and/or assessments which are or could become a lien on the Common Area or a portion thereof;

(k) providing for the payment of the cost of all services rendered to the Association or its Members and not chargeable directly to specific Members;

(l) providing that books with detailed accounts of the receipts and expenditures are kept on behalf of the Association and are made available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot;

(m) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Declaration, the Articles, the By-Laws, rules and all other books, records, and financial statements of the Association are made available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot;

(n) establishing policies and guidelines under which utility suppliers are permitted to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(o) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is permitted or required by Arizona law, the Declaration, the Articles, and these By-Laws;

(p) cooperating with the Council in the performance of its rights and obligations under the Community Covenant and the Governing Documents and providing for the election of one or more members to serve on the Council's board of directors..

3.20. Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have the right to disapprove any action, policy, or program of the Association, the Association's officers, the Board, any sub-association, and any committee which, in the judgment of the Class "B" Member, would tend to impair the rights of the Declarant or Builders under the Declaration or these By-Laws, interfere with development, construction, or marketing of any portion of the Properties, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right of Declarant to approve or disapprove specific actions of the Association, the officers of the Association, the Board, any sub-association or any committee.

(a) The Class "B" Member shall be given prior written notice of all meetings and proposed actions to be approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee thereof. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address the Class "B" Member has registered with the Secretary of the Association. The notice shall specify the time and place of the meeting and shall set forth with reasonable particularity the agenda for such meeting.

(b) The Class "B" Member shall be given the opportunity at any such meeting to, from the floor, join in or have its representatives or agents join in discussion of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Class "B" Member, its representatives or agents may make its concerns, thoughts, and suggestions known to the Members, the Board and/or the members of the subject committee.

(c) No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the Class "B" Member has not disapproved the action, policy or program prior to expiration of the time period set forth in subsection (d) below.

(d) The Class "B" Member may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, or action taken by an officer without a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these By-Laws. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.21. Management. The Association may employ a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board shall delegate to the management agent such powers as are necessary to perform its assigned duties; provided, the Board may not delegate policymaking authority. Subject to the Board's responsibility to ensure compliance with policies established by the Board, upon delegation of powers to a managing agent, the Board shall not interfere with the day-to-day management of Association affairs by the management agent.

During the Class "B" Control Period, at the request of the Declarant, the management agent shall be terminated by the Association, in accordance with the management agreement. In addition, the management agent may be terminated at any time by the Association, in accordance with the management agreement, if such action is requested by a majority of the Board and a majority of the Class "A" Members present in person or by proxy at a special meeting called for such purpose; provided, any meeting to vote on the termination of the management agent shall be called by a majority vote of the Board in favor of termination.

Declarant, or Declarant's affiliate, may be employed as a management agent. The Board may designate one of its members as responsible for communications with the management agent between meetings of the Board; provided, such individual shall not have independent authority to supervise, direct, or interfere with the activities of such management agent.

3.22. Accounts and Reports. The following management standards of performance shall be followed unless the Board, by resolution, specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls over financial reports and safeguarding of assets should be consistent with the criteria for effective internal controls described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the management agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) any financial or other interest which the management agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board; and

(f) the following financial and related information shall be regularly prepared and made reasonably available for examination by all Members:

(i) a capital expenditures budget and a Common Expense budget for the Association (which includes the budget for each of the Benefited Areas, if any) for each fiscal year of the Association. The Budget shall be made available for examination in the manner provided in the Declaration.

(ii) an annual report ("Financial Statement") in accordance with generally accepted accounting principles. Within 120 days after the close of the Association's fiscal year, a summary of the Financial Statement or a written notice that a copy of the Financial Statement is available at the business office of the Association or another suitable location within the Anthem Country Club Community shall be posted in one or more prominent places within the Anthem Country Club Community. If requested, one copy of the Financial Statement may be distributed personally, by mail, or such other manner as is reasonably designed to provide delivery to a Member, without charge. The Financial Statement shall consist of:

(A) a balance sheet as of the end of the fiscal year;

(B) an income statement for the fiscal year; and

(C) a statement of cash flows for the fiscal year.

The Financial Statement shall be prepared on an audited, reviewed, or compiled basis, as the Board determines.

(iii) The following shall be done at least quarterly:

(A) a current reconciliation of the Association's operating accounts;

(B) a current reconciliation of the Association's reserve accounts;

(C) a review of the current year's actual reserves, revenues and expenses compared to the current year's Budget;

(D) a review of the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts;

(E) a review of an income and expense statement for the Association's operating and reserve accounts; and

(F) a review of the delinquency report listing all Members who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent.

3.23. Borrowing. The Association, acting through its Board, shall have the power to borrow money for any legal purpose; provided, the Board shall obtain the approval by vote or written consent of a majority of the Class "A" Members and the Class "B" Member, if any, if the proposed borrowing is for the purpose of making discretionary capital improvements or purchasing additional capital assets and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Association for that fiscal year. During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent of at least a majority of the Class "A" Members.

3.24. Right to Contract. Subject to applicable law relating to Member, officer, and director conflicts of interest, the Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, and other owners or residents associations, both within and outside the Properties.

3.25. Enforcement.

(a) Notice. Prior to imposition of any sanction provided in the Declaration, other than self-help or suit to enjoin any violation of the Declaration, By-Laws, Articles, or rules and regulations of the Association and/or to recover monetary damages, the alleged violator shall be served with written notice setting forth (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a statement that the alleged violator may present a written request for a hearing to the Secretary of the Association within 15 days of delivery of the notice; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received by the Secretary of the Association within such time period. Proof of proper notice shall be placed in the Association's corporate records. Proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is so entered. The notice requirement shall be deemed satisfied if the alleged violator requests a hearing.

If a timely request for a hearing is not received by the Secretary of the Association, the sanction stated in the notice shall be imposed; provided, any proposed sanction may be suspended if the violation is cured or if a cure is diligently commenced within the 15-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 15-day period, the hearing shall be held before the covenants committee, if any, or if none, before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. A written

statement of the results of the hearing and the sanction, if any, imposed shall be recorded in the corporate records.

(c) Appeal. If a hearing is held before the Deed Restriction Enforcement Committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the Association's Secretary or designee within 15 days after the hearing date.

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

3.26. Board Standards. In performing his or her duties, each director and officer shall act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director or officer reasonably believes to be in the best interests of the Association. A director or officer acting in accordance with such standards acts in accordance with the business judgment rule and shall be insulated from personal liability as provided under Arizona law and as otherwise provided by the Governing Documents.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

Article IV Officers

4.1. Officers. The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The officers need not be members of the Board and need not be Members or residents of the Anthem Country Club Community. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office. The officers of the Association shall be elected by the Board at an organizational meeting of the Board taking place pursuant to Section 3.5. Each officer shall serve a one year term; provided, each officer's term shall automatically renew unless at least two-thirds of the directors vote not to renew.

4.3. Removal and Vacancies. Any officer may be removed by a vote of at least two-thirds of the directors. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

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

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

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

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

(d) Treasurer. The Treasurer shall have responsibility for ensuring the preparation of the Budget as provided for in the Declaration and these By-Laws by the management agent or agents retained by the Association or, if no managing agent is so retained, such persons retained by the Board to perform management functions.

4.5. Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association (other than for the withdrawal of reserve funds) shall be executed by at least two officers or by such other person or persons as may be designated by resolution of the Board. The Board shall require signatures for the withdrawal of reserve funds of either two members of the Board or a member of the Board and officer of the Association who is not also a member of the Board. For purposes of this Section, "reserve funds" means monies the Board has identified in the capital expenditures budgets for use to defray the future repair or replacement of those replaceable assets which the Association is obligated to maintain and for use in making additional capital improvements and purchasing additional capital assets.

4.7. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.12 hereof.

Article V Committees

5.1. Committees of the Board. Committees comprised solely of Members of the Board may be appointed to exercise the authority of the Board. Such committees shall be appointed upon the approval of at least a majority of the directors. Notwithstanding the above, no such committee may exercise the authority of the Board in reference to (a) submission to the Members of any matter requiring an act of the Members; (b) filling vacancies on the Board or on any committee of the Board; (c) adoption, amendment, or repeal of the By-Laws; or (d) fixing compensation of directors. The Board may, with or without cause, dissolve any such committee or remove any director from the committee at any time.

5.2. Other Committees. In addition to committees of the Board as set forth in Section 5.1 and such other committees as are required or authorized under the Governing Documents, the Board, by resolution from time to time, may establish such committees and charter clubs as it deems appropriate. Any such committee may perform such tasks and functions as the Board may designate by resolution; provided, no committee or committee member may exercise any power or authority which could not otherwise be exercised by the Board in accordance with these By-Laws. The role of committees established pursuant to this Section shall be to advise the Board with respect to establishing operational policy or to assist the officers in the performance of their respective functions. No committee or committee member shall be authorized to perform or interfere with the Association's day-to-day operations.

Each committee appointed pursuant to this Section shall consist of at least one director. Other committee members may be Members or residents of the Anthem Country Club Community. Committee members serve at the Board's discretion for such periods as the Board may designate by resolution; provided, however, any committee member, including the committee chair, may be removed by the vote of a majority of the directors. Any resolution establishing a charter club shall designate the requirements, if any, for membership therein. Each committee and charter club shall operate in accordance with the terms of the resolution establishing such committee or charter club.

5.3. Deed Restriction Enforcement Committee. In addition to any other committees which the Board may establish pursuant to Sections 5.1 and 5.2, the Board may appoint a Deed Restriction Enforcement Committee consisting of at least three and no more than seven members. Acting in accordance with the Governing Documents, the Deed Restriction Enforcement Committee, if any, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.25.

Article VI Miscellaneous

6.1. Fiscal Year. The fiscal year of the Association shall begin on July 1 and end on June 30, unless otherwise established by Board resolution.

6.2. Parliamentary Rules. Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Arizona law, the Articles, the Declaration, or these By-Laws.

6.3. Conflicts. If there are conflicts between the provisions of Arizona law, the Articles, the Declaration, and these By-Laws, the provisions of Arizona law, the Declaration, the Articles, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. Subject to the exceptions set forth below, the Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Lot, any Member, or the duly authorized agent of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, By-Laws, and Articles, any amendments to the foregoing, the rules of the Association, the membership register, all financial records of the Association, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within Anthem as the Board shall designate.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing and delivering copies of documents requested.

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

(d) Exceptions to Inspection Requirement. Notwithstanding any provision to the contrary, the Board shall not be required to make available for inspection any portion of any book or record which relates to any of the following:

- (i) personnel matters or a person's medical records;
- (ii) communication between an attorney for the Association and the Association;
- (iii) pending or contemplated litigation;

(iv) pending or contemplated matters relating to enforcement of the Governing Documents; or

(v) meeting minutes or other records of a session of a Board or Association meeting that is not required by law to be open to all Members.

In addition, the Board shall not be required to disclose or make available for inspection any financial or other records of the Association if disclosure would violate local, state, or federal law.

6.5. Notices: Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications shall be in writing and shall be sent as follows:

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

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

(c) if to Declarant or the Class "B" Member, at the principal office of Declarant or Class "B" Member, or at such other address as is designated in writing and filed with the Secretary of the Association.

All such notices shall, for all purposes, be deemed delivered and received (a) upon personal delivery to the party or address specified above, or (b) on the third day after being deposited in the United States mail, postage prepaid and properly addressed.

6.6. Indemnification. To the fullest extent permitted by Arizona law, as amended from time to time, the Association shall indemnify every officer and director (in their capacity as such) against all damages and expenses, including attorney fees, reasonably incurred in connection with any action, suit, or other proceeding brought against them (including any settlement thereof, if approved by the Board). This right to indemnification shall not be exclusive of any other rights to which any present or former officer or director may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and directors and officers liability insurance to fund this obligation.

6.7. Amendment.

(a) By Class "B" Member. The Class "B" Member may unilaterally amend these By-Laws if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on the Lots;

(iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of these By-Laws. However, any such amendment shall not adversely affect the title to any Lot unless the affected Owner shall consent thereto in writing.

In addition, until conveyance of the first Lot by Declarant to a Person other than a Builder, the Class "B" Member may unilaterally amend these By-Laws for any purpose. Thereafter, the Class "B" Member may unilaterally amend these By-Laws, for purposes in addition to those specified above, provided the amendment has no material adverse effect upon the right of any Owner.

(b) By Members. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing at least 51% of the Class "A" votes in the Association, and the consent of the Class "B" Member, if any. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon execution by the Class "B" Member, if applicable, and by the Association, if applicable, in the manner provided in these By-Laws, unless a later date is specified in the amendment. Any procedural challenge to an amendment must be made within three months of the effective date of such amendment or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

If a Member consents to any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Member has the authority to do so, and no contrary provision in any Mortgage or contract between the Member and a third party will affect the validity of such amendment.

Notwithstanding any provision herein to the contrary, no amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the assignee of such right or privilege for as long as Declarant owns any property described on Exhibits "A" or "B" to the Declaration.

(d) Right of Community Council. No amendment to these By-Laws which materially affects the rights or interests of the Council, including the right to appoint a member of the Board, shall be valid or effective unless and until approved in writing by the Council.

6.8. Membership Book. The Board shall keep and maintain at the Association's principal office of business a book containing each Member's name and address. Termination or transfer of membership shall be recorded in the book, together with the date on which such ownership was transferred.

6.9 Diagrams. All diagrams which are included in these By-Laws are intended only to summarize the express written terms of the Governing Documents. **Diagrams are not intended to supplant or supplement the express written or implied terms contained in the Governing Documents.**

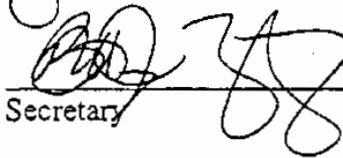
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Association;

That the foregoing By-Laws constitute the original By-Laws of said Association, as
duly adopted at a meeting of the Board thereof held on the 12th day of January, 1999

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal
of said Association this 12th day of January, 1999.

 [SEAL]
Secretary