

5.5. Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and business of a similar nature and other matters permitted by statute. The nature of any and all business to be considered in executive session shall first be announced in open session.

5.6. Board Meetings Open to Members. Regular and special meetings of the Board shall be open to all Members of the Association, provided, however, that Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

ARTICLE 6

Powers and Duties of the Board of Directors

6.1. Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association. Without limitation of the generality of the foregoing

powers and duties, the Board shall be vested with and responsible for the following powers and duties:

6.1.1. To select, appoint, supervise and remove all agents and employees of the Association; to appoint Officers after Class B Membership terminates as provided in paragraph 7.1 hereof; to prescribe such powers and duties for them as may be consistent with Arizona law and with the Articles, the Declaration and these Bylaws; to fix their compensation (if not prohibited under these Bylaws); and to require from them security for faithful service when deemed advisable by the Board.

6.1.2. To enforce the applicable provisions of the Declaration, the Articles, these Bylaws and other instruments relating to the ownership, management and control of the Property.

6.1.3. To adopt and publish rules and regulations governing the keeping of animals on the Property.

6.1.4. To contract for casualty, liability and other insurance on behalf of the Association as provided in the Declaration.

6.1.5. To cause the Easement Areas to be maintained and to contract for goods and services for the maintenance of the easement

areas or for the Association, subject to the limitations set forth in this Article.

6.1.6 To prepare, adopt and amend budgets and financial statements for the Association without the consent of the Members as prescribed in the Declaration and in these Bylaws.

6.1.7. To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Articles, the Declaration, these Bylaws and such rules and regulations as may be promulgated by the Board in accordance with procedures set forth in these Bylaws and to impose suspensions of rights and reasonable monetary penalties as provided in Article 9 hereof.

6.1.8. To fix and collect regular and special Assessments according to the Declaration and these Bylaws and, if necessary, to record a notice of Assessment and foreclose the lien against any Lot or portion of a Lot for which an Assessment is not paid within thirty (30) days after the due date or bring an action at law against the Owner personally obligated to pay such Assessment. All reserves for repair and maintenance shall be transferred to and held in a trust fund or funds for such purpose established by vote of a

majority of Members and shall be expended only in the manner prescribed.

6.1.9. To prepare and file annual tax returns with the federal government and the State of Arizona and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association. Without limiting the generality of the foregoing, the Board may, on behalf of the Association, elect to be taxed under Section 528 of the Internal Revenue Code or any successor statute conferring income tax benefits on homeowners associations.

6.2. Limitations on Board's Power. Except with the vote or written assent of a majority of the allocated votes in the Association residing in Members other than Declarant, the Board shall be prohibited from taking any of the following actions:

6.2.1. Paying compensation to Directors or Officers of the Association for services performed in the conduct of the Association's business, provided, however, that the Board may cause a Director or Officer to be reimbursed for expenses incurred in carrying on the business of the Association.

6.2.2. Entering into a contract with a third person wherein the third person will furnish goods or services for the Association for a term longer than one (1) year, except for prepaid casualty and/or liability insurance policies not to exceed three (3) years' duration, provided, however, that the policy permits short rate cancellation by the insured.

ARTICLE 7

Officers and Duties

7.1. Enumeration and Term. The Officers of this Association shall be a president and vice president (who shall at all times be members of the Board), a secretary, a treasurer and such other Officers holding offices as Developer or the Board by resolution may from time to time create. The Officers, except as provided above, may, but are not required to be, Members of the Association. The Officers shall be appointed by Developer while Class B Membership exists, and each shall hold office for one (1) year unless he/she shall sooner resign, shall be removed or shall otherwise be disqualified to serve. After Class B Membership terminates as provided herein, the Board shall appoint the Officers.