

BYLAWS OF THE OCOTILLO COMMUNITY ASSOCIATION

ARTICLE I GENERAL

1.1 Name. The name of the corporation is THE OCOTILLO COMMUNITY ASSOCIATION (hereinafter referred to as the “Association”).

1.2 Office. The principal office of the Association shall be as specified in the Articles of Incorporation of the Association (the “Articles”).

1.3 References to Articles. Any reference made herein to the Articles will be deemed to refer to the Association’s Articles of Incorporation and all amendments thereto which are on file with the Arizona Corporation Commission at any given time.

1.4 Seal. The seal of the Association shall have inscribed thereon the name of the Association, the state and year of its incorporation and the words “Corporate Seal.”

ARTICLE II DEFINITIONS

2.1 Declaration. “Declaration” shall mean that certain Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, dated October 7, 1985, recorded on April 7, 1986 as Document No. 86-167478 in the Office of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time in accordance with the terms thereof.

2.2 Declarant. “Declarant” shall refer to Ocotillo West Joint Venture, an Arizona joint venture partnership, and the successors and assigns of Declarant’s rights and powers under the Declaration.

2.3 Other Definitions. All other definitions and terms used herein shall have the same meanings given them in the Declaration.

ARTICLE III MEETINGS OF MEMBERS

3.1 Place of Meeting. All meetings of Members shall be held at such reasonable place as may be fixed from time to time by the Board of Directors, the President or the Secretary of the Association, as shall be stated in the Notice of Meeting or in a duly executed Waiver of Notice; provided, however, that such meetings shall be held within Maricopa County, Arizona.

3.2 Annual Meetings. The annual meeting of the Members shall be held on the second Tuesday of March of each year, commencing with the year 1987, and continuing on the same day of the same month

of each year thereafter, at the hour of 7 O'Clock p.m., or at such other reasonable date and time (not more than sixty (60) days before or after such date) as shall be designated from time to time by the Board of Directors and stated in the Notice of Meeting. At the annual meeting of the Members, the same shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

3.3 Special Meetings. Special meetings of the members may be called at any time by the Declarant or the President and shall be called by the President or the Secretary upon the written request of a majority of the Board of Directors or upon the written request of the Members who are entitled to vote one-fourth (1/4th) of all of the votes of the Class A Membership.

3.4 Notice of Meetings. Written notice of each meeting of the Members shall be given by mailing a copy of such notice, postage prepaid, at least ten (10) but not more than fifty (50) days before such meeting to each Member entitled to vote, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

3.5 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided by statute, the Articles, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

3.6 Membership and Voting Rights. Membership and voting rights of Members shall be as set forth in the Articles.

3.7 Membership Book. The Secretary of the Association shall maintain a membership book reflecting the names of the Members. Upon the transfer of any Lot or Parcel, it shall be the obligation of the new owner to present to the Secretary his or her address along with evidence (a photostatic or machine copy of recorded document) indicating such purchase and the Secretary shall enter on the membership book the name or names and address or addresses of the new owner or owners accordingly. The Board of Directors may fix a time not exceeding twenty (20) days preceding the date of any meeting as a record date for the determination of members entitled to notice of, and to vote at, any such meeting, unless evidence is received pursuant to Section 3.8 of this Article. In the event that no such record date is fixed by the Board of Directors, the record date for such determination of Members entitled to notice and to vote at any such meeting shall be the fifteenth (15th) day preceding the date of such meeting.

3.8 Eligibility to Vote. For purposes of determining the right to vote at any meeting of the Members, the information set forth in the membership book shall be deemed conclusive except that, if any Member presents evidence as to the incorrectness of the information in the membership book, the Secretary shall correct the membership book pursuant to the direction of the majority of Members attending or represented at the meeting, and the right to vote shall be determined from the membership book as corrected.

3.9 Method of Voting. Unless demanded by a majority of the Members present in person or so directed by the Chairman of the meeting and except with respect to the election of the Board of Directors, the vote on any question need not be by ballot. Upon demand by a majority of the Members present for a vote by ballot on any question or at the direction of the Chairman that a vote by ballot be taken on any question, such ballot vote shall be taken. On a vote by ballot, each ballot shall indicate the Lot or Parcel number, class of membership and be signed by the person voting.

3.10 Majority Required. When a quorum is present at any meeting, the vote of a majority present, whether in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute, the Articles, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

3.11 Waiver of Notice. Attendance of a Member at a meeting shall constitute waiver of notice of such meeting, except when such attendance at the meeting is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any Member may waive notice of any annual or special meeting of Members by executing a written notice of waiver either before or after the time of the meeting.

3.12 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot or Parcel. No proxy shall be voted or acted upon after twenty-five (25) months from the date of its execution.

ARTICLE IV BOARD OF DIRECTORS

4.1 Number and Qualification. The affairs of this Association shall be managed by a Board of Directors, who need not be Members of the Association. The Board shall have the exclusive right of determining the affairs of the Association. The Board shall consist of not less than five (5) nor more than eleven (11) Directors. The Board initially shall consist of the five (5) Directors designated in the Articles.

4.2 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two (2) or more Members of the Association, officers of a corporate Member, or partners of a partnership Member. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

4.3 Term of Office. The directors designated in the Articles shall hold office until the first annual election of directors, which shall take place at the first annual meeting of Members, or until their successors are elected and qualified. At the first annual meeting, the members shall elect three (3) directors for a term of two (2) years and two (2) directors for a term of one (1) year. At each annual meeting thereafter, the Members shall elect directors to replace those directors whose terms have expired and all such directors shall be elected for a term of two (2) years. The length of terms may be modified by the Members and the number of directors may be increased to not more than eleven (11) by the vote of the Members or the Board. In the event of an increase in the number of directors, the Members, at the first annual meeting after the increase, shall designate the terms for the new directorships. If the new directorships are created and filled by the Board between annual meetings, the newly elected directors shall serve until the next annual meeting of the Members.

4.4 Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the Declaration. The candidates receiving the highest number of votes shall be deemed elected to the Board of Directors.

4.5 Removal. Any director may be removed from the Board of Directors, with or without cause, by a majority vote of the Members of the Association.

4.6 Vacancies. Vacancies or newly created directorships resulting from an increase in the authorized number of directors may be filled in the manner provided by Arizona Revised Statutes, §10-1019, as amended from time to time.

4.7 Compensation. No director shall receive compensation for any service he may render to the Association as director. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties. This provision shall not preclude any director from serving the corporation in any other capacity and receiving compensation therefor. A member of a special or standing committee may be allowed like reimbursement for actual expenses incurred in the performance of his duties.

ARTICLE V MEETINGS OF DIRECTORS

5.1 Place of Meetings. The Board of Directors of the Association may hold meetings, both regular or special, either within or without the State of Arizona.

5.2 Annual Meetings. The annual meeting of each newly elected Board of Directors shall immediately follow the annual meeting of Members in the same place as the annual meeting of Members, and no notice of such meeting to the newly elected directors shall be necessary in order to legally hold the meeting, provided a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in the notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver by all of the directors.

5.3 Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice at such place and hour as shall from time to time be determined by the Board.

5.4 Special Meetings. Special meetings of the Board of Directors may be called by the President or the Secretary on three (3) days' notice to each director, either personally, by telegram, or by telephone, or on seven (7) days' notice to each director by mail. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two (2) directors.

5.5 Quorum. A majority of the number of directors then serving shall constitute a quorum. The concurrence of a majority of those present, if a quorum, shall be sufficient for the transaction of the business of the Board of Directors, except as may be otherwise specifically provided by statute, the Articles or the Declaration. If a quorum shall not be present at any meeting of the Board of Directors, the directors then present may adjourn the meeting to another time or place, without notice other than announcement at the meeting, until a quorum shall be present. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board of Directors.

5.6 Telephonic Meeting. One or more directors may participate in a meeting of the directors by means of a conference telephone conversation or any similar communications equipment by means of which all person's participating in the meeting may hear each other, and participation in a meeting pursuant to this Section 5.6 shall constitute attendance in person at such meeting.

5.7 Action Without Meeting. Unless otherwise restricted by the Articles, the Declaration or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof, may be taken without a meeting, if all of the directors or committee thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

5.8 Waiver of Notice. Attendance of a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.1 Powers. The business and affairs of the Association shall be managed by its Board of Directors, which may exercise all such powers of the Association and do all such lawful acts as are not, by statute, the Articles, the Declaration or these Bylaws, directed or required to be exercised or done by the Members, including the powers to:

(a) Adopt and publish rules and regulations governing the use of the Common Area and facilities, the personal conduct of the Members and their guests thereon, and any other matters contemplated by the Declaration or Articles, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right of a Member to use all or any part of the Common Area during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended (i) for a period not to exceed sixty (60) days for infraction of the Declaration, a Tract Declaration or the Ocotillo Rules and (ii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period;

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles or the Declaration;

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) Employ a manager, an independent contractor or such other employees as it deems necessary, and to prescribe the duties of such persons.

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

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) Supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(c) Establish the annual budget and determine the amount of the annual assessment against each Lot or Parcel at least thirty (30) days in advance of each annual assessment period;

(d) Send written notice of each special assessment and/or effluent assessment to every owner subject thereto in accordance with the provisions of the Declaration;

(e) Enforce collection of assessments in accordance with the provisions of the Declaration;

(f) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(g) Procure and maintain adequate liability and hazard insurance on the property owned by the Association, including all insurance required by the Declaration;

(h) Cause all officers, employees and agents of the Association handling or responsible for Association funds to be bonded, as the Board may deem appropriate;

(i) Cause the maintenance responsibilities of the Association set forth in the Declaration to be performed; and

(j) Establish additional duties as may be prescribed from time to time.

ARTICLE VII OFFICERS AND DUTIES

7.1 Enumeration of Officers. The officers of this Association shall be a President, who shall at all times be a Member of the Board of Directors, a Secretary, and a Treasurer. There may be, in addition, one or more Vice Presidents and/or such subordinate officers as the Board of Directors may from time to time, by resolution, create. Any two (2) offices may be held by the same person except the offices of President and Secretary.

7.2 Election and Term. The officers of the Association shall be elected at the annual meeting of the Board of Directors, and each such officer shall hold office until his successor has been duly elected and qualified, or until his death, resignation or removal, whichever first occurs.

7.3 Special Appointments. The Board of Directors may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may from time to time determine.

7.4 Resignation and Removal. Any officer of the Association may be removed from office by a majority of the Board of Directors at any time, with or without cause. Any officer may resign at any time by giving written notice of his resignation to the President or the Secretary of the Association. Unless otherwise specified, such resignation shall take effect upon delivery thereof, and no acceptance thereof shall be necessary to make it effective.

7.5 Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors, and the officer so appointed shall hold office until the next annual meeting of the Board of Directors, until his successor is duly elected and qualified, or until his death, resignation or removal.

7.6 Duties. The duties of the officers are as follows:

(a) President: The President shall preside at all meetings of Members and of the Board of Directors; shall see that orders and resolutions of the Board of Directors are carried out; shall cosign all checks and promissory notes; and shall sign all deeds, conveyances, leases, mortgages, contracts, agreements, and all other written instruments requiring execution on behalf of the Association. The President shall be a member of the Board of Directors.

(b) Vice President(s): The Vice President(s), if any, shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board of Directors.

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and the Members; keep the corporate seal, if any, of the Association and affix it on all papers requiring said seal; keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board of Directors.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall cosign all checks and promissory notes of the Association; keep proper books of account; may cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meetings, and deliver a copy of each to the Members, and will establish an accounting system which will reasonably protect the funds and assets of the Association.

All officers shall perform additional duties as may be imposed by the Board of Directors from time to time. Duties of the officers of the Association may be delegated to a manager, independent contractor or employee from time to time as determined in the discretion of the Board of Directors.

ARTICLE VIII COMMITTEES

The Board of Directors may from time to time, by resolution adopted by a majority of the whole Board of Directors, designate one or more committees, including, without limitation, the Design Review Board and a Nominating Committee, provided for under the Declaration and these Bylaws, as deemed appropriate in carrying out the purpose of the Association. Any such committee shall exercise such powers as may be assigned to it by the Board of Directors.

ARTICLE IX BOOKS AND RECORDS

The books, records, papers and governing documents of the Association shall, at the request of any Member, be subject to inspection by the Member or his duly authorized representative at a reasonable time and place. The Secretary shall make available for purchase at a reasonable cost by any Member copies of the Declaration, the Articles and the Bylaws of the Association.

ARTICLE X INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS AND AGENTS

In accordance with Arizona Revised Statutes 10-1005 *et seq.*, each director, officer, employee, member and agent shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him by judgment or settlement in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director, officer, employee, member and agent of the Association, except in cases of fraud, gross negligence or bad faith of the director or officer in the performance of his duties.

ARTICLE XI AFFILIATED TRANSACTIONS

No contract or transaction between the Association and one or more of its directors, officers or Members, or between the Association and any other entity in which one or more of the directors, officers or Members of the Association are directors, officers or members of such other entity, or have a financial interest therein, shall be void or voidable solely for this reason, or solely because the director, officer or Member is present at or participates in the meeting of the Board of Directors which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, provided:

(a) The facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors, in good faith, authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) The facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Members; or

(c) The contract or transaction is fair to the Association at the time it is authorized, approved or ratified by the Board of Directors or the Members.

ARTICLE XII ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association, Annual Assessments, Special Assessments, Effluent Assessments and Maintenance Charges which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid on the due date, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, as provided in the Declaration. Interest, costs, and reasonable attorneys' fees of any such action, together with a fixed fee to be established by the Board of Directors to reimburse the Association for the costs of processing the delinquency, shall be added to the amount of such Assessment. No Owner may waive or otherwise escape liability for the Assessments provided for herein by nonuse of the Common Area or abandonment of his Lot or Parcel.

ARTICLE XIII AMENDMENTS

13.1 Amendments. These Bylaws may be amended in a manner not inconsistent with the Declaration or Articles, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, or by a majority of the Board of Directors; provided, however, the Federal Housing Administration ("FHA") or the Veterans Administration ("VA"), as applicable, shall have the right to veto amendments while there is a Class B Membership if the Declaration and these Bylaws have been initially approved by the FHA or VA in connection with any loan programs made available by FHA or VA and any loans have been made within Ocotillo which are insured or guaranteed by FHA or VA.

13.2 Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in these Bylaws to the contrary notwithstanding, the Board of Directors reserves the right to amend all or any part of these Bylaws to such an extent and with such language as may be requested by the FHA or the VA and to further amend these Bylaws to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of these Bylaws or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or Parcel(s) or any portions thereof. It is the desire of the Declarant to retain control of the Association and its activities through the Board of Directors during the anticipated period of planning and development of Ocotillo and until the Class B Membership ceases pursuant to Article VI, Section 4, of the Declaration. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, the Board shall have the right to prepare, provide for and adopt as an amendment hereto, other and different control provisions.

**ARTICLE XIV
FISCAL YEAR**

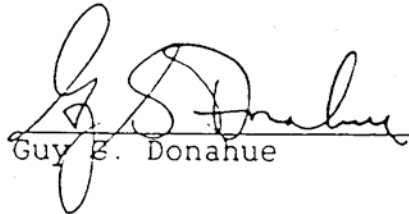
The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December, of each year, except that the first fiscal year shall begin on the date of incorporation of the Association and shall end on the 31st day of December thereafter.

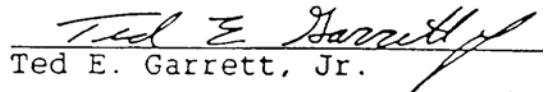
**ARTICLE XV
MISCELLANEOUS**

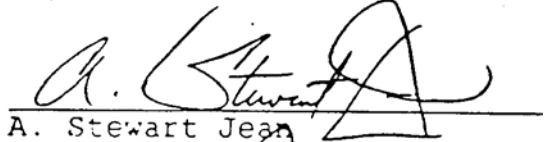
15.1 Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

15.2 Compliance. These Bylaws are set forth to comply with the requirements of all applicable Arizona statutes.

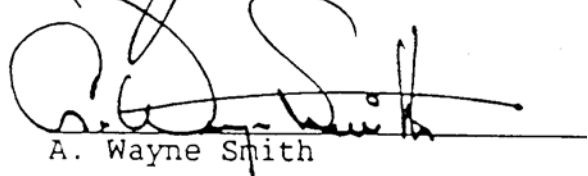
IN WITNESS WHEREOF, we, being all the Directors of THE OCOTILLO COMMUNITY ASSOCIATION, have hereunto set our hands this 25th day of June 1986.


Guy E. Donahue


Ted E. Garrett, Jr.



A. Stewart Jean


Daniel J. Patterson


A. Wayne Smith

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing Bylaws of THE OCOTILLO COMMUNITY ASSOCIATION were acknowledged before me this 25th day of June, 1986, by Guy G. Donahue.




Notary Public

My Commission Expires:

4/10/89

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing Bylaws of THE OCOTILLO COMMUNITY ASSOCIATION were acknowledged before me this 25th day of June, 1986, by Ted E. Garrett, Jr..




Notary Public

My Commission Expires:

4/10/89

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing Bylaws of THE OCOTILLO COMMUNITY ASSOCIATION were acknowledged before me this 25th day of June, 1986, by A. Stewart Jean.



Notary Public

My Commission Expires:

4/10/89

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing Bylaws of THE OCOTILLO COMMUNITY ASSOCIATION were acknowledged before me this 25th day of June, 1986, by Daniel J. Patterson.




Notary Public

My Commission Expires:

4/10/89

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing Bylaws of THE OCOTILLO COMMUNITY ASSOCIATION were acknowledged before me this 25th day of June, 1986, by A. Wayne Smith.



Notary Public

My Commission Expires:

2/10/90

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