

BY-LAWS
OF
TORREON COMMUNITY ASSOCIATION, INC.

TABLE OF CONTENTS

ARTICLE	SECTION	Page
Article I		
	NAME, PRINCIPAL OFFICE AND DEFINITIONS	1
	1.1 Name	1
	1.2 Principal Office	1
	1.3 Definitions	1
 Article II		
	ASSOCIATION; MEMBERSHIP, MEETINGS, QUORUM,	
	VOTING, PROXIES	1
	2.1 Membership	1
	2.2 Place of Meetings	1
	2.3 Annual Meetings	1
	2.4 Special Meetings	1
	2.5 Notice of Meetings	2
	2.6 Wavier of Notice	2
	2.7 Adjournment of Meeting	2
	2.8 Voting	2
	2.9 Proxies	3
	2.10 Majority	3
	2.11 Quorum	3
	2.12 Conduct of Meeting	3
	2.13 Video or Telephonic Participation	3
	2.14 Action Without a Meeting	4
	2.15 Suspension of Voting Rights	4
 Article III		
	BOARD OF DIRECTORS; NUMBER, POWERS, MEETINGS	4
A.	Composition and Selection	4
	3.1 Governing Body; Composition	4
	3.2 Number of Directors	4
	3.3 Directors During Class "B" Control Period	5
	3.4 Nomination of Directors	5
	3.5 Election and Term of Office	5
	3.6 Removal of Directors and Vacancies	6
B.	Meetings	7
	3.7 Organizational Meetings	7
	3.8 Regular Meetings	7
	3.9 Special Meetings	7

3.10	Waiver of Notice	7
3.11	Quorum of Board	7
3.12	Compensation	8
3.13	Conduct of Meetings	8
3.14	Open Meetings	8
3.15	Action Without a Formal Meeting	8
3.16	Video or Telephonic Participation	8
C.	Powers and Duties	9
3.17	General	9
3.18	Powers and Duties	9
3.19	Right of Class "B" Member to Disapprove Actions	11
3.20	Management	12
3.21	Actions and Reports	12
3.22	Borrowing	13
3.23	Rights of the Association	14
3.24	Enforcement of Non-Monetary Violations	14

Article IV

OFFICERS	15	
4.1	Officers	15
4.2	Election and Term of Office	15
4.3	Removal and Vacancies	15
4.4	Powers and Duties	15
4.5	Resignation	15
4.6	Agreements, Contracts, Deeds, Leases, Checks, Etc.	15

Article V

COMMITTEES	16	
5.1	General	16
5.2	Neighborhood Committees	16

Article VI

ARCHITECTURAL CONTROL	16	
6.1	Committee Composition	16
6.2	Terms of Office	17
6.3	Appointment and Removal	17
6.4	Resignations & Vacancies	17
6.5	Duties, Meetings and Compensation	17
6.6	Architectural Review Committee Rules	18
6.7	Waiver	18
6.8	Time for Approval	18

Article VII

MISCELLANEOUS	18
7.1 Fiscal Year	18
7.2 Conflicts	18
7.3 Books and Records	18
7.4 Notices	19
7.5 Indemnification	19
7.6 Amendment	20

BY-LAWS
OF
TORREON COMMUNITY ASSOCIATION, INC.

Article I
NAME, PRINCIPAL OFFICE AND DEFINITIONS

1.1 Name. The name of this non-profit corporation shall be Torreon Community Association, Inc. ("Association").

1.2 Principal Office. Not later than the date of the first annual meeting of the Association, the principal office of the Association shall be located in Navajo 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 that Declaration of Covenants, Conditions, and Restrictions for Torreon recorded in the official records of Navajo County, Arizona, 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 of the Declaration pertaining to membership are incorporated herein by this reference.

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

2.3 Annual Meetings. The first annual meeting of the Association shall be held at such time as the Board deems appropriate and in any event not later than one year after the date of the close of escrow on the first Unit to an Owner (other than a Builder). Meetings shall be of the Voting Members. Subsequent regular annual meetings shall be set by the Board so as to occur at least 30 days but not more than 120 days before the close of the Association's fiscal year on a date and at a time set by the Board.

2.4 Special Meetings. 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 Voting Members holding at least 67% of the Class A voting power of the Association (or such lower percentage as may be required by law).

2.5 Notice of Meetings. Written notice stating the place, day, and hour of any meeting of the Voting Members shall be delivered, either personally, by mail, facsimile transmission or by computer, fiber optics, or other similar communication devices to each Voting Member entitled to vote at such meeting, 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 the 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 mailed, the notice of a meeting shall be deemed to be delivered three days after deposit in the United States mail addressed to the Voting Member at his or her address as it appears on the records of the Association, with postage prepaid. If delivered personally, sent by facsimile transmission or computer fiber optics, the notice shall be, deemed delivered upon the date of delivery transmission.

2.6 Waiver of Notice. Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may, in writing, waive notice of any meeting of the Voting Member, either before or after such meeting. Attendance at a meeting by a Voting Member shall be deemed a waiver by such Voting Member of notice of the time, date, and place thereof, unless such Voting 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. The failure of any Voting Member to receive actual notice of a meeting of the Voting Members does not affect the validity of any action taken at that meeting.

2.7 Adjournment of Meeting. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Voting Members who are present at such meeting may adjourn the meeting to a date not less than 5 nor more than 90 days from the time the original meeting was called, At the reconvened meeting, any business may be transacted which might have been transacted at the meeting originally called provided that Voting Members representing at least 25% of the Class A voting power of the Association are present. 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 Voting Members in the manner prescribed for regular meetings.

2.8 Voting. The voting rights of Members and Voting Members shall be set forth in the Declaration and the By-Laws, and such voting rights provisions are incorporated herein by this reference. Votes may be registered by voice vote or a ballot or by any other reasonable means determined by the Board, all pursuant to policies determined by the Board. All Membership votes shall be subject to the quorum requirements of Section 2.11. Except as otherwise provided in the

Articles, the Declaration, or these Bylaws, any action that must have the approval of the Voting Members of the Association before being undertaken will require the approval of greater than fifty percent (50%) of the votes attributable to or represented by the Voting Members present (in person or proxy) and voting at a duly called and held meeting of the Voting Members at which a quorum is present. Whenever the term "votes" is used in these Bylaws, the Articles, or the Declaration, such term describes the votes attributable to those Members that are permitted to vote on the matter and whose voting privileges have not been suspended or revoked.

2.9 Proxies. Voting Members may not vote by proxy but only in person or through their designated alternates. A Member may vote in person or by proxy on any matter as to which such Member is entitled to vote.

Each proxy shall be in writing, dated, signed and filed with the Secretary at least twenty-four (24) hours prior to the meeting for which it is to be effective. Proxies may be delivered to the Secretary by personal delivery, U.S. mail or facsimile transmission to 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, or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than 11 months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon conveyance of the Member's Unit.

2.10 Majority. As used in these By-Laws, the term "majority" shall mean those votes, directors, Owners, 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 the Declaration, the presence of Voting Members representing a majority of the Class "A" voting power in the Association shall constitute a quorum at all meetings of the Association. Voting Members present at a duly called or held meeting at which a quorum is present at the beginning of such meeting may continue to do business until adjournment, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.12 Conduct of Meeting. The President, a Vice President or other person authorized by the Board shall preside over all meetings of the Association, and the Secretary, an assistant secretary or other person authorized by the Board shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all material transactions occurring at the meeting.

2.13 Video or Telephonic Participation. One or more Voting Members may participate in and vote during any regular or special meeting by telephonic conference call, video conference, fiber optics, cable, computer or similar communication equipment by means of which all Persons

participating in the meeting can hear each other at the same time, and those Voting Members so participating shall be deemed present at such meeting.

2.14 Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Voting 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 Voting Members representing at least the minimum number of votes necessary to authorize such action at a meeting if all Voting Members entitled to vote thereon were present. All such consents shall be signed within 60 days after receipt of the earliest dated consent, dated and delivered to the Association at its principal place of business in the State of Arizona. Such consents shall be filed with the minutes of the Association.

2.15 Suspension of Voting Rights. If any Owner is in arrears in the payment of any assessments or other amounts due under any of the provisions of the Declaration or any rules and regulations promulgated pursuant thereto for a period of thirty (30) days after its due date, the vote attributable to such a Member will be suspended automatically and will remain suspended until all payments, together with accrued interest, late charges, attorney's fees, and other applicable charges, are brought current and kept current. If there exists any non-monetary violation of the Declaration or any rules and regulations promulgated pursuant thereto with respect to a Unit or an Owner, the vote attributable to such a Member will be suspended automatically upon the Owner's receipt of written notice from the Board of the violation, and the vote associated with such Owner will remain suspended until the earlier of: (i) the cure of the violation by the Owner; or (ii) a decision by the Board under Section 3.24 of these Bylaws that no violation exists.

Article III

BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. Composition and Selection.

3.1 Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors. Each director shall have one vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Members or residents; provided, however, no more than one representative from a Unit may serve on the Board at the same time.

In the case of a Member which is not a person, any officer, director, partner or trust officer 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 Board shall consist of at least 3 but not more than 20 directors. The initial Board shall consist of three directors identified in the Articles.

3.3 Directors During Class "B" Control Period. Subject to the provisions of Section 3.5, the directors shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

(a) when 95% of the total number of Units permitted under the most current Master Plan have been conveyed to Owners (other than the Declarant, affiliates thereof or Builders);

(b) December 31, 2045; provided that, if the Declarant annexes additional property pursuant to the Declaration at any time after December 31, 2040, this date shall be extended for additional three year periods for every 50 acres of property annexed, or any fraction thereof; or

(c) when, in its discretion, the Class "B" Member so determines by written notice to the Board.

3.4 Nomination of Directors. Except with respect to directors appointed by the Class "B" Member, nominations for election to the Board shall be made by a Nominating Committee. The Nominating Committee shall consist of three or more persons including a Chairperson, who shall be a member of the Board, The remaining members of the Nominating Committee shall be Members, residents of Units, or any officer, director, partner or trust officer of a Member which is not a natural person.

The Nominating Committee shall be appointed annually by the Board beginning no later than six months before the first annual meeting of the Association at which the Members are anticipated to elect a member of the Board. The Nominating Committee shall nominate its slate of candidates for the Board no later than 30 days before the meeting at which the election shall be held.

The Nominating Committee shall make as many nominations on each slate for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled from each slate as provided in Section 3.5. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

3.5 Election and Term of Office. Notwithstanding any other provision of these By-Laws:

(a) At the first annual meeting following the date that 250 Units have been conveyed to Owners (other than the Declarant, affiliates thereof or Builders), or June 15, 2002, whichever occurs earlier, or whenever the Class "B" Member earlier determines, the Association shall hold an election at which the Voting Members shall be entitled to elect one of the directors. Such director shall serve as an at-large director and shall serve a term of two years or until the happening of the event described in subsection (b) below, whichever is earlier. If such director's term expires prior to the happening of the event described in subsection (b) below, a successor shall

be elected for a like term. The remaining two directors shall be appointees of the Class "B" Member.

(b) At the first annual meeting following the date that 400 Units have been conveyed to Owners (other than the Declarant, affiliates thereof or Builders), or June 15, 2004, whichever occurs earlier, or whenever the Class "B" Member earlier determines, the Association shall hold an election at which the Board shall be increased, if necessary, to five members and the Voting Members shall be entitled to elect two of the five directors. Such directors shall serve as at-large directors and shall serve a term of two years or until the happening of the event described in subsection (c) below, whichever is earlier. If such directors' terms expire prior to the happening of the event described in subsection (c) below, successors 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 all directors shall be elected by the Voting Members.

Each Voting Member shall be entitled to cast one vote with respect to each vacancy to be filled from each slate on which such Voting Member is entitled to vote. There shall be no cumulative voting. The candidate(s) receiving the most votes for each slate shall be elected. For the first election held pursuant to this subsection (c), the majority of the directors shall be elected for a term of two years and the remaining directors shall be elected for a term of one year, with each term to expire at the next annual meeting after the two-year or one-year period, as applicable. Those elected candidates receiving the most votes shall serve the two-year terms. Successor directors shall be elected at annual meetings to serve for two-year terms. The directors elected by the Voting Members shall hold office until their respective successors have been elected. Directors may be elected to serve any number of consecutive annual terms.

3.6 Removal of Directors and Vacancies. Any director elected by the Voting Members may be removed, with or without cause, by a vote of Voting Members representing at least 67% of the total Class A voting power of the Association, but shall not be subject to removal solely by the Class "B" Member. Any director whose removal is sought shall be given notice prior to any meeting called and noticed for that purpose. Upon removal of a director elected by the Voting Members, a successor shall be elected by the Voting Members.

Any director elected by the Voting Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting of the Board at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

Upon the death, disability, or resignation of a director elected by the Voting Members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual

meeting, at which time the Voting Members may elect a successor for the remainder of the term. Upon the death, disability or resignation of a director appointed or elected by the Class "B" Member, the Class "B" Member may appoint a successor director to fill the vacancy.

B. Meetings.

3.7 Organizational Meetings. The Board shall hold its first meeting within 30 days after each annual meeting at which the Members are anticipated to elect a member of the Board.

3.8 Regular Meetings. Regular meetings of the Board shall be held as frequently as the Board reasonably determines is necessary and at such times and places as the Board determines. Notice of the time and place of the meetings shall be posted in a prominent place within the Properties and communicated to directors and members not less than four days prior to the meeting; provided, however, 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-thirds of the 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 directors telephone, fax, or e-mail number or sent to the director's address as shown on the records of the Association. Notices to Members of special meetings of the Board shall be posted in a prominent place within the Properties. 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 transactions 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 after regular call and notice if a quorum is present and all directors have either been given notice or waived such request as provided in these By-Laws. 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. 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, a Vice President or other person authorized by the Board shall preside over all meetings of the Association, and the Secretary, an assistant secretary or other person authorized by the Board shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all material transactions occurring at the meeting.

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 and the Board is authorized, but not obligated, to employ various methods for holding its meetings which are designed to permit relevant participation or observation of its decision making process. A Member other than a director may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the person presiding over the meeting may limit the time any Member may speak.

Notwithstanding the above, the person presiding over the meeting may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss any matters enumerated in A.R.S. § 33-1804.

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.

3.16 Video or 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, cable, computer, 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 General. The Board shall have all of the powers and duties necessary and appropriate for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, these By-Laws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things as are not by the Declaration, Articles, these By-Laws, or Arizona law directed to be done and exercised exclusively by the Voting Members or the membership generally.

3.18 Powers and Duties. The powers and duties of the Board shall include, without limitation:

(a) preparation and adoption of annual budgets and establishing each Owner's share of the Common Expenses and Neighborhood Expenses, if any;

(b) levying and collecting assessments, including, as more fully provided in the Declaration, to (i) fix the amount of the annual, special and other assessments against each Unit, (ii) send a written notice of each assessment to every Owner subject to an assessment, (iii) assess a late charge for any late payments, (iv) record a notice and claim of lien against any Unit for which assessments are not paid, and (v) enforce, through foreclosure or any other permitted action, the Association's lien or the personal obligation of the Owner to pay assessments;

(c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility and any other areas within the Property that the Association is permitted or required to maintain;

(d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association (including, without limitation, with respect to the maintenance, operation, repair and replacement of the Areas of Common Responsibility) and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) depositing all funds received on behalf of the Association in a bank or other reasonably-secure depository which the Board shall approve and using such funds to operate the Association;

- (f) making and amending rules and regulations, including Use Restrictions and including those governing the use of Common Areas and facilities thereon and the personal conduct of the Members, and their family members, guests, lessees and invitees on the Common Areas, and establishing penalties for infractions thereof,
- (g) opening of bank accounts on behalf of the Association and designating the signatories required;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Area of Common Responsibility;
- (i) enforcing by legal or other means the provisions of the Declaration, these By-Laws, and all rules, regulations and policies adopted by the Board and bringing any appropriate proceedings relating thereto (including, without limitation, suspending the voting rights and the rights to use the Common Areas of a Member during any period in which a Member is in default upon the terms of the Declaration, the Articles, these Bylaws, or the rules and regulations, subject to appropriate notice and cure periods established in these Bylaws);
- (j) obtaining and carrying insurance, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying all taxes and/or assessments which are or could become a lien on the Common Area or a portion thereof;
- (l) issuing, or causing an appropriate officer or designee to issue, to any appropriate person any disclosure statement required under A.R.S. § 33-1806 or any payment statement required under A.R.S. § 33-1807.I, subject to the right of the board to impose a reasonable charge for the issuance of these statements;
- (m) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;
- (n) keeping or causing to be kept (i) books with detailed accounts of the receipts and expenditures of the Association and (ii) a record of all acts of the Board and all corporate officers and to establish procedures for inspections of the books and records of the Association by Members with a proper purpose for inspection (including the imposition of a reasonable fee for all copies requested by a Member);
- (o) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(p) 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 Articles, and these By-Laws;

(q) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration; and

(r) instituting, defending and intervening in any litigation or administrative proceedings in its own name or on behalf of the Owners.

3.19 Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board, and any committee which, in the judgment of the Class "B" Member, would tend to impair rights of the Declarant or its designees under the Declaration or these By-Laws, or 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 to approve or disapprove specific actions of the Association, the Board or any committee as may be granted to the Class "B" Member or the Declarant in the Declaration or these By-Laws.

(a) The Class "B" Member shall be given written notice of all meetings of the Association, the Board or any committee thereof and of all proposed actions of the Association, the Board or any committee thereof to be approved at such meetings or by written consent in lieu of a meeting. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address if registered with the Secretary of the Association, as it may change from time to time, which notice complies with the requirements for Board meetings set forth in these By-Laws, and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting.

(b) The Class "B" Member shall be given the opportunity at each such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make its concerns, thoughts, and suggestions known to 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 time period set forth in subsection (d) below has expired.

(d) The Class "B" Member, acting through any officer or director, agent or authorized representative, 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, at any time within 10 days following receipt of written notice of the proposed action.

3.20 Management. The Association may, but shall not be required to, 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 Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager. The Board may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.21 Actions and Reports. The following management standards of performance shall be followed unless the Board by resolution reasonably determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed; provided however, that any "shortage" shall be calculated on a cash basis of accounting as provided in the Declaration;

(b) accounting and controls should conform to generally accepted accounting principles;

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

(d) no remuneration shall be accepted by the managing 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 managing 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 by the Board:

(i) The Board shall cause a reserve budget and a Common Expense budget (collectively referred to as the "Budget") for the Association (which includes the budget for each of the Neighborhoods, if any, and if no separate board or committee has been established for such Neighborhood), to be prepared for each fiscal year of the Association. The Board shall post written notice in a prominent place within the Properties that the Budget is available at the business office of the Association or at one other suitable location within the Properties. If any Member requests a copy of the Budget, the Association shall provide one copy to the Member without charge by first-class United States mail and deliver such copy within 7 days of such request.

(ii) The Board shall cause an annual report ("Financial Statement") to be prepared in accordance with generally accepted accounting principles within 120 days after close of the Association's fiscal year. The Board shall post written notice in a prominent place within the Properties that the Financial Statement is available at the business office of the Association or at one other suitable location within the Properties. If any Member requests a copy of the Financial Statement, the Association shall provide one copy to the Member without charge by first-class United States mail and deliver such copy within 30 days of such request. The Financial Statement shall consist of.

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

(B) an income and expense statement for the fiscal year (this statement shall include a schedule of assessments received and receivables); and

(C) a statement of changes in financial position for the fiscal year.

(iii) The Board shall do the following at least quarterly:

(A) cause a current reconciliation of the Association's operating accounts to be made and review the same;

(B) cause a current reconciliation of the Association's reserve accounts to be made and review the same;

(C) review the current year's actual reserve revenues and expenses compared to the current year's Budget;

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

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

3.22 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 Voting Members representing a majority of the Class A voting power of the Association 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.

3.23 Rights of the Association. 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.

3.24 Enforcement of Non-Monetary Violations.

(a) Notice. Prior to imposition of any sanction permitted in the Declaration for non-monetary violations thereof, the Board, any committee authorized to impose such sanctions directed by the Board, or the management agent, on behalf of either of the following, shall serve the alleged violator with written notice including (i) the nature of the alleged non-monetary violation, (ii) the proposed sanction to be imposed (which may include monetary penalties), (iii) a statement that the alleged violator may present a written request for a hearing to the Board or any applicable committee, 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 the non-monetary violation is corrected or cured, or a request for a hearing is received by the Board or authorized committee, within such time period.

If an alleged violator fails to correct or cure the violation or if a timely request for a hearing is not received, the sanction stated in the notice shall be imposed; provided the Board or the applicable committee may, but shall not be obligated to, suspend any proposed sanction 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 committee or the Board. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. Additional rules for the hearing may be adopted by the committee or the Board, as the case may be, as long as the alleged violator is given reasonable opportunity to be heard.

(c) Appeal. If a hearing is held before a 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 management agent, President, or Secretary of the Association within 15 days after the hearing date. Any decision by a majority of the Board will be binding on the alleged violator. The provisions of this Section 3.24 do not apply to the suspension of a Member's voting rights under Section 2.15 of these Bylaws, and a Member's right to vote (or the voting rights attributable to a Member) will be suspended automatically on the Member's receipt of the default notice described above. Hearings conducted under this Section 3.24 that are attended by one or more directors are not meetings of the Board for purposes of the open meeting requirements of Section 3.14.

Article IV **OFFICERS**

4.1 **Officers.** The officers of the Association shall be a President, one or more Vice Presidents, Secretary, and Treasurer. 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 annually by the Board at the first meeting of the Board following each annual meeting of the Voting Members. Officers may be elected for any number of consecutive annual terms.

4.3 **Removal and Vacancies.** Any officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. 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 generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board, including the power and duty to execute any affidavit of notice of the type described in A.R.S. § 33-1804.C. and to prepare and deliver any disclosure statement required under A.R.S. § 33-1806 or A.R.S. §33-1807.I., where and when delegated to the officers by the Board. A Vice President authorized by the Board shall act in the President's absence and shall leave all powers, duties and responsibilities provided for the President when so acting. The Treasurer shall have primary responsibility for the preparation of the Budget as provided for in the Declaration and these By-Laws and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

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 the President or a Vice President or by such other person or persons as may be designated by resolution of the Board.

Article V
COMMITTEES

5.1 General. The Board may establish such committees as it deems appropriate to perform such tasks and functions as the Board may designate by resolution. 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 a majority vote of the directors. Each committee shall operate in accordance with terms of the resolution establishing such committee.

5.2 Neighborhood Committees. In addition to any other committees appointed as provided above, the Board may appoint a Neighborhood Committee or call for the election of such a committee for each Neighborhood which has no formal organizational structure or association or may elect a Neighborhood Committee to advise and make recommendations to the Board with respect to the nature and extent of services, if any, to be provided for the Neighborhood in addition to those provided to all Members of the Association. A Neighborhood Committee may advise the Board and make recommendations on any issues, but shall not have the authority to bind the Board. Such Neighborhood Committees shall consist of three to five members and, if elected, shall be determined by a majority vote of the Owners within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected and may be elected for any number of consecutive annual terms. The chairperson of the Neighborhood Committee shall be elected from among the members of the committee and shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements applicable to the Board. Provided, however, members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting. Meetings of a Neighborhood Committee shall be open to all Owners in the corresponding Neighborhood and their representatives.

Article VI
ARCHITECTURAL CONTROL

6.1 Committee Composition. Declarant initially will appoint an Architectural Review Committee consisting of three (3) persons. These initial members of the Architectural Review Committee will hold office during the period of Class "B" Control Period. After the Class "B" Control Period, the members of the Architectural Review Committee will be appointed by the Board. If an Architectural Review Committee has not been appointed by the Declarant or the Board, the Board will serve as the Architectural Review Committee, but the Board will not be subject to the notice and open meeting rules specified in these Bylaws when the Board acts as the Architectural

Review Committee. No member of the Architectural Review Committee is required to be an architect or to meet any other particular qualifications. Members of the Architectural Review Committee need not be, but may be, a member of the Board, an officer of the Association, or a Member. Subject to the Declaration, the Board may increase the number of persons on the Architectural Review Committee, but the number of persons must always be an odd number.

6.2 Terms of Office. Except for the term of the initial Architectural Review Committee, which will serve during the Class "B" Control Period, and except in those instances where the Board serves as the Architectural Review Committee, the term of office for members of the Architectural Review Committee is a period of one (1) year, but all members will remain in office until the appointment of a successor (even if after one (1) year). Any new member appointed to replace a member who has resigned or been removed will serve the member's unexpired term. Any members who have resigned, been removed, or whose terms have expired may be reappointed.

6.3 Appointment and Removal. Except during the Class "B" Control Period, when the right to appoint and remove all members of the Architectural Review Committee is vested solely with the Declarant, the right to appoint and remove all members of the Architectural Review Committee at any time, is vested solely in the Board; however, no member may be removed from the Architectural Review Committee by the Board except by the vote or written consent of more than fifty percent (50%) of the entire Board.

6.4 Resignations & Vacancies. Any member of the Architectural Review Committee may resign at any time upon written notice to the Board. Vacancies on the Architectural Review Committee, however caused, will be filled by the Board, except during the Class "B" Control Period when they will be filled by the Declarant. A vacancy or vacancies on the Architectural Review Committee will be deemed to exist in case of the death, resignation, or removal of any member thereof.

6.5 Duties, Meetings and Compensation. The Architectural Review Committee will consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, and perform other duties delegated to it by the Board. The Architectural Review Committee will meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the Architectural Review Committee, at a meeting or otherwise, constitutes the act of the Architectural Review Committee unless the unanimous decision of the Architectural Review Committee is required by any other provision of the Declaration. The Architectural Review Committee will keep and maintain a written record of all actions taken by it at the meeting or otherwise. Members of the Architectural Review Committee are not entitled to compensation for their services. Meetings of the Architectural Review Committee are not subject to the open meeting requirements of Section 3.14 of these Bylaws or A.R.S. § 33-1804, even if the Board is acting as the Architectural Review Committee as authorized under Section 6.1 of these Bylaws.

6.6 Architectural Review Committee Rules. By unanimous vote or written consent, the Architectural Review Committee may adopt, amend, and repeal architectural rules and regulations for the Association. These rules will supplement the Declaration by setting forth the standards and procedures for Architectural Review Committee review and the guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials, and similar features that are recommended for use within the Property.

6.7 Waiver. The approval by the Architectural Review Committee of the plans, drawings, or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Review Committee under the Declaration, is not deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing specification, or matter subsequently submitted for approval.

6.8 Time for Approval. If the Architectural Review Committee fails to approve or disapprove any application for approval within thirty (30) days after its receipt of the application, together with complete and legible copies of the supporting plans and specifications, the application will be deemed approved, and further approval will not be required, and this Article VI will be deemed to have been complied with in full.

Article VII MISCELLANEOUS

7.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise established by Board resolution.

7.2 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.

7.3 Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first mortgage on a unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a proper purpose reasonably related to his or her interest in a Unit: the Declaration, By-Laws, and Articles, any amendments to the foregoing, the written rules, regulations and policies of the Association, the most recent Financial Statement, the current Budget, books of account, 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 the Properties as the Board shall designate. The books and records of the Association may be withheld from disclosure for any of the reasons specified in A.R.S. § 33-1805.

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

- (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;
- (iii) payment of the cost of reproducing copies of documents requested.

and (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.

7.4 Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communication under these By-Laws shall be in writing and shall be deemed to have been duly given on the day of delivery if delivered personally or if mailed, three business days after deposited in the United States mail, first class postage prepaid:

(a) if to 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 Unit of such Member; or

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

7.5 Indemnification. The Association shall indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred by them and each of them in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association. This indemnification extends to third-party actions and derivative actions, and includes an indemnification for attorney's fees, court costs, and other related expenses in addition to indemnification for judgment amounts.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful fraudulent, or bad faith conduct. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association. The Association

shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Without limiting the foregoing, so long as he/she has acted or has failed to act in good faith on the basis of information actually possessed, neither the Architectural Review Committee nor any member of the Architectural Review Committee nor the Board nor any member of the Board nor any officer of the Association will be liable to the Association, any Owner, or to any other party for any damage, loss, or prejudice suffered or claimed arising out of: (i) the approval or disapproval of any plans, drawings, or specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (iii) the development of any portion of the Properties; (iv) the execution and filing of any estoppel certificate, whether or not the facts in the estoppel certificate are correct; (v) any act or failure to act by the Association, Board, or Architectural Review Committee; or (vi) the failure to provide a statement or an accurate statement of the matters required under A.R.S. § 33-1806 or § 33-1807.

7.6 Amendment.

(a) By Declarant. During the Class "B" Control Period, Declarant may unilaterally amend these By-Laws for any purpose. Thereafter, the Declarant may unilaterally amend these By-Laws if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Units; (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 Units; (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Units; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of these By-Laws.

(b) By Board. Except as provided above, these By-Laws may be amended only by resolution duly adopted by the Board and with the consent of the Declarant during the Class "B" Control Period.

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.

CERTIFICATION OF BYLAWS

OF

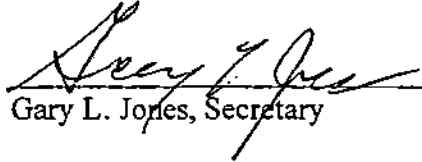
TORREON COMMUNITY ASSOCIATION, INC.

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Torreon Community Association, Inc.;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted by the Board on the 21st day of May, 1998.

IN WITNESS WHEREOF, I have subscribed my name this ___ day of _____, 199_.



Gary L. Jones, Secretary