

BYLAWS
OF
D'ARCY RANCH OWNERS ASSOCIATION

ARTICLE I
Identity

Section 1. Declaration. These Bylaws shall govern the operation of the D'Arcy Ranch Owners Association (the "Corporation"), an Arizona non-profit corporation created pursuant to that certain Declaration of Covenants, Conditions and Restrictions for D'Arcy Ranch as amended from time to time, as recorded initially on April 30, 1993, as Instrument No. 93-0262162, in the official records of Maricopa County, Arizona (the "Declaration"), which by this reference is incorporated herein. Any amendments to the Declaration shall automatically be incorporated herein, and all references to the Declaration shall be deemed to include any such amendments.

Section 2. Terms. Terms used herein which are defined in the Declaration shall have the same meanings as in the Declaration.

Section 3. Principal Office. The principal office of the Corporation shall be located initially in Scottsdale, Arizona.

ARTICLE II
Membership

Section 1. Members. As set forth in the Declaration and the Articles of Incorporation (the "Articles") of the Corporation, each Owner of a Lot shall be a member of the Corporation so long as he shall be an owner, and such membership shall automatically terminate when he ceases to be an Owner, and, upon the transfer of his ownership interest, the new Owner succeeding to such ownership interest shall likewise automatically succeed to membership in the Corporation.

Section 2. Meetings. Meetings of members shall be held at the principal place of business of the Corporation or at such other convenient place as may be designated by the Board of Directors. The first annual meeting of the members shall be held at such time as the Board of Directors shall designate, but not later than 60 days after the date that Class B memberships are converted to Class A memberships. Thereafter, annual meetings of the members shall be held on the same day or at such time as the Board of Directors shall designate each year. Developer shall appoint the members of the Board of Directors until the first annual meeting of members after the date that Class B memberships are converted to Class A memberships. Special meetings of the members may be called by the President or by a majority of the directors or by members having at least two-fifths of the votes entitled to be cast at such meeting. The notice of any special meeting shall state the time and place of

such meeting and the purpose thereof. No business shall be transacted at a special meeting, except as stated in the notice, unless by consent of two-thirds of the Owners present, either in person or by proxy.

Section 3. Voting. The Corporation shall have two classes of voting membership:

Class A. Class A members shall be all Owners but, so long as any Class B memberships are outstanding, shall not include Developer. Each Class A member who is the Owner of one or more Lots shall be entitled to one vote for each Lot owned on each matter to be decided. Class A members shall not have any votes for any Tract owned by such member. When more than one Person holds an interest in any Lot, all such Persons shall collectively hold the voting rights for the Lot. The voting for such a Lot shall be exercised as they determine among themselves, but in no event shall the vote be split or more than one vote be cast with respect to any Class A Lot. If such Persons are unable to agree how their single vote is to be cast, their vote shall not be counted.

Class B. The Class B member shall be Developer. Until the entire Parcel has been subdivided, the Developer shall have 260 memberships in the Association. After the entire Parcel has been subdivided, the Developer shall have one membership for each Lot owned by the Developer. The Developer shall be entitled to three votes for each such Class B membership on each matter to be decided. Developer may cast its votes in such proportions on any matter as Developer may determine. Class B memberships shall cease and be converted to Class A memberships, without further act or deed, upon the happening of any of the following events, whichever occurs first:

a. 120 days following the first date when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership, or

b. Five years following conveyance of the first Lot by Developer.

If any lender to whom Developer has assigned, or hereafter assigns, all or substantially all of its rights under the Declaration as security succeeds to the interests of Developer by virtue of the assignment, the Class B memberships shall not be terminated, and the lender shall hold the Class B memberships on the same terms as they were held by Developer.

Section 4. Proxies. At all meetings of the 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. No proxy may be valid after 25 months from the date of its execution. The person who seeks to exercise a proxy bears the burden of proving its validity. A facsimile, telegram or cablegram, appearing to have been transmitted by a member or by his duly authorized attorney-in-fact, may be accepted as a sufficiently written and executed proxy.

Section 5. Cumulative Voting for Board Members. In any election for the members of the Board of Directors, every member of the Corporation entitled to vote at such an election shall have its number of votes, as determined under Article II, Section 3, multiplied by the number of directors to be elected. Each member shall have the right to cumulate these votes for one candidate or to divide such votes among any number of the candidates. The candidates receiving the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected.

Section 6. Notice. Notice of all meetings of the members stating the time, the place and the objects for which the meeting is called shall be given by the President, Vice President or Secretary unless notice is waived in writing. Such notice must be in writing and addressed to each member entitled to vote at such meeting at his address as it appears on the books of the Corporation (or if no such address appears, at his last known address), and shall be mailed not less than ten days nor more than 50 days prior to the date of the meeting. Notice of meetings may be waived before, during or after the meeting by each member entitled to vote at such meeting.

Section 7. Quorum. A quorum of members for any meeting shall be constituted by members represented in person or by proxy and holding ten percent of the votes entitled to be cast at the meeting. Unless the vote of a greater number is required by these Bylaws, the Articles, the Declaration or Arizona law, the affirmative vote of a majority of the members represented at a meeting and entitled to vote shall be binding as the act of the members.

Section 8. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members

who are present, either in person or by proxy, may adjourn the meeting to a time not more than 48 hours from the time the original meeting was called.

Section 9. Order of Business. The order of business at all meetings of the members shall be as follows:

- (a) Roll call and verification of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Appointment of inspectors of election when required.
- (g) Election of members of the Board of Directors when required.
- (h) Unfinished business.
- (i) New business.
- (j) Adjournment.

ARTICLE III Board of Directors

Section 1. Number and Qualification. The business, property and affairs of the Corporation shall be managed, controlled and conducted by a Board of Directors. The Board of Directors shall initially consist of three members. The number of directors may be altered from time to time by resolution of a majority vote of the Board of Directors, or of the members of the Corporation at any regular or special meeting called for such purpose, but only within the limits prescribed by the Articles. In the event of any increase in the number of directors in advance of the annual meeting, each additional director shall be elected by the then Board of Directors and hold office until his successor is elected and shall qualify. Each director (other than the directors originally named to the Board in the Articles and any director elected or appointed by Developer) shall be an Owner or the spouse of an Owner (or if an Owner is a corporation, partnership or trust, a director may be an officer, partner or beneficiary of such Owner). If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant. Until the first annual meeting, Developer shall appoint the members of the Board of Directors.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation, and may do all such acts and things as are not by law or otherwise directed to be exercised and done by the members. The powers of the Board of Directors shall include, but not be limited to, all of the rights and duties of the Board of Directors as set forth elsewhere in these Bylaws, the Articles and the Declaration and shall also include the power to promulgate such rules and regulations pertaining to the rights and duties of members of the Corporation (which rules and regulations may include, without limitation, reasonable fines, penalties and/or fees for infractions of such rules and regulations), and all other matters, as may be deemed proper and which are consistent with the foregoing. The Board of Directors may delegate to one or more committees thereof, and to other persons, such duties and powers, all as appear to the Board of Directors to be in the best interests of the Corporation and to the extent permitted by law. Except as expressly set forth in the Declaration, the Articles, the Bylaws or by statute, all the powers and duties of the Association shall be exercised by the Board, which shall include, without limitation, the authority, but not the obligation, to suspend the voting rights and any rights to use of Common Areas of any Owner in default in the payment of any regular or special assessment. Such voting and use rights may also be suspended by the Board after notice and a hearing, for a period not to exceed 60 days, for infraction of rules and regulations adopted by the Board in accordance with the Declaration.

Section 3. Election and Term of Office. The election of the directors shall be as provided in these Bylaws, the Articles and the Declaration. The directors shall be elected so that they hold office for staggered terms. At the time of the first annual meeting of the Board of Directors, the incumbent directors shall divide the directors into three groups, with the number of directors in each group being equal, to the extent possible. The first term of the directors included in the first group shall be one year, the first term of the directors in the second group shall be two years, and the first term of the directors in the third group shall be three years. Thereafter, the terms of all directors shall be three years. Every year at the annual meeting of the members, the members shall elect the requisite number of directors needed to fill the vacancies occurring in the group of directors whose terms are expiring.

Section 4. Removal. Any director may be removed from office, with or without cause, by a majority vote of the members at any annual meeting or at any special meeting called for that purpose. Any director may be removed from office, with cause, by a majority vote of the Board of Directors at any regular or special meeting of the Board of Directors called for that purpose. It shall be cause for removal if a director is absent from more than

three consecutive meetings of the Board of Directors and such absences were not excused by the President of the Corporation prior to the meetings in question.

Section 5. Vacancies. Vacancies on the Board of Directors caused by any reason shall be filled by vote of the majority of the remaining directors even though less than a quorum, or by the remaining director if there be only one, and each person so elected shall be a director until his successor is duly elected by the members of the Corporation and shall qualify.

Section 6. Compensation. No compensation shall be paid to directors for their services as directors. No remuneration shall be paid to a director for services performed by him for the Corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. Directors and officers, however, may be reimbursed for any actual expenses incurred in connection with their duties as such officers or directors.

Section 7. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least two such meetings (including an organizational meeting within ten days of election of directors by the members of the Corporation) shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone or telegraph, at least three days prior to the day named for the meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the President or Secretary on three days' notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Upon the written request of at least two of the directors, special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice.

Section 9. Telephonic Meetings. Meetings of the Board of Directors, regular or special, may be held by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 10. Waiver of Notice. Before, at, or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director

at any meeting of the Board shall be deemed to be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

Section 11. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the directors at a duly held meeting at which a quorum is present shall be regarded as the act of the Board unless the Articles, the Bylaws or the Declaration otherwise specifically requires the affirmative vote of a different number of directors on a specific matter.

Section 12. Adjournments. The Board of Directors may adjourn any meeting from time to time as may be prudent or necessary in the interests of the Corporation, provided that no meeting may be adjourned for a period longer than 30 days.

Section 13. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 14. Fidelity Bonds. The Board of Directors may require, in its discretion, and shall require to the extent required by the Declaration, that all officers and employees of the Corporation handling or responsible for the Corporation's funds shall furnish fidelity bonds. In the event such bonds are required upon determination of the Board of Directors, the premiums therefor shall be paid by the Corporation.

Section 15. Committees. The Board of Directors may by resolution appoint committees of the Board, which committees shall have the powers and authority designated in the resolution or resolutions establishing them.

ARTICLE IV Officers

Section 1. Designation. The principal officers of the Corporation shall be a President, one or more Vice Presidents, as Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The directors may appoint an Assistant Secretary and a Assistant Treasurer, and such other officers as in their judgment may be necessary. Officers of the Corporation must be persons who are directors of the Corporation. Any one person may hold two or more offices at the same time, except that no one person shall simultaneously hold the office of President and

Secretary.

Section 2. Election of Officers. The officers of the Corporation shall be elected from time to time by the Board of Directors. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected.

Section 4. Resignation of Officers. 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 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.

Section 5. Vacancies. A vacancy in any office may be filled by vote of a majority of the Board of Directors. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the members of the Corporation and of the Board of Directors. He shall have all of the general powers and duties which are normally vested in the office of the President of a corporation, including, but not limited to, the powers to appoint committees from among the members of the Corporation from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Corporation.

Section 7. Vice President. The Vice President (or the most senior Vice President, if there shall be more than one) shall take the place of the President and perform his duties whenever the President shall be absent, unable to act or refuses to act. If neither the President nor a Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. A Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 8. Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and the minutes of all meetings of the members of the Corporation; he shall have custody of the seal of the Corporation; he shall have charge of the membership books and such other books and papers as the Board of Directors may direct; and he shall, in general, perform all the

duties incident to the office of Secretary.

Section 9. Treasurer. The Treasurer shall have the responsibility for the Corporation's funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

Section 10. Compensation. No compensation shall be paid to officers for their services as officers. No remuneration shall be paid to an officer for services performed by him for the Corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken.

ARTICLE V Indemnification

The Corporation shall indemnify any and all of its directors and officers, and former directors and officers, against expenses incurred by them, including legal fees, or judgments or penalties rendered or levied against any such person or entity in a legal action brought against any such person or entity for acts or omissions alleged to have been committed by any such person or entity while acting within the scope of his or its authority as a director or officer of the Corporation, or exercising the powers of the Board of Directors, provided that the Board of Directors shall determine in good faith that such person or entity did not act, fail to act, or refuse to act with gross negligence or with wrongful, fraudulent or criminal intent in regard to the matter involved in the action. Notwithstanding anything to the contrary expressed herein, the Board of Directors shall have the right to refuse indemnification as to expenses in any instance in which the person or entity to whom indemnification would otherwise have been applicable shall have incurred expenses without approval by the Board of Directors which are excessive and unreasonable in the circumstances and are so determined by the Board of Directors, and as to expenses, judgments, or penalties in any instance in which such person or entity shall have refused unreasonably to permit the Corporation, at its own expense and through counsel of its own choosing, to defend him or it in the action or to compromise and settle the action. The Corporation shall also indemnify the employees and direct agents of the Corporation in the same manner and with the same limitations as provided above with respect to directors and officers.

ARTICLE VI
Miscellaneous

Section 1. Books and Accounts. The Board, at all times, shall keep, or cause to be kept by the Treasurer, true and correct records of account in accordance with generally accepted accounting principles, and shall have available for the inspection of all voting Owners, at reasonable times, such books which shall specify in reasonable detail all expenses incurred and funds accumulated from assessments or otherwise. The membership records of the Corporation, the Declaration, the Articles and the Bylaws of the Corporation shall likewise be available for inspection by any member at the principal offices of the Corporation. The Board may impose a reasonable charge for copies of books, records or other documents requested by any member. Information obtained by any member pursuant to this section may be used by the member only in connection with the business and affairs of the Corporation, and not for any other purposes (including, but not limited to, the solicitation of members).

Section 2. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes, checks and contracts or other obligations shall be executed on behalf of the Corporation by such officer or officers of the Corporation as said Board shall designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be January 1 through December 31, or such other period as the Board of Directors may deem appropriate.

Section 4. Conflict in Documents. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, or between the Articles and the Declaration, the Declaration shall control. In the event of any conflict between the Declaration, the Articles, or these Bylaws and the regulations of any Institutional Guarantor, said regulations shall control.

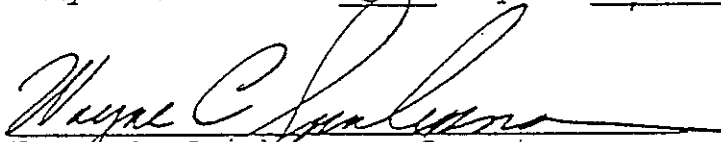
ARTICLE VII
Amendment of the Bvlaws

These Bylaws may be amended with or without a meeting of the members by the affirmative vote of two-thirds of the Owners and upon ten days' prior written notice to all Eligible Holders after the Board has first adopted a resolution setting forth the proposed amendment and directing that it be submitted to a vote by the members; provided, however, that as to the amendment of any provision of these Bylaws which specifies voting and quorum requirements for any action under such provision, the voting and quorum requirements of that provision shall apply also to any amendment of such provision. These Bylaws shall not be amended to

contain any provisions which would be contrary to or inconsistent with the Declaration or the regulations of any interested Institutional Guarantor, and any provisions of or purported amendment to these Bylaws which is contrary to or inconsistent with the Declaration or the regulations of any interested Institutional Guarantor shall be void to the extent of such inconsistency.

CERTIFICATE OF ADOPTION

This is to certify that the foregoing Bylaws were duly adopted by the Board of Directors of the D'Arcy Ranch Homeowners Association at the organizational meeting of the Board of Directors duly held on the 30th day of September, 1993.


Wayne C. Spiekerman, Secretary