

**BYLAWS
OF
THE TOWNHOMES AT RAILROAD SPRINGS
HOMEOWNERS' ASSOCIATION, INC.**

ARTICLE I

Identity

Section 1. Declaration. These Bylaws shall govern the operation of The Townhomes at Railroad Springs Homeowners' Association, Inc. (the "Corporation"), an Arizona non-profit corporation, created pursuant to that certain Declaration of Covenants, Conditions and Restrictions for The Townhomes at Railroad Springs, as amended from time to time (the "Declaration"), as initially recorded on May 23, 2005, as Instrument No. 3322971, in the official records of Coconino 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. Capitalized 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 membership interest, the new Owner succeeding to such membership interest shall likewise automatically succeed to membership in the Corporation. Membership and voting rights are appurtenant to, and inseparable from, ownership of a Lot.

Section 2. Meetings. Meetings of Members shall be held at the principal place of business of the Corporation or at such other convenient place in Arizona, as may be designated by the Board of Directors. There shall be at least one meeting of the Members each year. The first meeting of the Members, whether annual or special, shall be held no later than six (6) months after the close of escrow for the first sale of a Lot. A special meeting of the Members may be called at any reasonable time and place by written request (i) by the president of the Corporation, (ii) by a majority of the Directors, or (iii) by Members representing at least twenty-five percent (25%) of the voting power of the Corporation. Notice of special meetings shall be given by the Secretary of the Corporation in the form and manner provided in Article II, Section

5. No business shall be transacted at a special meeting, except as stated in the notice, unless by consent of two-thirds (2/3) of the Owners present, either in person or by proxy.

Section 3. Voting. Each Member shall be entitled to one (1) vote for each Lot owned on each matter to be decided. When more than one Person holds an interest in any Lot, all such Persons shall be Members and shall collectively hold the voting rights for the Lot. The voting for such a Lot shall be exercised as they determine among them, but in no event shall the vote be split or more than one (1) vote be cast with respect to the Lot. If such Persons are unable to agree how their single vote is to be cast, their vote shall not be counted. In no event shall more than one (1) vote be cast with respect to any Lot owned by a Member.

The Corporation shall have two (2) classes of voting membership:

Class A. Class A Members will be all Owners, with the exception of the Declarant, and will be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons will be Members. The vote for such Lot will be exercised as all of the persons holding interests in such Lot may determine, but in no event will more than one vote be cast with respect to any Lot.

Class B. The Class B Member will be the Declarant and will be entitled to three (3) votes for each Lot owned. Each Class B membership shall cease and be converted to Class A membership, without further act or deed, upon the happening of any of the following events:

(a) Upon the conveyance by Declarant of any particular Lot to an Owner, other than in connection with an assignment by Declarant of all or any of its rights under this Declaration (including a pledge or assignment by Declarant to any lender as security), with respect to the particular Lot or Lots so sold or otherwise disposed of: or

(b) with respect to all remaining Class B memberships, upon the first to occur of the following (which from time to time may be referred to as the "Period of Declarant Control")

(i) within ninety (90) days after the number of Class "A" votes equal the number of Class "B" votes, or

(ii) When the Declarant notifies the Association in writing that it relinquishes its Class "B" membership, or

(iii) June 1, 2015.

If any lender to whom the Declarant has assigned, or hereafter assigns, as security all or substantially all of its rights under the Declaration succeeds to the interests of the Declarant by

virtue of said assignment, the voting rights of the Declarant as provided in the Declaration shall not be terminated thereby, and such lender shall hold the Declarant's memberships and voting rights on the same terms as they were held by the Declarant pursuant to the Declaration.

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 eleven (11) months from the date of its execution unless a different period is expressly provided in the appointment form. The Board or Directors may prescribe the form of proxy. 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. Notice. Notice of all meetings of the Members stating the time, the place and the purpose(s) 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 no earlier than fifty (50) days nor later than ten (10) 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. Notice to Members of meetings of the Board of Directors shall be given at least forty-eight (48) hours in advance of the meeting by newsletter, conspicuous posting, or any other reasonable means as determined by the Board of Directors. An affidavit of notice by an officer of the Corporation is *prima facie* evidence that notice was given as proscribed by this Section 5. Notice to Members of meetings of the Board of Directors is not required if emergency circumstances require action by the Board before notice can be given. Any notice of a Board of Directors' meeting shall state the time and place of the meeting. The failure of any Member to receive actual notice of a meeting of the Board of Directors does not affect the validity of any action taken at that meeting.

Section 6. Quorum. A quorum of Members for any meeting shall be constituted by Members represented in person or by proxy and holding fifty one percent (51%) 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 7. Adjourned Meetings. If the required quorum is not present, and only with respect to Section 5.4 of the Declaration, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be three fourths (3/4) of the quorum required at the previous meeting. No such subsequent meeting shall be held more than sixty (60) days following a preceding meeting.

Section 8. 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 one (1) member. 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 of Incorporation. 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 shall be a Member or the spouse of a Member (or if a Member is a corporation, partnership, limited liability company or trust, a director may be an officer, partner, member or beneficiary of such Member). 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. Notwithstanding the foregoing, until the Declarant's Class B membership terminates, the members of the Board of Directors shall be elected as set forth below.

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 the Project 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 sixty (60) days, for infraction of rules and regulations adopted by the Board in accordance with the Declaration.

Section 4. Declarant Appointment and Removal. Until the Declarant's Class B membership terminates as provided for in the Declaration, the Declarant shall have the right and power to appoint and remove the members of the Board of Directors. After the Declarant's Class B membership terminates 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, and 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.

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 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 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 (3) 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 one (1) 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 thirty (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 that 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. 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, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The directors may appoint an Assistant Secretary and an Assistant Treasurer, and such other officers as in their judgment may be necessary. Any one person may hold two or more offices at the same time.

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 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 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 amounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all monies 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

To the fullest extent permitted by law, every director and every officer of the Corporation and the Declarant and each officer, partner, director, member or manager of Declarant ("Related Party") (to the extent a claim may be brought against the Declarant or any Related Party by reason of its appointment, removal or control over members of the Board of Directors or any committee) of the Corporation shall be indemnified by the Corporation, and every other Person serving as an employee or direct agent of the Corporation, or on behalf of the Corporation as a member of a committee or otherwise, may, in the discretion of the Board of Directors, be indemnified by the Corporation, against all expenses and liabilities (including, but not limited to, attorneys' fees), reasonably incurred by or imposed upon him 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 served in such capacity on behalf of the Corporation or any settlement thereof, whether or not he is a director, officer or member of the committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Board of Directors shall determine, in good faith, that the Person to be indemnified hereunder did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such Persons may be entitled at law or otherwise. 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.

ARTICLE VII

Amendment of the Bylaws

Until Declarant's Class B Membership terminates as provided for in the Declaration and these Bylaws, the right to amend these Bylaws is reserved to Declarant. Thereafter, these Bylaws may be amended with or without a meeting of the Members by the affirmative vote of at least fifty one percent (51 %) of the voting power of the Corporation after the Board of Directors 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 and any provisions of or purported amendment to these Bylaws which is contrary to or inconsistent with the Declaration 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 Townhomes at Railroad Springs Homeowners' Association, Inc. by the Board of Directors on the 24 day of June, 2005.

Craig Russell



**MINUTES OF THE ORGANIZATIONAL MEETING
OF BOARD OF DIRECTORS
OF THE TOWNHOMES AT RAILROAD SPRINGS
HOMEOWNERS' ASSOCIATION, INC.**

Minutes of proceedings of Organizational Meeting of Board of Directors of The Townhomes at Railroad Springs Homeowners' Association, Inc., an non profit Arizona corporation (the "Corporation"), held on the 3 day of June, 2005, at 4:00 P.M., in Scottsdale, Arizona, pursuant to written Waiver of Notice and Consent to Holding of Organizational Meeting.

There was present and participating in said meeting the sole Director, to wit: Craig Russell.

Craig Russell presided during the deliberations and acted as Secretary of the meeting.

The Secretary presented and read the Waiver of Notice and Consent to Holding of Organizational Meeting and upon motion duly made, seconded and unanimously carried, said Waiver was ordered filed as a part of the minutes of this meeting and appears immediately preceding these minutes.

There was presented and read to the meeting a filed copy of the Articles of Incorporation of the Corporation, which showed that said Articles of Incorporation had been signed by the incorporator on or about June 2, 2005, and had been filed with the Arizona Corporation Commission on June 3, 2005. Upon motion duly made, seconded and unanimously carried, the Secretary was instructed to insert said Articles of Incorporation in the front of the Minute Book.

It was reported to the meeting that said Articles would be duly and properly