

**BYLAWS OF
WESTERN SKIES ESTATES ASSOCIATION**

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WESTERN SKIES ESTATES HOMEOWNER ASSOCIATION

ARTICLE 1

Name and Location

The name of the homeowners association (the "Association") is WESTERN SKIES ESTATES HOMEOWNER ASSOCIATION. The principal office of the Association shall be located in Maricopa County, Arizona or at such other place as the Board of Directors may specify.

ARTICLE 2

Definitions

2.1 Definition of Declaration. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Project recorded on July 11, 1994, as Document No. 94-0532546 in the office of the Maricopa County Recorder.

2.2 Declaration Definitions. The definitions contained in the Declaration are incorporated in these Bylaws by reference.

ARTICLE 3

Membership, Meetings of Members: Voting Rights

3.1 Membership. The Owner of a Lot shall automatically, upon becoming the record Owner of the same, be a Member of the Association and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. Membership and voting rights are appurtenant to and inseparable from ownership of a Lot.

3.2 Annual Meetings. Regular meetings of Members of the Association shall be held annually on the Project or such other suitable place convenient to the Members within or without this state as may be designated by the Board at the time and on the date set by the Board for such annual meeting, but in no event shall the first meeting be held later than twelve (12) months after the close of escrow for the sale of the first Lot.

3.3 Special Meetings. A special meeting of the Members of the Association may be called by the President of the Association, by the Board upon the vote for

such a meeting by a majority of the Board, or upon receipt of a written request therefor signed by Members representing at least ten percent (10%) of the total votes entitled to be cast at such meeting.

3.4 Notice of Meetings. Written notice of regular and special meetings shall be given to Members by or at the direction of an Officer of the Association by hand-delivering or mailing a notice in the manner provided in Subarticle 12.4 below to each Member which shall specify the place, day and hour of the meeting and, in the case of a special meeting, the nature of the items on the agenda to be undertaken. Except as provided in Subarticle 3.9 below, notice shall be delivered or mailed to each Member at least ten (10) and not more than fifty (50) days prior to the meeting.

3.5 Quorum. Except as provided under Section ___ of the Declaration, the presence in person or by proxy of at least ten percent (10%) of the total votes of each class of Membership entitled to be cast at the meeting shall constitute a quorum except as specifically provided to the contrary in the Declaration, the Articles or these Bylaws. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum. If a quorum is not present, the provisions of Subarticle 3.9 below shall apply.

3.6 Action Without a Meeting. Any action that, under the provisions of Arizona corporate law, may be taken at a meeting of the Members may be taken without a meeting if authorized by a writing signed by all of the Persons who would be entitled to vote upon such an action at a meeting and filed with the Secretary of the Association.

3.7 Joint Ownership of Lots. When more than one Person owns an interest in any Lot, all such Persons shall be Members of the Association. The vote for such Lot shall be exercised as the Owners of the Lot determine among themselves, but in no event shall more than one (1) ballot be cast for or with respect to any Lot concerning a particular vote of the Association. The vote for each Lot must be cast as a unit and fractional division of the votes shall not be allowed. If the vote for a Lot is fractionally divided as a result of being cast by more than one Owner of a particular Lot during a particular vote of the Association, said vote shall not be counted and shall be deemed void. If any Owner or Owners cast a vote on behalf of a Lot, it will thereafter be conclusively presumed for all purposes that he or they was/were acting with the authority and consent of all Owners of the Lot unless any other Owners of the Lot promptly protest such action to the Person presiding over the meeting.

3.8 Proxies. At all meetings of Members, each Member may vote (or register protest to the casting of the vote for the Member's Lot by another Owner of the Lot) in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and may be revoked upon actual notice of revocation to the Person presiding over a meeting of the Association or upon presentation of a later dated proxy executed by the same Member. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates twenty-five (25) months after its date unless it specifies a shorter term. All proxies shall be automatically revoked upon

conveyance by the Member of his Lot or upon receipt of actual notice by the Secretary of the death or judicially declared incompetence of such Member.

3.9 Adjournment. Except as provided in Section ___ of the Declaration, at any meeting of the Members, the meeting may be adjourned to another time and place and notice need not be given of the reconvened meeting if the time and place of the reconvened meeting are announced at the meeting at which adjournment is taken and the reconvened meeting is held within thirty (30) days of the adjourned meeting. In the absence of a quorum at a meeting of the Members, a majority of those present in person or by proxy may adjourn the meeting as provided above but may not transact any other business. At any reconvened meeting, the quorum prescribed in the Declaration and/or in these Bylaws shall be required.

3.10 Classes of Membership. The Association shall have two (2) classes of voting Membership established according to the Declaration.

3.11 Commencement of Voting Rights. Voting rights attributable to each Lot shall vest in accordance with the terms and provisions of the Declaration.

3.12 Record Date. For any meeting of the Members, the Board of Directors may fix in advance a date, not more than sixty (60) days nor less than ten (10) days before the date of such meeting, as a record date for the determination of the Members of record entitled to notice of, and to vote at, such meeting. The Members entitled to vote at any meeting of the Members will be determined as of the applicable record date if one has been fixed as aforesaid otherwise, as of the time the meeting is convened.

3.13 Organization and Conduct of Meetings. All meetings of Members will be called to order and thereafter chaired by the Chairman of the Board if there is one or if not, or if the Chairman of the Board is absent or so requests' then by the President. If both the Chairman of the Board and the President are unavailable, such other Officer of the Association or authorized agent of the Association, including a representative of a management company, or such Member as may be appointed by the Board of Directors may call the meeting to order and chair the meeting. The Association's Secretary will act as secretary of each Membership meeting. In his absence, the chairman of the meeting may appoint any Person (whether a Member or not) to act as secretary thereat. After calling a meeting to order, the chairman thereof may require the registration of all Members intending to vote in person and the filing of all proxies with the election inspector or inspectors, if one or more has/have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies will be accepted. If Directors are to be elected, a tabulation of the proxies so filed, if any Person entitled to vote in such election so requests, will be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his part, the chairman of the meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of Members and the filing of proxies, to determine the order of the business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal or question-and-answer portion thereof).

ARTICLE 4

Board of Directors; Selection; Term of Office

4.1 Number; Qualifications and Term of Directors. The Board shall consist of five (5) Directors, provided, however that only three (3) Directors shall be required until Class B Membership terminates. The incorporating Directors, or their duly appointed replacements, shall serve until the first meeting of the Association. Until Class B Membership terminates, all Directors shall serve concurrent one (1) year terms. Thereafter, all Directors shall be elected and removed as provided herein.

After Class B Membership terminates, the Directors shall serve staggered terms as follows: The first two Directors (the two Directors with the most votes), elected at the first meeting of the Association held after Class B Membership terminates shall serve a three-year term, the two Directors with the next highest vote totals elected at that meeting shall serve a two-year term, and the remaining Director shall serve a one-year term. Thereafter, all Directors shall be elected to three-year terms. All elections and appointments of Directors under these Bylaws shall be for such terms as will preserve the staggering of terms as provided in this Subarticle 4.1.

The Directors may be Lot Owners or agents of Homebuilder (while Homebuilder remains a Lot Owner). If an Owner other than a Homebuilder is a corporation, partnership or trust, a Director may be an officer, partner, trustee, or beneficiary of such Owner. If a Director shall fail 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.

4.2 Election of Board of Directors.

(a) Nomination. Nominations for election to the Board of Directors may be made from the floor at the annual meeting of the Association. Additionally, the Board may appoint a Nominating Committee which shall consist of a chairman (who shall be a member of the Board of Directors) and two (2) or more Members of the Association. If the Board determines to appoint a Nominating Committee, the Committee shall be appointed at least ninety (90) days prior to the annual meeting of the Members, to serve until the close of such annual meeting, and shall make as many nominations for election to the Board of Directors as it in its discretion shall determine but not less than the number of vacancies that are to be filled.

(b) Secret Ballot; No Cumulative Voting. Election of the Board members by the Association Membership shall be by secret written ballot. Cumulative voting shall not be permitted except as may be required by law. In the event of a tie for any position, a run-off election shall be held and the successful candidate may be determined by a voice vote, or, if inconclusive, by another balloting of the Members.

4.3 Removal. The entire Board or any individual Director may be removed from office by an affirmative vote of Members holding a majority of the voting power

in each class of Membership entitled to vote at an election of Directors. If any Director is so removed, a new Director may be elected at the same meeting.

4.4 Vacancies. Vacancies in the Board caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of the majority of the remaining Directors, and each Person so elected shall be a Director for the remainder of the term of the Director he replaces or until a successor is elected at a special meeting of the Members called for that purpose. The Board shall have the power to declare that a Director's absence from three (3) consecutive regular and duly noticed meetings of the Board shall constitute a vacancy. Vacancies created by the removal of a Director by the Members as provided in Subarticle 4.3 hereof shall be filled by a vote of the Members.

ARTICLE 5

Meetings of Directors

5.1 Regular Meetings. Regular meetings of the Board shall be conducted at least annually at any place within or without the State of Arizona as designated in the notice of meeting while Class B Membership exists and thereafter at least quarterly at a time and place within or near the Project as may be fixed by the Board. Notwithstanding the foregoing, participation at a Directors' meeting pursuant to this subarticle may be by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation by any Director shall constitute a Director's "presence" thereat. Notice of the time and place of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for the meeting.

5.2 Special Meetings. A special meeting of the Board may be called by written notice signed by the President of the Association or by any two (2) Directors other than the President. Notice shall be provided to all Directors and shall include a description of the nature of any special business to be considered by the Board.

5.3 Waiver of Notice. Before any meeting of the Board, any Director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place of the meeting unless such attendance is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Furthermore, any action to be taken by the Directors pursuant to the Articles, the Declaration or these Bylaws may be taken without a meeting if all Directors consent thereto in writing. Such consent shall have the same effect as a unanimous vote.

5.4 Quorum. The presence in person of a majority of the Directors at the beginning of any meeting of the Board shall constitute a quorum throughout the meeting. 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 an act of the Board.

ARTICLE 6

Powers and Duties of the Board of Directors

6.1 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association. Without limitation on the generality of the foregoing powers and duties, the Board shall be vested with, and responsible for, the following powers and duties.

(a) To select, appoint, supervise and remove all Officers, agents and employees of the Association; to prescribe such powers and duties for them as may be consistent with Arizona corporate laws governing nonprofit corporations and with the Project Documents; to fix their compensation (if not prohibited under these Bylaws); and to require from them security for faithful service when deemed advisable by the Board.

(b) To enforce the applicable provisions of the Project Documents and any other instruments relating to the ownership, management and control of the Project.

(c) To adopt and publish rules and regulations governing the use of the Master Common Area and facilities and the personal conduct of the Members and their guests thereon and to establish procedures and penalties for the infraction thereof, subject to approval of the Members as provided in Subarticle 9.1 hereof.

(d) To adopt and publish rules and regulations governing the keeping of animals in the Project.

(e) To pay all taxes and assessments which are, or could become, a lien on the Master Common Area or a portion thereof.

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

(g) To cause to be maintained the portions of the Common Area or other real or personal property for which the Association is responsible pursuant to the Declaration and to contract for goods and/or services for the Master Common Area or for the Association, subject to the limitations set forth in the Project Documents.

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

(i) To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Project Documents in

