

BYLAWS OF
PORTOFINO HOMEOWNERS ASSOCIATION

ARTICLE I
NAME AND LOCATION

The name of the Corporation is PORTOFINO HOMEOWNERS ASSOCIATION (hereinafter referred to as the "Association"). The location of the principal office of the Association shall be as provided in the Articles of Incorporation. The principal office of the Association may be changed at the discretion of the Board. Meetings of Members and Directors may be held at such places within the State of Arizona, County of Maricopa as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

The words and terms used herein shall be deemed to have the same meanings as are given those words and terms in that certain Declaration of Covenants, Conditions and Restrictions, dated July 8, 2003, recorded on July 22, 2003 as Document No. 2003-0970414 in the office of the County Recorder of Maricopa County, Arizona (the "Declaration"), as the same may be from time to time amended. The term "Declarant" shall refer to U. S. Development Land, LLC, an Arizona limited liability company.

ARTICLE III
MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year of the date of Incorporation, the date, place and time of such annual meeting to be determined by the Board. Each subsequent annual meeting of the Members shall be held on the same date of each year thereafter, unless otherwise determined by the Board. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to cast one-fourth (1/4) of all of the outstanding votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary of the Association by mailing a copy of such notice, postage prepaid, not less than ten (10) days nor more than sixty (60) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the

Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE IV BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of Directors, the members of which need not be Members of the Association. The Board shall have the exclusive right to determine the affairs of the Association. The Board shall consist of a minimum of one (1) Director. The Board initially shall consist of the Directors designated in the Articles.

Section 2. Term of Office. The Directors designated in the Articles, or such other Directors as the Declarant may appoint from time to time, shall hold office until the Class B Membership is extinguished. At the first annual meeting following termination of the Class B Membership, if the number of Directors shall then be set at three (3), the Class A Members shall elect one (1) Director for a term of three (3) years, one (1) Director for a term of two (2) years and one (1) Director for a term of one (1) year. At each annual meeting thereafter, the Members shall elect Directors to replace those Directors whose terms have expired and all such Directors shall be elected for a term of three (3) years. If the number of Directors shall be set at less than three (3), then each Director shall serve for one (1) year. The length of terms may be modified by the Members and the number of Directors may be increased to not more than nine (9) by the vote of the Members or the Board. In the event of an increase in the number of Directors, the Members, at the first annual meeting after the increase, shall designate the terms for the new directorships. If the new directorships are created and filled by the Board between annual meetings, the newly elected Directors shall serve until the next annual meeting of the Members.

Section 3. Removal and Vacancies. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association, with the exception of any of the Directors appointed by the Declarant during the term of the Class B Membership, who may be removed by the Declarant. In the event of the death, resignation or removal of a Director, his or her successor shall be selected by the remaining members of the Board and such successor shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association in such capacity. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties as a Director and may receive a salary or wages if he is employed by the Association in a capacity in addition to serving as a Director.

Section 5. Action Taken Without a Meeting. The Board of 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 Board.

ARTICLE V NOMINATION AND ELECTION OF DIRECTORS

Section 1. Election. Subject to the provisions of Article IV, Section 2, the members of the Board of Directors shall be elected by the Membership at the annual meeting.

Section 2. Voting. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected.

ARTICLE VI MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors may be held without notice, at such place and hour as may be fixed from time to time by the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after not less than three (3) days notice to each Director.

Section 3. Quorum. -- A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

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

(b) suspend the voting rights and the right to the use of the Common Area of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended (i) for a period not to exceed sixty (60) days for other infraction of the Declaration or Association Rules and (ii) for successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period; provided, however, no such suspension of the right to use the Common Area shall be made which would prevent the use and enjoyment of the Owner's Lot as a residence or restrict his access or parking rights; provided further, that the voting rights of a Member may only be suspended where written notice of the default or infraction is provided to such Member at least fifteen (15) days before the suspension is to become effective and the Member is provided the opportunity to be heard, either orally or in writing, by the Board of Directors or the Committee appointed by said Board of Directors for such purpose at least five (5) days before the effective date of the proposed suspension;

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

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

(e) employ one or more managers, independent contractors or such other employees as they deem necessary and to prescribe the duties of such persons.

Section 2. Duties. It shall be the duty of the Board of Directors to:

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

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

(c) as more fully provided in the Declaration, to:

(i) fix the amount of the annual assessment against each Lot in advance of each annual assessment period; and

(ii) take such action, as and when the Board deems such action appropriate but after notice as provided in the Declaration, to foreclose the lien against any property for which assessments are not paid and/or to bring an action at law against the Member personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment as against any bona fide Purchaser of, or lender on, the Lot in question;

(e) procure and maintain adequate liability and hazard insurance on the general Common Area;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) cause the maintenance responsibilities of the Association set forth in the Declaration to be performed.

ARTICLE VIII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of the Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, and a Secretary/Treasurer.

Section 2. Election of Officers. 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. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall be removed or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. 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 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

Section 7. Multiple Offices. Any two or more offices may be held by the same person.

Section 8. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; and shall sign all leases, mortgages, deeds and other written instruments on behalf of the Association.

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

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

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association, and shall disburse such funds as directed by resolution of the Board of Directors; shall keep proper books of account; and shall prepare an

annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting and delivered to the Members.

(e) Delegation. The Board may delegate the duties listed above or other duties to a manager or managing agent, or other; however, such delegation shall not relieve any officer or member of the Board of his responsibility for such duties.

ARTICLE IX COMMITTEES

The Board of Directors shall appoint committees as deemed appropriate in carrying out the purpose of the Association including, without limitation, an architectural control committee.

ARTICLE X BOOKS AND RECORDS

The Association shall keep a copy of all of the following records at its principal office or at the office of its statutory agent:

(a) Its Articles or restated Articles of Incorporation and all amendments to them currently in effect.

(b) Its Bylaws or restated Bylaws and all amendments to them currently in effect.

(c) The resolutions adopted by its Board of Directors relating to the characteristics, qualifications, rights, limitations and obligations of the Members or any class or category of Members.

(d) The Minutes of all meetings of the Members and the records of all actions taken by the Members without a meeting for the past three (3) years.

(e) All written communications to Members generally within the past three (3) years, including any financial statements that have been furnished over the past three years pursuant to A.R.S. § 10-11620.

(f) A list of the names and business addresses of its current Directors and Officers.

(g) The most recent Annual Report of the Association delivered to the Arizona Corporation Commission.

(h) Any written agreements among the Members which may exist.

Any Member who has been a Member of record for at least six (6) months immediately preceding a demand for inspection is entitled to inspect and copy any of the above stated records of the Association during regular business hours at the principal office of the Association so long as the Member provides written notice of the demand for inspection at least five (5) business days before the date on which the Member wishes to inspect and copy such records.

In addition, the Association shall keep as permanent records Minutes of all meetings of its Members and Board of Directors, a record of all actions taken by the Members or Board of Directors without a meeting and a record of all actions taken by any committee appointed by the Board of Directors. The Association also shall maintain appropriate accounting records and a list of the names and addresses of all of its Members, in alphabetical order and by class of membership. A Member who has been a Member of record at least six (6) months immediately preceding a demand for inspection is entitled to inspect and copy such Minutes, records of actions, accounting records and membership list during regular business hours at a reasonable location specified by the Association so long as the Member gives written notice of the demand at least five (5) business days before the date on which the Member wishes to inspect and copy such items and so long as (i) the Member's demand is made in good faith and for a proper purpose, (ii) the Member describes with reasonable particularity the Member's purpose and the records the Member desires to inspect and (iii) the requested records are directly connected with the Member's purpose. In all cases the membership list shall not be sold to or purchased by any person or used for any commercial purpose or to solicit money or property.

ARTICLE XI ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual assessments, supplemental assessments and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid on the due date, the assessment shall bear a late charge as outlined in the Declaration, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, as provided in the Declaration. Late charges, interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII
AMENDMENTS

Section 1. Amendments. These Bylaws may be amended in a manner not inconsistent with the Declaration or Articles at any regular or special meeting of the Members, by a vote of a majority of the Members entitled to vote in person or by proxy; provided however, the Federal Housing Administration ("FHA") or the Veterans Administration ("VA"), as applicable, shall have the right to veto amendments while there is a Class B membership if the Declaration and these Bylaws have been initially approved by the FHA or VA in connection with any loan programs made available by FHA or VA and any loans have been made to one or more Owners which are insured or guaranteed by FHA or VA. Additionally, these Bylaws may not be amended and the Association may not be dissolved without the written consent of First Mortgagees holding First Mortgages on seventy-five percent (75%) or more of the Lots which are subject at the time of the proposed dissolution to First Mortgages.

Section 2. Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in the Bylaws to the contrary notwithstanding, the Board reserves the right to amend all or any part of the Bylaws to such an extent and with such language as may be requested by the FHA or the VA and to further amend the Bylaws to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Bylaws or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s). It is the desire of the Declarant to retain control of the Association and its activities through the Board of Directors during the anticipated period of planning and development of the Project and until the Class B membership ceases pursuant to Article 5, Section 5.1, of the Declaration. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, the Board shall have the right to prepare, provide for and adopt as an amendment thereto, other and different control provisions.

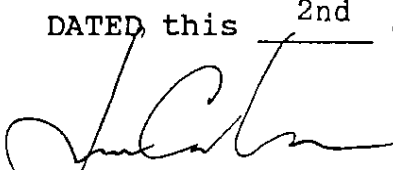
ARTICLE XIII
INTERPRETATION

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

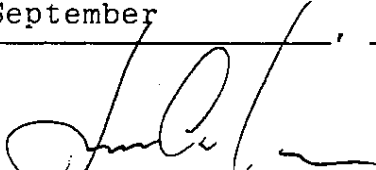
ARTICLE XIV
FISCAL YEAR

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

DATED this 2nd day of September, 2003.



JIM CARLSON, President



JIM CARLSON, Secretary

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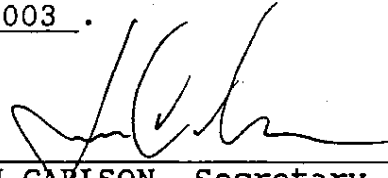
CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of the PORTOFINO HOMEOWNERS ASSOCIATION, an Arizona non-profit corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of the said Association, as adopted by unanimous written consent of the Board of Directors thereof, on the 2nd day of September, 2003.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 2nd day of September, 2003.



JIM CARLSON, Secretary
of the Association