

**BY LAWS
OF
SOMBRA DE DESIERTO HOMEOWNER'S ASSOCIATION
32nd STREET AND EMILE ZOLA**

**BY: Cambridge Homes, L.L.C.
4/1/98**

**BYLAWS
OF
SOMBRE DE DESIERTO HOMEOWNER'S ASSOCIATION
32nd STREET AND EMILE ZOLA**

ARTICLE 1

General Provisions

1.1. Principle Office. The principle office of this corporation shall be located at the place as designated in the Articles of Incorporation or such other place as the Association may designate from time to time in accordance with the Arizona statutes governing non-profit corporations, but meetings of members and directors may be held at such other place within the State of Arizona as may be designated by the Board of Directors.

1.2. Defined Terms. Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions for Sombre De Desierto recorded concurrently herewith in The Records of Maricopa County, Arizona (the "Declaration"), as the same may be from time to time amended.

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

1.4. Corporate Seal. The Association may have a seal in a form approved by the Board.

1.5. Designation of Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

1.6. Books and Records. The books, records and papers of the Association shall be available for inspection by any Member during reasonable business hours. The Project Documents shall be available for inspection by any Member during reasonable business hours at the principal office of the Association, where copies may be purchased at a reasonable cost.

1.7. Amendment.

1.7.1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members having more than 50% of the votes entitled to be cast by the Members present or by proxy.

1.7.2. The Board, without a vote of the Members and without the consent of any First Mortgagee, may amend these Bylaws in order to conform these Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant or the Board.

1.7.3. So long as there is a Class B membership in the Association, any amendments of these Bylaws must be approved by the Veterans Administration or the Federal Housing Administration.

1.8. Indemnification. To the extent it has the power to do so under the Arizona Nonprofit Corporation Act, A.R.S. 10-1001, et seq., the Association shall indemnify any person who was or is a party or is threatened to be made a party to any whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a member, director, officer, employee or agent of the Association or is or was serving at that venture, trust or other enterprise, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted, or failed to act, in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification of any such person shall be made in accordance with the procedures set forth in the Arizona Nonprofit Corporation Act, A.R.S. 10-1005.

ARTICLE 2

Meetings of Members

2.1. Annual Meeting. An annual meeting of the Members of the Association shall be held at least once every twelve (12) months at such time and place as is determined by the Board.

2.2. Special Meeting. Special meetings of the Members may be called at any time by the president or by the Board of upon written request signed by Members having at least one-fourth (1/4), twenty five percent (25%) of the total authorized votes in the Association.

2.3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of each notice, postage prepaid, at least thirty (30) days and no more than fifty (50) days before such meeting to each Member entitles 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. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place of the meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Association may transact any business which might have been more than (30) days, a notice of the adjourned meeting shall be given to each member entitled to vote at the meeting. By attending a meeting, a Member waives any right he may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the statutes of the State of Arizona.

2.4. Quorum. Except as otherwise provided in the Articles, the Declaration of these Bylaws, the presence in person or by proxy of Members entitled to cast one-tenth (1/10th) of the total authorized votes in the Association shall constitute a quorum at all meetings of the Members. If a quorum shall not be present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

2.5. Proxies. At all meetings of the Members a vote may be cast in person or by proxy. A proxy may be granted by any Member in favor of only another Member, the Secretary of the Association, the Declarant, or the Member's mortgagee, or in the case of a non-resident Member, the lessee of such Member's Lot, his attorney or managing agent. A proxy shall be duly executed in writing and it shall be valid only for the particular meeting designated in the proxy. All proxies must be filed with the Secretary prior to the commencement of the meeting for which the proxy is given. The proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of a notice of revocation signed by the Member who granted the proxy. No proxy shall be valid after twenty-five (25) months from the date of its execution.

ARTICLE 3

Board of Directors

3.1. Number. The affairs of this Association shall be managed by a board of three (3) directors. So long as there is a Class B membership in the Association, the directors need not be members of the Association. After the termination of the Class B membership, all directors must be Members of the Association. The Board may increase the number or directors on the Board but the number of directors must always be an odd number and shall not exceed nine (9) directors.

3.2. Term of Office. The initial members of the Board shall hold office until the first annual meeting of the Members and until their successors are

elected and qualified. Commencing with the first annual meeting of the Members, all directors shall be elected for a term of one (1) year.

3.3. Removal. At any annual or special meeting of the Members duly called, any one or more of the members of the board of directors may be removed from the Board with or without cause by Members having more than fifty percent (50%) of the votes entitled to be cast by the members present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thereby created.

3.4. Compensation. No director shall receive compensation for any service he may render to the Association. 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.

3.5. 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 consent of all the directors. Any such written consent shall be filed with the minutes of the proceedings of the Board.

3.6. Vacancies. Except for vacancies on the Board caused by the removal of a director in accordance with the provisions of Section 3.3 of these Bylaws, any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum or by a sole remaining director, and any director so chosen shall hold office until the next election of the directors when a successor is elected and qualified. Any newly created directorship shall be deemed a vacancy. When one or more directors resigns from the Board, effective at a future time, a majority of the directors then in office, including those who have so resigned, may fill such vacancy, the vote on the vacancy to take effect when such resignation becomes effective. If by reason of death, resignation or otherwise, the Association has no directors in office, any officer or Member may call a special meeting of the Members for the purpose of electing the Board of Directors.

3.7. Meetings.

3.7.1. Meetings of the Board, regular or special, shall be held at least annually and may be held by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation at such meeting shall constitute presence in person at the meeting.

3.7.2. Regular meetings of the Board may be held with or without notice at such time and place as is determined from time to time by the Board.

3.7.3. Special meetings of the Board may be called by the President on three (3) business days notice to each director, given in writing, by hand delivery, mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

3.7.4. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

3.8. Quorum. A majority of the 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.

3.9. Powers and Duties. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by the Project Documents required to be exercised or done by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Members that may hereafter be adopted, the Board shall have the following powers and duties:

3.9.1. Open bank accounts on behalf of the Association and designate the signatories thereon;

3.9.2. Make, or contract for the making, of repairs, additions to, improvements to or alterations of the Common Area, in accordance with the Project Documents, after damage or destruction by fire or other casualty, or as a result of condemnation of eminent domain proceedings;

3.9.3. In the exercise of its discretion, enforce by legal means the provisions of the Project Documents;

3.9.4. Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the Common Area and provide services for the Members, and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties;

3.9.5. Provide for the operation, care, upkeep and maintenance of all of the Common Area and borrow money on behalf of the Association when required in connection with any one instance relating to the operation, upkeep and maintenance for the Common Area; provided, however, the consent of Members having at least two-thirds (2/3) of the total votes in the Association shall be obtained either in writing or at

a meeting called and held for such purpose in accordance with the provisions of these Bylaws in order for the Association to borrow in excess of \$5,000.00;

3.9.6. Prepare and adopt an annual budget for the Association prior to the commencement of each fiscal year;

3.9.7. Adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of the Members and their family members, guests, lessees and invitees thereon and establish penalties for the infraction thereof and any other matters contemplated by the Declaration;

3.9.8. Suspend the voting rights and the right to 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 or other amounts due under the terms of the Project Documents for a period of fifteen (15) days and for a period not to exceed sixty (60) days for any infraction of the Project Documents; and (ii) and for successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period;

3.9.9. Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of the Project Documents;

3.9.10. Declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

3.9.11. Employ, hire and dismiss a manager, independent contractor or such employees as they deem necessary and to prescribe their duties and their compensation.

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

3.9.13. Supervise all officers, agents and employees of the Association and see that their duties are properly performed;

3.9.14. Levy, collect and enforce the payment of assessments in accordance with the provisions of the Declaration and take such action as and when the Board deems such action appropriate but after notice as provided in the Declaration to foreclose the liens 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;

3.9.15. Issue, or cause an appropriate officer to issue upon demand to 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;

3.9.16. Procure and maintain adequate property, liability and other insurance as required by the Declaration;

3.9.17. Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

3.9.18. Cause the Common Area to be maintained, as more fully set forth in the Declaration

3.10. Adoption of Bylaws. The Board shall adopt the initial Bylaws of the Association. The power to alter, amend or repeal the Bylaws is reserved to the members except that the Board of Directors, without a vote of the Members, may amend the Bylaws in order to conform the Bylaws to the requirements and guidelines in effect from time to time of any governmental, quasi governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments including, without limitation, the Federal National Mortgage Association, The Federal Home Loan Mortgage Corporation, The Federal Housing Administration, The Veterans Administration.

3.11. Liability of Directors. In accordance with Arizona Revised Statutes, Section 10-1029 (A) (B), the Directors of this corporation shall not be liable for monetary damages to the corporation or its members for breach of fiduciary duty as a Director except as follows: (a) any breach of the Directors duty of loyalty to the corporation or its members; (b) acts or missions which are not in good faith or which involve the intentional misconduct or a known violation of laws; (c) a violation of Arizona Revised Statutes, Section 10-1026; (d) a transaction from which the Director derived an improper personal benefit; (e) a violation of Arizona Revised Statutes, Section 10-1097 or (f) for any act or omission occurring before the effective date of the provision.

3.12. Managing Agent. The Board may employ for the Association and the Project a "Managing Agent" at a compensation established by the Board. The Managing Agent shall perform such duties and services as the Board shall authorize, including but not limited to, all the duties listed in the Project Documents except for such duties and services that under the Project Documents may not be delegated to the Managing Agent. The Board may delegate to the Managing Agent all of the powers granted to the Board or the officers of the Association by the Project Documents other than the power (i) to adopt the annual budget, any amendment thereto to levy Assessments; (ii) to adopt, repeal or amend Association Rules; (iii) to designate

signatories on Association bank accounts; (iv) to borrow money on behalf of the Association; (v) to acquire real property.

ARTICLE 4

Officers and Their Duties

4.1. Enumeration of Officers. The principal officers of the Association shall be president, the vice-president, the secretary, and the treasurer all of whom shall be elected by the Board. The president must be a member of the Board. Any other officers may, but need not, be members of the Board.

4.2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members. Election to the Board of Directors shall be by secret written ballot. At such election the member 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.

4.3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

4.4. 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.

4.5. 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.

4.6. 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 he replaces.

4.7. Multiple Offices. Any two or more offices may be held simultaneously by the same person except the offices of President and Vice-President.

4.8. Powers and Duties. To the extent such powers and duties are not assigned or delegated to a manager pursuant to Section 3.10 of these Bylaws, the powers and duties of the officers shall be as follows:

4.8.1. President. The president shall be the chief executive officer of the Association; shall preside at all meetings of the Board or the Members; shall see that orders and resolutions of the Board are carried into effect; and have general and active management of the business of the Association;

4.8.2. Vice-President. The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

ARTICLE 5

Fines

5.1. Power of Board to Impose Fines. Pursuant to the power granted to the Board by the Declaration, the Board shall have the right to impose reasonable fines against an Owner for a violation of any provision of the Project Documents by the Owner, his family, tenant or guests.

5.2. Notice of Violation.

5.2.1. The Board, or any person designated by the Board, may serve a "Notice of Violation" against an Owner for a violation of any provision of the Project Documents by the Owner, his family, tenants or guests. A Notice of Violation shall contain (i) a description of the violation, (ii) the approximate time and place at which the violation was observed, (iii) the amount of the fine to be paid by the Owner for such violation, (iv) the name of the person issuing the Notice of Violation, and (v) a statement advising the Owner of the Owner's right to request a hearing pursuant to Section 5.2.4 of the Bylaws.

5.2.2. A Notice of Violation shall be deemed to have been served if delivered personally to the Owner named in the Notice of Violation or sent to the Owner by registered or certified United States mail, return receipt requested, postage prepaid. A Notice of Violation given by mail shall be addressed to the Owner as shown on the records of the Association. If a Lot is owned by more than one person or entity, a Notice of Violation to one of the joint Owners shall constitute to all of the joint Owners.

5.2.3. The Owner shall pay the fine set forth in the Notice of Violation to the Association within thirty (30) days after the Notice of Violation is served on the Owner unless prior to that time the Owner requests a hearing on the violation pursuant to Section 5.2.4 of the Bylaws.

5.2.4. Any Owners served with a Notice of Violation may request a hearing on the violation. The request for a hearing must be addressed to the Secretary of the Association and must be actually received by the Association within thirty (30) days after the service of the Notice of Violation. Upon receipt of a request for a

hearing pursuant to this Section, the President or any other officer of the Association shall schedule a hearing on the violation before the Board or a hearing officer appointed by the Board, and shall notify the Owner requesting the hearing of the date, time and place of the hearing. The notice of the hearing shall also advise the Owner of his right to produce statements, evidence and witnesses on his behalf and to be represented at the hearing by an Attorney. If the hearing on the violation is before the Board, then the minutes of the meeting of the Board at which the hearing is held shall reflect that the hearing was held and the action taken by the Board on the violation. If the hearing is held before a hearing officer appointed by the Board, then the hearing officer shall record the hearing by cassette or other audible means and produce the cassette together with a written recommendation to the Board, on what action the Board should take and the violation if anything other than the fine that has been imposed. Upon receipt of the recommendation from the hearing officer the Board shall act upon the recommendation. Any fine which is affirmed by the Board or the hearing officer, pursuant to this Section, shall be paid by the offending Owner within ten (10) days after a notice of the action of the Board is served on the Owner. Notice of the hearing, determination and the recommendation of the Board, shall be served upon the Owner within ten (10) days of the date that the hearing is held, whether the hearing is held before the Board or a hearing officer. Service of the notice from the Board shall be made in the same manner as service of a Notice of Violation pursuant to Section 5.2.2. of the Bylaws.

5.2.5. Any fines imposed pursuant to this Article 5 shall be the joint and several liability of all of the joint Owners of the Lot.

ARTICLE 6

Architectural Committee

6.1. Committee Composition. The Architectural Committee shall consist of at least three (3) members. None of such members shall be required to be an architect or to meet any other particular qualifications for membership. A member need not be, but may be, a member of the Board or an officer of the Association. The Board may increase the number of members on the Architectural Committee but the number of members must always be an odd number.

6.2. Terms of Office. The terms of office for the members of the Architectural Committee shall be staggered, the terms shall be one (1) year, two (2) years and three (3) years. An appointment of a successor must be made within thirty (30) days after the end of a term of a member, the resignation of a member or the removal of the member for cause. An Owner who is a member of the Architectural Committee, shall be deemed to have resigned, on the date that his house is sold and he removes himself from the community. Any new member appointed to replace a member who has resigned or has been removed shall serve such members unexpired term. Members who have resigned, or have been removed, may not be reappointed. A member whose term has expired, may be reappointed.

6.3. Appointment and Removal. So long as the Declarant owns any Lot, the Declarant shall have the right to appoint and remove the members of the Architectural Committee. When the Declarant no longer owns any Lot, the Board shall appoint and remove all members of the Architectural Committee, except that no member may be removed from the Architectural Committee by the Board unless the removal is approved by the vote or written consent of more than fifty percent (50%) of all of the members of the Board.

6.4. Resignations. Any member of the Architectural Committee may at any time resign from the Committee by giving written notice thereof to the Board.

6.5. Vacancies. Vacancies on the Architectural Committee, however caused, shall be filled by the Board within thirty (30) days of the date of vacancy occurring. A vacancy or vacancies on the Architectural Committee shall be deemed to exist in case of the death, resignation or removal of any member.

6.6. Duties. It shall be the duty of the Architectural Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by the Declaration.

6.7. Meetings and Compensation. The Architectural Committee shall meet from time to time as necessary to perform its duties but not less than once every three (3) months per year. The vote or written consent of a majority of the members of the Committee, at a meeting or otherwise, shall constitute the act of the Committee unless the unanimous decision of the Committee is required by any other provision of the Declaration. The Committee shall keep and maintain a written record of all actions taken by it at such meeting or otherwise. Members of the Architectural Committee shall not be entitled to compensation for their services.

6.8. Architectural Committee Rules. The Architectural Committee may adopt, amend and repeal, by unanimous vote or written consent, rules and regulations. Said rules shall interpret and implement the Declaration by setting forth the standards and procedures for Architectural Committee review and the guidelines for architectural design, placement of buildings, landscaping, color scheme, exterior finishes and materials and similar features which are required to be used within the Property.

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

ARTICLE 7

Amendments

7.1. These articles may be amended by Members representing at least seventy-five percent (75%) of the total authorized votes entitled to be cast by Members of the Association,; provided, however, that the Board of Directors, without a vote of Members may amend these Articles of Incorporation in order to conform these Articles of Incorporation to the requirements or guidelines in effect from time to time of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments including, with limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration.

ARTICLE 8

Dissolution

8.1 The Association may be dissolved with the asent given in writing and signed by Owners representing not less than two-thirds (2/3) of the authorized votes in each class of membership. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed or assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purpose.

ARTICLE 9

Exemption of Private Property

9.1 The private property of each and every officer, Director and Member of this Association shall at all times be exempt from all debts and liabilities of the Association.

ARTICLE 10

FHA/VA Approval

10.1 If the Declaration and these Articles have been initially approved by the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") in connection with any loan programs made available by the FHA or VA and any loans that have been made on property which is subject to

the Declaration which are insured or guaranteed by the FHA or VA, then as long as there is a Class B Membership, the following actions will require the prior approval of the FHA or VA, as applicable, unless the need for such approval has been waived by the FHA or VA: (i) annexation of additional properties; (ii) mergers and consolidations; (iii) mortgaging of Common Areas; (iv) dissolution of the Association; and (v) amendment of these Articles of Incorporation; (vi) dedication of the Common Area except as required by zoning stipulations or agreements with the City of Phoenix effective prior to the date hereof.

CERTIFICATION

I hereby certify that the foregoing Bylaws were duly adapted by the Board of Directors of the Association on the 12 day of March 1998.

A.J. Gates 3-13-98
A.J. Gates Date
Secretary Homeowners Association

Subscribed and sworn to before me this 13 day of March, 1998, A.J. Gates, secretary of the Sombre De Desierto Homeowner Association, known to me to be the person who executed this document.

Kevin A. Petry
NOTARY PUBLIC



My Commission Expires:

4/5/2001