

BYLAWS
OF
ORCHARD RANCHETTES COMMUNITY ASSOCIATION

ARTICLE I

GENERAL

1.1 Name. The name of the homeowners association is Orchard Ranchettes Community Association (hereinafter the "Association").

1.2 Office. The principal office of the Association shall be at 5080 North 40th Street, Suite 100, Phoenix, Arizona 85018 unless and until the Board of Directors designates a new principal office. The Association may also have offices at such other places within and without the State of Arizona as the Board of Directors may from time to time determine or the business of the Association may require.

1.3 References to Articles. Any reference made herein to the Articles will be deemed to refer to the Association's Articles of Incorporation and all amendments thereto which are on file with the Arizona Corporation Commission at any given time, together with any and all certificates theretofore filed by the Association with the Arizona Corporation Commission pursuant to Arizona Revised Statutes §10-2342.

ARTICLE II

DEFINITIONS

2.1 Property. "Property" shall mean that parcel of real property together with all buildings, improvements, and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto as more particularly described on Exhibit A attached hereto and incorporated herein by reference, together with such other parcels of real property which become subject to the Declaration pursuant to Article 10 thereof, at such time as such other parcels are made subject thereto (such other parcels being "Additional Properties").

2.2 Declaration. "Declaration" shall mean that certain Declaration of Covenants, Conditions, Restrictions and Easements applicable to the property described therein recorded in the Office of the County Recorder of Maricopa County, Arizona, on October 24, 1997, as Document No. 97-0745718 as the same may be amended from time to time in accordance with the terms thereof.

2.3 Declarant. "Declarant" shall mean Ranch Equities L.L.C., an Arizona limited liability company, and any successors or assigns thereto.

2.4 Other Definitions. All other definitions and terms used herein shall have the same meaning given them in the Declaration.

ARTICLE III

MEETINGS OF MEMBERS, MEMBERSHIP AND VOTING RIGHTS

3.1 Place of Meeting. All meetings of Members shall be held at such reasonable place as may be fixed from time to time by the Board of Directors, the President or the Secretary of the Association, as shall be stated in the Notice of Meeting or in a duly executed Waiver of Notice; provided, however, that such meetings shall be held within Maricopa County, Arizona.

3.2 Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association and each subsequent annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 7:00 o'clock p.m., or at such other reasonable date and time as shall be designated from time to time by the Board of Directors and stated in the Notice of Meeting. At the annual meeting of the Members, the same shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

3.3 Special Meetings. Special meetings of the Members may be called at any time by the President or the Board of Directors or shall be called by the President or the Secretary upon the written request of a majority of the Board of Directors or upon the written request of a majority of the Members.

3.4 Notice for Meetings Requiring Action by the Membership and Vote Constituting a Quorum. Written notice of any meeting called for the purpose of taking action by the membership shall be given not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first meeting called, forty percent (40%) of the membership entitled to vote, determined by number of votes, whether present or by proxy, will constitute a quorum. If the required quorum is not present, another meeting shall be called subject to the same notice requirements. The required quorum at the subsequent meeting will be reduced to one-half (½) of that for the previous meeting. This procedure shall be continued until a quorum is achieved at a subsequent meeting. No such subsequent meeting shall be held more than sixty (60) days following the date previously set for the meeting.

3.5 Approval by Members. Any proposed action by the Association which must have the approval of the Members before being undertaken shall require the affirmative vote of fifty-one percent (51%) of the votes held by those Members present and voting at a duly called and held meeting of the Members at which a quorum (as prescribed herein) is present, unless a higher percentage vote approving the proposed action is specifically prescribed by a provision of the Declaration, these Bylaws or the Articles.

3.6 Membership and Voting Rights.

(a) The Owner of a Lot shall automatically, upon becoming the Owner of 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.

(b) The Association shall have three (3) classes of voting membership established according to the following provisions:

Class A: Class A members shall be all Owners of lots within Phase I of the Property and such Owners of Lots within Additional Properties as may be so designated as Class A members in the Supplemental Declaration annexing such Additional Properties with the exception of the Declarant. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any such Lot, all such persons shall be members. The vote for such Lot shall be exercised as they, among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B: Class B members shall be such Owners of Lots within Additional Properties as may be so designated as Class B members in the Supplemental Declaration annexing such Additional Properties with the exception of the Declarant. The Class B members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any such Lot, all such persons shall be members. The vote for such lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot. The Class B members shall, in addition, be entitled to such other rights and be obligated by such other restrictions as may be specifically set out in the Supplemental Declaration annexing their properties and designating them as Class B members.

Class C: Class C members shall be the Declarant (including its successors and assigns) and shall be entitled to three (3) votes for each Lot owned, whether voting on a matter presented to the Class A members, Class B members, or both. The Class C membership shall cease and be converted to Class A and Class B memberships, as appropriate, on the happening of any of the following events, whichever first occurs:

- (a) when all the Lots have been conveyed to purchasers;
- (b) when the Declarant notifies the Association in writing that it relinquishes its Class C memberships; or
- (c) on January 1, 2004.

Declarant may voluntarily convert Class C Membership to Class A Membership or Class B Membership at any time by notice to the Association.

3.7 Transfer of Membership. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of ownership of the Lot to which it is appurtenant, and then automatically to the new Owner as provided in section 3.6(a) above. Any attempt to make a prohibited transfer is void. Upon the transfer of an ownership interest in a Lot, the Association shall record the transfer upon its books, causing an automatic transfer of membership as provided in section 3.6(a) above. The Association may charge a transfer fee to offset expenses incurred by the Association in updating its books and records to reflect the transfer. The amount of the transfer fee shall be established by the Board, in its reasonable discretion.

3.8 Membership Book. The Secretary of the Association shall maintain a membership book reflecting the names of the Members. Upon the transfer of any Lot, it shall be the obligation of the new owner to present to the Secretary his or her address along with evidence (a photostatic or machine copy of a recorded document) indicating such purchase and the Secretary shall enter on the membership book the name or names and address or addresses of the new owner or owners accordingly. The Board of Directors may fix a time not exceeding twenty (20) days preceding the date of any meeting as a record date for the determination of Members entitled to notice of, and to vote at, any such meeting, unless evidence is received pursuant to Section 3.8 of this Article. In the event that no such record date is fixed by the Board of Directors, the record date for such determination of Members entitled to notice and to vote at any such meeting shall be the fifteenth (15th) day preceding the date of such meeting.

3.9 Eligibility to Vote. All Members must be current and in good standing with the Association to be allowed to vote. For purposes of determining the right to vote at any meeting of the Members, the information set forth in the membership book shall be deemed conclusive except that, if any Member presents evidence as to the incorrectness of the information in the membership book, the Secretary shall correct the membership book pursuant to the direction of the majority of Members attending or represented at the meeting, and the right to vote shall be determined from the membership book as corrected.

3.10 Method of Voting. Unless demanded by a majority of the Members present in person or by proxy or so directed by the Chairman of the meeting, the vote on any question need not be by ballot. Upon demand by a Majority of Members present in person or by proxy for a vote by ballot on any question or at the direction of the Chairman that a vote by ballot be taken on any question, such ballot shall indicate the Lot number or identify the unsubdivided Parcel and be signed by the person voting.

3.11 Majority Required. When a quorum is present at any meeting, the vote of a majority present, whether in person or represented by proxy, shall decide any question brought before such meeting, unless the questions is one upon which, by express provision of the statutes, the Articles of Incorporation, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

3.12 Vesting of Voting Rights. Voting rights attributable to all Lots or property owned by Declarant shall vest immediately by virtue of Declarant's ownership thereof.

3.13 Waiver of Notice. Attendance of a Member at a meeting shall constitute waiver of notice of such meeting, except when such attendance at the meeting is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any Member may waive notice of any annual or special meeting of Members by executing a written notice of waiver either before or after the time of the meeting.

3.14 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 unit. No proxy shall be voted or acted upon after eleven (11) months from the date of its execution.

3.15 Action Without Meeting. Unless otherwise restricted by the Articles of Incorporation, the Declaration or these Bylaws, any action required or permitted to be taken at any meeting of the Members may be taken without a meeting, if all of the Members entitled to vote with respect to the subject matter of the meeting consent thereto in writing.

ARTICLE IV

BOARD OF DIRECTORS

4.1 Number and Qualification. The Association shall be governed by a Board of Directors (the "Board"), consisting of not less than three (3) Members. The number of directors serving from time to time shall be fixed by the Board in compliance with the Declaration. Members of the Board of Directors shall not be required to be an Owner of a Lot.

4.2 Term of Office. Directors each shall be elected for a term of one (1) year.

4.3 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nomination Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two (2) or more Members of

the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

4.4 Election. At an election pursuant to Section 4.3 above, the Members or their proxies may cast as many votes as they are entitled under Section 3.6 hereof. The candidates receiving the highest number of votes shall be deemed elected to the Board of Directors.

4.5 Removal. Any director may be removed from the Board of Directors, with or without cause, by a vote of the members of the Association, provided, that unless the entire Board is removed, an individual member shall not be removed, if the number of votes against his removal exceed the quotient arrived at when the total number of votes entitled to be cast is divided by one plus the authorized number of directors. If any or all directors are so removed, new directors may be elected at the same meeting pursuant to the provisions of Section 4.4 of this Article.

4.6 Vacancies. Vacancies or newly created directorships resulting from an increase in the authorized number of directors may be filled in the manner provided by Arizona Revised Statutes, §10-1019, as amended from time to time.

4.7 Compensation. No directors shall receive compensation for any service he may render to the Association as director. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties. This provision shall not preclude any director from serving the Association in any other capacity and receiving compensation therefor. A Member of a special or standing committee may be allowed like reimbursement for actual expenses incurred in the performance of his duties.

ARTICLE V

MEETINGS OF DIRECTORS

5.1 Place of Meetings. The Board of Directors of the Association may hold meetings, both regular or special, either within or without the State of Arizona.

5.2 Annual Meetings. The annual meeting of each newly elected Board of Directors shall immediately follow the annual meeting of Members in the same place as the annual meeting of Members, and no notice of such meeting to the newly elected directors shall be necessary in order to legally hold the meeting, provided a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in the notice given as hereinafter provided for

special meetings of the Board of Directors, or as shall be specified in a written waiver by all of the directors.

5.3 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly or at the discretion of the Board of Directors without notice, at such place and hour as may be affixed from time to time by resolution of the Board of Directors.

5.4 Special Meetings. Special meetings of the Board of Directors may be called by the President or the Secretary on one day's notice to each director, if notice is delivered personally or by telephone, telegraph or other similar means of communication, or upon seven (7) days' notice to each director if mailed, postage prepaid. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two directors.

5.5 Quorum. A majority of the number of directors then serving shall constitute a quorum. The concurrence of a majority of those present, if a quorum, shall be sufficient to conduct the business of the Board of Directors, except as may be otherwise specifically provided by statute, the Declaration or the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors then present may adjourn the meeting to another time or place, without notice other than announcement at the meeting, until a quorum shall be present.

5.6 Telephonic Meeting. One or more directors may participate in a meeting of the directors by means of a conference telephone conversation or any similar communications equipment by means of which all persons participating in the meeting may hear each other, and participation in a meeting pursuant to this Section 5.6 shall constitute attendance in person at such meeting.

5.7 Action Without Meeting. Unless otherwise restricted by the Articles of Incorporation, the Declaration or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof, may be taken without a meeting, if all of the directors or committee thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

5.8 Waiver of Notice. Attendance of a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

5.9 Attendance of Members. Notwithstanding any provision in these Bylaws to the contrary, the all regular and special meetings of the Board shall be open to the Members and the Members may

attend and listen to the proceedings; provided, however, that the Board shall have the right, by the vote of a majority of a quorum of the Board, to limit or exclude attending Members (other than the Board members) from participating in any discussion or deliberation at any regular or special meetings of the Board; and further provided, that the Board may exclude the Members from any such meeting, or portion thereof, as permitted under the provisions of Arizona Revised Statutes §33-1904.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The business and affairs of the Association shall be managed by its Board of Directors, which may exercise all such powers of the Association and do all such lawful acts as are not, by statute, the Articles of Incorporation, the Declaration or these Bylaws, directed or required to be exercised or done by the Members, including the following powers and duties:

6.1 Maintenance. Maintain, paint, repair, replace, restore operate and keep in good condition all of the Common Area and all facilities, improvements, furnishings, equipment and landscaping thereon. Only the Association or its agent may actually perform the maintenance or repair of Common Area. The liability of the Association for maintenance and repair shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner or his guests, tenants or invitees. Liability for the repair or replacement of any portion of the Common Area resulting from such excluded items shall be that of the Owner responsible for the same. The Association shall be entitled to commence an action at law or in equity to enforce this responsibility and duty and recover damages for the breach thereof. Liability hereunder shall be limited to that provided for or allowed in the statutory or case law of the State of Arizona.

6.2 Insurance.

(a) Obtain and continue in effect comprehensive public liability insurance insuring the Association, the Declarant, the Developers, the agents and employees of each, and the Owners and their respective family members, guests and invitees against any liability incident to the ownership or use of the Common Area, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured and a "severability of interest" endorsement precluding the insurer from denying coverage to one Owner or other insured because of the negligence of other Owners or the Association or other insureds. Such insurance shall be in amounts deemed appropriate by the Board, but in no event shall the limits of liability for such coverage be less than \$1,000,000.00 for each occurrence with respect to bodily injury and property damage.

(b) Additionally, the Association shall obtain and continue in effect a policy of multi-peril insurance, providing at a minimum fire and extended coverage, said coverage to be obtained on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of all improvements in the Common Area. Such policy shall contain extended coverage and replacement cost endorsements (providing for replacement of insured improvements from insurance loss proceeds) and may also contain vandalism and malicious mischief coverage, a stipulated amount clause and a determinable cash adjustment clause or a similar clause to permit cash settlement covering the full value of the improvements.

(c) All insurance premiums shall be included in the Assessments of the Association. If any of the improvements, furnishings or equipment on the Common Area are damaged by fire or other casualty, insurance proceeds payable to the Association shall be used to rebuild, repair or replace the same substantially in accord with the original plans and specifications therefor unless the Association membership otherwise determines in a meeting called for the purpose of considering the same. Any excess insurance proceeds shall be deposited in the general fund of the Association. In the event insurance proceeds are inadequate therefor, then the Association may levy a special Assessment on Lot Owners therefor as provided in Article 4 of the Declaration. The Association's use of funds from its general account or levy of a special Assessment shall not constitute a waiver of the Association's or any Owner's right to institute any legal proceeding or suit against the person or persons responsible, purposely or negligently, for the damage.

(d) The Association shall obtain and maintain bonds covering all persons or entities which handle Association funds, including without limitation, any professional manager employed by the Association and any of such professional manager's employees, in amounts not less than the maximum funds that will at any time be in the possession of the Association or any professional manager employed by the Association but, in no event less than the total of assessments for a three (3) month period on all Lots and all reserve funds maintained by the Association. With the exception of a fidelity bond obtained by a professional manager covering such professional manager's employees, all fidelity bonds shall name the Association as an obligee. In addition, all such bonds shall provide that the same shall not be terminated, canceled or substantially modified without at least thirty (30) days' prior written notice to the Association.

(e) The Association shall also obtain and maintain any insurance which may be required by law, including, without limitation, workmen's compensation, and shall have the power and authority to obtain and maintain other and additional insurance coverage meeting the insurance requirements established by an Agency, so long as the Agency is a Mortgagee or Owner of a Lot, except to the extent that such coverage is not available or has been waived in writing by the Agency.

6.3 Enforcement. Enforce the provisions of the Declaration by appropriate means, including, without limitation the expenditure of funds of the Association, the employment of legal counsel and the commencement of legal actions.

6.4 Easements. Grant and reserve easements where necessary for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots and other property subject hereto.

6.5 Delegation. Have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, subject to the Bylaws and restrictions imposed by any governmental or quasi-governmental body or agency having jurisdiction over the Property.

6.6 Adopt Rules. Adopt, amend, and repeal the Association Rules. The Association Rules may, among other things, restrict and govern the use of the Common Area and all facilities thereon and the conduct of Owners and their tenants and guests with respect to the Property and other Owners; provided, however, that the Association Rules shall not discriminate among Owners except to reflect their different rights and obligations as provided in the Declaration, and shall not be inconsistent with the Declaration, the Articles, or these Bylaws. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in the Declaration.

6.7 Penalty Schedule. Adopt a schedule of reasonable monetary penalties for violation by Owners of the provisions of the Declaration, the Articles and these Bylaws, the Association Rules, and any additional rules and regulations of the Association, and impose the same according to procedures set forth in the Bylaws.

6.8 Suspension of Voting Rights. In addition to all other remedies provided for in the Declaration or at law or in equity, the Board may temporarily suspend the Association voting rights and/or rights to use the Common Area of a Lot Owner who is in default in the payment of any Assessment or any other amount due to the Association, as provided in the Bylaws.

6.9 Exercise of Powers. 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 of Incorporation or the Declaration.

6.10 Vacancies. Declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from two (2) consecutive regular meetings of the Board of Directors.

6.11 Records. 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, when such

statement is requested in writing by one-fourth (1/4) of the Members who are entitled to vote at any meeting.

6.12 Supervise. Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.

6.13 Budget. Establish the annual budget and determine the amount of the annual Assessment against each Lot at least thirty (30) days in advance of the beginning of each fiscal year of the Association.

6.14 Assessments.

(a) Send written notice of each Special Assessment to every Owner subject thereto in accordance with the provisions of the Declaration;

(b) Enforce collection of Assessments in accordance with the provisions of the Declaration; and

(c) 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.

6.15 Bonds. Require that all officers, employees and agents of the Association handling or responsible for Association funds furnish adequate fidelity bonds, the premiums of which shall be paid by the Association.

6.16 Additional Duties. Establish additional duties as may be prescribed from time to time.

ARTICLE VII

OFFICERS AND DUTIES

7.1 Enumeration of Officers. The officers of this Association shall be a President, who shall at all times be a Member of the Board of Directors, a Secretary, and a Treasurer. There may be, in addition, one or more Vice Presidents and/or such subordinate officers as the Board of Directors may from time to time, by resolution, create. Any two (2) offices may be held by the same person except the offices of President and Secretary.

7.2 Election and Term. The officers of the Association shall be elected at the annual meeting of the Board of Directors, and each such officer shall hold office until his successor has been duly elected and qualified, or until his death, resignation or removal, whichever first occurs.

7.3 Special Appointments. The Board of Directors 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 of Directors may, from time to time, determine.

7.4 Resignation and Removal. Any officer of the Association may be removed from office by a majority of the Board of Directors at any time, with or without cause. Any officer may resign at any time by giving written notice of his resignation to the President or the Secretary of the Association. Unless otherwise specified, such resignation shall take effect upon delivery thereof, and no acceptance thereof shall be necessary to make it effective.

7.5 Vacancies. A vacancy in any office may be filled by the Board of Directors in accordance with Section 7.2 hereof, and the officer so elected shall hold office until the next annual meeting of the Board of Directors, until his successor is duly elected and qualified, or until his death, resignation or removal.

7.6 Duties. The duties of the officers are as follows:

(a) President:

(i) To the extent not prohibited by law, or as otherwise herein expressly limited, including, but not limited to, Section 7.6.(a)(ii), the President of the Association shall be employed to exercise control over the affairs of the Association and to act on behalf of, and bind, the Association in every instance wherein the Association is required or permitted to take any action. The action of the President shall at all times be subject to the review of the Board.

(ii) Notwithstanding anything in Paragraph 7.6(a)(i) to the contrary, the President shall not have the power to borrow any funds on behalf of the Association or make any expenditures on behalf of the Association which are, in the aggregate, more than the total amount of the Association's budget, or increase the amount of or levy any Assessment (except a Special Assessment applicable to fewer than all Members and Owners), without the prior approval of the Board.

(iii) The President may appoint such assistants as he deems necessary or appropriate. No compensation shall be paid to any assistant except as provided in the Association's budget or as otherwise approved by the Board.

(iv) Any right or power herein given or delegated to the President which cannot be exercised by the President, whether by reason of law or otherwise, shall be deemed to be a right or power to be exercised by the Board of Directors.

(b) Vice President(s): The Vice President(s), if any, 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 of Directors.

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

(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 co-sign all checks and promissory notes of the Association; keep proper books of account; cause notes of the annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meetings, and deliver a copy of each to the Members.

All officers shall perform additional duties as may be imposed by the Board of Directors from time to time.

ARTICLE VIII

COMMITTEES

The Board of Directors may from time to time, by resolution adopted by a majority of the whole Board of Directors, designate one or more committees and appoint such persons to such committees as the Board of Directors may elect in accordance with the Declaration. Any such committee shall exercise such powers as may be assigned to it by the Board of Directors.

ARTICLE IX

BOOKS, RECORDS AND ACCOUNTING

(a) Accounting. The Association, at all times, shall keep, or cause to be kept, true and correct records of account in accordance with generally accepted accounting principles specifying in reasonable detail all expenses incurred and funds accumulated from Assessments or otherwise and shall have such books available for the inspection of all Owners and Members at reasonable times during regular business hours.

(b) Records. The Association shall, upon reasonable written request and during reasonable business hours, make available for inspection by each Owner and Member the books, records and financial statements of the Association together with current copies, as amended from time to time, of this Community

Declaration and the Articles, Bylaws, Association Rules and Community Design Guidelines. The Declarant shall not be under any obligation to make its own books and records available for inspection by any Owner, Member or other person. The books and records of the Association may be audited or unaudited as the Board may from time to time determine.

ARTICLE X

MANAGING AGENT

All powers, duties and rights of the Association, the President and the Board of Directors, as provided by law and herein, may be delegated to a managing agent, under a management agreement; provided, however, that no such delegation shall relieve the Association of its obligation to perform any such delegated duty. Any agreements for professional management, and any other contract providing for services of Declarant or any other party, shall not exceed a term of three (3) years, which term may be renewed by agreement of the parties for successive one (1) year periods, and shall further provide for termination by either party with or without cause and without payment of a termination fee upon ninety (90) days' written notice.

ARTICLE XI

INDEMNIFICATION OF DIRECTORS, OFFICERS EMPLOYEES, MEMBERS AND AGENTS

11.1 Indemnification.

(a) Subject to and in accordance with Arizona Revised Statutes §§10-2305 and 10-2342, except as may be expressly limited by this Section 11.1 and the Articles of Incorporation and any amendments thereto, the Association may indemnify each of its members, directors, officers, employees or agents and former members, directors, officers, employees or agents, against all expenses incurred by him (including by example and not limitation, attorneys' fees, judgments, fines and penalties which may be incurred, rendered or levied in any legal matter brought against him) for or on account of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, with respect to which he was or is a party or is threatened to be made a party, 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 the request of the Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise if:

(i) In such an action other than by or in the right of the Association, 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; and

(ii) In any such action by or in the right of the Association to procure a judgment in its favor, 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, unless he shall have been adjudged to be liable to the Association, except, and only to the extent, that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances in the case, such person is reasonably entitled to indemnity for such expenses the court shall deem proper.

(b) To the extent that he has been successful on the merits or otherwise in defense of any such action, or in defense of any claim, issue or matter therein, he shall be indemnified by the Association against any reasonable expenses incurred by him in connection therewith.

(c) Indemnification hereunder, unless ordered by a court, shall be made only as authorized by the Association in the specific case upon a determination that indemnification of the member, director, officer, employee or agent or former member, director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in either Section 11.1(a)(i) or Section 11.1(a)(ii) hereof. A determination and indemnification shall be proper if made by the Board of Directors, independent legal counsel, the court or act of the members in accordance with Arizona Revised Statutes §10-2305C.4.

(d) Whenever any such person has grounds to believe that he may incur any expense set forth in this Section 11.1 herein, he shall promptly prepare and deliver a full written report of the matter to the President and to the Secretary of the Association. Upon receipt of such report, the Board of Directors shall, in accordance with Arizona Revised Statutes §10-2305C.5., determine whether expenses incurred or to be incurred in connection therewith shall be paid in advance of the final disposition of such action. In the event the Board of Directors decide to pay such expenses in advance of such final disposition, such person shall agree to repay the amount(s) advanced if it is ultimately determined that he is not entitled to be indemnified by the Association as authorized in this Section 11.1.

(e) Except to the extent reimbursement shall be mandatory in accordance herewith, the Association shall have the right to refuse indemnification, in whole or in part, in any instance in which the person to whom indemnification would otherwise have been applicable, if he unreasonably refused to permit the Association, at its own expense and through counsel of its own choosing, to defend him in the action, or unreasonably refused to cooperate in the defense of such action.

(f) The indemnification and other benefits provided by or granted herein, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a member, director, officer, employee or agent and inure to the benefit of the heirs, executors and administrators of the person.

ARTICLE XII

ASSESSMENTS

As provided in the Declaration, each Owner and Member, by acceptance of a deed or other conveyance of an interest in a Lot or by acceptance of his membership, is deemed to covenant and agree to pay assessments to the Association upon such terms and conditions as set forth in the Declaration.

ARTICLE XIII

AFFILIATED TRANSACTIONS

13.1 Affiliated Transactions. No contract or transaction between the Association and one or more of its directors, officers or Members, or between the Association and any other entity in which one or more of the directors, officers or Members of the Association are directors, officers or Members of such other entity, or have a financial interest therein, shall be void or voidable solely for this reason, or solely because the director, officer or Member is present at or participates in the meeting of the Board of Directors which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, provided:

(a) The facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors, in good faith, authorizes the contract or transaction by the affirmative vote or written consent of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) The facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote or written consent of the Members; or

(c) The contract or transaction is fair to the Association at the time it is authorized, approved or ratified by the Board of Directors or its Members.

13.2 Interested Directors. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors thereof which authorize the contract or transaction.

ARTICLE XIV

FISCAL YEAR

The fiscal year of the Association shall be determined by a resolution of the Board of Directors.

ARTICLE XV

AMENDMENTS TO BYLAWS

The power to alter, amend or repeal these Bylaws or to adopt new bylaws shall be vested in the Board of Directors, subject to repeal or change by action of at least fifty-one percent (51%) of the members of the Board.

ARTICLE XVI

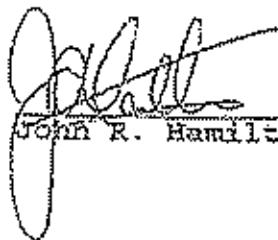
MISCELLANEOUS

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

16.2 Compliance. These Bylaws are set forth to comply with the requirements of all applicable Arizona statutes.

IN WITNESS WHEREOF, we, being the initial Board of Directors of Orchard Ranchettes Community Association, have adopted these Bylaws this _____ day of December, 1997.

Sam Nocifera



John R. Hamilton

Michael Smith

ARTICLE XIV

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The fiscal year of the Association shall be determined by a resolution of the Board of Directors.

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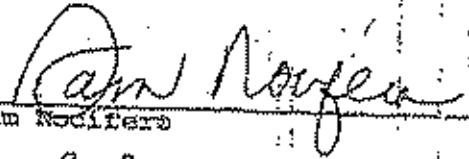
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16.2 Compliance. These Bylaws are set forth to comply with the requirements of all applicable Arizona statutes.

IN WITNESS WHEREOF, we, being the initial Board of Directors of Orchard Ranchettes Community Association, have adopted these Bylaws this _____ day of December, 1997.



Sam Nocifera



John R. Hamilton

Michael Smith

SECRETARY, JAMES

Dec. 11. 1997 12:22PM

No. 3445 P. 18/23

ARTICLE XIV

FISCAL YEAR

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ARTICLE XV

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16.2 Compliance. These Bylaws are set forth to comply with the requirements of all applicable Arizona statutes.

IN WITNESS WHEREOF, we, being the initial Board of Directors of Orchard Ranchettes Community Association, have adopted these Bylaws this 11th day of December, 1997.

Sam Nocifera

John R. Hamilton

Michael Smith

Michael Smith

EXHIBIT A

The following described real property situated within Maricopa County, Arizona:

Lots 1 through 32, inclusive, Orchard Ranchettes, according to the plat of record in the office of the County Recorder for Maricopa County, Arizona in Book 452 of Maps, page 41

020818Y.PHX/vq

AMENDMENT TO BYLAWS
OF
ORCHARD RANCHETTES COMMUNITY ASSOCIATION,
an Arizona non-profit Corporation

The undersigned Corporation hereby adopts the following Amendments to the Bylaws:

FIRST: The name of the Corporation is ORCHARD RANCHETTES COMMUNITY ASSOCIATION;

SECOND: The following amendments were approved and adopted at a Special Meeting of the Board of Directors of the Corporation held Dec. 20, 2000, in the manner prescribed by law:

RESOLVED, that a new section 4.8 is hereby added to the Bylaws as follows:

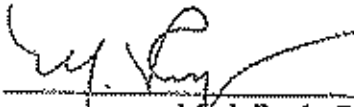
Section 4.8 Declarant Control.

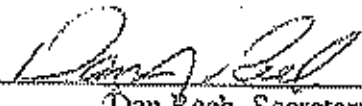
Until such time as 100% of the Lots (including all Lots within future phases of Orchard Ranchettes II currently planned as Phases A-F) have been conveyed by Declarant to Owners other than Declarant, Declarant shall have the sole right, in its absolute discretion, to appoint and remove Directors from the Board. The Board shall undertake all duties and responsibilities of the Association and the management and conduct of the affairs thereof, except as expressly reserved herein to a vote of the Members. Upon the conveyance of 100% of the Lots (including all Lots within future planned phases) from Declarant to Owners other than Declarant, Declarant shall no longer have the right to appoint any Directors of the Board and all rights and obligations under this Section shall automatically terminate, and all rights and obligations under this Section shall automatically vest in the Association.

FURTHER RESOLVED, that all terms and conditions of the Bylaws shall remain in full force and effect as amended herein.

DATED: January 2, 2000.

ORCHARD RANCHETTES COMMUNITY ASSOCIATION,
an Arizona non-profit Corporation

By 
Mark Reeb, President

By 
Dan Reeb, Secretary