

BYLAWS OF VENTANA CANYON LAKE ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is Ventana Canyon Lake Estates Homeowners Association, hereinafter referred to as the "Sub-Association." The principle office of the corporation shall be located at Tucson, Arizona but meetings of members and directors may be held at such places within the State of Arizona, County of Pima, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Except as specifically noted, terms used in these Bylaws shall have the same meanings given those terms in the Declaration of Covenants, Conditions and Restrictions of Ventana Canyon Lake Estates recorded in the office of the Pima County Recorder in Book 7439 at Page 18-41, et. seq., as the same may be amended from time to time.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meeting. The first annual meeting of the members shall be held within one (1) year from the date of incorporation of the Sub-Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 11:00 o'clock a. m. or at such other date and time as the directors shall determine. 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 of the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the 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 or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Sub-Association or supplied by such member to the

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

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to until a quorum as aforesaid shall be present or represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies cease upon conveyance by the member of his lot.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Term of Office/Number. The initial Board of Directors named in the Articles of Incorporation of the Sub-Association shall serve until the first annual meeting following expiration of Declarant's Class B membership as stated in the Declaration ("initial term"). Thereafter, the affairs of this Sub-Association shall be managed by not less than three (3) nor more than nine (9) directors, who must be members of the Sub-Association.

At the first annual meeting following termination of the initial term of the initial Board of Directors, the members shall elect a Board of Directors to be divided into three (3) classes, as nearly equal in number as may be, the term of office of those of the first class to expire at the first annual meeting of Members after their election, the term of office of those of the second class to expire at the second annual meeting of Members after their election, and the term of office of those of the third class to expire at the third annual meeting of the Members after their election.

At each annual election of directors held after the classification and election described in the preceding paragraph, directors chosen to succeed those whose terms expire shall be elected for a term of office to expire at the third annual meeting of members after their election.

Section 2. Removal. Any Director can be removed from the Board, with or without cause, by majority of votes of the Sub-Association. In the event of the death, resignation or removal of a Director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 3. Compensation. No Director shall receive compensation for any service he may render to the Sub-Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 4. 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 approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. 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. The nominating committee shall consist of a chairman, who shall be a member of the Board of Directors, and two or more members of the Sub-Association. The nominating committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from close of such 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. Such nominations may be made from among members.

Section 2. Election. Election to the board of Directors shall be by show of hands or 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 shall be held at the Board's discretion without notice, at such place and hour as may be fixed from time to time by resolution of 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 Sub-Association, or by any two 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 the power to:

(a) adopt and publish rules and regulations governing the use of the common area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof.

(b) suspend the voting rights and rights to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Sub-Association. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of published rules and regulations.

(c) Exercise for the Sub-Association all powers, duties and authority vested in or delegated to the Sub-Association, and not reserved to the membership by any other provision of these Bylaws, the Articles of Incorporation, 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 a manager, and independent contractor, or other such employees as they deem necessary, and to prescribe their duties, provided, however, any arrangement for professional management to the subdivision, or any other contract providing for services of the declarant shall not exceed three (3) years. Any such agreement shall provide for termination by either party without cause and without payment of a termination fee on 90 days or less written notice.

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

(a) 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 (1/4) of the Class A members who are entitled to vote.

(b) Supervise all officers, agents and employees of this Sub-Association, and to see that their duties are properly performed.

(c) As more fully provided in the Declaration, to ;

(1) fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period;

(2) Send written notice of each assessment to every owner thereto at least thirty (30) days in advance of each annual assessment period; and

(3) At the Board's discretion, foreclose the lien against any property for which assessments are not paid within thirty (30) days of the due date or to bring an action at law against the owner personally obligated to pay the same, provided, however, that each first mortgage shall, upon notice to the Sub-Association, be entitled to a written notification from the

Sub-association of any default in the performance by the owner of a dwelling unit encumbered by the mortgage in favor of such mortgagee of any obligation under the Declaration or under the Articles of Incorporation, Bylaws, rules and regulations of the Sub-Association which is not cured within sixty (60) days.

(d) Issue, or 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.

(e) Procure and maintain adequate liability and hazard insurance on property owned by the Sub-Association, provided, however, nothing in these Bylaws shall in any manner be deemed to give a dwelling unit owner, or any other party, priority over any rights of a first mortgagee of a dwelling unit pursuant to the terms of first mortgagee's mortgage in the case of a distribution to a dwelling unit owner on insurance proceeds or condemnation awards for losses to or a taking of common areas or other common property owned by the Sub-Association.

(f) Cause all officers or employees having fiscal responsibilities to be bonded.

(g) Cause the common area to be maintained, provided, however, first mortgagee's shall be granted the right to jointly, or singly, pay taxes or other charges which are in default and which may have become a charge against any common area or other common property owned by the Sub-Association, and such making such payments shall be owed immediate reimbursement therefor from the Sub-Association.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Sub-Association shall be a president and a vice-president, who shall at all times be members of the Board of Directors, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.

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 Sub-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.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Sub-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 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 said 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 he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special

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 the orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all checks and promissory notes.

(b) Vice - President. the Vice -President shall act in the place and stead of the President in the event of his/her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him/her.

(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 Sub-Association and affix it to all papers requiring said seal; serve notice of meetings of the Board and of members; keep appropriate current records showing members of the Sub-Association together with their addresses, and shall 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 Sub-Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the association; keep proper books of account; cause an annual audit of the Sub-Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be represented to the membership at its regular Annual Meeting, and deliver a copy of each to its members.

ARTICLE IX

COMMITTEES

The Sub-Association shall appoint an architectural committee, as provided in the Declaration, and nominating committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Sub-Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Sub-Sub-Association shall be available for inspection by any member at the principal office of the Sub-Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Sub-Association annual 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 within thirty (30) days after the due date, late penalties shall be the maximum amount allowed by law, and the assessment shall bear interest from the date of delinquency at the rate of eighteen (18%) per annum, and the Sub-Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against property, and interest, costs, and reasonable attorney's 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 non-use of the common area or abandonment of his lot.

Also, the Board of Directors of the Sub-Association shall provide that Sub-Association dues, charges or assessments shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Common Areas and common property owned by the Sub-Association that must be replaced on a periodic basis. All such dues, charges and assessments imposed by the Sub-Association shall be paid on a periodic basis in regular installments rather than special assessments.

ARTICLE XII

CORPORATE SEAL

The Sub-Association will have a seal of circular form having written within it's circumference the words:

VENTANA CANYON LAKE ESTATES HOMEOWNERS ASSOCIATION.

ARTICLE XIII

AMENDMENTS

Section 1. These Bylaws may be amended by act of the Board of Directors or by the members at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy, except the Federal Housing Administration or Veterans Administration shall have the right to veto amendments while there is class B membership.

Section 2. In the event of any conflict or inconsistency between the provisions of these Bylaws and the Declaration, or with the rules, regulations and requirements of the Federal Home Loan Mortgage Corporation, the terms and provisions of the Declaration and the rules, regulations and requirements of the Federal Home Loan Mortgage Corporation shall prevail and supersede such conflicting or inconsistent provisions of these Bylaws. Neither the Sub-Association or the Board of Directors, nor any agent or employee shall be authorized or empowered to take any action inconsistent with the provisions of the above referenced Declaration.

ARTICLE XIV

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification. The Sub-Association shall indemnify every director or officer, and his or her heirs and personal representatives, against all loss, cost and expense, including counsel fees, reasonably incurred by him or her in connection with any action, suit or proceeding to which he or she may be a party by reason of his or her being or having been a director or officer of the Corporation, except as to matters as to which he or she shall be finally adjudged in such action, suit or proceedings to be liable for willful negligence or misconduct In the event of a settlement of any action, suit or proceeding, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Sub-Association is advised by counsel that the person to be indemnified has not been guilty of willful negligence or misconduct in the performance of his or her duties as such director or officer in relation to the matter involved. The foregoing right shall not be exclusive of other rights to which such director of officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Sub-Association

by reason of or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Sub-Association as common expenses.

ARTICLE XV

MISCELLANEOUS

Section 1. The fiscal year of the Sub-Association shall begin on the first day of January and end on the 31st day of December of every year, except the first fiscal year shall begin on the date of incorporation.

Section 2. Voting by the members shall be in accordance with the procedures set forth in the Articles of Incorporation of the Sub-Association.

IN WITNESS THEREOF, we being all of the directors of the VENTANA CANYON LAKE ESTATES HOMEOWNERS ASSOCIATION have hereunto set our hands this 28th day of March 1995.