

BY-LAWS
Of
EL CORONADO ESTATES UNIT TWO

ARTICLE I

Directors

SECTION 1. General Powers. The Board shall manage the business and affairs of the Association and may exercise all such authority and powers of the Association and do all such lawful acts and things as are not by law, the Articles of Incorporation or these By-Laws directed or required to be exercised or done by the members. The powers of the Board shall encompass, but not be limited to, all of the rights and duties of the Board as set forth elsewhere in these By-Laws and the Articles of Incorporation, and in the Declaration of Restrictions applicable to the El Coronado Estates Unit Two subdivision, and shall also include the power to promulgate such rules and regulations pertaining to such rights and duties as may be deemed proper and consistent with the foregoing. The Board may delegate such duties as appear in the best interests of the Association and to the extent permitted by law.

SECTION 2. Number, Qualification and Term of Office. The number of directors of the Association shall be an odd number, not less than three (3) nor more than nine (9), as shall from time to time be determined by a majority of the members of record entitled to vote, and in the absence of such determination, shall be seven (7). All directors shall be members of the Association. The term of office of each director shall be from the time of his election and qualification until the annual meeting of members next succeeding his election and until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign, or until he shall have been removed in the manner herein provided.

SECTION 3. Election of Directors. At each meeting of members for the election of directors at which a quorum shall be present, the persons receiving a plurality of votes cast shall be deemed elected.

SECTION 4. Quorum and Manner of Acting. Except as provided in Section 10 of this Article I, a majority of the whole Board shall constitute a quorum for the transaction of business at any meeting. Any act of a majority of the directors present at any meeting at which a quorum shall be present shall be the act of the Board. In the absence of a quorum a majority of the directors present may adjourn any meeting from time to time until a quorum be had. Notice of any adjourned meeting need not be given, other than by announcement at the meeting at which such adjournment shall be taken.

SECTION 5. Place of Meeting. The Board may hold its meetings at such place or places within Maricopa County as the Board from time to time may determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

SECTION 6. Regular Meetings. Regular meetings of the Board shall be held at such times and places as the Board by resolution may determine, but at least two such meetings shall be held during such fiscal year. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day at said place.

SECTION 7. Special Meetings. Special meetings of the Board shall be held whenever called by the President or upon written request of a majority of the directors.

SECTION 8. Notice of Meetings. Notice of each regular and special meeting of the Board, stating the time, place and purpose thereof, shall be mailed to each director, addressed to him at his residence or usual place of business, or shall be sent to him at such place by telegraph, or be delivered personally or by telephone, at least one (1) day before the day on which the meeting is to be held, but notice need not be given to any director if such notice shall be waived by him and any business may be transacted by the Board at a meeting at which every member of the Board shall be present, though held without notice. The Board may also act, in the absence of a meeting, by written resolution signed by a majority of the members of the Board.

SECTION 9. Removal of Directors. Any director may be removed at any time, either with or without cause, by the affirmative vote of a majority of the memberships entitled to vote under Article III hereof, at a special meeting of such members called for that purpose; and the vacancy in the Board caused by any such removal may be filled by the members at such meeting.

SECTION 10. Vacancies. Any vacancy in the Board caused by death, resignation, removal, increase in the number of directors, or any other cause, may be filled for the unexpired term by a majority vote of the remaining directors, though less than a quorum, or by the members at the next annual meeting or at any special meeting called for the purpose.

SECTION 11. Compensation. No compensation shall be paid to directors for their services as directors. No remuneration shall be paid to a director for services performed by him for the Association in any other capacity, or by way of reimbursement for expenditures incurred by him in connection with the performance of his duties, unless a resolution authorizing such remuneration or reimbursement is adopted by the Board.

ARTICLE II

Officers

SECTION 1. Number. The executive officers of the Association shall be the President, who shall be a member of the Board, the Vice President, who shall be a member of the Board, a Secretary and a Treasurer; and there may be, in addition, such subordinate officers, agents and employees as shall be appointed in accordance with the provisions of Article II, Section 3 of these By-Laws. One person may hold the office of, and perform the duties of, any two or more offices. The Board may require any such officer, agent or employee to give security in the form of a Fidelity Bond for the faithful performance of his duties.

SECTION 2. Election, Term of Office, Qualification. The executive officers of the Association shall be chosen annually by the Board, each thereof to hold office for one year or until his successor shall have been duly chosen and shall qualify, or until his death or until he shall resign, or shall have been removed in the manner hereinafter provided.

SECTION 3. Subordinate Officers, etc. The Board may appoint such subordinate officers, agents or employees as the Board may deem necessary or advisable, including one or more additional Vice-Presidents, one or more Assistant Treasurers and one or more Assistant Secretaries, each of whom shall hold office for such period, having such authority and perform such duties as are provided in these By-Laws or as the Board may from time to time determine. The Board may delegate to any executive officer or to any committee the power to appoint any such additional officers, agents or employees.

SECTION 4. Removal. Any officer of the Association may be removed, either with or without cause, at any time, by resolution adopted by a majority of the whole Board at a special meeting thereof called for that purpose, or, except in the case of any officer elected by the Board, by any committee or executive officer upon whom such power of removal may be conferred by the Board.

SECTION 5. Vacancies. A vacancy in any office, because of death, resignation, removal, or any other cause, shall be filled for the unexpired portion of the term in the manner prescribed in Sections 2 and 3 of this Article II for election or appointment to such office.

SECTION 6. The President. The President shall be the chief executive officer of the Association and shall have general supervision over the business of the Association, subject to the control of the Board. He shall, if present, preside at each meeting of the members and of the Board. He shall see that all orders and resolutions of the Board are carried into effect. He may sign, with the Treasurer, or the Secretary, and execute and deliver in the name of the Association all deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board or by these By-Laws to some other officer or agent of the Association or where any thereof shall be required by law otherwise to be signed, executed and delivered. In general he shall perform all duties

incident to the office of President and such other duties as may from time to time be assigned to him by these By-Laws or by the Board of Directors.

SECTION 7. Vice-President. The Vice-President shall have such powers and perform such duties as the Board or the President may from time to time prescribe and shall perform such other duties as may be prescribed by these By-Laws. At the request of the President, or in case of his absence or inability to act, the Vice-President or, if there shall be more than one Vice-president then in office, that one of them who shall be designated for the purpose by the President or by the Board of Directors shall perform the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President.

SECTION 8. The Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all the funds and securities of the Association and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all moneys and other valuable effects in the name of and to the credit of the Association in such banks or other depositories as may be designated by the Board; he shall disburse the funds of the Association as may be ordered by the Board taking proper vouchers for such disbursements, and shall render to the President and to the directors at the regular meetings of the Board or whenever they may require it, a statement of all his transactions as Treasurer and an account of the financial condition of the Association; and, in general, he shall perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him by the Board. He may sign, with the President or a Vice-President, Certificates of Membership in the Association.

SECTION 9. The Secretary. The Secretary shall act as secretary of, and keep the minutes of, all meetings of the Board and of the members; he shall cause to be given notice of all meetings of the members and directors; he shall have charge of the certificate book and also of the other books, records and papers of the Association relating to its organization as a corporation, and shall see that the reports, statements and other documents required by law are properly kept or filed; and he shall in general perform all the duties incident to the office of Secretary. He may sign, with the President, Certificates of Membership in the Association. He shall also have such powers and perform such duties as are assigned to him by these By-Laws, and he shall have such other powers and perform such other duties, not inconsistent with these By-Laws, as the Board shall from time to time prescribe.

SECTION 10. Salaries. No salary or other compensation shall be paid to officers for their services as officers. No remuneration or reimbursement shall be paid to any officer for services performed or expenditures incurred by him for the Association in any other capacity, unless a resolution authorizing such remuneration or reimbursement is adopted by the Board before the services are undertaken or the expenditures are incurred.

ARTICLE III

Members and Memberships

SECTION 1. Eligibility for Membership. Membership in El Coronado Estates Unit Two (hereinafter called the Association) shall be limited to owners of record (including purchasers having the right to possession under a recorded agreement of sale) of lots within the following described real property:

Lots One (1) through Thirty-eight (38) inclusive and Tracts A, B and C in EL CORONADO ESTATES UNIT TWO according to the plat of record thereof in the office of the Maricopa County Recorder in Book 118 of Maps, page 28 and 29.

There shall be one membership in respect of each lot, and the ownership of each such membership shall be identical at all times with the ownership of the lot in respect of which it is created. For purposes of determining membership, ownership of a lot shall mean the fee owner, except that the vendee under an agreement for sale shall be deemed the owner unless his vendee's interest shall have been forfeited.

SECTION 2. Annual Meetings. Each annual meeting of the members of the Association for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the second Sunday in May of each year at 6:00 P.M. or at such other time as may be determined by the directors and specified in the notice of meeting.

SECTION 3. Place of Meetings. Every meeting of the members of the Association shall be held at such place in Maricopa County as shall be determined by the directors and specified in the notice of meeting, or in a waiver of notice signed by the members of the Association.

SECTION 4. Special Meetings. Special meetings of the members for any purpose or purposes, unless otherwise regulated by statute, may be called by resolution of the Board of Directors of the Association (hereinafter called the Board), by the President or secretary, or upon a petition signed by a majority of the members. Such petition shall state the purpose or purposes of such proposed meeting.

SECTION 5. Notice of Meetings. Notice of every meeting of the members shall be in writing and signed by the President or Vice-President or the Secretary or an Assistant Secretary of the Association. Such notice shall state the purpose or purposes for which the meeting is called and the time when and the place within the state where it is to be held, and a copy thereof shall be served, either personally or by mail, upon each member of record entitled to vote at such meeting, not less than seven nor more than forty days before the meeting. If mailed, it shall be directed to each member at his address as it appears on the certificate book unless he shall have filed with the Secretary of the Association a written request that notices intended for him be mailed to some other

address, in which case it shall be mailed to the address designated in such request. Deposit of the notice in a member's mailbox shall be considered the same as mailing. Such notice shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy, or who shall in writing or by telegraph waive notice thereof. Notice of any adjourned meeting need not be given, except when expressly required by law.

SECTION 6. Quorum. Except as otherwise provided by law, the presence in person or by proxy of a majority of the Association membership shall constitute a quorum at each meeting of the members for the transaction of business. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of those present in person or by proxy, or in the absence therefrom of all the members, any officer entitled to preside at, or to act as secretary of, such meeting, may adjourn such meeting from time to time until a quorum is present thereat. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 7. Record Book. The Secretary of the Association shall maintain a record of the name or names of the members of the Association. Upon the transfer of ownership of any lot in the Association, it shall be the obligation of the transferee to present to the Secretary evidence of such transfer, and upon receipt of such evidence (a photostatic or machine copy of a recorded deed shall be sufficient evidence), the Secretary shall note the transfer in the record book.

SECTION 8. Voting. For purposes of determining the right to vote at any meeting of the members, the information set forth in the record book shall be deemed conclusive except that the meeting may receive evidence as to the incorrectness of the information in the record book and the Secretary shall correct such record 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 record book as so corrected. Each membership unit may be voted by the owner thereof. In the event any such unit is owned by two or more persons, whether by joint tenancy, tenancy in common, community property, trust, or otherwise, the membership as to each unit shall be joint and a single membership for such unit shall be issued in the name of all, and they shall designate to the Association in writing at the time of issuance, one of their number who shall hold the membership and have the power to vote said membership, and in the absence of such designation and until such designation is made, the Board of Directors of the Association shall have the right to rely on the vote of those common owners present at a meeting. At all meetings of members, a quorum being present, all matters shall be decided by the vote of a majority of members present in person or by proxy and entitled to vote. Unless demanded by a member present in person or represented by proxy at any meeting of the members and entitled to vote, or unless so directed by the chairman of the meeting, the vote on any matter other than the election of directors need not be by ballot. Upon demand by any member 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 vote shall be taken. On a

vote by ballot, each ballot shall be signed by the person voting, or in his name by his proxy, and it shall show the number of memberships voted by him.

SECTION 9. Proxies. A holder of any interest in a membership may appoint any person to serve as his proxy for purposes of exercising his right to vote at any meeting of members. Any proxy appointment must be filed with the Secretary before the appointed time of each meeting or upon the calling to order of the meeting.

ARTICLE IV

Resignations

Any director or other officer may resign his office at any time by giving written notice of his resignation to the President or the Secretary of the Association. Such resignation shall take effect at the time specified therein or, if no time be specified therein, at the time of the receipt thereof, and the acceptance thereof shall not be necessary to make it effective.

ARTICLE V

Powers, Rights and Duties of the Association and Members Thereof

SECTION 1. General. The Association and its members shall have all the powers, rights, duties and obligations set forth in the Articles of Incorporation for the Association, these By-Laws, rules and regulations pursuant thereto, and recorded restrictions of the property, and as any of the same may be duly adopted or amended. No transfers of membership in the Association shall be made except as provided in said Articles of Incorporation, By-Laws, rules, regulations and restrictions and no such transfer shall be made upon the books of the Association within ten days next preceding the annual meeting of the members.

SECTION 2. Management Agreements. The membership and Board of Directors, or each of them, shall have the express authorization, right and power to enter into one or more management agreements with third parties in order to facilitate efficient operation of the common elements. It shall be the primary purpose of such management agreements to provide for the administration, management, repair and maintenance of said real property and all improvements thereon designated as common elements. The terms of said management agreements shall be as determined by the Board of Directors to be in the best interests of the Association, and shall be subject to the Articles of Incorporation, these By-Laws and the Declaration of Restrictions affecting said property.

SECTION 3. Common Area Improvements. On behalf of the Association, the Board, upon the affirmative vote of three-fourths (3/4) of the members of record entitled to vote, at a meeting called for that purpose, may contract, on behalf of the Association,

for the construction of such recreational facilities as may be deemed desirable by the membership.

SECTION 4. Execution of Contracts. In addition to the provisions of Article II, Section 6 and Article V, Sections 2 and 3 of these By-Laws, the Board may authorize any officer or officers, agent or agents, in the name and on behalf of the Association, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; except as is provided by Article II, Section 6 of these By-Laws with respect to the powers and authority of the President, and, unless so authorized by the Board or expressly authorized by these By-Laws, no officer or agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it pecuniarily liable for any purpose to any amount.

SECTION 5. Indebtedness. No loans shall be contracted on behalf of the Association, no negotiable paper shall be issued in its name and to no other indebtedness or liability, direct or contingent, in excess of \$1,000.00, shall the Association be subjected, unless authorized by the affirmative vote of three-fourths (3/4) of the memberships cast at a meeting held for the purpose of taking such a vote. When authorized by the membership so to do, any officer or agent of the Association thereunto authorized may effect loans and advances for the Association from any bank, trust company, or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds, or other certificates or evidences of indebtedness of the Association and may pledge, hypothecate or transfer any securities or other property of the Association as security for any such loans or advances. Such authority may be general or confined to specific instances.

SECTION 6. Checks, drafts, etc. All checks, drafts, and other orders for the payment of moneys out of the funds of the Association and all notes or other evidences of indebtedness of the Association shall be signed on behalf of the Association in such manner as shall from time to time be determined by resolution of the Board.

SECTION 7. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositaries as the Board may select or may be selected by any officer or officers, agent or agents of the Association to whom such power may from time to time be delegated by the Board; and, for the purpose of such deposit, the President, any Vice-President, the Treasurer, the Secretary or any other officer or agent or employee of the Association to whom such power may be delegated by the Board may endorse, assign and deliver checks, drafts and other orders for the payment of moneys which are payable to the order of the Association.

ARTICLE VI

Subdivision of Lot 27

Lot 27 shall be considered one lot for purposes hereof, unless it is hereafter subdivided in the manner provided by law, and in the event of such subdivision, each lot into which said Lot 27 may be subdivided shall be individually subject to all the terms and conditions hereof.

ARTICLE VII

Reserve

Subject to the provisions of the Articles of Incorporation of the Association, and to the extent permitted by law, the Board may determine and fix such sum or sums as the Board from time to time, in its absolute discretion, shall deem proper as a reserve fund to meet contingencies, or for repairing or maintaining any property of the Association, or for such other purposes as the Board shall deem conducive to the best interests of the Association.

ARTICLE VIII

Offices and Books

SECTION 1. Offices. The principal office of the Association shall be at such place in the City of Phoenix, County of Maricopa, as the Board may determine.

SECTION 2. Books. There shall be kept at the office of the Association in the City of Phoenix, Arizona, correct books of all the business and transactions of the Association, a copy of these By-Laws, which shall contain the names, alphabetically arranged, of all persons who are members of the Association, showing their respective places of residence, the lot or lots owned, and the time when they, respectively, became the owners thereof.

ARTICLE IX

Fiscal Year

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

ARTICLE X

Waiver of Notice

Whenever under the provisions of any law of the State of Arizona or of the Articles of Incorporation, as amended, or these By-Laws or any resolution of the Board,

the Association or the Board is authorized to take any action after notice to members or directors or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of any period of time, if, at any time before or after such action shall be completed, such notice or lapse of time shall be waived in writing by the person or persons entitled to said notice or entitled to participate in the action to be taken, or, in the case of a member, by an attorney thereunto authorized.

Any meeting at which all members or, in the case of a meeting of the Board, all directors are present, or with respect to which notice is waived by any absent member or director, may be held at any time, for any purpose and at any place, and shall be deemed to have been validly called and held; and all acts done and business conducted at any such meeting shall be deemed valid in all respects.

ARTICLE XI

Amendments

These By-Laws, or any of them, may be altered, amended or repealed, or new by-laws may be made, at any annual or special meeting, by two-thirds (2/3) of the membership having voting power, provided that the proposed action in respect thereof shall be stated in the notice of such meeting, or that such notice shall be waived; provided further, that no alteration, amendment or repeal of these By-Laws, or any provision thereof, may conflict alter or in any way effect the covenants, restrictions, reservations or conditions affecting the El Coronado Estates Unit Two subdivision.