

BYLAWS OF
QUAIL COVE
HOMEOWNERS' ASSOCIATION

ARTICLE I

Identity

Section 1. Declaration. These Bylaws shall govern the operation of Quail Cove Homeowners' Association (the "Corporation"), an Arizona nonprofit corporation created pursuant to that certain Amended and Restated Declaration of Protective Covenants, Conditions and Restrictions for Amended Plat of Quail Cove, as recorded on December 18, 1997, in Docket 10696, Page 1287, official records of Pima County, Arizona, as amended from time to time (the "Declaration"), which by this reference is incorporated herein. Any amendments to the Declaration shall automatically be incorporated herein, and all references to the Declaration shall be deemed to include any such amendments.

Section 2. Terms. Terms used herein which are defined in the Declaration shall have the same meanings as in the Declaration.

Section 3. Priority of Declaration. The provisions of the Declaration shall have priority over these Bylaws, and any provision hereof which is contrary to or inconsistent with the Declaration shall be void to the extent of such inconsistency.

Section 4. Principal Office. The principal office of the Corporation shall be located initially at 3550 N. First Ave., Suite 150, Tucson, Arizona 85719. Notices to be given to the Corporation shall be given at its principal office.

Section 5. Seal. The seal of the Corporation shall bear the name of the Corporation, the word "Arizona," the word "nonprofit" and the year of incorporation.

ARTICLE II

Membership

Section 1. Members. Membership in the Corporation shall be limited as set forth in the Declaration and the Articles of Incorporation of the Corporation.

Section 2. Meetings. Meetings of Members shall be held at the principal place of business of the Corporation or at such other convenient place as may be designated by the Board of Directors. The first annual meeting of the Members shall be held at such time as the Board of Directors shall

designate. Thereafter, annual meetings of the Members shall be held on the second Tuesday in February in each year beginning at 8:00 p.m. Special meeting of the Members may be called by the President or by a majority of the directors or by Members having at least one-fourth of the votes entitled to be cast at such meeting. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting, except as stated in the notice, unless by consent of two-thirds of the Members present, either in person or by proxy.

Section 3. Voting. The voting rights of the Members shall be as provided in the Declaration.

Section 4. Notice. Notice of all meetings of the members stating the time, the place and the objects for which the meeting is called shall be given by the President, Vice President or Secretary unless notice is waived in writing. Such notice must be in writing and addressed to each Member entitled to vote at such meeting at his address as it appears on the books of the Corporation (or if no such address appears, at his last known address), and shall be mailed not less than 10 days nor more than 50 days prior to the date of the meeting. Notice of meetings may be waived before, during, or after the meeting.

Section 5. Quorum. A quorum of members for any meeting shall be constituted by Members represented in person or by proxy and holding ten percent of the votes entitled to be cast at the meeting. Unless the vote of a greater number is required by these Bylaws, the Articles, the Declaration or Arizona law, the affirmative vote of a majority of the members represented at a meeting and entitled to vote shall be binding as the act of the Members.

Section 6. Adjourned Meetings. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting to a time not more than 48 hours from the time the original meeting was called.

Section 7. Order of Business. The order of business at all meetings of the Members shall be as follows:

- (a) Roll call and verification of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Appointment of inspectors of election when required.

- (g) Election of members of the Board of Directors when required.
- (h) Unfinished business.
- (i) New business.
- (j) Adjournment.

ARTICLE III

Board of Directors

Section 1. Number and Qualification. The business, property and affairs of the Corporation shall be managed, controlled and conducted by a Board of Directors. The Board of Directors shall consist of three members. The number of directors may be altered from time to time by resolution of a majority vote of the Board of Directors, or of the members of the Corporation represented and entitled to vote at any regular or special meeting called for such purpose, but only within the limits prescribed by the Articles. In the event of any increase in the number of directors in advance of the annual meeting, each additional director shall be elected by the then Board of Directors and hold office until his successor is elected and shall qualify. While there is a Class B Member, the directors need not be Members. Thereafter, each director shall be an Member or if a Member is a corporation, partnership or trust, a director may be a director, officer, partner or beneficiary of such Member. If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation, and may do all such acts and things as are not by law or otherwise directed to be exercised and done by the Members. The powers of the Board of Directors shall include, but not be limited to, all of the rights and duties of the Board of Directors as set forth elsewhere in these Bylaws, the Articles and the Declaration, and shall also include the power to promulgate such rules and regulations pertaining to the rights and duties of members of the Corporation, and all other matters, as may be deemed proper and which are consistent with the foregoing. The Board of Directors may delegate to one or more committees thereof, and to other persons, such duties and powers, all as appears to the Board of Directors to be in the best interests of the Corporation and to the extent permitted by law.

Section 3. Election and Term of Office. Except for vacancies filled by the remaining directors, election to the Board of directors shall be at the annual meeting by a majority vote of the Members represented and entitled to vote. The term of office shall be 2 years except at the first election one Director's term shall be for 1 year so as to stagger the term expiration dates.

Section 4. Vacancies. Vacancies on the Board of Directors caused by any reason shall be filled by vote of the majority of the remaining directors even though less than a quorum, or by the

remaining director if there be only one, and each person so elected shall be a director until his successor is duly elected by the Members of the Corporation and shall qualify.

Section 5. 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 Corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. Directors and officers, however, may be reimbursed for any actual expenses incurred in connection with their duties as such officers or directors.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least one such meetings (including an organizational meeting of the initial directors of the Corporation) shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone or telegraph, at least three days prior to the day named for the meeting.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the President or Secretary on three days' notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Upon the written request of at least two of the directors, special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice.

Section 8. Waiver of Notice. Before, at, or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be deemed to be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

Section 9. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the directors at a duly held meeting at which a quorum is present shall be regarded as the act of the Board unless the Articles, the Bylaws or the Declaration otherwise specifically requires the affirmative vote of a different number of directors on a specific matter.

Section 10. Adjournments. The Board of Directors may adjourn any meeting from day to day or for such other time as may be prudent or necessary in the interests of the Corporation, provided that no meeting may be adjourned for a period longer than 30 days.

Section 11. 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 of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 12. Fidelity Bonds. The Board of Directors may require, in its discretion, and shall require to the extent required by the Declaration, that all officers and employees of the Corporation handling or responsible for the Corporation's funds shall furnish fidelity bonds. In the event such bonds are required upon determination of the Board of Directors, the premiums therefor shall be paid by the Corporation.

Section 13. Committees. The Board of Directors may by resolution appoint committees of the Board, which committees shall have the powers and authority designated in the resolution or resolutions establishing them.

Section 14. Powers and Duties. Except as expressly set forth in the Declaration, the Articles, the Bylaws or by statute, all the powers and duties of the Association shall be exercised by the Board.

ARTICLE IV

Officers

Section 1. Designation. The principal officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors and all of whom shall be Members, except while there is a Class B Member. The directors may appoint an Assistant Secretary and an Assistant Treasurer, and such other officers as in their judgment may be necessary. Only a director may hold the office of President. Any one person may hold two or more offices at the same time, except that no one person shall simultaneously hold the office of President and Secretary.

Section 2. Election of Officers. The officers of the Corporation shall be elected annually by the Board of Directors and shall serve until resignation, removal or election of successor.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected.

Section 4. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office may be filled by vote of a majority of the Board of Directors. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the Members of the Corporation and of the Board of Directors. He shall have all of the general powers and duties which are normally vested in the office of the President of a corporation, including, but not limited to, the power to appoint committees from among the Members of the Corporation from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Corporation.

Section 7. Vice President. The Vice President (or the most senior Vice President, if there shall be more than one) shall take the place of the President and perform his duties whenever the President shall be absent, unable to act or refuses to act. If neither the President nor a Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. A Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 8. Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and the minutes of all meetings of the Members of the Corporation; he shall have custody of the seal of the Corporation; he shall have charge of the membership books and such other books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 9. Treasurer. The Treasurer shall have the responsibility for the Corporation's funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

Section 10. Compensation. No compensation shall be paid to officers for their services as officers. No remuneration shall be paid to an officer for services performed by him for the Corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken.

ARTICLE V

Miscellaneous

Section 1. Books and Accounts. The Board, at all times, shall keep, or cause to be kept by the Treasurer, true and correct records of account in accordance with generally accepted accounting principles, and shall have available for the inspection of all Members, at reasonable times, such books which shall specify in reasonable detail all expenses incurred and funds accumulated from assessments or otherwise. The membership records of the Corporation, the Declaration, the Articles and the Bylaws of the Corporation shall likewise be available for inspection by any member at the principal offices of the Corporation in accordance with the Declaration.

Section 2. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes, checks and contracts or other obligations shall be executed on behalf of the Corporation by such officer or officers of the Corporation as said Board shall designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be the calendar year, or such other period as the Board of Directors may deem appropriate.

Section 4. Conflict in Documents. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, or between the Articles and the Declaration, the Declaration shall control.

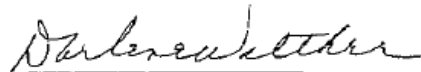
ARTICLE VI

Amendment of the Bylaws

These Bylaws may be amended by the affirmative vote of a majority of the Board of Directors except that, while there is Class B membership, amendments hereto must be approved by HUD/VA. These Bylaws may not be amended insofar as such amendment would be inconsistent with the Declaration or the Articles.

CERTIFICATE OF ADOPTION

_____ This is to certify that the foregoing Bylaws were duly adopted by the Board of Directors of Quail Cove Homeowners' Association at the organizational meeting of the Board of Directors duly held on the ___ day of _____, 199__.



Secretary