

BY-LAWS OF
SaddleBrooke Villas Association Nos. 34, 35, 35A, Inc.

ARTICLE I
Identity

Section 1. Declaration. These By-laws shall govern the operation of SaddleBrooke Villas Association Nos. 34, 35, 35A, Inc. (the "Corporation"), an Arizona nonprofit corporation.

Section 2. Terms. Terms used but not defined herein which are defined in the Declaration of Annexation and of Covenants, Conditions and Restrictions for SaddleBrooke Units 34, 35, 35A, which was or will be recorded, in the Official Records of Pinal County, Arizona, (the "Villas Declaration") shall have the same meanings as in the Villas Declaration.

Section 3. Principal Office. The principal office of the corporation shall be located initially in Sun Lakes, Arizona.

Section 4. Seal. The Board of Directors may obtain a seal for the Corporation which shall bear the name of the Corporation, the word "Arizona," the word "non-profit", the year of incorporation, and such other matters as the Board of Directors may elect.

ARTICLE II
Membership

Section 1. Members. Membership in the Corporation shall be as provided in the Villas Declaration.

Section 2. Meetings. Meetings of Members of the Corporation ("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 Villas Board. The first annual meeting of the Members shall occur within 12 months of incorporation on the second Monday in February, and shall continue to be held on the second Monday in February until Transition. The first annual meeting of the Members after Transition shall be held within sixty (60) days after Declarant no longer has the authority to appoint members to the Villas Board of the Corporation, as provided in the Villas Declaration or the Villas Articles, or at such earlier time as the Villas Board shall designate. Thereafter, annual meetings of the Owners shall be held on the third Monday in February in each year, as specified by the Villas Board. Special meetings of the Members may be called by the President of the Corporation, or by a majority of the members of the Villas Board, or by Members having at least twenty-five percent (25%) 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 the Members present, either in person or by proxy, holding two-thirds of the votes represented at the meeting.

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

Section 4. Notice. Not less than 10 nor more than 50 days prior to a meeting, 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 an officer of the Corporation. Any member may waive notice of the meeting. Such notice may be given by publishing the same in any newspaper of general circulation within the Property or Pinal County, or shall be mailed to each member entitled to vote at such 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 twenty-five (25) percent of the votes entitled to be cast at the meeting. Unless the vote of a greater number is required by these By-laws, the Villas Articles or Arizona law, the affirmative vote of a majority of the votes 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. Approval of Minutes of preceding meeting.
- B. Reports of officers.
- C. Reports of committees.
- D. Elections.
- E. General Business.
- F. 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 "Villas Board"). The Villas Board shall consist of the number of Members indicated in the Villas Articles. The number of Directors may be altered from time to time by resolution or a majority vote of the Villas Board, or of

the members of the Corporation 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 Villas Board and hold office until his successor is elected and shall qualify.

Section 2. Powers and Duties. The Villas Board 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 Villas Board shall include, but not be limited to, all of the rights and duties of the Villas Board as set forth elsewhere in these By-laws, the Villas Articles, the Villas Declaration and any other Villas Declaration (as defined in the Villas Articles) 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 Villas Board may delegate to one or more committees thereof, and to other persons, such duties and powers, all as appears to the Villas Board to be in the best interests of the Corporation and to the extent permitted by law.

Section 3. Election and Term of Office. The election and term of office of the directors shall be as provided in the Villas Articles.

Section 4. Vacancies. Subject to the right of the Declarant to appoint and remove directors until the Villas Transition Date, vacancies on the Villas Board 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 is 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 Villas Board 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. After the Villas Transition Date, regular meetings of the Villas Board may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Villas Board shall be given to each director, personally or by mail, telephone or telegraph, at least five days prior to the day named for the meeting.

Section 7. Special Meetings. Special meetings of the Villas Board may be called by the President or Secretary on five days' notice to each director, given personally by mail, telephone or telegraph, which shall state the time, place and purpose of the meeting. Upon the request of at least

two of the directors, special meetings of the Villas Board 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 Villas Board, 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 Villas 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 meetings of the Villas Board, no notice shall be required, and any business may be transacted at such meeting.

Section 9. Quorum. A majority of the Villas Board shall constitute a quorum for the transaction of business, but if at any meeting of the Villas Board there is 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 Villas Board unless the Villas Articles, these By-laws, the Villas Declaration or any Additional Declaration otherwise specifically requires the affirmative vote of a different number of directors on a specific matter.

Section 10. Adjournments. The Villas Board 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 actions approved shall have the same effect as though taken at a meeting of the Villas Board.

Section 12. Fidelity Bonds. The Villas Board may require, in its discretion, and shall require if and to the extent required by the Villas Declaration or any Additional Declaration, that any or 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 Villas Board, the premiums therefor shall be paid by the Corporation.

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

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 Villas

Board. The directors may appoint an Assistant Secretary and an Assistant Treasurer, and such other officers as in their judgement 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 from time to time by the Villas Board.

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

Section 4. Resignation of Officers. Any officers may resign at any time by giving written notice to the Villas 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 Villas Board. 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 Villas Board. 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 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 Villas 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 Villas Board.

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 Villas Board may direct; and he shall, in general, perform all 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 moneys 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 Villas Board.

ARTICLE V Elections

Section 1. First Election. In the election for the two directors elected by members in good standing of the Villas Association other than the Declarant, nominations must be received at the Principal Office no later than 30 days prior to the election date established by the Secretary. These two directors must be members of the Villas Association in good standing. All nominations will be placed on the ballot, and any member can nominate himself.

Section 2. Election Committee. For all subsequent elections, the Villas Board shall appoint an Election Committee Chairperson and an Election Committee at least ninety (90) days prior to the election date. The Election committee will consist of not less than three (3) regular members of the Villas Association who are in good standing, of which no more than one (1) may be a member of the Villas Board. The Election committee shall, within sixty (60) days of the election date, submit to the Villas Board a list of candidates for all offices to be filled.

Section 3. Nominations. Ten (10) or more regular members of the Villas Association may nominate other candidates and file such nominations over their signatures with the Election Committee Chairperson not less than forty five (45) days prior to the annual election. The names of all those so nominated shall be printed on one ballot. Cumulative voting is not permitted.

Section 4. Voting. No member shall be permitted to vote at any election who is thirty (30) days or more in default in the payment of any homeowner dues or assessments due the Association.

Section 5. Election Procedure. The Election Committee Chairman will conduct all facets of the election in accordance with the "Election Procedure" established by the Villas Board. Candidates receiving a plurality shall be declared elected by the Board. Any member of the Association may be present as an observer at the tabulation of votes. Following the tabulation, all ballots will be sealed and stored for a period of thirty (30) days from the date of tabulation. Any protest of accounting of votes or results must be filed within thirty (30) days from the date of tabulation. In case of dispute, the ballots will be retained as long as necessary.

ARTICLE VI
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.

Section 2. Execution of Corporate Documents. With the prior authorization of the Villas Board, 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 Villas Board shall designate.

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

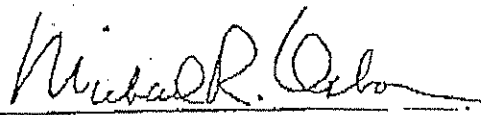
Section 4. Conflict in Documents. In the case of any conflict between the Villas Articles and these By-laws, the Villas Articles shall control. In the case of a conflict between these By-laws and the Villas Declaration, or between the Villas Articles or the Villas Declarations, the Villas Declarations shall govern and control.

ARTICLE VII
Amendment of the By-laws

These By-laws may be amended by the affirmative vote of a majority of the Villas Board. These By-laws may not be amended insofar as such amendment would be inconsistent with the Villas Declaration, any Additional Declaration or the Villas Articles.

ARTICLE VIII
Certificate of Adoption

The undersigned secretary does hereby certify that the foregoing By-laws were adopted by the Board of Directors of SaddleBrooke Villas Association Nos. 34, 35, 35A, Inc. at their organization and first meeting held on _____.



Secretary