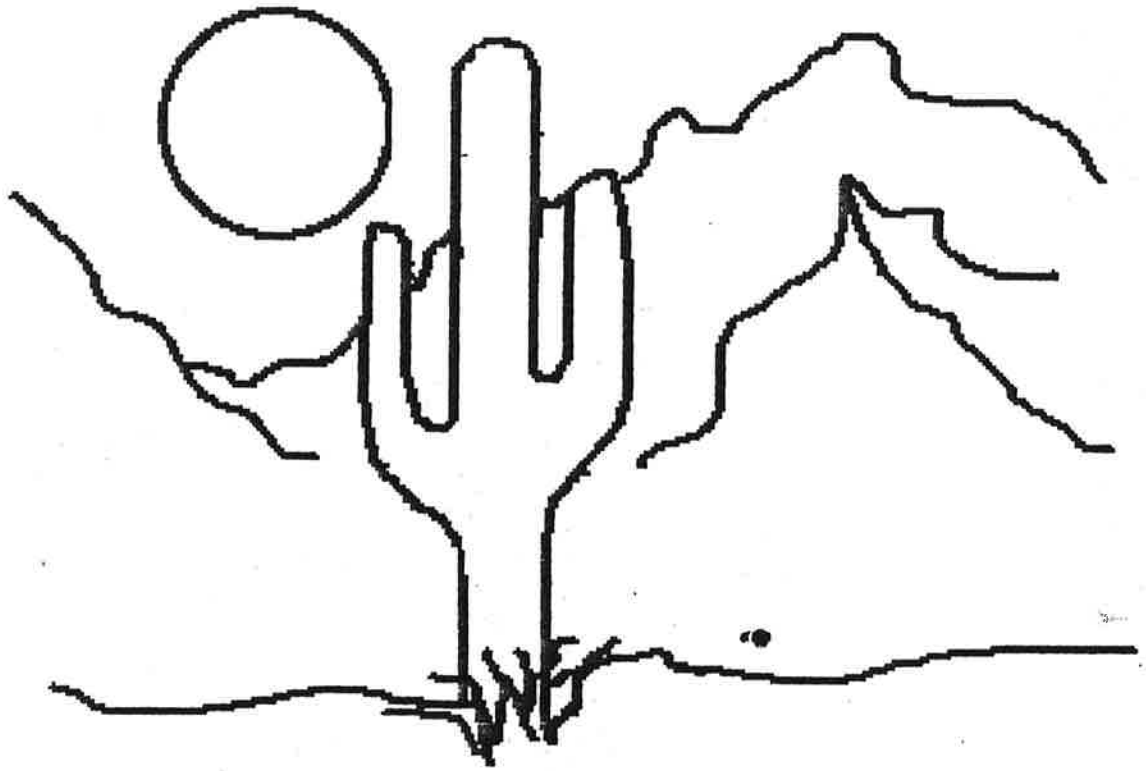


BY-LAWS



SAGUARO CANYON HOMEOWNERS' ASSOCIATION

January 16, 1999



**SKETCH SHOWING
COMMON AREAS and
ACCESS & UTILITY EASEMENTS IN
SAGUARO CANYON SUBDIVISION**

CBA CELLA BARR
ASSOCIATES
2025 North Sixth Avenue
Phoenix, Arizona 85016
(602) 434-7401

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EXHIBIT 1

7023 PAGE 1120

BY-LAWS
OF
SAGUARO CANYON HOMEOWNERS ASSOCIATION

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**BY-LAWS
OF
SAGUARO CANYON HOMEOWNERS' ASSOCIATION**

**ARTICLE I
NAME AND LOCATION**

Section 1. Name. The name of the corporation is Saguaro Canyon Homeowners' Association, Inc., hereinafter referred to as the "Association".

Section 2. Location. The principal office of the corporation and meetings of members and directors shall be at such place within the County of Pima as may be designated by the Board of Directors.

**ARTICLE II
DEFINITIONS**

Section 1. Association shall mean and refer to Saguaro Canyon Homeowners' Association, Inc., its successors and assigns.

Section 2. Common Area shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 3. Declarant shall mean and refer to Pulte Home Corporation, a Delaware corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 4. Declaration shall mean and refer to the Declaration of Covenants, Conditions and Restrictions, applicable to the Properties, recorded in the Office of the County Recorder of Pima County, Arizona.

Section 5. Lot shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties, with the exception of the Common Area.

Section 6. Member in good standing shall mean and refer to any person entitled to membership as provided in the Declaration, and who is current in the payment of assessments in the records of the Association.

Section 7. Owner shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 8. Properties shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 9. Proxy shall mean the authority given in writing by a member in good standing to another member in good standing or the Board of Directors that may be used to establish a quorum and direct the holder's vote on each specific issue before the membership at the annual meeting.

ARTICLE III MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the association, and each subsequent regular annual meeting of the members shall be held during the third week of May each year thereafter, the day and time to be designated by the Board of Directors. 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 or by the majority of the Board of Directors, or upon written request of the members in good standing who are entitled to vote one-fourth ($\frac{1}{4}$) of all of the votes of the 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 in good standing entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members in good standing entitled to cast, or of proxies entitled to cast, one-tenth ($\frac{1}{10}$) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these By-laws. If, however, such quorum shall not be present or represented at any meeting, the members in good standing entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. A reconvened meeting shall be called not later than forty-five (45) days from the date of adjournment. In the event the adjournment is more than 45 days, a new notice for the meeting shall be given to each member in good standing entitled to vote at the meeting.

Section 5. Proxies. At the meetings of members, each member in good standing 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 or her Lot. No proxy shall be voted or acted upon after twelve (12) months from its date unless the proxy provides for a longer period.

Section 6. 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 meeting because the meeting is not lawfully convened. Any member may waive notice of annual or special meeting of members by executing a written notice waiver either before or after the time of the meeting.

ARTICLE IV BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of not fewer than three (3) nor more than nine (9) Directors, who need not be members of the Association, the number to be determined by the Board of Directors.

Section 2. Term of Office. At the first annual meeting the members in good standing shall elect three directors for a term of one year, three directors for a term of two years and three directors for a term of three years. At each annual meeting thereafter the members in good standing shall elect as close as possible to one-half ($\frac{1}{2}$) of the directors each for a term of two years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members in good standing of the Association. In the event of death, resignation or removal of a director, his or her successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his or her predecessor.

Section 4. Compensation. No director shall receive compensation for any service he or she may render to the Association. However, any director may be reimbursed for actual expenses incurred in the performance of his or her duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take 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 the Nominating Committee. Nominations may also be made from the floor at the 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. Nominations may be made from among members in good standing or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot, except that by unanimous consent of the members present at the annual meeting the nominations made by the Nominating Committee and from the floor, if any, may be elected by voice vote. At such election the members in good standing 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 and Articles of Incorporation. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

**ARTICLE VI
MEETINGS OF DIRECTORS**

Section 1. Regular Meetings. Regular meetings shall be held monthly with notice as required by Arizona Revised Statutes for public meetings, 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 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 right 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 Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;

(c) 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 by-laws, the Articles of Incorporation, the Declaration or state law.

(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 meetings of the Board of Directors; and

(e) employ a manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties.

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 ($\frac{1}{4}$) of the members who are entitled to vote;

(b) supervise all officers, agents and employees of this 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 subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.

(d) 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:

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) cause the Common Area to be maintained.

Section 3. Indemnification of Officers, Staff, and Directors. The Association shall indemnify any and all persons who may serve, or who have served at any time, as officers, staff or directors of the Association, and their respective heirs, administrators, successors and assigns, against any and all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon such officer, staff member or director in connection with any proceeding to which such person may be made a party by reason of having been an officer, staff member or director of the Association, or any settlement thereof, except in relation to matters as to which any officer, staff member or director shall be adjudged in any proceeding liable for that person's negligence or misconduct in the performance of duty. In the event of a settlement of a suit, the indemnification provided for in this section shall apply only when the Board of Directors approves the settlement as in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of any other rights to which the officer, staff member or director may be entitled.

ARTICLE VIII OFFICERS AND THEIR DUTIES

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

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 Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless he or she shall sooner resign, be removed or otherwise disqualified to serve.

Section 4. Special Appointments. The Board 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 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 by giving written notice to the Board, the president and the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such 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 or she 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 offices created pursuant to Section 4 of this Article.

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 that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign and promissory notes of the Association. The president shall prepare and submit an annual report of the affairs of the Association to the members at each annual meeting.

(b) **Vice-president.** The vice-president shall act in the place and stead of the president in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(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 Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; 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.

(d) **Treasurer.** The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association; shall disburse such funds as directed by the Board of Directors; shall sign all checks and co-sign all promissory notes of the Association; shall keep proper books of account; cause an 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 meeting, and deliver a copy of each to the members.

ARTICLE IX COMMITTEES

Section 1. Architectural Control. The Architectural Control Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more member in good standings of the Association. The Committee chairman shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting.

Section 2. Nominating. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more member in good standings of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting.

Section 3. Other. The Board of Directors may appoint such other committees as may be deemed necessary for the proper operation of the Association.

ARTICLE X BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during the hours of 8:00 a.m to 5:00 p.m. Monday through Friday, except legal holidays, be subject to inspection by any member. The Declaration, Articles of Incorporation and the By-laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at a reasonable cost. The books and records of the Association shall be maintained in accordance with generally accepted accounting principles.

ARTICLE XI ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the 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, the assessment shall bear interest from the date of delinquency at the maximum rate provided by state law, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of the assessment. No Owner may waiver or otherwise escape

liability for the assessments provided for herein by non-use of the Common Area or the abandonment of his or her Lot.

ARTICLE XII CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words:

SAGUARO CANYON HOMEOWNERS' ASSOCIATION, INC. ARIZONA

ARTICLE XIII AMENDMENTS

Section 1. Amendments. These by-laws may be amended, at a regular or special meeting of the members in good standing, by a simple majority of a quorum present in person or by proxy.

Section 2. Conflict. In the case of any conflict between the Articles of Incorporation and these by-laws, the Articles shall control; and in the case of any conflict between the Declaration and these by-laws, the Declaration shall control.

ARTICLE XIV FISCAL YEAR

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

ARTICLE XV MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every owner of a Lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Voting Rights. The Association shall have one class of voting membership:

Class A. Class A members shall be all Owners, who shall be entitled to one vote for each Lot owned. When more than one person or entity holds an interest in any Lot, all such persons or entities shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

**ARTICLE XVI
VOTING LIMITATIONS**

Section 1. Suspension of Voting Rights. If an Owner, his or her family, or any licensee, lessee or invitee violates the Subdivision Rules, once adopted by the Board after Notice and Hearing, the Board may suspend the right of such person to vote his or her membership interest, under such conditions as the Board may specify, for a period not to exceed thirty (30) days for each violation.

Section 2. Right of Hearing. The Board shall provide each Owner, or any licensee, lessee or invitee with a Notice of Suspension of Voting Rights and right of Hearing prior to suspension of Voting Rights. Voting Rights may not be suspended until after Owner has been notified of the results of the Hearing.

IN WITNESS WHEREOF, we, being all of the directors of SAGUARO CANYON HOMEOWNERS' ASSOCIATION, INC. have hereunto set our hands this 16TH day of JANUARY, 1999.

[Signature]
Leroy A. Sayre

[Signature]
James Smith

[Signature]
Michael Villeburn

[Signature]
Tina Gentry

[Signature]
Donald R. Schlup

[Signature]
Gene Pearson

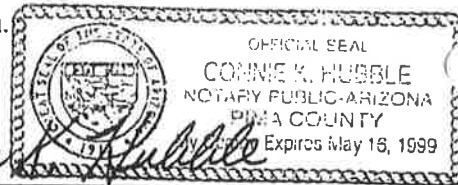
STATE OF ARIZONA)
) ss:
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this 11th day of MAY, 1999 by Leroy A. Sayre, James Smith, Michael Villeburn, Tina Gentry, Gene Pearson and Donald R. Schlup as directors of SAGUARO CANYON HOMEOWNERS' ASSOCIATION, INC. on behalf of the said association.

My Commission Expires:

MAY 16, 1999

[Signature]
Notary Public



CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of SAGUARO CANYON HOMEOWNERS' ASSOCIATION, INC., an Arizona corporation; and

THAT the foregoing by-laws constitute the current by-laws of said Association, as duly adopted at a meeting of the membership held on the 16TH day of JANUARY, 1999, and approved and ratified by Board of Directors of the Association at a meeting on the 3RD day of FEBRUARY, 1999.

IN WITNESS WHEREOF I have hereunto subscribed my name and affixed the seal of said Association this 11th day of MAY, 1999.



[Signature]
Michael Villeburn, Secretary