

BYLAWS
OF
CONTINENTAL TOWNHOUSE I ASSOCIATION
A NONPROFIT CORPORATION

ARTICLE I
Offices

Section 1: Principal Office: The principal office of the corporation shall be located at Flagstaff, Arizona.

Section 2: Registered Office: The registered office of the corporation required by law to be maintained in the State of Arizona may be, but not need to be, identical with the principle office.

Section 3: Other Offices: The corporation may have offices at such other places, either within or without the State of Arizona, as the Board of Directors, from time to time, may determine, or as the affairs of the corporation may require.

ARTICLE II
Meeting of Members

Section 1: Place of Meetings: All meeting of members shall be held at the principle office of the corporation or at such other place, either within or without the State of Arizona, as shall be designated in the notice of the meeting or agreed upon by a majority of the members entitled to vote thereat.

Section 2: Annual Meetings: The annual meeting of members shall be held at 4:00 p.m. on the Saturday before Labor Day each year, if not a legal holiday, but if a legal holiday then on the next day following not a legal holiday, for the transaction of such business as may be properly brought before the meeting.

Section 3: Substitute Annual Meeting: If the annual meeting shall not be held on the day designated by these bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4: Special Meetings: Special meetings of the members may be called at any time by the President, Secretary or Board of Directors of the corporation, or by any member pursuant to the written request of not less than five percent (5%) of the total vote of the members as specified in Section 9 of this Article.

Section 5: Notice of Meetings: Written or printed notice stating the time, place, day and hour of the meeting shall be delivered not less than ten (10) days nor more than fifty (50) days before the date thereof, either personally or by the United States Postal Service, by or at the direction of the President, Secretary or other person calling the meeting to each member of record of the corporation.

In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted unless it is a matter upon which the vote of members is expressly required by the provisions of the Declaration of Covenants, Conditions and Restrictions. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to file any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 6: Voting Lists: A voting list shall not be required to be prepared if the record of members actually present at the meeting shows in alphabetical order or by alphabetical index the name of each member with his address; except that on demand of any member rendered at least twenty (20) days prior to any meeting, a voting list shall be prepared by the Secretary of the corporation. Only voting members, as defined in the Declaration of Covenants, Conditions and Restrictions, shall be entitled to vote and included in the voting list.

Section 7: Quorum: Twenty percent (20%) of the members entitled to vote, represented in person or by proxy, shall constitute a quorum at the opening of a meeting of members.

The members present at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

In the absence of a quorum at the opening of any meeting of members, such meeting may be adjourned from time to time by the majority of the votes on the motion to adjourn; and at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 8: Proxies: A member may vote either in person or by one or more agents authorized by a written proxy executed by the member or by his duly authorized attorney-in-fact. A proxy shall not be valid after the expiration of eleven (11) months from the date of its execution unless the person executing it specified therein the length of time for which it is to continue in force, or limits its use to a particular meeting.

Section 9: Voting: On all matters upon which members shall be entitled to vote, each member shall have a vote as provided in the Declaration of Covenants, Conditions and Restrictions recorded in the office of the County Recorder, Coconino County, Arizona.

Where the Declaration of Covenants, Conditions and Restrictions provides for the designation of a voting member, the designation shall be made by filing a writing with the Secretary of the corporation which shall set forth the name of the individual voting member and warrant to the corporation that the corporation shall be entitled to rely upon the authority granted thereby until such time as the designation has been revoked. The revocation of the designation of a voting member shall be affected by filing a writing with the Secretary of the corporation which shall state the name of the voting member whose authority is thereby revoked and which shall designate a successor voting member who shall thereafter be the voting member. No other means of revocation of the designation of a voting member shall be effective.

Except as otherwise may be provided in these bylaws, the Declaration of Covenants, Conditions and Restrictions or the Articles of Incorporation, the majority of votes cast by the voting members on any matter at a meeting of members at which a quorum is present shall be the act of the members on that matter. Voting in all matters except the election of directors shall be by voice vote or by a show of hands unless the holders of one-tenth (1/10) of a vote represented at the meeting, prior to voting on any matter, demand a ballot on that particular matter.

Section 10: Informal Action: Any action which may be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and filed with the Secretary of the corporation to be kept in the corporate minute book.

ARTICLE III Directors

Section 1: General Powers: The business and affairs of the corporation shall be managed by the Board of Directors or by a management firm pursuant to the management agreement between the management firm and the corporation.

All the powers and duties of the corporation shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles, these bylaws, and the Declaration of Covenants, Conditions and Restrictions. Such powers and duties shall be exercised in accordance with the Articles, these bylaws, and the Declaration of Covenants, Conditions and Restrictions, and shall include, without limiting the generality of the foregoing, the following:

(a) To make, levy and collect assessments against members and members' interest in Lots to defray the cost of the Lots, as provided in the Declaration of Covenants, Conditions and Restrictions, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the corporation, and,

(b) To maintain, repair, replace, operate and manage Continental Townhouse I wherever the same is required to be done and accomplished by the corporation for the benefit of its members as provided in the Declaration of Covenants, Conditions and Restrictions; and further, to approve any expenditure made or to be made for said purposes; and,

(c) To make, amend and enforce rules and regulations governing the use of Continental Townhouse I as provided in the Declaration of Covenants, Conditions and Restrictions; and,

(d) To pay all taxes and assessments which are or may become liens against any part of the Continental Townhouse I as provided in the Declaration of Covenants, Conditions and Restrictions, and to assess the same against the members and their respective Lots subject to such liens; and,

(e) To pay all costs of power, water, ^{sewer} and other utility services rendered to Continental Townhouse I not billed to the owners of Lots; and,

(f) To designate and remove personnel necessary for the maintenance, repair, replacement and operation of Continental Townhouse I; and,

(g) To assign all management duties to a management firm pursuant to a management agreement, if the Board of Directors determines that employment of a management firm is in the best interests of the Association.

Section 2: Number, Term and Qualifications: The number of directors of the corporation shall be three (3), all of whom must be Lot Owners, as defined in the Declaration of Covenants, Conditions and Restrictions, or officers or employees of a corporate Lot Owner, or parties in a partnership Lot Owner, or spouses of individual Lot Owners.

At the next annual meeting of the members, the candidate for the Board of Directors receiving the greatest number of votes shall be elected to the Board for a term of three (3) years, and the term of office of the candidate receiving the next highest number of votes shall be two (2) years, and, likewise, the term of office for the candidate receiving the third highest number of votes shall be one (1) year. At the expiration of the initial term of each director, his successor shall be elected to serve a term of three (3) years. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified. Directors need not be residents of the State of Arizona.

Section 3: Appointment and Election of Directors: Except as provided in Section 6 of this Article, the directors shall be elected at the annual meeting of the members; and those persons who receive the highest number of votes shall be deemed to have been elected. If any member so demands, elections of directors shall be by secret ballot.

Section 4: Cumulative Voting: Cumulative voting shall not be permitted in the election of the Board of Directors.

Section 5: Removal: A director may be removed from office pursuant to any procedure set forth in the Articles regardless of whether the procedure is adopted by amendment after the election of the individual to be removed as a director.

Section 6: Vacancies: A vacancy occurring in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director; but a vacancy created by an increase in the authorized number of directors shall be filled only by election at an annual meeting or at a special meeting of members called for that purpose.

Section 7: Chairman: There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.

Section 8: Compensation: The Board of Directors shall not compensate directors for their services as such but may provide for the payment of all expenses incurred by directors in attending regular and special meetings of the Board.

Section 9: Fidelity Bond: The Board of Directors may require that any or all officers of the corporation handling funds of the corporation furnish a fidelity bond in any amount determined by the Board of Directors, the premium for which shall be paid by the corporation.

ARTICLE IV Meeting of Directors

Section 1: Regular Meetings: A regular meeting of the Board of Directors shall be held immediately after, and at the same place as the annual meeting of members. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of Arizona for the holding of additional regular meetings.

Section 2: Special Meetings: Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) directors. Such meetings may be held either within or without the State of Arizona.

Section 3: Notice of Meetings: Regular meetings of the Board of Directors may be held without notice.

The person or persons calling a special meeting of the Board of Directors shall, at least two (2) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Section 4: Waiver of Notice: Any director may waive notice of any meeting. The attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5: Quorum: A majority of the Board of Directors fixed by these bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 6: Manner of Acting: Except as otherwise provided in these bylaws, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7: Presumption of Assent: A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 8: Informal Action by Directors: Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

ARTICLE V Officers

Section 1: Number: The officers of the corporation shall consist of a President, a Vice-President, a Secretary, a Treasurer, and such assistant secretaries, treasurers and other officers as the Board of Directors may from time to time elect. Any two (2) or more offices may be held by the same person, except that no officer may act in more than one (1) capacity where action of two (2) or more officers is required.

Section 2: Election and Term: The officers of the corporation shall be elected by the Board of Directors. Such elections may be held at any regular or special meeting of the Board. Each officer shall hold office until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified.

Section 3: Removal: Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever the Board determines that the best interests of the corporation would be served hereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4: Compensation: The compensation of all officers of the corporation shall be fixed by the Board of Directors.

Section 5: President: The President shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall supervise and control the management of the corporation in accordance with these bylaws.

He shall, when present, preside at all meetings of members. He shall sign with any other proper officer, any deeds, leases, mortgages, bonds, contracts, or other instruments which may be lawfully executed on behalf of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent and, in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6: Vice-President: The Vice-President unless otherwise determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, he shall perform such other duties and have such powers as the Board of Directors shall prescribe.

Section 7: Secretary: The Secretary shall keep accurate records of the acts and proceedings of all meetings of members and directors. He shall give all notices required by law and by these bylaws. He shall have general charge of the corporate books and records. He shall have general charge of the membership books of the corporation and shall keep, at the registered or principal office of the corporation, a record of members showing the name and address of each member. He shall sign such instruments as may require his signature, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be assigned him from time to time by the President or by the Board of Directors.

Section 8: Treasurer: The Treasurer, except as may be provided in the management agreement, shall have custody of all funds and securities belonging to the corporation and shall receive, deposit or disburse the same under the direction of the Board of Directors. He shall keep full and accurate accounts of the finances of the corporation in books especially provided for that purpose; and he shall cause a true statement of its assets and liabilities as of the close of each fiscal year and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, to be made and filed at the registered or principal office to the corporation. The Treasurer shall, in general, perform all duties incident to this office and such other duties as may be assigned to him from time to time by the President or by the Board of Directors.

ARTICLE VI

Contracts, Liens, Checks and Deposits

Section 1: Contracts: Consistent with the purpose of the corporation as contained in the Articles, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract, lease, or execute and deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances. The Board of Directors may enter into employment contracts for any length of time it deems wise.

Section 2: Loans: No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or specific in nature and scope.

Section 3: Checks and Drafts: All checks, drafts or other orders for the payment of money issued in the name of corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4: Deposits: All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such depositories as the Board of Directors shall direct.

ARTICLE VII

General Provisions

Section 1: Seal: The corporation waives the use of a corporate seal.

Section 2: Waiver of Notice: Whenever any notice is required to be given to any member of director under the provisions of the Declaration of Covenants, Conditions and Restrictions or under the provisions of the Articles or bylaws of the corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 3: Amendments: Except as otherwise provided herein or in the Declaration of Covenants, Conditions and Restrictions, these bylaws may be amended or repealed and new bylaws may be adopted by a two-thirds (2/3) vote of the Board of Directors of the Association.

Section 4: Fiscal Year: The fiscal year of the corporation shall be fixed by the Board of Directors.

Section 5: Indemnification: Any person who at any time serves or has served as a director, officer, employee or agent of the corporation, or in such capacity at the request of the corporation for any other corporation, partnership, joint venture, trust or other enterprise, shall have a right to be indemnified by the corporation to the fullest extent permitted by law against (a) reasonable expenses, including attorney's fees, actually and necessarily incurred by him in connection with any threatened or pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the corporation, seeking to hold him liable by reason of the fact that he is or was acting in such capacity and (b) reasonable payments made by him in satisfaction of any judgment money decree, fine, penalty, or settlement for which he may become liable in any such action, suit or proceeding.

The Board of Directors of the corporation shall take all such action as may be necessary and appropriate to authorize the corporation to pay the indemnification required by this bylaw, including without limitation, to the extent needed making a good faith evaluation of the manner in which the claimant for indemnity due him and giving notice to, and obtaining approval by, the members of the corporation.

Any person who at any time after the adoption of this bylaw serves or has served in any of the aforesaid capacities for or on behalf of the corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such rights shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this bylaw.

Section 6: Mortgages: Any Lot Owner who mortgages his Lot or his interest therein shall notify the corporation of the name and addresses of his mortgagee, and the corporation shall maintain a record of mortgages. At the request of any mortgagee, the corporation shall report to the requesting mortgagee any unpaid assessments due from its mortgagor. All mortgagees shall have the rights granted to them in the Declaration of Covenants, Conditions and Restrictions and nothing contained herein shall contravene said rights.

Section 7: Effective Date: These bylaws were adopted by the Board of Directors on the 23rd day of September, 1986, are effective on that date, and supercede all bylaws previously in force within the Association.