

CITATION GARDENS COOPERATIVE NO.4

BY-LAWS

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BY-LAWS

OF

CITATION GARDENS COOPERATIVE NO. 4

ARTICLE I

Name and Location of Corporation

Section 1. The name of this Corporation is CITATION GARDENS COOPERATIVE CORPORATION NO.4. Its principal office is located at 1482/1470 South Palo Verde, Tucson, Arizona.

ARTICLE II

Purpose

Section 1. The purpose of this Corporation is to provide its members with housing on a nonprofit base consonant with the provisions set forth in its Articles of Incorporation.

ARTICLE III

Membership

Section 1. Eligibility:

Any natural person approved by the Board of Directors shall be eligible for membership, provided that he or she executes a Subscription Agreement and an Occupancy Agreement, in the usual form employed by the corporation, covering a specific unit in the housing project.

Section 2. Application for Memberships and Priorities for Displaced Families:

Applications for membership shall be filed in person on a form of subscription Agreement prescribed by the Board of Directors and approved by the FHA. Applications by families displaced from an urban renewal area or as a result of governmental action (hereinafter referred to as priority applicants) shall be given an absolute preference or priority of membership which shall be accomplished as follows:

- (a) At the time of the original solicitation for members, a public offering adequately noticed as to the priorities and preferences of the priority applicants shall be made.

- (b) Priority applicants who fill an application within a preferred filing period of sixty (60) days from the date of public offering unless a shorter filing period is approved in writing by the Preferred Members, shall be approved or disapproved for membership before any non-priority applicant is approved for membership. After all priority applicants who have filed within the preferred filing period have been either approved or disapproved for membership, or after the expiration of the preferred filing period if no priority applicants have filed within such filing period, then priority applicants shall be approved or disapproved for any available memberships before any non-priority applicant is approved except that at such times as there are sufficient memberships available to satisfy all pending priority applicants, non-priority applicants may be approved.

Section 3.

Members:

The members shall consist of the incorporators and such subscribers as have been approved for membership by the Board of Directors and who have paid for their stock and received stock certificates.

Section 4.

Transfer of Membership:

Except as provided herein, membership shall not be transferable.

(a) Death of Member

If, upon death of a member, his stock in the corporation passes by will or interstate distribution to a member of his immediate family, such legatee or distributee may, by assuming in writing the terms of the Occupancy Agreement within sixty (60) days after member's death, and paying all amounts due thereunder, become a member of the corporation. If member dies and an obligation is not assumed in accordance with the foregoing, then the corporation shall have an option to purchase the stock from the deceased member's estate in the manner provided in paragraph (b) of this Section, written notice of death being equivalent to notice of intention to withdraw. If the corporation does not exercise such option, the provisions of paragraph (c) of this Section shall be applicable, the references to "member" therein to be construed as referenced to the legal representative of the deceased member.

(b) Option of Corporation to Purchase

If the member desires to leave the project, he shall notify the corporation in writing of such intention and the corporation shall have an option for a period of thirty (30) days thereafter, but not the obligation, to purchase the member's share of common stock and right of occupancy purchase, at an amount to be determined by the corporation as representing the book value thereof, less any amounts due by the member to the corporation. The purchase by the corporation of the member's stock will immediately terminate the member's rights and the member shall forthwith vacate the premises.

(c) Procedure Where Corporation Does Not Exercise Option

If the corporation waives in writing its right to purchase the member's stock under the foregoing option, or if the corporation fails to exercise such option within a thirty (30) day period, the member may sell his stock to any person who has been duly approved by the Corporation as a member.

Prospective members are provided with an orientation to the cooperative housing concept during a meeting with the Board of Directors and the manager.

When the prospective member consents to the concept of cooperative living, the terms of the Occupancy Agreement and what is expected of the prospective member are thoroughly explained.

The stock exchange takes place when the membership has been approved.

- (d) Transfers made pursuant to Section 5(a) (2), (b) or (c) shall be subject to the priorities and preferences for the priority applicants in Section 2 of Article III.

Section 5. Termination of Membership

In the event the corporation has, pursuant to the provisions of the Occupancy Agreement, terminated the rights of a member under said Occupancy Agreement and repossessed the dwelling unit, the member shall be required to deliver promptly to the corporation his share or shares of stock and his Occupancy Agreement, both endorsed in such manner as may be required by the corporation. The corporation shall thereupon at its election either (1) repurchase said stock at its book value as determined by the corporation, or (2) proceed with reasonable diligence to effect a sale of the member's rights under such share or shares of stock to a purchaser and at a sales price acceptable to the corporation.

The retiring member shall be entitled to receive the book value (if the corporation has exercised election (1) above) or the sales price (if the corporation has exercised (2) above) but in either case less the following amounts (the determination of such amounts by the corporation to be conclusive):

- (a) any amounts due to the corporation from the member under the Occupancy Agreement;
- (b) the cost or estimated cost of all deferred maintenance deemed necessary by the corporation to place the dwelling unit, in suitable condition for another occupant; and
- (c) legal and other expenses incurred by the Corporation with the default of such member and the resale of his stock.

ARTICLE IV

Meetings of Members

Section 1. Place of Meetings:

Meetings of the membership shall be held at the principal office or place of business of the corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings: AMENDED NOVEMBER 1, 2003

The annual meeting of the Corporation shall be held within the first sixty (60) days but not later than February 28 or 29 of a calendar year (or alternate date as determined by the Board of Directors). At such a meeting there shall be elected by ballot of the members a Board of Directors in accordance with the requirements of Section 3 of Article V of these By-Laws. The members may also transact such other business of the corporation as may properly come before them.

Section 3. Special Meetings:

It shall be the duty of the President to call a special meeting of the corporation as directed by resolution of the Board of Directors, or upon a petition signed by 20% (9) of the members having been presented to the Secretary, or a the request of the Federal Housing Commissioner, or his duly authorized representative. 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.

Section 4. Notice of Meetings:

It shall be the duty of the Secretary to mail a notice of each annual or special meeting stating the purpose there of as well as the time and place where it is to be held, to each stockholder of record, at his address as it appears on the stock books of the corporation, or if no such address appears, at his last known place of address, at least ten (10) but not more than forty (40) days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered notice served. Notices of all meetings shall be mailed to the Director of the local insuring office of the Federal Housing Administration.

Section 5. Quorum: AMENDED NOVEMBER 1, 2003

The presence, either in person, by proxy, or by official absentee ballot, of at least twenty-five percent (25%) of the members of record of the corporation shall be requisite for, and shall constitute a quorum for the transaction of business of all meetings of 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, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight hours from the time the original meeting was called, and those who attend such an adjourned meeting, although less than a majority of the membership, shall nevertheless constitute a quorum for the purpose or purposes of said meeting, provided at least fifteen percent (15%) of the membership is present either in person or proxy.

Section 7. Voting: AMENDED NOVEMBER 1, 2003

At every meeting of the members, each member present, either in person, by proxy, or by official absentee ballot, shall have the right to cast one vote on each question, and never more than one vote, without regard to the amount of shares of stock standing in the name of the member on the books of the Corporation. The vote of the majority of those present, in person, by proxy, or by official absentee ballot shall decide any question brought before such meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. No member shall be eligible to vote or to be elected to the Board of Directors who is shown on the books or management accounts of the Corporation to be more than thirty (30) days in arrears in payments due the Corporation under his or her Occupancy Agreement.

Section 8. Proxies: AMENDED NOVEMBER 1, 2003

A member may appoint anyone as a proxy. But in no case may a member cast more than one vote by proxy in addition to his or her vote. The proxy must be in a form issued by the Corporation. All proxies must be filed in writing with the Secretary prior to the President calling the meeting to order.

Section 9. Order of Business:

The order of business at all meetings of the stockholders shall be as follows:

- (a) Roll Call
- (b) Proof of notice of meeting, or waiver of notice
- (c) Reading of minutes of preceding meeting
- (d) Reports of Officers
- (e) Report of Federal Housing Administration representative, if present
- (f) Report of Committees
- (g) Election of inspectors of election
- (h) Election of Directors
- (i) Unfinished business
- (j) New business.

ARTICLE V

Directors

Section 1. Number and Qualification:

The affairs of the corporation shall be governed by a Board of Directors composed of five (5) persons, a majority of whom shall be stockholders in the corporation.

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. The powers of the Board of Directors shall include but not be limited to:

- (a) To accept or reject all applications for membership and admission to occupancy of a dwelling unit in the cooperative housing project, either directly or through an authorized representative;
- (b) To establish monthly carrying charges prescribed in the Occupancy Agreement, based on an annual operating budget formally adopted by such Board.

- (c) To promulgate such rules and regulations pertaining to use and occupancy of the premises as may be deemed proper and which are consistent with these By-Laws and the Articles of Incorporation.
- (d) To employ with the approval of the Preferred Stockholder, a manager or managing agent, independent contractors, or other employees as they (Board) deem necessary and to prescribe the duties of such persons.
- (e) The subleasing or renting of a unit may be permitted ONLY with the approval of the Preferred Members, and shall require preference or priority of occupancy to be given to displaced families in a manner to be prescribed by the Preferred Members.

Section 3. Election and Term of Office:

At the first annual meeting of the members, the term of office of two (2) directors shall be fixed for three (3) years. The terms of office of two (2) directors shall be fixed two (2) years, and the term of office of one (1) director shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 4. Vacancies:

Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership or by the vote of the preferred stockholders, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting.

Section 5. Removal of Directors:

Any one or more of the Directors elected by the common stockholders may be removed with or without cause at any time by a vote of the majority of the entire membership of the corporation at any regular or special meeting duly called, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the member shall be given the opportunity to be heard at the meeting. Any Director elected by the preferred stockholders may be removed only pursuant to the provisions of the Articles of Incorporation.

Section 6. 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. No remuneration or compensation shall in any case be paid to a Director without the approval of the preferred stockholders. A Director may not be an employee of the corporation.

Section 7. Organizational Meeting:

The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing the majority of the whole Board shall be present.

Section 8. 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 two such meetings 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 (3) days prior to the day named for each meeting.

Section 9. Special Meetings:

Special meetings of the Board of Directors may be called by the President on three (3) days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three (3) Directors.

Section 10. Waiver of Notice:

Before or at 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 a waiver of notice by him at 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 11. Quorum:

At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Fidelity Bonds:

The Board of Directors shall require that all officers and employees of the corporation handling or responsible for corporate funds shall furnish adequate fidelity bonds. The premiums of such bonds shall be paid by the Corporation.

ARTICLE VI.

Officers

Section 1. Designation:

The principal officers of the corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by and from the Board of Directors. One person may hold the office of Secretary and Treasurer.

Section 2. Election of Officers:

The officers of the corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers:

Upon an affirmation 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 at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President:

The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the members and the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including but not limited to the power to appoint committees from among the membership 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 5. Vice President:

The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to so do on a interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary:

The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the corporation; he shall have the custody of the seal of the corporation; he shall have charge of the stock transfer books and of 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 7. Treasurer:

The Treasurer shall have responsibility for corporate 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 Board of Directors.

Section 8 Delegation:

The Board with the approval of the Preferred Stockholders may delegate the duties listed above or other duties to a manager or managing agent, or other; however, such delegation shall not relieve any member of the Board of his responsibilities for such duties.

ARTICLE VII

Capital Stock

Section 1. Authorized Capital:

The authorized capital stock of the corporation shall consist of 809,800 shares of common stock, at the par value of \$1.00 per share and 100 shares of preferred stock of a value of \$1.00 per share, which shares shall have the preferences and restrictions provided herein and in the Articles of Incorporation.

Section 2. Stock Certificates:

Each share certificate shall state that the corporation is organized under the laws of the State of Arizona, the name of the registered holder of the shares represented thereby, the number of shares represented by such certificate, and the par value of each share, the corporation lien rights as against such shares as set forth in Section 6 of this Article, and the preferences and restrictions applicable thereto, and shall be in such form as shall be approved by the Board of Directors. Stock certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to full payment. Every stock certificate shall be signed by either the President or Vice President, and the Secretary, and shall be sealed with the corporate seal.

Section 3. Book Value:

Whenever the corporation elects to purchase the stock of a member as set forth in Article III, Sections 5 and 6 of these By-Laws, the term "book value" shall be understood to mean the proportionate amount of the net worth of the corporation attributable to such holdings as of a given date. For the purposes of this computation, net worth consists of the share capital paid in by the members as increased or diminished by the reserve or surplus accounts listed under the capital account classification on the most recent balance sheet prepared in accordance with the F.H.A. Uniform System of Accounts.

Section 4. Lost Certificates:

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the share certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the corporation a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the corporation.

Section 5. Transfer of Stock:

No transfer of stock shall be made upon the books of the corporation within ten (10) days next preceding the annual meeting of the stockholders.

Section 6. Lien:

The corporation shall have a lien of the shares of the outstanding common stock in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under the Occupancy Agreement.

ARTICLE VIII

Issuance of Special Stock to F.H.A.

Section 1. Rights of Preferred Stockholders:

The rights and privileges of the common stock of the corporation and the management, operation and control of the affairs of the corporation shall be subject to rights, powers and privileges of the preferred stock of the corporation registered in the name of the Federal Housing Administration as provided in the Articles of Incorporation.

ARTICLE IX

Amendments AMENDED NOVEMBER 1, 2003

Section 1. These By-Laws may be amended by two-thirds vote of the members present, either in person, by proxy, or by official absentee ballot and voting at any regular or special meeting, provided that a quorum as prescribed in Section 5, Article IV herein, is present at any such meeting and provided further, that no amendment shall become effective unless and until it has received the written approval of the holders of the preferred stock. Amendments may be proposed by the Board of Directors or by petition signed by at least twenty percent (20%) of the members. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted on.

ARTICLE X

Corporate Seal

Section 1. Seal:

The Board of Directors shall provide a suitable corporate seal containing the name of the corporation, which seal shall be in charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer.

ARTICLE XI

Fiscal Management

Section 1. Fiscal Year:

The fiscal year of the Corporation shall begin in January every year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate, but not without the prior written approval of the holders of the approved stock.

Section 2. Books and Accounts:

Books and accounts of the corporation shall be kept under the direction of the Treasurer and in accordance with the Uniform System of Accounts prescribed by the F.H.A. Commissioner.

Section 3. Auditing:

At the closing of each fiscal year, the books and records of the corporation shall be audited by a Certified Public Accountant, whose report will be prepared and certified in accordance with the requirements of the holders of the preferred stock. Based on such reports, the corporation will furnish its members with a statement of the income and disbursements of the corporation for each fiscal year as provided in the Occupancy Agreements.

Section 4. Inspection of Books:

Financial reports such as are required to be furnished to the Federal Housing Administration and the membership records of the corporation shall be available at the principal office for inspection at reasonable times by any members.

Section 5. Execution of Corporate Documents:

With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the corporation by either the President or Vice President or the Housing and Urban Development approved manager or managing agent, and all checks shall be executed on behalf of the corporation by;

- (1) Either the President or Vice President, and countersigned by either the Secretary or the Treasurer.
or
- (2) By the Housing and Urban Development approved manager or managing agent.